Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities have not been registered under the U.S. Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act.

FOSUN 复星

FOSUN INTERNATIONAL LIMITED

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

(Stock Code: 00656)

PROPOSED ISSUE OF USD SENIOR NOTES

The Company proposes to conduct an international offering of guaranteed senior notes. In connection with the offering, the Company will provide certain institutional investors with recent corporate and financial information regarding the Group and some of such information may not have previously been made public. An extract of such recent information is attached to this announcement, and can also be viewed at the Company's website www.fosun-international.com at approximately the same time when such information is released to the institutional investors.

The completion of the Proposed Notes Issue is subject to market conditions and investor interest. Goldman Sachs, Standard Chartered Bank and UBS, as the joint lead managers and joint bookrunners, are managing the Proposed Notes Issue. The Company intends to use the proceeds of the Notes to repay existing indebtedness and to repay in whole or in part, the bridge loan from Standard Chartered Bank (Hong Kong) Limited in relation to the H share offer of Shanghai Forte Land Co., Ltd. and the remainder for general corporate purposes, including but not limited to increasing the investments in the Company's core business segments, making other investments and for working capital and capital expenditures.

The Company intends to seek a listing of the Notes on SGX-ST. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Company or the Notes. No listing of the Notes has been sought in Hong Kong.

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialise. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company.

Further announcements in respect of the Proposed Notes Issue will be made by the Company should the purchase agreement in respect of the Notes be signed.

INTRODUCTION

The Company proposes to conduct an international offering of guaranteed senior notes. In connection with the offering, the Company will provide certain institutional investors with recent corporate and financial information regarding the Group and some of such information may not have previously been made public. An extract of such recent information is attached to this announcement, and can also be viewed at the Company's website www.fosun-international.com at approximately the same time when such information is released to the institutional investors.

The completion of the Proposed Notes Issue is subject to market conditions and investor interest. The Notes are proposed to be initially guaranteed by the Initial Subsidiary Guarantors. Goldman Sachs, Standard Chartered Bank and UBS, as the joint lead managers and joint bookrunners, are managing the Proposed Notes Issue.

The Notes and the related guarantees have not been, and will not be, registered under the U.S. Securities Act. Accordingly, the Notes are being offered or sold in the United States only to Qualified Institutional Buyers, as defined in, and in reliance on, Rule 144A under the U.S. Securities Act or outside the United States in accordance with Regulation S under the U.S. Securities Act.

REASONS FOR THE PROPOSED NOTES ISSUE

The Company intends to use the proceeds of the Notes to repay existing indebtedness and to repay in whole or in part, the bridge loan from Standard Chartered Bank (Hong Kong) Limited in relation to the H share offer of Shanghai Forte Land Co., Ltd. and the remainder for general corporate purposes, including but not limited to increasing the investments in the Company's core business segments, making other investments and for working capital and capital expenditures.

LISTING

The Company intends to seek a listing of the Notes on SGX-ST. Admission to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Company or the Notes. No listing of the Notes has been sought in Hong Kong.

GENERAL

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialise. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company.

Further announcements in respect of the Proposed Notes Issue will be made by the Company should the purchase agreement in respect of the Notes be signed.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Board"	the board of Directors
"Company"	Fosun International Limited (復星國際有限公司), a company incorporated under the laws of Hong Kong and whose shares are listed and traded on the main board of the Stock Exchange
"Directors"	the directors of the Company
"Goldman Sachs"	Goldman Sachs (Asia) L.L.C., the joint lead managers and joint bookrunners in respect of the offer and sale of the Notes
"Group" ,"we", "our" and "us"	the Company and its consolidated subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Initial Subsidiary Guarantors"	Fosun Industrial Holdings Limited, Fosun Gold Holdings Limited, Fosun Property Holdings Limited and Topper Link Limited which are the Company's existing non-PRC subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Notes"	the guaranteed USD senior notes to be issued by the Company
"PRC"	the People's Republic of China, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
"Proposed Notes Issue"	the proposed issue of the Notes by the Company
"Purchase Agreement"	the agreement proposed to be entered into between, among others, the Company and Goldman Sachs in relation to the Proposed Notes Issue
"SGX-ST"	Singapore Exchange Securities Trading Limited
"Standard Chartered Bank"	Standard Chartered Bank (Hong Kong) Limited, one of the joint lead managers and joint bookrunners in respect of the offer and sale of the Notes
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S." or "United States"	the United States of America, its territories and possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended
"UBS"	UBS AG, Hong Kong Branch, one of the joint lead managers and joint bookrunners in respect of the offer and sale of the Notes
"USD"	United States dollars

On behalf of the Board
Fosun International Limited
Guo Guangchang
Chairman

Shanghai, the PRC, 26 April 2011

As at the date of this announcement, the executive directors of the Company are Mr. Guo Guangchange, Mr. Liang Xinjun, Mr. Wang Qunbin, Mr. Fan Wei, Mr. Ding Guoqi, Mr. Qin Xuetang and Mr. Wu Ping; the non-executive director is Mr. Liu Benren; and the independent non-executive directors are Dr. Chen Kaixian, Mr. Zhang Shengman and Mr. Andrew Y. Yan.

GLOSSARY OF TERMS

The English names of PRC companies are directly translated from their Chinese names and are furnished for ease of reference only and, should any inconsistencies between the Chinese names and the English names exist, the Chinese names shall prevail.

Companies

Holding Companies within our Group

Our Company	復星國際有限公司 (Fosun International Limited)
Our Group......................................	Our Company and its subsidiaries

The PRC Holding Company

Fosun Group..................................	上海復星高科技(集團)有限公司 (Shanghai Fosun High Technology (Group) Co., Ltd.), a wholly-owned subsidiary of our Company

Principal Portfolio Companies

Fosun Pharma	上海復星醫藥(集團)股份有限公司 (Shanghai Fosun Pharmaceutical (Group) Co., Ltd.), a subsidiary of Fosun Group
Forte	復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.), a subsidiary of Fosun Group
Nanjing Iron & Steel.......................	南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.), a subsidiary of Nanjing Nangang
Hainan Mining................................	海南礦業股份有限公司 (Hainan Mining Co., Ltd.), a subsidiary of Fosun Group

Other Portfolio Companies in the Pharmaceuticals and Healthcare Business

Beijing Jinxiang..............................	北京金象復星醫藥股份有限公司 (Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd.), an associate of Fosun Pharma
Chongqing Research Institute	重慶醫藥工業研究院有限責任公司 (Chongqing Pharmaceutical Industries Research Institute Co., Ltd.), a subsidiary of Fosun Pharma
Chongqing Yaoyou	重慶藥友製藥有限責任公司 (Chongqing Yaoyou Pharmaceuticals Co., Ltd.), a subsidiary of Fosun Pharma
For Me Pharmacy	上海復美益星大藥房連鎖有限公司 (Shanghai For Me Pharmacy Co., Ltd.), a subsidiary of Fosun Pharma
Guilin Pharmaceuticals...................	桂林製藥有限責任公司 (Guilin Pharmaceuticals Co., Ltd.), a subsidiary of Fosun Pharma

Jiangsu Wanbang	江蘇萬邦生化醫藥股份有限公司 (Jiangsu Wanbang Biopharmaceutical Company Limited), a subsidiary of Fosun Pharma
Golden Elephant Pharmacy...........	北京金象大藥房醫藥連鎖有限責任公司 (Beijing Golden Elephant Pharmacy Medicine Chain Co., Ltd.), a subsidiary of Fosun Pharma
Fosun Pharma Development..........	上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceuticals Industry Development, Ltd.), a subsidiary of Fosun Pharma
Sinopharm	國藥控股股份有限公司 (Sinopharm Group Co. Ltd.), an associate of Fosun Pharma
Sinopharm Investment...................	國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.), an associate of Fosun Pharma
Fosun Chemical.............................	上海復星化工醫藥創業投資有限公司 (Shanghai Fosun Chemical Medicine Investment Company Limited), a subsidiary of Fosun Pharma
Fosun Pharma Investment	上海復星醫藥投資有限公司 (Shanghai Fosun Pharmacy Investment Co., Ltd.), a subsidiary of Fosun Pharma
Handa Pharmaceuticals	Handa Pharmaceuticals, LLC, in which Fosun Pharma holds a 10% equity interest
Shanghai Henlius	上海復宏漢霖生物技術有限公司 (Shanghai Henlius Biotech Co., Ltd), a subsidiary of Fosun Pharma
Chongqing Fochon	重慶復創醫藥研究有限公司 (Chongqing Fochon Pharmacenticals Research Company Limited), a subsidiary of Fosun Pharma
Shenyang Hongqi	瀋陽紅旗製藥有限公司 (Shenyang Hongqi Pharmaceutical Co., Ltd.), a subsidiary of Fosun Pharma
Handan Moluodan	邯鄲摩丹藥業股份有限公司 (Handan Moluodan Pharmaceutical Co., Ltd.), a subsidiary of Fosun Pharma
Chindex	美中互利醫療有限公司 (Chindex International, Inc.), a NASDAQ-listed, leading independent American provider of Western healthcare products and services in the PRC in which Fosun Pharma holds a 21.15% equity interest. Chindex has entered into a joint venture with Fosun Pharma, Chindex Medical Limited, which focuses on manufacturing and distributing medical devices in China and in which Fosum Pharma holds a 51% equity interest

Other Portfolio Companies in the Property Business

Shanghai Perth	上海柏斯置業有限公司 (Shanghai Perth Property Development Co., Ltd.), a subsidiary of Forte
Xidan Jiahui	北京西單佳慧房地產開發有限公司 (Beijing Xidan Jiahui Property Development Co., Ltd.), a subsidiary of Forte
Zhejiang Forte	浙江復地置業發展有限公司 (Zhejiang Forte Property Development Co., Ltd.), a subsidiary of Forte
Shanghai Forte Investment	上海復地投資管理有限公司 (Shanghai Forte Investment Management Co., Ltd.), a subsidiary of Forte
Wuhan Zhongbei	武漢中北房地產開發有限公司 (Wuhan Zhongbei Real Estate Development Co., Ltd.), a subsidiary of Forte
China Alliance	中合置業有限公司(China Alliance Properties Limited), a subsidiary of Forte
Haizhimen	上海海之門房地產投資管理有限公司 (Shanghai Haizhimen Property Investment and Management Co., Ltd.), a joint Venture in which our Company holds a 50% equity interest and Zendai holds a 35% equity interest
Zendai	上海証大房地產有限公司 (Shanghai Zendai Property Limited), a company incorporated on August 19, 1992 as an exempted company with limited liability under the laws of Bermuda, the shares of which are listed on the Hong Kong Stock Exchange, of which China Alliance holds 19.47% of the total registered capital
Resource Property	上海策源置業顧問有限公司 (Shanghai Resource Property Consultancy Co., Ltd.), a subsidiary of Fosun Group
Star Investment	上海星浩投資管理有限公司 (Shanghai Star Investment Management Co., Ltd.), a subsidiary of Fosun Group

Other Portfolio Companies in the Steel Business

Nanjing Nangang	南京南鋼鋼鐵聯合有限公司 (Nanjing Nangang Iron & Steel United Co., Ltd.), a subsidiary of Fosun Group
Nanjing Steel United	南京鋼鐵聯合有限公司 (Nanjing Iron & Steel United Co., Ltd), a wholly-owned subsidiary of Nanjing Nangang
Nanjing Iron & Steel Development .	南京南鋼產業發展有限公司 (Nanjing Nangang Iron & Steel Industry Development Co., Ltd.), a wholly-owned subsidiary of Nanjing Iron & Steel
Nanjing Steel	南京鋼鐵有限公司 (Nanjing Iron & Steel Limited), a wholly owned subsidiary of Nanjing Iron & Steel Development
Nanjing Jinteng Steel	南京金騰鋼鐵有限公司 (Nanjing Jinteng Iron & Steel Co., Ltd.), a subsidiary of Nanjing Iron & Steel Development

Hong Kong Jinteng	香港金騰國際有限公司 (Hong Kong Jinteng International Company Limited), a wholly-owned subsidiary of Nanjing Iron & Steel Development
Nanjing Steel Trading	南京鋼鐵集團國際經濟貿易有限公司 (Nanjing Steel Group Intentional Trading Co., Ltd.), a wholly-owned subsidiary of Nanjing Iron & Steel Development
Jianlong Group	天津建龍鋼鐵實業有限公司 (Tianjing Jianlong Iron & Steel Industrial Co., Ltd.), a former associate of Industrial Investment, now an associate of Industrial Development

Other Portfolio Companies in the Mining Business

Huaxia Mining	北京華夏建龍礦業科技有限公司 (Beijing Huaxia Jianlong Mining Technology Co., Ltd.), an associate of Fosun Group
Jin’an Mining..................................	安徽金安礦業有限公司 (Anhui Jin’an Mining Co., Ltd.), a wholly-owned subsidiary of Nanjing Iron & Steel
Shanjiaowulin	山西焦煤集團五麟煤焦開發有限責任公司(Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd.), an associate of Fosun Group
Zhaojin Mining	招金礦業股份有限公司 (Zhaojin Mining Industry Co., Ltd.), a former associate of Fosun Group, now an investee company of Fosun Group

Portfolio Companies and Entities in the Retail, Services and Other Investments Business

Yuyuan...	上海豫園旅遊商城股份有限公司 (Shanghai Yuyuan Tourist Mart Co., Ltd.), an associate of Fosun Group
Focus Media	分眾傳媒控股有限公司 (Focus Media Holding Limited), a company whose American Depository Shares are listed on NASDAQ
Club Med	Club Méditerranée S.A., a leisure and hospitality company listed on the Euronext Paris in which our Company holds an equity interest of 9.5%
Yong’an Insurance	永安財產保險股份有限公司 (Yong’an Insurance Co., Ltd.), in which Fosun Group holds an effective equity interest of 18.3%
Industrial Development...................	上海復星工業技術發展有限公司 (Shanghai Fosun Industrial Technology Development Co., Ltd.), a wholly-owned subsidiary of Industrial Investment
Industrial Investment	上海復星產業投資有限公司 (Shanghai Fosun Industrial Investment Co., Ltd.), a wholly-owned subsidiary of Fosun Group

Pramerica-Fosun China Opportunity Fund	On March 8, 2011, our Company entered into a limited partnership agreement with Prudential Financial, Inc. ("Prudential") for the establishment of Pramerica-Fosun China Opportunity Fund. The investments to be made by the fund will include opportunities (i) in the PRC and (ii) outside the PRC where there is a business connection to the PRC. Pursuant to the terms of the partnership agreement, Prudential shall commit an aggregate contribution of US$500 million to the fund and our Company shall co-invest no less than US$100 million. Certain affiliates of our Company serve as the general partner and manager of the fund, while Prudential, through one of its affiliates, acts as the limited partner of the fund.
Fosun Capital	復星創富投資管理公司 (Fosun Capital Investment Management Company), a wholly-owned subsidiary of Fosun Group
Fosun Venture Capital Investment	復星創業投資管理有限公司 (Fosun Venture Capital Investment Management Co., Ltd.), a wholly-owned subsidiary of Fosun Group
Principle Capital	上海復星譜潤股權投資企業 (Principle Capital Limited), a subsidiary of Fosun Group

Parent Companies and Other Related Parties

Fosun Holdings..............................	復星控股有限公司 (Fosun Holdings Limited) which holds a 78.24% equity interest in our Company
Fosun International Holdings..........	復星國際控股有限公司 (Fosun International Holdings Ltd.) which holds a 100% equity interest in Fosun Holdings
Nanjing Steel Group	南京鋼鐵集團有限公司 (Nanjing Iron & Steel Group Co., Ltd.), a shareholder of Nanjing Nangang
Sinopharm Group	中國醫藥集團總公司 (China National Pharmaceutical Group Corporation), a shareholder of Sinopharm Investment

Initial Subsidiary Guarantors of the Notes

Gold Holdings	復星黃金控股有限公司 (Fosun Gold Holdings Limited), a wholly-owned subsidiary of our Company
Industrial Holdings	復星產業控股有限公司 (Fosun Industrial Holdings Limited), a wholly-owned subsidiary of our Company
Property Holdings	復星地產控股有限公司 (Fosun Property Holdings Limited), a wholly-owned subsidiary of our Company
Topper Link	Topper Link Limited, a wholly-owned subsidiary of Industrial Holdings

CAPITALIZATION

The following table sets forth on an actual basis our audited consolidated cash and bank balances and capitalization as of December 31, 2010 and as adjusted to give effect to the Notes now being issued (after deducting underwriting discounts and commissions and estimated expenses) and the use of proceeds as described under "Use of Proceeds."

	As of December 31, 2010			
	Actual		As adjusted	
	RMB	US$	RMB	US$
	(in thousands)			
Cash and bank balances[1]	21,334,977	3,232,572.3		
Interest-bearing bank and other borrowings				
Bank loans	35,401,213	5,363,820.2		
Enterprise bonds [2]	2,485,329	376,565.0		
Corporate bonds [3]	2,966,591	449,483.5		
Medium-term notes [4]	986,104	149,409.7		
Senior notes to be issued	—	—		
Other borrowings, secured	429,900	65,136.4		
Other borrowings, unsecured	1,552,706	235,258.5		
Portion classified as short-term debt	22,026,769	3,337,389.2		
Long-term portion	21,795,074	3,302,284.1		
	43,821,843	6,639,673.3		
Equity				
Issued capital	621,497	94,166.2		
Reserves	28,322,703	4,291,318.6		
Proposed final dividend	928,936	140,747.9		
Non-controlling interests	15,125,950	2,291,810.6		
Total equity	44,999,086	6,818,043.3		
Total capitalization [5]	66,794,160	10,120,327.4		

Notes:

1. Cash and bank balances, as adjusted, include the net cash proceeds of the Notes offered hereby, after deducting underwriting discounts and other estimated expenses related to the offering of the Notes. As of February 28, 2011, our cash and bank balances was RMB15,539.8 million.
2. On February 27, 2009, Nanjing Steel United issued long-term enterprise bonds with the par value of RMB2,500 million and the effective interest rate is 6.29% per annum. One half of the principal of the enterprise bonds will be repaid on February 27, 2015 and the remainder on February 27, 2016. The interest will be paid annually in arrears.
3. On September 25, 2009, Forte issued five-year domestic corporate bonds with the par value of RMB1,900 million and the effective interest rate is 7.73% per annum. The interest will be paid annually in arrears and the maturity date is September 22, 2014. On December 24, 2010, Fosun Group issued seven-year domestic corporate bonds with the par value of RMB1,100 million and the effective interest rate is 6.17% per annum. The interest will be paid annually in arrears and the maturity date is December 23, 2017.
4. On November 8, 2010, Fosun Pharma issued five-year medium-term notes (first phase) with the par value of RMB1,000 million and the effective interest rate is 5.0% per annum. The interest will be paid annually in arrears and the maturity date is November 10, 2015.
5. Total capitalization includes total long-term debt plus total equity.

The above capitalization table does not take into account the bridge loan facility we have entered into with Standard Chartered Bank (Hong Kong) Limited in connection with the Forte Offer as we had not drawn down any amount as of the date of this offering memorandum. We expect to draw down approximately HK$2,300 million on April 28, 2011. We intend to use a portion of the net proceeds from this offering to repay this bridge loan facility, in whole or in part. See "Description of Other Material Indebtedness — Loans Incurred by Fosun International — HK$2,700 million Bridge Loan from Standard Chartered Bank (Hong Kong) Limited" and "Business — Property Business — Forte Offer" in this offering memorandum.

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since December 31, 2010. See "Description of Other Material Indebtedness" in this offering memorandum.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

EBITDA[1]

	YEAR ENDED DECEMBER 31,							
	2008		2009		2010		2010	
	RMB		RMB		RMB		US$	
	(IN THOUSANDS, EXCEPT PERCENTAGES)							
PHARMACEUTICALS AND HEALTHCARE	1,021,471	14.8%	3,468,573	31.0%	1,284,134	10.7%	194,566	10.7%
PROPERTY	955,175	13.9%	1,159,262	10.3%	3,953,777	32.9%	599,057	32.9%
STEEL	2,623,828	38.1%	3,676,867	32.8%	2,991,649	24.9%	453,280	24.9%
MINING	2,436,837	35.4%	823,367	7.3%	2,108,483	17.5%	319,467	17.5%
RETAIL, SERVICES AND OTHER INVESTMENTS	118,047	1.7%	2,325,831	20.8%	1,896,387	15.8%	287,331	15.8%
UNALLOCATED EXPENSES[2]	(97,376)	(1.4%)	(112,850)	(1.0%)	(174,758)	(1.5%)	(26,478)	(1.5%)
ELIMINATION[3]	(170,797)	(2.5%)	(136,173)	(1.2%)	(45,171)	(0.3%)	(6,844)	(0.3%)
TOTAL	6,887,185	100.0%	11,204,877	100.0%	12,014,501	100.0%	1,820,379	100.0%

(1) EBITDA for any year is defined as profit for the year after adding back gross interest expense, taxes, and depreciation and amortization for the year. Our profit for the year includes share of profits and losses of associates and jointly-controlled entities and certain other non-cash items, such as excess over the cost of business combinations realized as income, gain on deemed disposal of interests in associates, gain on fair value adjustment of investment properties, and gain on fair value adjustment of equity investments at fair value through profit or loss. These items have not been excluded for the purpose of calculating EBITDA. EBITDA is not a calculation based on HKFRS. The amounts included in the EBITDA calculation, however, are derived from amounts included in the consolidated financial statements.

EBITDA should not be relied upon as a measure to determine our operating cash flow and historical ability to service debt and meet capital expenditure requirements. EBITDA should not be considered by an investor as an alternative to net profit or operating profit, or as indicator of operating performance or other consolidated operations or cash flow data prepared in accordance with HKFRS, or as an alternative to cash flow as a measure of liquidity. The computations of EBITDA herein may differ from similarly titled computations of other companies. We believe that investors should consider, among other things, revenue and operating expenses and the amount by which EBITDA exceeds capital expenditures, among other financial factors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our Group's profit for the year under HKFRS to its definition of EBITDA.

(2) Unallocated expenses primarily represent certain administration expenses of our Company and Fosun Group which cannot be allocated on a reasonable basis to any particular segment.

(3) EBITDA derived from our intersegment transactions is excluded from total EBITDA.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2008, 2009 and 2010 included elsewhere in this offering memorandum. The consolidated financial statements have been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors.

Subsequent Events

Forte Offer

On January 20, 2011, we announced the Forte Offer, whereby we made a voluntary conditional offer through Standard Chartered Bank (Hong Kong) Limited to acquire all of Forte's issued H shares that we did not hold and, subject to such offer for H shares becoming unconditional, a voluntary conditional offer to acquire all of Forte's issued domestic shares that we did not hold. It is currently expected that the withdrawal of listing of the H shares from the Hong Kong Stock Exchange would happen on May 13, 2011. In connection with the Forte Offer, on January 17, 2011, we entered into a loan agreement with Standard Chartered Bank (Hong Kong) Limited for a bridge loan in the amount of up to HK$2,700 million. As of the date of this offering memorandum, we had not drawn down any amount under this loan but we expect to draw down approximately HK$2,300 million on April 28, 2011. We expect to use part of the net proceeds from this offering to repay the bridge loan from Standard Chartered Bank (Hong Kong) Limited, in whole or in part. For more information on the Forte Offer, see "Business — Property Business — Forte Offer" in this offering memorandum.

Nanjing Iron & Steel Corporate Bonds

On February 15, 2011, the board of directors of Nanjing Iron & Steel approved the offering of domestic corporate bonds by Nanjing Iron & Steel. It is proposed that the size of the offering not exceed RMB4,000 million or be for an amount no greater than 40% of Nanjing Iron & Steel's audited equity attributable to the owner of the parent as of December 31, 2010, whichever is smaller. It is proposed that the bonds have a term of no longer than seven years. On March 14, 2011, Nanjing Iron & Steel's shareholders approved the offering. On April 15, 2011, the Public Offering Review Offering Committee of the CSRC completed its review of the offering application. As of the date of this offering memorandum, however, the offering application was yet to receive the CSRC's formal approval. Nanjing Iron & Steel expects to commence the offering in May 2011 and list the bonds on the Shanghai Stock Exchange once the offering is completed.

Selected Segmental Information

Gross Profit	Year ended December 31,							
	2008		2009		2010		2010	
	RMB		RMB		RMB		US$	
	(in thousands, except percentages)							
Pharmaceuticals and healthcare	1,014,114	12.6%	1,204,923	21.2%	1,520,531	16.2%	230,384	16.2%
Property	1,773,281	22.1%	1,529,043	26.9%	3,312,377	35.4%	501,875	35.4%
Steel	2,898,254	36.1%	1,915,375	33.6%	2,264,606	24.2%	343,122	24.2%
Mining	2,344,966	29.2%	1,076,293	18.9%	2,138,843	22.8%	324,067	22.8%
Retail, services and other investments [1]	—	0.0%	—	0.0%	—	0.0%	—	0.0%
Eliminations[2]	(1,501)	(0.0%)	(31,246)	(0.6%)	130,188	1.4%	19,725	1.4%
Total	8,029,114	100.0%	5,694,388	100.0%	9,366,545	100.0%	1,419,173	100.0%

(1) We recorded zero gross profit in this segment because we have no subsidiaries that generated revenue or incurred cost of sales in this segment.

(2) Gross profit derived from our intersegment transactions is hereby excluded from total gross profit.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Revenue. Revenue increased by 28.1% to RMB44,643.7 million in 2010 from RMB34,855.8 million in 2009. The increase was mainly attributable to increases in the revenue of all the business segments in 2010 as compared with 2009.

- Pharmaceuticals and healthcare segment — Revenue in the pharmaceuticals and healthcare segment increased by 18.1% to RMB4,459.3 million in 2010 from RMB3,775.9 million in 2009. The increase in revenue was mainly due to increased sales in Fosun Pharma's pharmaceutical manufacturing business.

- Property segment — Revenue in the property segment increased by 70.6% to RMB8,846.7 million in 2010 from RMB5,184.8 million in 2009. The increase was mainly due to the significant increase in GFA booked by Forte in 2010 as compared with 2009.

- Steel segment — Revenue in the steel segment increased by 20.5% to RMB29,652.2 million in 2010 from RMB24,611.4 million in 2009. The increase was primarily due to an increase in the prices of steel products in 2010 as compared with 2009, driven by increases in the costs of raw materials, including iron ore.

- Mining segment — Revenue in the mining segment in 2010 increased by 61.6% to RMB3,180.2 million, including intersegment sales of RMB1,494.7 million, from RMB1,968.0 million, including of intersegment sales of RMB684.2 million, in 2009. The increase of revenue was mainly due to an increase in the market selling prices of iron ore products in 2010 as compared with 2009.

- Retail, services and other investments segment — We recorded zero revenue in this segment because we have no subsidiaries that generated revenue in this segment.

Cost of sales. Cost of sales increased by 21.0% to RMB35,277.2 million in 2010 from RMB29,161.4 million in 2009. The increase was mainly attributable to increases in cost of sales in all our business segments.

- Pharmaceuticals and healthcare segment — Cost of sales in the pharmaceuticals and healthcare segment increased by 14.3% to RMB2,938.8 million in 2010 from RMB2,570.9 million in 2009. Such increase was primarily due to the increase in sales volume in Fosun Pharma's pharmaceutical manufacturing business.

- Property segment — Cost of sales in the property segment increased by 51.4% to RMB5,534.3 million in 2010 from RMB3,655.8 million in 2009. Such increase was attributable to the increase in GFA booked by Forte in 2010 as compared to 2009.

- Steel segment — Cost of sales in the steel segment increased by 20.7% to RMB27,387.6 million in 2010 from RMB22,696.0 million in 2009. Such increase was primarily due to the increase in prices of raw materials, including iron ore, in 2010 as compared with 2009.

- Mining segment — Cost of sales in the mining segment increased by 16.8% to RMB1,041.3 million in 2010 from RMB891.7 million in 2009. Such increase was mainly due to the increase in labor costs in 2010 as compared with 2009.

- Retail, services and other investments segment — We recorded zero cost of sales in this segment because we had no subsidiaries that incurred cost of sales in this segment.

Gross Profit. As a result of the foregoing, gross profit increased by 64.5% to RMB9,366.5 million in 2010 from RMB5,694.4 million in 2009.

- Pharmaceuticals and healthcare segment — Gross profit in the pharmaceuticals and healthcare segment increased by 26.2% to RMB1,520.5 million in 2010 from RMB1,204.9 million in 2009. Gross profit margin increased to 34.1% from 31.9%, primarily as a result of the changes in product mix in 2010, namely a higher proportion of revenues being derived from pharmaceuticals manufacturing, which generally has a higher profit margin, than pharmaceuticals distribution, as compared to 2009.

- Property segment — Gross profit in the property segment increased by 116.6% to RMB3,312.4 million in 2010 from RMB1,529.0 million in 2009. The property segment's gross profit margin increased to 37.4% in 2010 from 29.5% in 2009. Gross profit margin increased mainly because (i) a significant proportion of GFA booked during the year comprised low-density residential properties in the first tier cities, and the average selling price was higher than the local average; and (ii) the GFA booked during the year was mainly pre-sold in 2009 and 2010 when the market price was relatively high compared to prior years.

- Steel segment — Gross profit in the steel segment increased by 18.2% to RMB2,264.6 million in 2010 from RMB1,915.4 million in 2009. Gross profit margin decreased slightly to 7.6% in 2010 from 7.8% in 2009 because the average selling prices for both our steel products and the raw materials used in our steel production increased in 2010 compared to 2009 but the increase in the former was lower than the increase in the latter.

- Mining segment — Gross profit in the mining segment increased by 98.7% to RMB2,138.8 million in 2010 from RMB1,076.3 million in 2009. Gross profit margin increased to 67.3% in 2010 from 54.7% in 2009 because the average selling prices of our iron ore products increased substantially.

- Retail, services and other investments segment — We recorded zero gross profit in this segment for the reasons stated above under "Revenue" and "Cost of Sales" for 2010.

Other Income and Gains. Other income and gains decreased to RMB4,304.9 million in 2010 from RMB6,492.4 million in 2009. The decrease was mainly attributable to the decrease in gain on deemed disposal of interest in associates, gain on fair value adjustment of equity investments at fair value through profit or loss, as well as gain on disposal of associates, offset in part by increases in gain on disposal of interests in subsidiaries, gain on disposal of equity investments at fair value through profit or loss, gain in fair value adjustment of investment properties and interest income.

- Gain on deemed disposal of associates — Gain on deemed disposal of interest in associates decreased to RMB97.8 million in 2010 from RMB2,605.6 million in 2009. In May 2010, one of Fosun Pharma's associates, Hunan Hansen, completed its initial public offering and the shares of Hunan Hansen were listed on the Shenzhen Stock Exchange. The gain on the deemed disposal of Hunan Hansen was RMB82.5 million. In 2009, gain on deemed disposal of associates was much higher as a result of the initial public offering on the Hong Kong Stock Exchange by Sinopharm, our major associate in the pharmaceuticals and healthcare segment.

- Gain on fair value adjustment of equity investments at fair value through profit or loss — Gain on fair value adjustment of equity investments at fair value through profit or loss decreased to RMB912.9 million in 2010 from RMB2,015.0 million in 2009. Our investments held for trading are recognized at their fair value through profit or loss. The decrease was therefore mainly attributable to decreases in the amount of adjustment to the market value of these investments. The fair value adjustment to our Focus Media shares contributed a lower gain in 2010 than in 2009.

- Gain on disposal of associates — Gain on disposal of associates decreased to RMB194.7 million in 2010 from RMB640.1 million in 2009. In 2010, Fosun Pharma disposed of its entire equity interest in Nanjing Laoshan Pharmaceutical Company and recognized a gain of RMB19.9 million. Also in 2010, Fosun Pharma disposed of its equity interest in Zheijiang Crystal-optech Co., Ltd. and recognized a gain of approximately RMB155.5 million. In 2009, such gain was primarily a result of the disposal of a 20% equity interest in Ningbo Iron & Steel Co., Ltd. ("Ningbo Steel") by Nanjing Steel United.

- Gain on disposal of subsidiaries — Gain on disposal of subsidiaries increased to RMB964.2 million in 2010 from RMB0.5 million in 2009. In May 2010, Forte disposed of its entire 75% equity interest in Tianjin Puhe Development Co., Ltd. through the disposal of its 100% equity interest in Shanghai Yizhou Investment Management Co., Ltd. and recognized a gain of RMB828.1 million. Also, in June 2010, Forte disposed of its 50% equity interest in Shiner Way Limited and recognized a gain of RMB136.0 million.

- Gain on disposal of equity investments at fair value through profit or loss — Gain on disposal of equity investments at fair value through profit or loss increased to RMB917.6 million in 2010 from RMB42.4 million in 2009. In September 2010, we disposed of 9,523,810 ADSs in Focus Media for a total consideration of US$200.0 million and recognized a gain of RMB830.2 million, after giving an effect to a cost of RMB521.3 million.

- Gain on fair value adjustment of investment properties — Gain on fair value adjustment of investment properties increased to RMB264.6 million in 2010 from RMB85.2 million in 2009, due primarily to the increased fair value of our investment properties in Beijing and Hangzhou.

- Interest income — Interest income increased by 53.5% to RMB244.5 million in 2010 from RMB159.3 million in 2009. The increase was mainly attributable to the increase in average bank balances in 2010 as compared to 2009.

Operating Expenses. Operating expenses increased by 12.7% to RMB4,372.3 million in 2010 from RMB3,879.3 million in 2009. The increase was attributable to increases in the operating expenses in the pharmaceuticals and healthcare, property and steel segments and unallocated expenses. Unallocated expenses increased by 54.8% to RMB174.8 million in 2010 from RMB112.9 million in 2009, primarily due to the increase in travel and staff costs for general Group management and supervision purposes that are not attributable to any one of the Group's segments.

- Pharmaceuticals and healthcare segment — Operating expenses in the pharmaceuticals and healthcare segment increased by 31.8% to RMB1,552.8 million in 2010 from RMB1,178.1 million in 2009. As a percentage of revenue, operating expenses in this segment increased to 34.8% in 2010 from 31.2% in 2009.

    - Selling and distribution costs — Selling and distribution costs increased by 25.4% to RMB798.3 million in 2010 from RMB636.5 million in 2009. Such increase was primarily due to Fosun Pharma's strategy to streamline its distribution system by restructuring the selling channels of its manufacturing business.

    - Administrative expenses. Administrative expenses increased by 19.3% to RMB429.3 million in 2010 from RMB359.9 million in 2009. Such increase was mainly attributable to increases in expenses associated with exploring new investment opportunities and increased staff costs in 2010.

    - Other expenses — Other expenses increased by 78.9% to RMB325.2 million in 2010 from RMB181.8 million in 2009. Such increase was primarily due to a provision for the impairment of non-current assets classified as held for sale in the amount of RMB81.3 million and an increase in research and development costs in 2010.

- Property segment — Operating expenses in the property segment increased by 46.5% to RMB819.8 million in 2010 from RMB559.4 million in 2009. As a percentage of revenue, operating expenses in this segment decreased to 9.3% in 2010 from 10.8% in 2009.

    - Selling and distribution costs — Selling and distribution costs increased by 44.1% to RMB337.1 million in 2010 from RMB234.0 million in 2009. Such increase was primarily due to increases in advertising expenses and staff costs.

    - Administrative expenses — Administrative expenses increased by 38.8% to RMB400.3 million in 2010 from RMB288.4 million in 2009. Such increase was primarily due to increases in staff costs and expenses associated with new property projects in 2010.

    - Other expenses — Other expenses increased by 122.7% to RMB82.4 million in 2010 from RMB37.0 million in 2009. Such increase was primarily due to a provision for the impairment of goodwill in certain property projects whose properties were nearly sold out in 2010.

- Steel segment — Operating expenses in the steel segment increased by 17.8% to RMB1,246.4 million in 2010 from RMB1,057.8 million in 2009. As a percentage of revenue, operating expenses in this segment decreased slightly to 4.2% in 2010 from 4.3% in 2009.

    - Selling and distribution costs — Selling and distribution costs increased by 14.3% to RMB261.8 million in 2010 from RMB229.0 million in 2009. Such increase was primarily due to the increase in sales volume in 2010, resulting in higher transportation and staff costs.

  - Administrative expenses — Administrative expenses increased by 4.4% to RMB670.1 million in 2010 from RMB642.0 million in 2009, primarily due to increased staff costs.

  - Other expenses — Other expenses increased by 68.4% to RMB314.5 million in 2010 from RMB186.8 million in 2009. Such increase was primarily due to a loss of RMB84.6 million in the loss of fair value change on derivative financial instruments.

- Mining segment — Operating expenses in the mining segment decreased by 38.1% to RMB463.9 million in 2010 from RMB749.3 million in 2009. As a percentage of revenue, operating expenses in this segment decreased to 14.6% in 2010 from 38.1% in 2009.

  - Selling and distribution costs — Selling and distribution costs decreased slightly, by 3.3%, to RMB73.6 million in 2010 from RMB76.1 million in 2009. Such decrease was primarily due to the decrease in transportation fees.

  - Administrative expenses — Administrative expenses increased by 13.3% to RMB312.4 million in 2010 from RMB275.7 million in 2009. Such increase was primarily due to the increase in staff costs in 2010 as compared with 2009.

  - Other expenses — Other expenses decreased by 80.4% to RMB77.9 million in 2010 from RMB397.5 million in 2009. In 2010, we did not make any provision for impairments in the value of our mining assets, as we did in 2009, because there was no impairment indicator as of December 31, 2010.

- Retail, services and other investments segment — Operating expenses in this segment decreased by 33.0% to RMB169.3 million in 2010 from RMB252.7 million in 2009, primarily as a result of a decrease in impairment loss. In 2009, there was a provision for impairment loss of RMB116.0 million for available-for-sale investments. There was no equivalent or similar provision in 2010.

Finance Costs. Finance costs increased by 41.8% to RMB1,572.1 million in 2010 from RMB1,108.3 million in 2009. The increase was mainly attributable to an increase in finance costs in the pharmaceuticals and healthcare, property, steel and retail, services and other investments segments.

- Pharmaceuticals and healthcare segment — Finance costs in the pharmaceuticals and healthcare segment increased by 14.3% to RMB162.7 million in 2010 from RMB142.4 million in 2009. Such increase was primarily due to increases in interest rates and the outstanding amount of borrowings of subsidiaries in this segment. As a percentage of revenue, finance costs decreased to 3.6% in 2010 from 3.8% in 2009.

- Property segment — Finance costs in the property segment increased by 296.6% to RMB302.6 million in 2010 from RMB76.3 million in 2009. Such increase was primarily due to increases in interest rates and the outstanding amount of borrowings of subsidiaries in this segment. As a percentage of revenue, finance costs increased to 3.4% in 2010 from 1.5% in 2009.

- Steel segment — Finance costs in the steel segment increased by 10.9% to RMB775.5 million in 2010 from RMB699.1 million in 2009. Such increase was primarily due to increases in interest rates and the outstanding amount of borrowings of subsidiaries in this segment. As a percentage of revenue, finance costs decreased to 2.6% in 2010 from 2.8% in 2009.

- Mining segment — Finance costs in the mining segment decreased by 26.1% to RMB32.8 million in 2010 from RMB44.4 million in 2009. Such decrease was primarily due to the (i) the decrease in the interest costs which could not be capitalized and (ii) the decrease in the incremental interest on other long-term payables in 2010. As a percentage of revenue, finance costs decreased to 1.0% in 2010 from 2.3% in 2009.

- Retail, services and other investments segment — Finance costs in this segment increased by 104.2% to RMB298.5 million in 2010 from RMB146.2 million in 2009. Such increase was primarily due to increases in interest rates and the outstanding amount of borrowings of subsidiaries in this segment.

Share of Profits and Losses of Jointly-Controlled Entities. Share of profits and losses of jointly-controlled entities represented a loss of RMB23.2 million in 2010 compared to a profit of RMB13.8 million in 2009. The share of profit of jointly-controlled entities in both years was primarily contributed by the property segment and the operating results tend to fluctuate according to the delivery schedules of their property projects. We did not have significant jointly-controlled entities in the pharmaceuticals and healthcare, steel, mining or retail, services and other investments segments in 2010 or 2009.

Share of Profits and Losses of Associates. Share of profits of associates decreased slightly to RMB949.4 million in 2010 from RMB962.6 million in 2009. The decrease was mainly attributable to the decrease in share of profits of associates in the steel segment, which were partially offset by increases in share of profits and losses of associates in the pharmaceuticals and healthcare, property, mining and retail, services and other investments segments.

- Pharmaceuticals and healthcare segment — Share of profits of associates in the pharmaceuticals and healthcare segment increased by 25.1% to RMB553.4 million in 2010 from RMB442.2 million in 2009. Such increase was mainly attributable to increases in the operating profit of Sinopharm, the major associate of Fosun Pharma.

- Property segment — Share of profits of associates in the property segment was RMB94.5 million in 2010, as compared to share of losses of associates of RMB5.4 million in 2009. Such increase was mainly contributed by Zendai, which became an associate of Forte in 2010.

- Steel segment — Share of profits of associates in the steel segment decreased by 78.2% to RMB94.1 million in 2010 from RMB432.6 million in 2009. In 2009, Jianlong Group, our major associate in the steel segment, disposed of its entire equity interest in Ningbo Steel and recognized a gain. There was no such gain in 2010.

- Mining segment — Share of profits of associates in the mining segment was RMB75.6 million in 2010, as compared to share of losses of associates in the mining segment of RMB16.4 million in 2009. Such increase was mainly attributable to improved operating results of Huaxia Mining, our major associate in the mining segment.

- Retail, services and other investments segment — Share of profits of associates in this segment increased by 20.5% to RMB131.9 million in 2010 from RMB109.5 million in 2009. Such increase was mainly attributable to the increase in Yuyuan's operating results in 2010 as compared with 2009 as a result of the positive effect brought by the Expo 2010 Shanghai China.

Tax. Tax increased by 84.7% to RMB2,506.6 million in 2010 from RMB1,357.2 million in 2009.

- Pharmaceuticals and healthcare segment — Tax for the pharmaceuticals and healthcare segment decreased to RMB201.6 million in 2010 from RMB700.4 million in 2009. Such decrease was mainly attributable to the tax provision on the gain on deemed disposal of equity interest in Sinopharm when its shares were listed on the Hong Kong Stock Exchange in 2009. There was no equivalent gain in 2010.

- Property segment — Tax for the property segment increased by 281.7% to RMB1,724.7 million in 2010 from RMB451.9 million in 2009. Such increase was mainly attributable to (i) an increase in land appreciation tax accrued on GFA booked mainly as a result of an increase in gross profit margin and (ii) an increase in income tax primarily due to increased taxable profits in 2010 as compared with 2009. Land appreciation tax generally rises progressively in accordance with gross profit margin.

- Steel segment — Tax for the steel segment increased by 147.0% to RMB115.1 million in 2010 from RMB46.6 million in 2009. Such increase was primarily due to the increase in taxable profits of our steel segment in 2010 as compared with 2009. Moreover, in 2009 there was a taxable loss with a tax effect of RMB40.5 million on Nanjing Steel United's disposal of Ningbo Steel that lowered our tax for that year.

- Mining segment — Tax for the mining segment increased by 427.4% to RMB350.2 million in 2010 from RMB66.4 million in 2009. Such increase was mainly attributable to the increase in taxable profits of our mining segment in 2010 as compared with 2009.

- Retail, services and other investments segment — Tax for this segment increased by 37.8% to RMB134.1 million in 2010 from RMB97.3 million in 2009. Such increase was mainly attributable to the increase in the accrual of income tax by our Company in 2010 as compared with 2009 as a result of gain on disposal of equity interests at fair value through profit or loss.

Profit for the Year. As a result of the foregoing, profit for the year decreased by 9.9% to RMB6,146.7 million in 2010 from RMB6,818.4 million in 2009.

- Pharmaceuticals and healthcare segment — Profit for the year in the pharmaceuticals and healthcare segment decreased by 69.3% to RMB766.1 million in 2010 from RMB2,495.9 million in 2009.

- Property segment — Profit for the year in the property segment increased by 212.6% to RMB1,903.4 million in 2010 from RMB608.9 million in 2009.

- Steel segment — Profit for the year in the steel segment decreased by 55.3% to RMB681.7 million in 2010 from RMB1,525.5 million in 2009.

- Mining segment — Profit for the year in the mining segment increased by 316.2% to RMB1,496.7 million in 2010 from RMB359.6 million in 2009.

- Retail, services and other investments segment — Profit for the year in this segment decreased by 27.6% to RMB1,499.6 million in 2010 from RMB2,072.1 million in 2009.

Non-controlling interests. Non-controlling interests decreased by 11.6% to RMB1,919.6 million in 2010 from RMB2,171.7 million in 2009.

- Pharmaceuticals and healthcare segment — Non-controlling interests in the pharmaceuticals and healthcare segment decreased by 64.6% to RMB463.5 million in 2010 from RMB1,310.3 million in 2009. The decrease reflected a decrease in profit for the year 2010.

- Property segment — Non-controlling interests in the property segment increased by 121.4% to RMB623.6 million in 2010 from RMB281.6 million in 2009. The increase reflected an increase in profit for the year 2010.

- Steel segment — Non-controlling interests in the steel segment decreased by 40.6% to RMB271.7 million in 2010 from RMB457.4 million in 2009. The decrease reflected a decrease in profit for the year 2010.

- Mining segment — Non-controlling interests in the mining segment increased by 355.7% to RMB564.6 million in 2010 from RMB123.9 million in 2009. The increase reflected an increase in profit for the year 2010.

- Retail, services and other investments segment — Non-controlling interests in this segment shared losses in both years, or, specifically, of RMB3.7 million in 2010 and RMB1.6 million in 2009.

Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

Revenue. Revenue decreased by 13.4% to RMB34,855.8 million in 2009 from RMB40,250.3 million in 2008. The decrease was mainly attributable to decreases in the average selling prices of steel and iron ore products, which in turn caused declines in revenue in the steel and mining segments of, respectively, 20.4% and 36.7%, offset in part by increases in revenue of 38.9% in the property segment and 2.1% in the pharmaceuticals and healthcare segment.

- Pharmaceuticals and healthcare segment — Revenue in the pharmaceuticals and healthcare segment increased by 2.1% to RMB3,775.9 million in 2009 from RMB3,699.2 million in 2008. The increase in revenue was mainly due to increased sales in Fosun Pharma's pharmaceutical manufacturing business, largely offset by a decrease in the distribution business as a result of the disposal of a subsidiary.

- Property segment — Revenue in the property segment increased by 38.9% to RMB5,184.8 million in 2009 from RMB3,733.3 million in 2008. The increase was mainly due to the significant increase in GFA booked by Forte in 2009 as compared with 2008.

- Steel segment — Revenue in the steel segment decreased by 20.4% to RMB24,611.4 million in 2009 from RMB30,930.0 million in 2008. The decrease was primarily driven by a substantial decrease in the prices of steel products in 2009 as compared to 2008.

- Mining segment — Revenue in the mining segment in 2009 decreased by 36.7% to RMB1,968.0 million, including intersegment sales of RMB684.2 million, from RMB3,106.7 million, including intersegment sales of RMB1,217.3 million, in 2008. The decrease of revenue was mainly due to decreased market selling prices of iron ore products in 2009, partially offset by the increase in the sales volume of Hainan Mining.

- Retail, services and other investments segment — We recorded zero revenue in this segment because we have no subsidiaries that generated revenue in this segment.

Cost of sales. Cost of sales decreased by 9.5% to RMB29,161.4 million in 2009 from RMB32,221.2 million in 2008. The decrease was mainly attributable to decreases in cost of sales in the steel and mining segments, offset partially by the increase in cost of sales of the property business.

- Pharmaceuticals and healthcare segment — Cost of sales in the pharmaceuticals and healthcare segment decreased by 4.3% to RMB2,570.9 million in 2009 from RMB2,685.1 million in 2008. Such decrease was primarily due to the decrease in sales volume in Fosun Pharma's pharmaceutical distribution business. Cost of sales in this segment decreased despite an increase in revenue because the increase in revenue was primarily driven by sales in pharmaceutical manufacturing, which generally has a lower cost of sales than the distribution business and, in addition, in 2008 Fosun Pharma disposed of a subsidiary in the distribution business, which caused the cost of sales derived from the manufacturing business to increase in proportion to the cost of sales derived from the distribution business.

- Property segment — Cost of sales in the property segment increased by 86.5% to RMB3,655.8 million in 2009 from RMB1,960.0 million in 2008. Such increase was attributable to the increase in GFA booked by Forte in 2009.

- Steel segment — Cost of sales in the steel segment decreased by 19.0% to RMB22,696.0 million in 2009 from RMB28,031.7 million in 2008, primarily due to a decrease in the prices of raw materials in 2009 as compared with 2008. In 2009, the market price for raw materials such as iron ore, coking coal and scrap steel decreased due to lower market demand as a result of the slowdown in the global economy.

- Mining segment — Cost of sales in the mining segment increased by 17.1% to RMB891.7 million in 2009 from RMB761.7 million in 2008, primarily due to an increase in sales volume, partially offset by a decrease in the average cost of production per unit.

- Retail, services and other investments segment — We recorded zero cost of sales in this segment because we had no subsidiaries that incurred cost of sales in this segment.

Gross Profit. As a result of the foregoing, gross profit decreased by 29.1% to RMB5,694.4 million in 2009 from RMB8,029.1 million in 2008.

- Pharmaceuticals and healthcare segment — Gross profit in the pharmaceuticals and healthcare segment increased by 18.8% to RMB1,204.9 million in 2009 from RMB1,014.1 million in 2008. Gross profit margin increased to 31.9% from 27.4%, primarily as a result of the changes in product mix in 2009, namely a higher growth of sales being derived from proprietary products than generic products as well as a higher proportion of revenues being derived from pharmaceuticals manufacturing than pharmaceuticals distribution as compared to 2008.

- Property segment — Gross profit in the property segment decreased by 13.8% to RMB1,529.0 million in 2009 from RMB1,773.3 million in 2008. Forte's gross profit margin decreased to 29.5% in 2009 from 47.5% in 2008. Gross profit margin decreased mainly because (i) approximately 40% of the total GFA recognized as sold in 2009 was pre-sold in 2008, when the selling price of the properties was relatively low; (ii) the underlying land associated with GFA booked in 2009 was acquired in previous years with higher average cost, while in 2008 the GFA booked was generated by sales of projects with land acquired in earlier years at a lower average cost; and (iii) Forte disposed of the Xintianjiayuan (South) project which was a primary land development project with a lower gross profit margin than our typical property development projects.

- Steel segment — Gross profit in the steel segment decreased by 33.9% to RMB1,915.4 million in 2009 from RMB2,898.3 million in 2008. Gross profit margin decreased to 7.8% in 2009 from 9.4% in 2008 because the average selling prices of our steel products decreased significantly as a result of lower demand in 2009 as compared with 2008 and the decrease in the average selling prices of our steel products exceeded the decrease in the average purchase prices of the raw materials used in our steel productions.

- Mining segment — Gross profit in the mining segment decreased by 54.1% to RMB1,076.3 million in 2009 from RMB2,345.0 million in 2008. Gross profit margin decreased to 54.7% in 2009 from 75.5% in 2008 because the average selling prices of our iron ore products decreased significantly as a result of lower demand in 2009 as compared to 2008.

- Retail, services and other investments segment — We recorded zero gross profits in this segment for the reasons stated above under "Revenue" and "Cost of Sales" for 2009.

Other Income and Gains. Other income and gains increased to RMB6,492.4 million in 2009 from RMB1,673.6 million in 2008. The increase was mainly attributable to a significant gain on fair value adjustment of equity investments at fair value through profit or loss, as well as increases in gain on deemed disposal of interests in associates, gain on disposal of interests in associates and exchange gains, offset in part by decreases in gain on disposal of partial interests in subsidiaries, government grants and interest income.

- Gain on fair value adjustment of equity investments at fair value through profit or loss — Gain on fair value adjustment of equity investments at fair value through profit or loss increased to RMB2,015.0 million in 2009 from zero in 2008. Our investments held for trading are recognized at their fair value through profit or loss. The increase was therefore mainly attributable to increases in the amount of adjustment to the market value of these investments. Among other things, the fair value adjustment to our shares held in Focus Media contributed the majority of such a gain in 2009.

- Gain on deemed disposal of interest in associates — Gain on deemed disposal of interest in associates increased to RMB2,605.6 million in 2009 from RMB28.7 million in 2008. In September 2009, Sinopharm, one of our associate company, completed its initial public offering on the Hong Kong Stock Exchange. Upon the listing, our direct interest in Sinopharm was diluted from 47.04% to 34.00%. The gain on deemed disposal of Sinopharm, amounting to RMB2,604.0 million, was credited to other gains in 2009.

- Gain on disposal of associates — Gain on disposal of associates increased to RMB640.1 million in 2009 from RMB172.5 million in 2008. In February 2009, Nanjing Steel United disposed of its entire 20% equity interest in Ningbo Steel for a consideration of RMB720.0 million. The carrying amount as at the date of disposal was zero. The gains from the disposal amounting to RMB636.2 million, after giving effect to deductions for Ningbo Steel's accumulated loss of RMB83.8 million, as agreed in the disposal agreement, were credited to other gains in 2009. The gain in 2008 was mainly attributable to the disposal of Shanghai Friendship Fosun Holding Company Limited by Fosun Pharma.

- Exchange gains — Exchange gains increased to RMB144.4 million in 2009 from zero in 2008. The increase was mainly attributable to appreciation in Renminbi.

- Gain on disposal of partial interest in subsidiaries — Gain on disposal of partial interest in subsidiaries decreased to zero in 2009 from RMB246.2 million in 2008. In 2008, we disposed of 15,748,000 tradable shares in Nanjing Iron & Steel, a subsidiary listed on the Shanghai Stock Exchange, at an aggregate cash consideration of RMB321.9 million. The book value of the net assets disposed of amounted to RMB75.7 million. The difference between the total consideration and the book value of the net assets disposed of amounting to RMB246.2 million was credited to gain on disposal of partial interest in subsidiaries in 2008.

- Government grants — Government grants decreased by 69.2% to RMB128.2 million in 2009 from RMB416.6 million in 2008.

- Interest income — Interest income decreased by 36.8% to RMB159.3 million in 2009 from RMB252.2 million in 2008 primarily due to decreased interest rates in 2009 as compared to 2008.

Operating Expenses. Operating expenses decreased by 16.1% to RMB3,879.3 million in 2009 from RMB4,621.3 million in 2008. The decrease was attributable to decreases in operating expenses in the property and steel segments. Unallocated expenses increased by 15.9% to RMB112.9 million in 2009 from RMB97.4 million in 2008, primarily due to the increase in travel and staff costs for general Group management and supervision purposes that are not attributable to any one of the Group's segments.

- Pharmaceuticals and healthcare segment — Operating expenses in the pharmaceuticals and healthcare segment increased by 19.6% to RMB1,178.1 million in 2009 from RMB984.8 million in 2008. As a percentage of revenue, operating expenses in this segment increased to 31.2% in 2009 from 26.6% in 2008.

    - Selling and distribution costs — Selling and distribution costs increased by 28.3% to RMB636.5 million in 2009 from RMB496.2 million in 2008. Such increase was primarily due to Fosun Pharma's strategy to streamline its distribution system by restructuring its selling channels of its manufacturing business.

    - Administrative expenses — Administrative expenses for both years were approximately RMB359.9 million.

    - Other expenses — Other expenses increased by 41.1% to RMB181.8 million in 2009 from RMB128.8 million in 2008. Such increase was primarily due to a provision for the impairment of available-for-sale investments in the amount of RMB50.0 million in 2009. There was no equivalent provision in 2008.

- Property segment — Operating expenses in the property segment decreased by 36.9% to RMB559.4 million in 2009 from RMB887.1 million in 2008. As a percentage of revenue, operating expenses in this segment decreased to 10.8% in 2009 from 23.8% in 2008.

    - Selling and distribution costs — Selling and distribution costs decreased by 18.8% to RMB234.0 million in 2009 from RMB288.0 million in 2008, mainly because our advertising expenses and staff costs decreased in 2009 as compared to 2008.

    - Administrative expenses — Administrative expenses increased by 9.6% to RMB288.4 million in 2009 from RMB263.1 million in 2008. Such increase was primarily due to increased staff costs and rental costs as a result of the expansion of business.

    - Other expenses — Other expenses decreased by 89.0% to RMB37.0 million in 2009 from RMB336.0 million in 2008. In 2008, we made a provision for the impairment of our available-for-sale investment in Zendai in the amount of RMB190.2 million due to the significant decrease in the share price of Zendai. Also, in 2008, we made a provision of RMB80.5 million for impairment of property under development. There were no equivalent or similar provisions in 2009.

- Steel segment — Operating expenses in the steel segment decreased by 39.4% to RMB1,057.8 million in 2009 from RMB1,744.4 million in 2008. As a percentage of revenue, operating expenses in this segment decreased to 4.3% in 2009 from 5.6% in 2008.

    - Selling and distribution costs — Selling and distribution costs decreased by 27.7% to RMB229.0 million in 2009 from RMB316.7 million in 2008, primarily due to lower shipping fees, tariffs and logistics costs relating to export sales as a result of a lower volume of exports sales in 2009 as compared to 2008.

    - Administrative expenses — Administrative expenses increased by 2.7% to RMB642.0 million in 2009 from RMB625.3 million in 2008. Such increase was primarily due to increases in staff costs and the depreciation expenses of certain new office buildings and equipment.

    - Other expenses — Other expenses decreased by 76.7% to RMB186.8 million in 2009 from RMB802.5 million in 2008. Such decrease was primarily a result of having made, in

2009, a provision for impairment of inventory in the amount of RMB41.8 million as compared to a larger provision for impairment of inventory of RMB652.0 million in 2008 due to the collapse in the price of steel products as a result of the global financial crisis started in the second half of 2008.

- Mining segment — Operating expenses in the mining segment increased by 20.0% to RMB749.3 million in 2009 from RMB624.4 million in 2008. As a percentage of revenue, operating expenses in this segment increased to 38.1% in 2009 from 20.1% in 2008.

    - Selling and distribution costs — Selling and distribution costs increased by 10.0% to RMB76.1 million in 2009 from RMB69.2 million in 2008. Such increase was primarily due to the increase in sales volume of iron ore products in 2009 as compared to 2008.

    - Administrative expenses — Administrative expenses decreased by 6.1% to RMB275.7 million in 2009 from RMB293.7 million in 2008. Such decrease was primarily due to the lower staff bonus in 2009 as compared to 2008.

    - Other expenses — Other expenses increased by 52.0% to RMB397.5 million in 2009 from RMB261.5 million in 2008. Such increase was primarily due to a provision for impairment of mining rights in the amount of RMB266.6 million in 2009.

- Retail, services and other investments segment — Operating expenses in this segment decreased by 15.9% to RMB252.7 million in 2009 from RMB300.3 million in 2008, primarily due to decrease in net exchange loss.

Finance Costs. Finance costs decreased by 18.7% to RMB1,108.3 million in 2009 from RMB1,362.6 million in 2008. The decrease was mainly attributable to a decrease in finance costs in the steel segment.

- Pharmaceuticals and healthcare segment — Finance costs in the pharmaceuticals and healthcare segment decreased by 7.6% to RMB142.4 million in 2009 from RMB154.1 million in 2008. Such decrease was primarily due to a decrease in interest rates, which was partially offset by an increase in outstanding amount of borrowings of subsidiaries in this segment. As a percentage of revenue, finance costs decreased to 3.8% in 2009 from 4.2% in 2008.

- Property segment — Finance costs in the property segment increased by 71.8% to RMB76.3 million in 2009 from RMB44.4 million in 2008. Such increase was primarily due to an increase in the outstanding amount of borrowings of subsidiaries in this segment, which was partially offset by a decrease in interest rates. As a percentage of revenue, finance costs increased to 1.5% in 2009 from 1.2% in 2008.

- Steel segment — Finance costs in the steel segment decreased by 24.9% to RMB699.1 million in 2009 from RMB930.5 million in 2008. Such decrease was primarily due to a decrease in interest rates, which was partially offset by an increase in the outstanding amount of borrowings of subsidiaries in this segment. As a percentage of revenue, finance costs decreased to 2.8% in 2009 from 3.0% in 2008.

- Mining segment — Finance costs in the mining segment decreased by 2.6% to RMB44.4 million in 2009 from RMB45.6 million in 2008. Such decrease was primarily due to a decrease in interest rates and the outstanding amount of borrowings of subsidiaries in this segment. As a percentage of revenue, finance costs increased to 2.3% in 2009 from 1.5% in 2008.

- Retail, services and other investments segment — Finance costs in this segment decreased by 22.2% to RMB146.2 million in 2009 from RMB188.0 million in 2008. Such decrease was primarily due to a decrease in interest rates, which was partially offset by a slight increase in outstanding amount of borrowings of subsidiaries in this segment.

Share of Profits and Losses of Jointly-Controlled Entities. Share of profits and losses of jointly-controlled entities represented a profit of RMB13.8 million in 2009 compared to a loss of RMB6.3 million in 2008. The share of profit of jointly-controlled entities in both years was primarily contributed by the property segment and the operating results tend to fluctuate according to the delivery schedules of their property projects. We did not have significant jointly-controlled entities in the steel, mining or retail, services and other investments segments in 2009 or 2008.

Share of Profits and Losses of Associates. Share of profits of associates increased to RMB962.6 million in 2009 from RMB154.5 million in 2008. The increase was mainly attributable to increases in share of profits of associates in the steel, pharmaceuticals and healthcare and retail, services and other investments segments, which were partially offset by decreases in share of profits and losses of associates in the property and mining segments.

- Pharmaceuticals and healthcare segment — Share of profits of associates in the pharmaceuticals and healthcare segment increased by 17.7% to RMB442.2 million in 2009 from RMB375.7 million in 2008. Such increase was mainly attributable to the improved operating results of Sinopharm, the major associate of Fosun Pharma.

- Property segment — Share of losses of associates in the property segment was RMB5.4 million in 2009, compared to a share of profits of associates of RMB1.2 million in 2008. Such decrease was mainly because the results of operations of our associates fluctuate according to the delivery schedule of their property projects.

- Steel segment — Share of profits of associates in the steel segment was RMB432.6 million in 2009, compared to a share of losses of associates in the steel segment of RMB601.6 million in 2008. Such increase was mainly attributable to (i) the recovery of the steel industry after the recession in 2008; and (ii) Jianlong Group, our major associate in the steel segment, disposing of its entire equity interest in Ningbo Steel and recognizing a gain in 2009.

- Mining segment — Share of losses of associates in the mining segment was RMB16.4 million in 2009, as compared to share of profits of associates in the mining segment of RMB319.3 million in 2008. Such decrease was mainly attributable to (i) the deterioration in the operating results of Huaxia Mining, our major associate in the mining segment, in 2009; and (ii) Zhaojin Mining ceasing to be an associate in October 2008.

- Retail, services and other investments segment — Share of profits of associates in this segment increased by 82.8% to RMB109.5 million in 2009 from RMB59.9 million in 2008. Such increase was mainly attributable to the improvement in Yuyuan's operating results in 2009 as compared with 2008.

Tax. Tax increased by 18.1% to RMB1,357.2 million in 2009 from RMB1,149.1 million in 2008.

- Pharmaceuticals and healthcare segment — Tax for the pharmaceuticals and healthcare segment increased to RMB700.4 million in 2009 from RMB74.7 million in 2008. Such increase was mainly attributable to the tax provision on the gain on deemed disposal of equity interest in Sinopharm when its shares were listed on the Hong Kong Stock Exchange.

- Property segment — Tax for the property segment decreased by 30.0% to RMB451.9 million in 2009 from RMB645.5 million in 2008. Such decrease was mainly attributable to the decrease in land appreciation tax accrued on GFA booked as a result of a decrease in gross profit margin in 2009. Land appreciation tax generally rises progressively in accordance with gross profit margin.

- Steel segment — Tax for the steel segment decreased by 67.0% to RMB46.6 million in 2009 from RMB141.0 million in 2008. Such decrease was primarily due to a decrease in taxable profit in 2009 compared to 2008. In addition, gain on disposal of our equity interest in Ningbo Steel resulted in a non-taxable profit in 2009, which is a permanent difference between the taxable profit and accounting profit.

- Mining segment — Tax for the mining segment decreased by 79.2% to RMB66.4 million in 2009 from RMB233.7 million in 2008. Such decrease was mainly attributable to the decrease in the taxable profits of our mining segment in 2009 as compared with 2008.

- Retail, services and other investments segment — Tax for this segment increased by 79.9% to RMB97.3 million in 2009 from RMB54.1 million in 2008. Such increase was mainly attributable to the increase in the accrual of deferred tax liability arising from withholding tax by this segment in 2009 as compared with 2008 in line with the increase of the consolidated profits of Fosun Group in 2009.

Profit for the Year. As a result of the foregoing, profit for the year increased by 150.9% to RMB6,818.4 million in 2009 from RMB2,717.9 million in 2008.

- Pharmaceuticals and healthcare segment — Profit for the year in the pharmaceuticals and healthcare segment increased by 287.1% to RMB2,495.9 million in 2009 from RMB644.7 million in 2008.

- Property segment — Profit for the year in the property segment increased by 152.0% to RMB608.9 million in 2009 from RMB241.6 million in 2008.

- Steel segment — Profit for the year in the steel segment increased by 437.5% to RMB1,525.5 million in 2009 from RMB283.8 million in 2008.

- Mining segment — Profit for the year in the mining segment decreased by 81.5% to RMB359.6 million in 2009 from RMB1,945.2 million in 2008.

- Retail, services and other investments segment — Profit for the year in this segment increased to a profit of RMB2,072.1 million in 2009 from a loss of RMB129.3 million in 2008.

Non-controlling interests. Non-controlling interests increased by 56.3% to RMB2,171.7 million in 2009 from RMB1,389.5 million in 2008.

- Pharmaceuticals and healthcare segment — Non-controlling interests in the pharmaceuticals and healthcare segment increased by 241.8% to RMB1,310.3 million in 2009 from RMB383.3 million in 2008. The increase reflected an increase in profit for the year in 2009.

- Property segment — Non-controlling interests in the property segment increased by 53.0% to RMB281.6 million in 2009 from RMB184.0 million in 2008. The increase reflected an increase in profit for the year in 2009.

- Steel segment — Non-controlling interests in the steel segment increased by 175.9% to RMB457.4 million in 2009 from RMB165.8 million in 2008. The increase reflected an increase in profit for the year in 2009.

- Mining segment — Non-controlling interests in the mining segment decreased by 81.2% to RMB123.9 million in 2009 from RMB660.2 million in 2008. The decrease reflected a lower profit for the year in 2009.

- Retail, services and other investments segment — Non-controlling interests in this segment shared losses in both years of RMB1.6 million in 2009 and RMB3.8 million in 2008.

Liquidity and Capital Resources

We use a variety of sources, both external and internal, to finance our operations. In addition to net cash generated from operations, we use short-term and long-term borrowings to fund capital expenditures and strategic investments. Our short-term and long-term funding sources may vary from period to period, but they have generally included a mix of equity and debt securities issued in the domestic and international capital markets and credit facilities with commercial banks.

Short-term Liquidity Requirements

Our short-term liquidity requirements include principally funding of our need for working capital and servicing our debt, including the debt of Fosun International, Fosun Group and our other subsidiaries. We have relied principally on short-term borrowings and operating cash flows for our short-term liquidity requirements. As of December 31, 2010, we had cash and cash equivalents of RMB16,826.6 million.

We believe that, taking into account our cash on hand and cash flow from our operations, we will have sufficient working capital to meet our requirements for at least the 12 months from the date of this offering memorandum.

Long-term Liquidity Requirements

Our long-term liquidity requirements include principally funding of capital expenditures, which consist of expenditures on the acquisition of property, plant and equipment and intangible assets; funding of additional equity investments in portfolio companies; and repayment of long-term debt.

We have relied principally on operating cash flows, and to the extent required, borrowings or additional capital raising activities for our long-term liquidity requirements. We expect that, going forward, we will finance our capital expenditures with a combination of the proceeds from this offering and operating cash flows and, as to the extent permitted under the Indenture, future offerings of equity or debt securities, bank borrowings at different subsidiary levels. Our need for, and the availability of, external financing is influenced by many factors, including our profitability, operating cash flows, debt levels, contractual restrictions and market conditions. Other sources of cash will include dividends, distributions and other payments from portfolio companies and proceeds from the sale of interests in portfolio companies.

Special Note on Our Holding Company Structure

As a holding company, our cash flow depends on dividends from our subsidiaries and affiliates and, to a lesser extent, on dividends and realized gains obtained from investments we hold directly at our Company level. Our liquidity and ability to fulfill our repayment obligation under the Notes are dependent upon our ability to obtain a sufficient flow of funds from Fosun Group and our other portfolio companies and investments. Fosun Group derives substantially all of its earnings and cash flows from our portfolio companies and, to a lesser extent, on dividends and realized gains obtained from investments held directly at the Fosun Group level. While many of our portfolio companies have, in the past, paid cash dividends from time to time, Fosun Group's ability to pay dividends to us in future is subject to whether this pattern of paying dividends will be maintained by the portfolio companies.

Fosun Group's ability to pay dividends to us, as well as our other portfolio companies' ability to pay dividends to Fosun Group, are subject to various restrictions, including legal restrictions in the PRC, the jurisdiction of incorporation of Fosun Group and our other portfolio companies, and dividend restrictions contained in certain loan documents. Under PRC law, Fosun Group is required to set aside a portion of its profit each year as contribution to certain reserve funds. These reserves are not distributable as cash dividends.

Capital Expenditures

The following table sets forth, for the years indicated, our capital expenditures, which primarily consist of additions to property, plant and equipment, prepaid land lease payments, exploration and evaluation assets, mining rights and intangible assets:

	Years ended December 31,		
	2008	2009	2010
	(RMB in thousands)		
Pharmaceuticals and healthcare segment	241,329	300,901	430,946
Property segment	35,835	99,605	124,706
Steel segment	1,894,997	2,858,838	3,873,577
Mining segment	697,614	350,740	322,674
Retail, services and other investments segment	20,081	9,394	40,043
Total	2,889,856	3,619,478	4,791,946

We expect our capital expenditures in 2011 to be over RMB5 billion. Actual expenditures may differ significantly from our current plans. The table below sets forth the details of our major capital expenditure programs and the amounts we expect to spend on them during 2011.

	Estimated cost of the project in 2011
	(RMB in thousands)
Pharmaceuticals and healthcare segment	
Addition of property, plant and equipment	721,790
Construction of industrial park	500,000
Research and development for new products	219,110
	1,440,900
Property segment	
Addition of office facilities and vehicles	66,000
	66,000
Steel segment	
Upgrade and maintence of general fixed assets	1,054,300
Reconstruction of product line	1,037,000
Addition of property, plant and equipment for existing projects	466,500
	2,557,800
Mining segment	
General fixed assets upgrade and maintence	94,730
Underground mining project	898,320
	993,050
Total	5,057,750

As part of our business strategy, we plan to continue to expand our business through organic growth within our group as well as through mergers and acquisitions and strategic investments in other operating companies or assets. Cash requirements relating to potential acquisitions can vary significantly based on market opportunities.

Indebtedness, Contractual Obligations and Off-balance Sheet Arrangements

Indebtedness

As of December 31, 2010, our total consolidated debt was RMB43,935.4 million. The table below presents the amounts due by year of maturity for our total debt obligations outstanding as of December 31, 2010.

	Amount due				
	within one year or on demand	in the second year	in the third to fifth year	over five years	Total
	(RMB in millions)				
Interest bearing bank and other borrowings					
Bank loans and other borrowings	22,026.8	4,586.0	9,212.1	1,558.9	37,383.8
Loans from related companies	26.7	86.9	—	—	113.6
Debt securities					
Nanjing Steel United enterprise bonds	—	—	—	2,485.3	2,485.3
Forte domestic corporate bonds	—	—	1,875.0	—	1,875.0
Fosun Group corporate bonds	—	—	—	1,091.6	1,091.6
Fosun Pharma medium-term notes	—	—	986.1	—	986.1
	22,053.5	4,672.9	12,073.2	5,135.8	43,935.4

As of December 31, 2010, the Group had unutilized banking facilities of RMB25,463.7 million.

For a more detailed discussion of our material indebtedness, see "Description of Other Material Indebtedness" in this offering memorandum.

Contingent Liabilities

We issue guarantees from time to time for the benefit of other entities in conjunction with our business operations. These guarantees typically require payment by the guarantor only in the event of default on payment by the respective debtor. As of December 31, 2010, we had issued guarantees of RMB1,026.8 million to various financial institutions in connection with bank loans extended to related parties.

We had also, as of December 31, 2010, issued guarantees of RMB3,013.6 million for the benefit of Forte's property purchasers in respect of mortgage loans provided by banks to such purchasers for their purchases of 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. The guarantees provided by the Group to such property purchasers are released when the purchasers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks. The guarantees for the benefit of Forte's property purchasers were issued in accordance with customary industry practice. The Directors consider that in case of default in payments, the net realizable value of the mortgaged properties would cover the outstanding mortgage principal together with any accrued interest and penalties and, accordingly, no provision is made in the Group's financial statements in respect of the guarantees. See "Business — Property Business — Property Development projecty — Stages of a Property Development Project — Sales and marketing" in this offering memorandum.

Total contingent liabilities of our Group for the year ended December 31, 2010 were RMB4,113.8 million (December 31, 2009: RMB3,659.5 million). During the years ended December 31, 2008, 2009 and 2010, no event of default had occurred under any of the guarantees issued.

Market Risks

Foreign Currency Risk

We conduct our business primarily in Renminbi, which is also our functional and reporting currency. In each of 2008, 2009 and 2010, the majority of our revenue was collected in Renminbi. A portion of this revenue needed to be converted into foreign currencies to purchase imported raw materials. Going forward, we expect the majority of our revenue to continue to be collected in Renminbi and a portion of that revenue to be converted into foreign currencies.

Renminbi is not a fully-convertible currency. Fluctuations in exchange rates may adversely affect the value, translated or converted into United States dollars or Hong Kong dollars, of our net assets, earnings and any declared dividends. We cannot give any assurance that any future movements in the exchange rate of the Renminbi against the United States dollar or other foreign currencies will not adversely affect our results of operations and financial condition. In 2010, we entered into forward currency contracts to manage our exchange rate exposures that do not meet the criteria for hedge accounting. As of December 31, 2010, the carrying amounts of the forward currency contracts at fair value were RMB37.6 million.

Interest Rate Risk

We are subject to market risks due to fluctuations in interest rates. Our net profit is affected by changes in interest rates due to the impact such changes may have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities, including bank borrowings. We undertake debt obligations to support general corporate purposes, including capital expenditures and working capital needs. Our borrowings bear fixed or floating interest rates. Borrowings issued at variable rates expose us to cash flow interest rate risk while borrowings issued at fixed rates expose us to fair value interest rate risk. Any increase of benchmark lending rates published by PBOC would result in an increase in our interest costs, as a substantial portion of our bank borrowings bear floating interest rates linked to PBOC-published rates.

In addition, an increase in interest rates would adversely affect, our ability to service loans that we have guaranteed, our ability to raise and service long-term debt and to finance our operations and in the property segment, our prospective purchaser’s willingness and ability to purchase our properties, any of which could adversely affect our business, financial condition and results of operations. Further, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt.

Commodities Price Risk

We, through our steel segment, are exposed to fluctuations in the prices of steel products that it sells and of the raw materials it requires for the production of steel products, mainly iron ore and coke. Our Group’s steel products are sold and raw materials are purchased at market prices. Therefore, fluctuations in the prices of both its steel products and raw materials have had and will continue to have a significant effect on the Group’s results of operations. Our pharmaceuticals and healthcare segment is also exposed to fluctuations in the prices of raw materials, but to a more limited extent given its bargaining power in respect of the raw materials it uses for the products in which it has significant or dominant market share. In our steel segment, we use commodity derivative contracts to hedge our risk exposure to the price of steel that does not meet the criteria for hedge accounting. The commodity derivative contracts our Group utilizes are standardized steel futures contracts on the Shanghai Futures Exchange. As of December 31, 2010, changes in the fair value of the commodity derivative contracts that had not been settled amounted to RMB47.0 million.

Inflation

According to the National Bureau of Statistics of China, as represented by the general consumer price index, China experienced an overall inflation rate of 5.9% in 2008, an overall inflation rate of -0.7% in 2009 and an overall inflation rate of 3.3% in 2010. Neither deflation or inflation has had a significant impact on our results of operations in their respective years.

Non-GAAP Financial Measures

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our profit for the year before the following items:

- gross interest expenses;
- amortization of intangible assets;
- amortization of leasehold land and land use rights;
- amortization of mining rights;
- tax expense; and
- depreciation.

Our profit for the year includes share of profits and losses of associates and jointly-controlled entities and certain other non-cash items, such as excess over the cost of business combinations realized as income, gain on deemed disposal of interests in associates, gain on fair value adjustment of investment properties, and gain on fair value adjustment of equity investments at fair value through profit or loss. These items have not been excluded for the purpose of calculating EBITDA.

EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. As a measure of our operating performance, we believe that the most directly comparable HKFRS measure to EBITDA is profit for the year. We use EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and interest expense. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in depreciation expenses as well as tax expenses, amortization expenses and interest expense, EBITDA provides further information about our operating performance and an additional measure for comparing its operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles our consolidated profit for the year under HKFRS to our definition of EBITDA for the periods indicated:

	Year ended December 31,			
	2008	2009	2010	2010
	(RMB)	(RMB)	(RMB)	(US$)
	(In thousands)			
Profit for the year	2,717,884	6,818,371	6,146,702	931,319
Adjustments				
Interest expenses	1,348,863	1,081,131	1,504,693	227,984
Amortization	116,890	141,346	122,333	18,535
Tax	1,149,068	1,357,154	2,506,590	379,786
Depreciation	1,554,480	1,806,875	1,734,183	262,755
EBITDA	6,887,185	11,204,877	12,014,501	1,820,379

EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definitions. You should also note that EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes.

Overview

We are a large holding company with a portfolio focused on businesses benefiting from China's growth momentum. As a result of our rapid growth over the past 19 years, we have established what we believe is a high-quality business combination which has benefited from China's economic growth, urbanization and industrialization. We have significant experience in managing different businesses in China and have successfully grown our core businesses into strong players with widely recognized brands within their respective industries. We seek to achieve sustainable and rapid growth of our investment portfolio value through the continued optimization of the existing portfolio and upgrading the management of our investee companies. Our past superior investment returns and our rich experience in improving the management of investee companies in a variety of industries in China give us what we believe is a strong competitive advantage in continuing to capture investment opportunities. We have a strong investment platform which enables us to identify investment opportunities that we believe will benefit from China's rapid growth. We also have a long and successful track record of investing in various industries in China, coupled with an in-depth understanding of China's macroeconomic and microeconomic trends. We have extensive experience in brand promotion, enhancing management structures and building sales networks, which effectively facilitate the development of an investee company's business. In addition, as a large diversified, non-state-owned enterprise in a rapidly growing market, we have developed strong execution capabilities that allow us to respond quickly to opportunities and challenges emerging from rapid economic development. We also have a diversified financing platform which gives us access to a wide range of capital resources for our Group's sustainable development.

Currently, our core operational businesses cover pharmaceuticals and healthcare, property, steel and mining. We also invest in companies in retail, services and other industries that benefit from China's growth momentum.

Our principal portfolio companies include Fosun Pharma, Forte, Nanjing Iron & Steel and Hainan Mining. We believe that our principal portfolio companies enjoy competitive advantages within their respective industries and significant growth potential. The A shares of Fosun Pharma and Nanjing Iron & Steel are publicly traded on the Shanghai Stock Exchange. The H shares of Forte are listed on the Hong Kong Stock Exchange. On January 20, 2011, we announced that we were making a voluntary conditional offer to acquire all of Forte's issued H shares that we did not hold and, subject to such offer for H Shares of Forte becoming unconditional, a voluntary conditional offer to acquire all of Forte's issued domestic shares that we did not hold. It is currently expected that withdrawal of listing of the H shares from the Hong Kong Stock Exchange would happen on May 13, 2011. See "— Property Business — Forte Offer" in this section for further information in relation to the Forte Offer. In addition to our principal portfolio companies, we also invest in a number of listed and unlisted companies, such as Jianlong Group, Huaxia Mining, Yuyuan (600655. SH), Club Med (EPA: CU), Focus Media (NASDAQ: FMCN) and Yong'an Insurance. In 2010, our consolidated revenue was RMB44,643.7 million and our profit for the year was RMB6,146.7 million.

Our founders, Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei, are members of our core management team. As of the date of this offering memorandum, they owned a 58%, 22% 10% and 10% equity interest in Fosun International Holdings, respectively, which in turn held a 78.24% equity interest indirectly in our Company through its wholly-owned subsidiary, Fosun Holdings.

Our Businesses

The following table sets forth our principal portfolio companies in each of our businesses as of December 31, 2010:

Business segment	Principal Portfolio Companies	Equity Interest[(1)]	Principal Products and Services
Pharmaceuticals and healthcare	Fosun Pharma	48.1%[(2)]	Research and development, manufacture, sales and marketing of pharmaceutical products, diagnostic tools and medical devices, and provision of healthcare services including supply chain, retail and other services
Property	Forte	70.6%	Development and sale of residential and non-residential property and related business
	Star Investment	80%	Real estate fund management
	Resource Property	74.1%	Real estate sales agent, real estate consulting and related services
	Haizhimen	54.8%	Property development with a focus on high-end city complex project(s) in Shanghai
Steel	Nanjing Iron & Steel	50.3%	Production of and sale of steel plates, steel bars, wire rods, steel strips and structural section steel
	Jianlong Group	26.7%	Production and sale of medium wide hot and cold strips, hot-rolled coils, and bars and wire rods
Mining..	Hainan Mining	60%	Iron ore mining and ancillary processing
	Jin'an Mining	50.3%	Iron ore mining and ancillary processing
	Huaxia Mining	18.4%	Iron ore mining and ancillary processing
	Shanjiaowulin	20%	Coking coal mining and ancillary processing
	Zhaojin Mining	8.2%	Gold mining and ancillary processing
Retail, services and other investments...........	Yuyuan	17.3%	Gold jewelry retail and wholesale, food and beverage business, and non-residential property leasing
	Yong'an Insurance	18.3%	Insurance
	Focus Media	21.1%	Media advertising platforms
	Club Med	9.5%	Leisure and hospitality
	Other investments	N/A[(3)]	Minority interest investments in pre-IPO or post-IPO projects

Notes:

(1) Includes our direct and indirect, or effective, equity interests in these portfolio companies as of December 31, 2010.

(2) Fosun Pharma is accounted for as a subsidiary in our financial statements, in conformance with HKFRS, by virtue of our control over Fosun Pharma's board of directors and operating and financial policies.

(3) As of December 31, 2010, private equity investing activities were mainly carried out via investment platforms including Fosun Capital, Fosun Venture Capital Investment and Principle Capital. Effective stakes of each platform held by our Group as of December 31, 2010 were, respectively, 100%, 100% and 99%.

Pharmaceuticals and Healthcare Business

We operate our pharmaceuticals and healthcare business through Fosun Pharma. Fosun Pharma is a leading pharmaceuticals and healthcare company in China. Its A shares are listed and publicly traded on the Shanghai Stock Exchange (600196.SH). Fosun Pharma's core business focuses on the research and development, manufacture, and sale and marketing of pharmaceutical products. Fosun Pharma has also established strong presence in key segments of the healthcare business, including diagnostic tools, medical devices, healthcare supply chain, retail pharmacy and other medical services. Fosun Pharma has leading positions in the treatment of hepatic diseases, diabetes and malaria, with market leading pharmaceutical products such as Atomolan, Insulin and Artesunate. Our pharmaceuticals and healthcare business has established a successful business development track record and research and development focus on expanding into multiple therapeutic areas including tuberculosis. Fosun Pharma has established a leading position in the pharmaceutical distribution sector through its strategic investment in Sinopharm, one of the largest healthcare distributors in China. Fosun Pharma also participates in China's high-end healthcare service sector through its joint venture with, and strategic investment in, Chindex. Our senior management team in Fosun Pharma consists of Messrs. Chen Qiyu, Yao Fang and Qiao Zhicheng.

Property Business

We operate our property business mainly through Forte. Currently, Forte has property developments in Shanghai, Beijing, Tianjin, Nanjing, Chongqing, Chengdu, Xi'an, Wuhan, Changchun, Wuxi, Hangzhou, Taiyuan and Changsha. As of December 31, 2010, Forte had an aggregate planned GFA of approximately 3.7 million sq.m. under construction and project reserves with planned GFA of approximately 14.1 million sq.m. In addition, Forte holds a 19.5% equity interest in Zendai, a company listed on the Hong Kong Stock Exchange (00755.HK). Forte's shares are currently listed on the Main Board of the Hong Kong Stock Exchange. On January 20, 2011, we announced the Forte Offer, pursuant to which we made a voluntary conditional offer to acquire all of Forte's issued H shares that we did not hold and, subject to such offer for H shares becoming unconditional, a voluntary conditional offer to acquire all of Forte's issued domestic shares that we did not hold. See "— Property Business — Forte Offer" in this section for further information in relation to the Forte Offer. Forte's senior management consists of Messrs. Zhang Hua and Wang Zhe.

Subject to the terms of our non-competition agreement with Forte, we also conduct our property business through other companies. Headquartered in Shanghai, Resource Property is a nation-wide integrated real estate service provider. Its main businesses include real estate sales and consulting. Haizhimen is a property development company in which we hold a 54.8% effective interest and which is set to capture opportunities to develop high-end city complexes in Shanghai. We have also invested in Star Investment, a real-estate fund management company whose first fund, Star Capital, is planning to build the Shining Star project, an integrated city complexes with the theme of "private enterprise center." We own an 80% stake of Star Investment and have committed to provide funds for Star Capital.

Steel Business

We operate our steel business principally through Nanjing Iron & Steel, a publicly traded company with its A shares listed on the Shanghai Stock Exchange (600282.SH). Located in East China, Nanjing Iron & Steel is an integrated steel company with a complete production process, including coking, sintering, iron smelting, steel smelting, steel casting and steel rolling. Its principal products include steel plates, steel bars, wire rods, steel strips and structural section steel. As of the end of 2010, the crude steel production capacity of Nanjing Iron & Steel amounted to eight million tons. Nanjing Iron & Steel is one of the few steel product producers in China with the ability to produce 9%Ni steel. Our senior management in Nanjing Iron & Steel consists of Messrs. Yang Siming, Lü Peng and Sun Yimin.

We also own an equity interest of 26.7% in Jianlong Group, one of the largest steel producers in Northern and Northeastern China. Its principal products include hot rolling medium wide strips, cold rolling medium wide strips, hot rolling narrow strips, hot rolling coil, bars and wire rods and sectional material.

Mining Business

We operate our mining business principally through Hainan Mining. Hainan Mining owns a large open-pit, 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 increase of its scale and industrial position. Through Nanjing Iron & Steel, we also hold interests in Jin'an Mining. In addition, we hold a non-controlling interest in Huaxia Mining, a large iron ore mining group in Northern China. We have also invested in other natural resources such as coking coal and gold through our investments in mining companies such as Shanjiaowulin and Zhaojin Mining, respectively. Our senior management in Hainan Mining consists of Messrs. Chen Guoping, Liu Mingdong and Feng Yilin.

Retail, Services and Other Investments

Our major investments in the retail, services and other industries include, among others: (i) Yuyuan, a retail company based in the Yuyuan Commercial and Tourist District, a well-known tourist destination in Shanghai, and listed on the Shanghai Stock Exchange (600655. SH), (ii) Focus Media, the biggest outdoor media advertiser in China listed on NASDAQ (FMCN. NASDAQ), (iii) Club Med, a global leisure and resort group listed in Paris since 1966 (CU. EPA), and (iv) Yong'an Insurance, a nationwide property insurance company headquartered in Xi'an. We also invest in a number of companies that have benefited from China's rapid growth, mainly in the consumer goods and services industries.

Results of Operating Segments

The following table sets forth, for the periods indicated, selected financial information of our operating segments.

Revenue[(1)]

	Year ended December 31,							
	2008		2009		2010		2010	
	RMB		RMB		RMB		US$	
	(in thousands, except percentages)							
Pharmaceuticals and healthcare	3,699,190	9.2%	3,775,859	10.8%	4,459,332	10.0%	675,656	10.0%
Property	3,733,255	9.3%	5,184,804	14.9%	8,846,689	19.8%	1,340,407	19.8%
Steel	30,929,970	76.8%	24,611,399	70.6%	29,652,180	66.4%	4,492,755	66.4%
Mining	3,106,667	7.7%	1,967,953	5.6%	3,180,171	7.1%	481,844	7.1%
Retail, services and other investments[(2)]	—	0.0%	—	0.0%	—	0.0%	—	0.0%
Eliminations[(3)]	(1,218,789)	(3.0%)	(684,197)	(2.0%)	(1,494,670)	(3.3%)	(226,465)	(3.3%)
Total	40,250,293	100.0%	34,855,818	100.0%	44,643,702	100.0%	6,764,197	100.0%

Notes:

(1) Revenue comprises sales of goods and rendering of services only to external customers, except for (i) our mining segment which also includes intersegment sales to our steel segment of RMB1,217.3 million in 2008, RMB684.2 million in 2009 and RMB1,494.7 million in 2010; and (ii) our property segment which also includes intersegment rendering of services to our retail, services and other investments segment of RMB1.5 million in 2008.

(2) We recorded zero revenue in this segment because we have no subsidiaries that generated revenue in this segment.

(3) Intersegment sales are hereby excluded from total revenue.

Profit/(loss) for the year

	Year ended December 31,							
	2008		2009		2010		2010	
	RMB		RMB		RMB		US$	
	(in thousands, except percentages)							
Pharmaceuticals and healthcare	644,698	23.7%	2,495,941	36.6%	766,059	12.5%	116,070	12.5%
Property	241,606	8.9%	608,855	8.9%	1,903,447	31.0%	288,401	31.0%
Steel	283,848	10.4%	1,525,521	22.4%	681,671	11.1%	103,283	11.1%
Mining	1,945,244	71.6%	359,570	5.3%	1,496,661	24.3%	226,767	24.3%
Retail, services and other investments	(129,339)	(4.8%)	2,072,143	30.4%	1,499,588	24.4%	227,210	24.4%
Unallocated expenses	(97,376)	(3.5%)	(112,850)	(1.7%)	(174,758)	(2.9%)	(26,478)	(2.9%)
Eliminations(1)	(170,797)	(6.3%)	(130,809)	(1.9%)	(25,966)	(0.4%)	(3,934)	(0.4%)
Total	2,717,884	100.0%	6,818,371	100.0%	6,146,702	100.0%	931,319	100.0%

Note:

(1) Profit for the year derived from our intersegment transactions is hereby excluded from total profit for the year.

Competitive Strengths

We believe we have the following competitive strengths:

Successful business strategies and strong execution capabilities

We focus on investing in various industries that benefit from China's growth momentum. Our investments have a track record of stable and profitable growth, which we consider to be evidence of the success of our business strategies and our strong execution capabilities. We have grown rapidly by leveraging our strong capabilities in identifying market opportunities and executing appropriate investment strategies. For the years ended December 31, 2008, 2009 and 2010, our revenue was RMB40,250.3 million, RMB34,855.8 million and RMB44,643.7 million, respectively.

Our core business segments currently cover pharmaceuticals and healthcare, property, steel, mining and retail, services and other investments. We have also invested in a number of pre-IPO projects and listed companies. We strategically focus our investment on selected industries, such as consumer goods, services, manufacturing and other industries with high growth potential. In 2010, six of our private equity investments successfully completed their initial public offerings.

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

Proven track record in achieving significant investment returns

We have a proven track record of opportunely capturing attractive investment opportunities in a wide range of industries. We believe our industry expertise has given us an early-mover advantage in entering markets with high-growth potential at reasonable costs. Our capturing of these opportunities has resulted in significant investment returns for us. For example:

- We began our investment in Yuyuan, a publicly-traded company, in 2002, when we paid an aggregate of RMB353.7 million for a 20% interest in the company. Based on the closing price of Yuyuan's shares as of December 31, 2010, the market value of our 17.3% equity interest in Yuyuan was RMB3,336.2 million. In addition, in 2008, 2009 and 2010, we received dividends from Yuyuan in the aggregate amount of RMB30.2 million.

- Following our investment in Jianlong Group in 2002, we capitalized on our steel production experience and established Nanjing Steel United in 2003 with an aggregate initial investment amount of RMB1,650.0 million for a 60% equity interest in Nanjing Steel United. In 2008 and 2009, we received dividends from Nanjing Steel United in the aggregate amount of RMB600.0 million. In October 2010, Nanjing Steel United's major steel-related assets were injected into Nanjing Iron & Steel, and such assets thus became part of a publicly listed company. In 2010, we received dividends from Nanjing Nangang, the holding company of Nanjing Steel United, in the amount of RMB300.0 million.

- In 2003, We identified the growth potential in China's healthcare supply chain industry and therefore invested in Sinopharm. We initially invested an aggregate amount of RMB503.7 million in Sinopharm. Based on the closing price of Sinopharm's shares as of December 31, 2010, the market value of Fosun Pharma's 34.0% equity interest in Sinopharm was RMB17,736.0 million. In addition, in 2008, 2009 and 2010, Fosun Pharma had received dividends from Sinopharm in an aggregate amount of RMB517.1 million.

In recent years we have also invested in Focus Media, Yong'an Insurance, Club Med, Chindex with the goal of generating high cash flow from investment returns over the next few years.

Multi-channel and sustainable funding sources to raise capital

We have diversified and sustainable capital resources to support our business growth and our working capital needs. Our capital resources include liquid assets that can be sold to raise additional capital. As of December 31, 2010, our Group held equity investments at fair value through profit or loss amounting to RMB6,478.6 million, consisting of equity investments in Hong Kong with a market value of RMB1,141.2 million, in the United States with a market value of RMB4,534.2 million, in China with a market value of RMB351.0 million and in Europe with a market value of RMB452.2 million, representing their carrying value on our balance sheet measured at fair market value. As of December 31, 2010, our Group held listed available-for-sale investments amounting to RMB3,048.3 million, consisting of equity investments in Hong Kong with a market value of RMB300.5 million, in the United States with a market value of RMB670.7 million and in China with a market value of RMB2,077.1 million, representing their carrying value on our balance sheet measured at fair market value. As of December 31, 2010, our Group also held available-for-sale unlisted equity investments worth RMB4,278.7 million, representing their carrying value on our balance sheet stated at cost.

Moreover, our corporate structure allows us to raise capital at both the holding company and the portfolio company levels, which gives us access to multiple capital sources and increases our financial flexibility. As our Company and most of our principal portfolio companies are publicly traded on either the Shanghai Stock Exchange or the Hong Kong Stock Exchange, we have the ability to raise funds in different capital markets through equity and debt financing. For example, Fosun Pharma successfully completed an A Shares private placement in 2010 raising net proceeds of RMB635 million.

We have strong relationships with more than 50 domestic and foreign financial institutions, from which we have obtained loan financing (including syndicated loans). These financial institutions include the big four commercial banks in China, Standard Chartered Bank (Hong Kong) Limited, China Development Bank, Citic Bank International and other banks.

We have also established strategic relationships with several financial firms such as The Carlyle Group and Prudential Financial, Inc. to raise and manage funds to invest in companies with high growth potential. In March 2010, we formed a foreign-funded equity investment partnership enterprise in China with The Carlyle Group with a combined initial investment of US$100 million. In 2011, we entered into a strategic arrangement with Prudential Financial, Inc. to establish a private equity fund, under which Prudential Financial, Inc., as a limited partner, will invest US$500 million in the fund, while we as a general partner will be responsible for making investment decisions and shall invest no less than US$100 million initially. We believe these strategic relationships not only help us expand our global investment capabilities and enhance our ability to raise capital from investors, but also give us access to our strategic partners' experience and resources to better capture investment opportunities in China.

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

Diversified investment portfolio and strong operating profit from subsidiaries

We have achieved and maintained what we believe to be a well-diversified, high-quality investment portfolio. As our business continues to develop, we expect to further diversify our investments and our sources of income, thus reducing the impact of risks from any particular business or segment. In order to grow our business segments, we carefully analyze market conditions and the stages of development of various industries in China. Our goal is to further diversify our investment portfolio in industries that we believe have significant growth potential.

The following chart sets forth our total assets and profit for the year by business segment for the years indicated:

	2008		2009		2010	
Business Segment	**% of total assets**	**% of profit for the year**	**% of total assets**	**% of profit for the year**	**% of total assets**	**% of profit for the year**
Pharmaceuticals and healthcare	9.9	23.7	12.4	36.6	14.2	12.5
Property	28.6	8.9	31.2	8.9	28.3	31.0
Steel	39.0	10.4	36.2	22.4	31.7	11.1
Mining	9.0	71.6	6.4	5.3	8.1	24.3
Retail, services and other investments	22.2	(4.8)	19.2	30.4	19.8	24.4
Unallocated expenses	—	(3.6)	—	(1.7)	—	(2.8)
Elimination[1]	(8.7)	(6.2)	(5.4)	(1.9)	(2.1)	(0.5)
	100.0	100.0	100.0	100.0	100.0	100.0

Note:

(1) Assets corresponding to intersegment loans and other balances are hereby excluded from total assets, and profit for the year derived from intersegment transactions is hereby excluded from total profit for the year.

Disciplined investment approach and strict investment management procedure

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

Our investment projects are initiated by our professional investment teams, which consist of more than 200 professionals located in China and globally. Our investment teams closely study government policy changes and industry trends by maintaining close relationships with industry experts, industry associations and other resources, and then applying the information garnered through these different channels to identify high-growth investment opportunities. Our investment professionals perform detailed research on each prospective investment, including review of candidates' financial statements, comparative analysis of other public and private companies and analysis of relevant industry data. In addition, our strategic cooperation with international private equity firms, such as The Carlyle Group, enhances our ability to identify investment opportunities around the world.

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

Our investment may take various forms. We may acquire control of or strategically invest in a portfolio company and purchase securities of the portfolio company from the open market. Our investment professionals will continue to monitor performance and market conditions after an investment is made and will make recommendations with respect to an exit strategy. Disposition decisions are subject to careful review and approval by the investment committee.

Seasoned leadership team to execute our investment expansion strategy

We are led by a core management team consisting of our four founders and executives — Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin, and Fan Wei — and three other executives who joined us at the early stage of our development — Messrs. Ding Guoqi, Qin Xuetang and Wu Ping. The team has worked together for almost two decades and has been instrumental in achieving profitable growth and implementing operating disciplines. All members of our core management team have a wealth of experience in one or more of our core businesses and also bring drive, vision and creativity to our Company. In addition, our executives have a deep understanding of China's economy, industries, politics and culture, as well as insight into regulatory changes in China, which we believe gives us a competitive advantage in capitalizing upon market opportunities in China. Besides our core management team, we also employ specialists in different businesses and professionals to manage our portfolio companies and identify investment opportunities. For instance, many core management members of Nanjing Iron & Steel, Forte and Fosun Pharma have more than 25 years of experience in the relevant industries. In addition, we actively seek international talent such as John Snow, the former US Treasury Secretary, who is an advisor to our board, to complement the experience of our core management team and further contribute to the growth of our business.

Strategies

Our vision is to become an internationally competitive company focusing on investments that benefit from China's growth momentum. To achieve this goal, we have formulated the following business strategies:

Continue to grow our core businesses

We will continue to support our existing principal portfolio companies, including Fosun Pharma, Forte, Nanjing Iron & Steel and Hainan Mining, to grow into leaders in their respective industries through organic growth as well as mergers and acquisitions. We have a track record of identifying investment opportunities and applying our management expertise to drive their growth and profitability. As we expect consolidation activities to increase within our principal industries, we will seek to identify investment or acquisition opportunities that demonstrate potential to grow and increase the market share of our core businesses.

Enhance our investment ability to capture more investment opportunities presented by China's rapid growth

Our core investment strategy is to focus on investing in industries that benefit from China's growth momentum and to keep building an integrated investment platform fully utilizing our domestic and global resources. We will continue to explore:

(i) investment opportunities presented by China's economic transition, such as domestic consumer demand, advanced manufacturing, services, and strategically emerging industries;

(ii) investment opportunities in real estate and natural resources presented by China's continuing urbanization and industrialization;

(iii) global investment opportunities that benefit from the growth of China's economy and increase in China's consumption capacity, such as consumer brands; and

(iv) investment opportunities for Chinese enterprises to obtain critical resources and abilities, and to expand into global markets via investments, mergers and acquisitions.

We are in the process of enhancing our global investment abilities. We plan to further enlarge our investment professional teams with highly experienced people to establish a globalized investment network. We have established strategic relationships with several leading global financial firms, including The Carlyle Group and Prudential Finance Inc. Through these strategic relationships, we seek to identify investment opportunities around the world that have a business nexus to China. We believe that our experience in China's growth momentum and our strategic cooperation partners' global expertise can create synergies that will ultimately translate into outstanding performance.

Enhance our financing ability and develop our asset management business

We seek to have more of our subsidiaries and investee companies go public to yield high returns for the further development of our Group, while increasing the liquidity of our investments. We will aim to improve the debt and capital structures both at our Company's level and at portfolio companies' level. We will also strive to open up more financing channels.

In addition to investing with our self-generated funds, we are striving to develop our asset management business to further expand our Group's investment capacity and acquire additional capital to invest. Our ongoing and planned asset management businesses include private equity investment funds and real estate funds. Meanwhile, we are proactively exploring and developing our insurance business to capture the opportunities presented by the rapid growth of China's insurance industry.

Enhance our ability to provide business support and management improvement to different industries

We plan to further improve the supervisory and control system at our Company through systematically enhancing our management system by adopting strategic planning, overall budgeting and annual planning, performance appraisal and incentive schemes. We will also strive to explore the revenue and cost synergies of our Group companies to enhance the profitability of our investee companies.

We plan to further develop our Group's global business network to support investee companies to expand their businesses globally. We also plan to proactively integrate and utilize global resources to expand our business portfolio companies' operations in China.

To successfully implement these strategies, we will strive to optimize our corporate governance structure and internal control mechanisms, incentive schemes and information management systems, and retain and train more talents.

Pharmaceuticals and Healthcare Business

Overview of our Pharmaceuticals and Healthcare Business

We operate our pharmaceuticals and healthcare business through Fosun Pharma. Fosun Pharma is a publicly traded, leading pharmaceuticals and healthcare company in China, with its A shares listed and publicly traded on the Shanghai Stock Exchange (600196.SH). Fosun Pharma's core business focuses on the research and development, manufacture, sales and marketing of pharmaceutical products. Fosun Pharma has additional businesses strategically spanning across the healthcare value chain and has established strong presence in the key segments along the healthcare value chain, including diagnostic tools, medical devices, healthcare supply chain, retail pharmacy and healthcare services. With respect to its pharmaceutical business, Fosun Pharma has leading positions in the treatment of hepatic diseases, diabetes and malaria, with market leading pharmaceutical products such as Atomolan, Insulin and Artesunate. Our pharmaceuticals and healthcare business has established a successful business development track record and research and development focus to expand into multiple therapeutic areas including tuberculosis. Fosun Pharma has established a leading position in the pharmaceutical distribution sector through its strategic investment in Sinopharm, the largest pharmaceutical distributor in China. Fosun Pharma also participates in China's high-end healthcare service sector through its joint venture with, and strategic investment in, Chindex.

In 2010, our pharmaceuticals and healthcare segment generated revenue of RMB4,459.3 million, representing 10.0% of our revenue in the same period.

Competitive Strengths

We believe our pharmaceuticals and healthcare business has the following competitive strengths:

Well positioned to capitalize on a favorable operating environment with strong presence in the key segments of the healthcare value chain. We believe we are one of the few large healthcare companies in China that have established leadership or a strong presence in the key segments of healthcare value chain, making us well positioned to take advantage of the growth, integration and changing regulatory environment of the Chinese healthcare industry.

Leading pharmaceutical business in China. According to IMS, we were one of the top 10 domestic pharmaceutical manufacturers in China in 2009 by sales volume. Our leading pharmaceutical business focuses on anti-infection, cardiovascular diseases, oncology, and digestive and metabolic diseases, which are the four largest therapeutic areas in China according to MENET, a healthcare research institute affiliated with the SFDA.

Leading position in the healthcare supply chain industry in China. We identified early the vast potential in China's healthcare and pharmaceutical supply chain service area and strategically invested in the largest healthcare supply chain service provider in China, Sinopharm, in 2003. Currently we are the second largest shareholder of Sinopharm and hold four seats on Sinopharm's board.

Strong research and development with continuous investment in technology platforms. We have one of the largest research and development platforms among domestic pharmaceutical companies in China with approximately 1,600 researchers and technicians. Investment in research and development has been a key strategic initiative for Fosun Pharma.

Market consolidator with proven track record of integration capabilities. In addition to organic growth, we also expand our businesses through acquisitions, joint ventures, and strategic minority interest investments which primarily target sector leaders with complementary healthcare products or services.

Strategy

Our goal is to introduce new drugs and increase our presence throughout the healthcare value chain. We also aim to increase Fosun Pharma's market share in China as well as in selected international markets. To achieve these goals, we have adopted the following strategies:

Continue to build up capabilities to drive future growth through organic growth, acquisitions and strategic partnerships. We will continue to grow our healthcare business through organic expansion, investments and acquisitions, with the aim to obtain necessary elements to drive future growth, including new products, expanded pipeline, enhanced research and development capabilities, and strengthened manufacturing expertise and capacity.

Continue to strengthen our sales and marketing capability and coverage network to fully achieve the sales potential of our existing and new products. We will continue to develop our strength in sales and marketing and expand our current sales platform. We will seek to maximize the sales potential by introducing and promoting our existing and new products through our coverage network as an integrated process.

Continue to support the growth of Sinopharm to further solidify its leadership in healthcare and pharmaceutical distribution. We will continue to support Sinopharm in maintaining its leading distribution franchise in China through more partnerships and other cooperation initiatives.

Actively explore growth opportunities in our other healthcare businesses including medical service, retail pharmacy, medical device and diagnostic products to increase our overall strength along the healthcare value chain. We will continue to identify and pursue opportunities along the healthcare value chain that are under development but have significant market potential.

Business of Fosun Pharma

Fosun Pharma operates principally in the following areas: research and development, manufacturing, sales and marketing of pharmaceutical products, diagnostic tools and medical devices, and distribution and retail sales of pharmaceutical products.

Pharmaceutical manufacturing business

Products

Fosun Pharma manufactures multiple pharmaceutical products. The table below sets forth selected information on these products:

Indication	Product	Access by Consumers	Type	Target Geographical Market
Hepatic disease	Reduced Glutathione (Atomolan阿拓莫蘭)	Prescription	Biomedicine	China
Anti-infection	Cefmetazole Sodium (華立樞, 悉暢)	Prescription	Chemicals	China
Diabetes	Chemical Insulin (萬蘇林)	Prescription	Biomedicine	China
Diabetes	Glimepiride Tablets (萬蘇平)	Prescription	Chemicals	China
Gastric diseases	Moluodan (摩羅丹)	Non-prescription	Chinese Medicine	China
Tuberculosis	Ethambutol Hydrochloride, Pyrazinamide, Rifampicin and Isoniazid Tablets (乙胺吡嗪利福異煙片), Ethambutol Hydrochloride, Rifampicin and Isoniazid Tablets(乙胺利福異煙片), Rifampicin and Isoniazid Tablets (利福平異煙肼片)	Prescription	Chemicals	China
Malaria	Artesunate (Artecospe, Co-Artesun , Artesun)	Prescription	Chemicals	International
Nutrition	Amino Acid	API	Chemicals	International

In addition to the principal products above, Fosun Pharma also develops and manufactures over 200 types of synthetic medicines covering neurological diseases, constipation, vitamin deficiency, cardiovascular diseases and tumours. Furthermore, Fosun Pharma manufactures more than 20 types of API, including antiparasitic medicine, antibiotic medicine and amino acid products, such as Clindamycin Hydrochloride, which has been approved by the United States Food and Drug Administration (or FDA) and certified by the European Directorate for the Quality of Medicines (or EDQM), and EDQM-certified Mitoxantrone.

Research and Development

Fosun Pharma focuses on the research and development of high-quality products and manufacturing technologies, and the improvement of existing generic products and clinical indications. Its goal is to introduce proprietary products in market segments with growth potential. Its research and development efforts are principally concentrated on the following disease spectrums: hepatic diseases, diabetes, malaria, gastric diseases, tuberculosis, cardiovascular diseases, tumors, pediatric diseases and neuropathy.

Organizational Structure. Fosun Pharma's research and development platform comprises Chongqing Research Institute, Shanghai Henlius, Chongqing Fochon, Handa Pharmaceuticals and the research and development departments of the principal subsidiaries engaged in the pharmaceutical manufacturing business.

Chongqing Research Institute has advanced and comprehensive research and development capabilities, including equipment for analytic testing and facilities for chemical drug and Chinese medicine research. It is capable of planning and carrying out research and development projects systematically, controlling the implementation of the various stages of drug research and development, and assessing the progress and results of research development projects. As of December 31, 2010, Fosun Pharma's research and development team comprised more than 1,600 personnel, over 30 of whom held doctoral degrees. In addition, our research and development team includes a member of the PRC National New Drug Evaluation Commission and six experts entitled to the special allowance awards granted by the State Council of the PRC.

Product Development. Fosun Pharma offers a wide range of products, including chemical drugs, biomedical drugs and traditional Chinese medicines. Its research and development projects encompass a wide scope, including formulae for pharmaceutical products, preparations, administration methods and clinical indications. Fosun Pharma also supplements its in-house research and development activities by acquiring new products and technologies from other research organizations. Such acquisitions are usually in the form of joint projects, transfer of patent rights and technology licensing.

As of December 31, 2010, Fosun Pharma had approximately 110 new pharmaceutical products in different stages of the research and development process. These new pharmaceutical products cover a wide range of disease spectrums, including hepatic diseases, tuberculosis, diabetes, malaria, tumors, cardiovascular diseases and gastrointestinal diseases.

Manufacturing Facilities

Fosun Pharma maintains production sites in different areas across China, including Chongqing and Shanghai, as well as the Guangxi, Jiangsu and Hebei provinces. Fosun Pharma's manufacturing business is conducted primarily through Fosun Pharma's major subsidiaries, including Chongqing Yaoyou, Jiangsu Wanbang, Handan Moluodan, Shenyang Hongqi and Guilin Pharmaceuticals.

All of Fosun Pharma's production facilities hold GMP certifications by relevant PRC national bodies. A GMP-certified facility operates under the GMP parameters prescribed by the institution granting such certification. GMP parameters relate to operating standards that have a direct effect on product quality and they typically apply to the manufacturing space, the storage warehouse for raw materials and finished product, and laboratory areas of the facility certified. In addition, some of them have earned GMP certifications by international organizations.

Quality Control

Fosun Pharma implements stringent quality control measures in accordance with GMP requirements to ensure that its products conform to all applicable quality standards. Fosun Pharma employs quality control measures in the whole production process, including examination of raw materials and packaging materials upon their arrival at the production facilities, monitoring of manufacturing processes, testing and sampling of finished products and product labeling, as well as monitoring of its sales and customer support operations. In the past five years, Fosun Pharma has not encountered any major returns from its customers for quality reasons nor experienced any material product liability claims.

Raw Materials and Suppliers

Fosun Pharma's principal raw materials include chemical or inorganic compounds for chemical products, animal organs and bioactive compounds for biomedical products, and Chinese herbal materials for traditional Chinese medicines. Other raw materials include substrates and drug packaging materials. In the past three years, Fosun Pharma has not experienced any material interruptions in its production process due to shortages of raw materials.

Fosun Pharma selects its raw material suppliers based on quality, stability and price. Although Fosun Pharma maintains supply agreements with several key raw material suppliers, it generally purchases raw materials through purchase orders at prevailing market prices and makes payment upon delivery. In the past three years, Fosun Pharma has not experienced any major problem with respect to the quality of the raw materials provided by its suppliers.

Sales and Customers

Domestic Sales. Fosun Pharma relies on internal marketing personnel and distributors for domestic sales. Fosun Pharma's pharmaceutical products are generally sold to distributors, which in turn resell non-prescription products to pharmacies and prescription products to hospitals, doctors and pharmacists. In general, Fosun Pharma specifies the volume, price and distribution territory in its contracts with distributors. These contracts are generally renewable on a yearly basis.

Fosun Pharma promotes its non-prescription pharmaceutical products principally through advertising on television and other mass media. Fosun Pharma promotes its prescription pharmaceutical products mainly to hospitals, doctors and pharmacists. Fosun Pharma provides training for its internal sales personnel as well as distributors, pharmacists and sales staff of pharmacies.

Many of Fosun Pharma's pharmaceutical products are subject to price controls set pursuant to the policies of various administrative arms of the PRC Government, including the NDRC. Since January 1, 2004, the PRC Government has lowered the price ceilings for certain pharmaceutical products several times, as a result of which Fosun Pharma was required to lower the selling prices of certain pharmaceutical products.

International Sales. Substantially all of the pharmaceutical products exported by Fosun Pharma are sold to sales agents, which in turn resell them to other intermediaries or end users. Fosun Pharma's chemical API products are normally exported to the United States and Europe through international sales agents. Fosun Pharma has long-term working relationships with many of its sales agents in different countries. Fosun Pharma generally specifies the volume, price and sales territory in its contracts with the sales agents. These contracts are generally renewable on a yearly basis.

Pharmaceutical Commerce

Fosun Pharma sells a wide range of pharmaceutical products through its own retail network and the distribution network of Sinopharm. The products distributed in Fosun Pharma's network include pharmaceutical products manufactured by Fosun Pharma as well as those by other producers, while products distributed in Sinopharm's network primarily include pharmaceutical products manufactured by Fosun Pharma and other producers.

Pharmaceutical Distribution. Fosun Pharma's pharmaceutical distribution is conducted through Sinopharm, whose pharmaceutical distribution network covers most areas in China. Sinopharm is a leading distributor of pharmaceutical products in China and ranks among the top distributors in major cities including Shanghai, Beijing, Tianjin, Shenzhen and Guangzhou. In 2010, Sinopharm recorded revenue of RMB69,233.7 million.

Pharmaceutical Retail. Fosun Pharma operates a large retail network covering major cities in China. The retail network consists of more than 800 pharmacies covering cities such as Shanghai and Beijing. Fosun Pharma's retail business is mainly conducted through For Me Pharmacy and Golden Elephant Pharmacy. Fosun Pharma expects to continue to actively expand its chain pharmacies through opening new stores, acquisitions and franchising.

Intellectual Property Rights

As of December 31, 2010, Fosun Pharma had more than 100 PRC patents.

The PRC Government has the authority to grant protection periods of various lengths to Chinese medicines that are deemed to be of reliable quality and have significant curative effects. During the protection period, other producers may not offer the same products, and product developers may refuse to disclose the underlying formulae and production technologies. As of December 31, 2010, Fosun Pharma had the following Chinese medicines that were entitled to such administrative protection:

Patent Holder	Name of the Chinese Medicine	Protection Varieties Number	Protection Termination Date
Handan Moluodan	Xiao'er Fengreqing Mixture (小兒風熱清合劑)	(2010) guo yao zhong bao zheng zi no.0320	December 22, 2014
Handan Moluodan	Sanhuang Capsule (三黃膠囊)	(2010) guo yao zhong bao zheng zi no.056-1	October 23, 2014
Handan Moluodan	Danqi pellet(1) (丹杞顆粒)	ZYB2072010008	August 2, 2017

Note:

(1) We have filed the protection application with the relevant authority but have yet to obtain the certificate.

Fosun Pharma is entitled to extend the duration of the administrative protection period of its Chinese medicines multiple times for a maximum of seven years, as long as the relevant Chinese medicine satisfies the prerequisites at the first application, such as qualifying as a treatment with an exceptionally high therapeutic value or a medical formula consisting of a combination of natural ingredients. A renewal application may be filed as early as six months prior to the expiration date. To strengthen its presence in the market segments of these Chinese medicines, Fosun Pharma has been using selective branding initiatives to distinguish its products from similar products and to cultivate customer loyalty.

Fosun Pharma maintains a diversified portfolio of trademarks under its umbrella brand name "Fosun Pharma." As of December 31, 2010, Fosun Pharma had more than 70 trademarks registered with the Trademark Bureau of China. Fosun Pharma's portfolio of trademarks includes "藥友", "万邦", "阿拓莫蘭" and "金象."

Competition

Fosun Pharma principally competes with major pharmaceuticals and healthcare companies, specialized pharmaceuticals manufacturers and retail pharmacies in China. Major pharmaceuticals companies compete with Fosun Pharma in the manufacturing, distribution and retail sales of pharmaceutical products, as well as acquisition opportunities within the industry. Specialized pharmaceuticals manufacturers compete with Fosun Pharma to introduce commercially successful products targeting specific market segments. Retail pharmacies compete with Fosun Pharma with respect to suppliers, hospitals and other resources.

We expect that the PRC Government will gradually relax restrictions against foreign investment in the pharmaceuticals industry in China, which may increase competition and consolidation across the industry. To remain competitive, we intend to continue to capitalize on Fosun Pharma's strong research and development capabilities, high product quality, brand name recognition and extensive distribution network.

Insurance

Fosun Pharma maintains insurance coverage against risks of damage or loss to its pharmaceutical production, liability warehousing and distribution facilities, coverage for liability arising out of pollution caused by accidents and damage as required by laws, third party property damage and personal injuries. Some of our portfolio companies have also maintained product liability insurance. For the years ended December 31, 2008, 2009 and 2010, Fosun Pharma had not filed any material claims against its insurers or had any material disputes with its insurers.

Environmental and Safety Matters

Major environmental laws and regulations applicable to pharmaceuticals manufacturers in China include provisions relating to the prevention and treatment of sewage and exhaust fumes and the prevention of industrial pollution. Among others, manufacturers are required to carry out an environmental impact evaluation before starting new construction projects to ensure that the production processes meet relevant environmental standards.

The main waste generated in the pharmaceutical manufacturing process includes organic waste from extraction processes, waste water and alcohol. Fosun Pharma has waste treatment facilities in accordance with government standards, including a wastewater treatment tank. In addition, Fosun Pharma designs and implements various measures to ensure the compliance of its production facilities with the relevant environmental and safety standards required for GMP-certified facilities.

Fosun Pharma has not been charged with any violations of environmental laws or encountered any serious work-related injuries.

Legal Proceedings

Fosun Pharma is involved in legal proceedings from time to time in the ordinary course of business. We are not aware of, and our PRC counsel is of the opinion that there do not exist, any legal proceedings, pending or threatened, that could have a material adverse effect on our business, financial condition and results of operations.

Property Business

Overview of Our Property Business

We operate our property business primarily through Forte. Forte is a large property developer in China. Currently, Forte has property development operations in Shanghai and 12 other major cities across China, including Beijing, Tianjin, Nanjing, Chongqing, Chengdu, Xi'an, Wuhan, Changchun, Wuxi, Hangzhou, Taiyuan and Changsha. As of December 31, 2010, Forte had a total planned GFA of 3.7 million sq.m. under development and a total planned GFA 14.1 million sq.m. of project reserves. In 2011, Forte was ranked No. 17 for its sales of residential properties in China in 2010 according to China Real Estate Information Corporation and No. 19 among the top 500 property development companies in China according to the list jointly issued by China Real Estate Association, China Real Estate Research Association and China Real Estate Appraisal.

We also run our property business through other entities, such as Resource Property, Haizhimen and Star Investment. Please refer to "— Other portfolio companies in the property industry" below for more information.

In 2010, our property segment generated revenue of RMB8,846.7 million, representing 19.8% of our revenue in the same period.

Forte Offer

On January 20, 2011, we announced the Forte Offer, pursuant to which Standard Chartered Bank (Hong Kong) Limited, on behalf of our Company, made a voluntary conditional offer to acquire all of Forte's issued H shares that our Company did not hold and, subject to such offer for H shares becoming unconditional, a voluntary conditional offer to acquire all of Forte's issued domestic shares that our Company did not hold. The offer will be made for HK$3.50 in cash for each Forte H share. For each domestic share, the offer will be made for the equivalent in cash in RMB of the offer price of each H share of HK$3.50. The maximum value of the offer for H shares and the offer for the domestic shares, assuming the offers are taken up in full and there is no change in the share capital of Forte, would be approximately HKD2,554.4 million and approximately RMB43.9 million respectively.

We believe that Forte's status as a listed company is an impediment to Forte's future success, for the following reasons:

- as a PRC-incorporated company with H shares listed on the Hong Kong Stock Exchange, Forte's ability to raise funds offshore, including by way of offshore bank loans, international bond issuance and equity offering, is limited;

- the ability for our Group to contribute substantial amounts of capital to Forte is constrained by the Listing Rules requirements on connected transactions between a company and its controlling shareholder; and

- consequently, Forte's current financial gearing levels are relatively high compared to its industry peers listed on the Hong Kong Stock Exchange, further impairing Forte's ability to obtain financing on commercially attractive terms.

Upon the completion of the Forte Offer, we believe that the following benefits can be achieved:

- Forte will be better positioned to fund larger property development projects through leveraging our Group's greater financial strength, including our access to more competitive financing terms for raising funds in both the onshore and offshore bank and capital markets;

- the provision of intra-group funding will be facilitated, in particular, if and when Forte becomes a wholly-owned subsidiary of our Company; and

- costs and management resources associated with the maintenance of Forte's listing on the main board of the Hong Kong Stock Exchange will be eliminated.

On April 21, 2011, having received the minimum valid acceptances of the H Share offer, the H Share offer was declared unconditional in all respects. Forte has applied to the Hong Kong Stock

Exchange for the withdrawal of the listing of the H shares from the Hong Kong Stock Exchange. Subject to the satisfaction of any conditions for delisting the H Shares from the Hong Kong Stock Exchange and the receipt of any regulatory approvals required for such delisting, it is expected that the H shares will be delisted from the Hong Kong Stock Exchange on May 13, 2011.

In connection with the Forte Offer, on January 17, 2011, we entered into a loan agreement with Standard Chartered Bank (Hong Kong) Limited for a bridge loan in the amount of up to HK$2,700 million. As of the date of this offering memorandum, we had not drawn down any amount under the loan agreement but we expect to draw down approximately HK$2,300 million on April 28, 2011. We expect to use part of the net proceeds from this offering to repay the bridge loan from Standard Chartered Bank (Hong Kong) Limited, in part or in whole. See "Use of Proceeds" in this offering memorandum.

Competitive Strengths

We believe Forte has the following competitive strengths:

Established presence in prominent and diverse urban centers. Forte has a successful property business in many major cities across China, namely Shanghai, Beijing, Tianjin, Nanjing, Chongqing, Chengdu, Xi'an, Wuhan, Changchun, Wuxi, Hangzhou, Taiyuan and Changsha. As a result, Forte has a sound track record in operating under different regulatory and market environments, which we believe will benefit the long-term development and growth of our property business.

Established market position. Revenue in our property business has increased steadily in recent years, a result we attribute mainly to Forte's ability to target a clearly-defined market segment with correctly positioned products. Forte has considerable experience in developing high quality residential housing for mid-market purchasers in urban cities and the capability to design residential properties of different specifications in terms of location, unit size and architectural style.

Strong project management capabilities. Forte adheres to project management principles based on international standards set by Project Management Institute, which has helped the company to allocate its resources efficiently in managing its projects. To facilitate execution, Forte has installed modern project management software which enables simultaneous management of multiple projects, enhanced risk management capabilities, as well as centralized procurement of construction materials and equipment.

Effective customer relationship management. Forte devotes substantial resources to understand purchasers' needs and develop relationships with property buyers, which has helped it to respond quickly to changes in market demand. Forte focuses on building a premium brand reputation within its target market segment. To cultivate customer relationships, attract new potential buyers and gain the trust of its customers, Forte offers, through Forte Club, professional real estate advice and a wide range of after-sales services.

Strategy

Our goal is to capitalize on Forte's competitive strengths to solidify its position as a leading property developer in China. To achieve this goal, Forte has formulated the following strategies:

Strengthen and expand our property development business. Forte plans to put in practice and deepen its ten-year development strategy. While focusing on the development of residential properties, Forte plans to accelerate the pace of its project development to expedite asset turnover and grow its property business. While continuing to maintain and improve its market position in the PRC's 13 major cities, it will continue to expand mid to high-end projects development in each region. In addition, Forte plans to launch its "Boutique Quality Product" plan in 2011 to increase the competitiveness of its products.

Maintain an effective project reserve strategy. Our project reserve strategy consists of maintaining adequate land reserves, acquiring land use rights at commercially reasonable prices, and developing a reasonably diversified portfolio of projects. Forte generally maintains a level of project reserves sufficient to cater to its needs in the upcoming three to five years. We believe that Forte's extensive land valuation and project management experience will enhance its competitive advantage when acquiring land through auctions.

Ensure achievement of sales target. Forte will continue to be alert to and keep evaluating the changes in the market conditions caused by ongoing tightening governmental measures. To ensure sales and cash flow, Forte plans to utilize a flexible sales strategy to cope with market changes by setting a system of acceptable pricing for customers and adopting creative sales measures.

Promote fund management business. Leveraging our Group's resources, Forte plans to increase its investments in the business of fund management to further broaden financing channels for its business operations. It also plans to better capture the long-term opportunities of urbanization in China and the business opportunities in different cities' development processes.

Increase hiring and training of elite talent. Fore's strategy requires the support of elite talents with global vision. Forte will continue its hiring system for high-end professionals, and further cultivate professionals with management skills and entrepreneurial spirit. It also plans to speed up the establishment of Forte Academy and promote the implementation of a new incentive system.

Property Development Projects

Project Reserves/Projects under Construction

Forte plans to maintain sufficient project reserves for its development requirements on a rolling basis. As of December 31, 2010, the Forte group had project reserves with an aggregate planned GFA of approximately 14.1 million sq.m., of which approximately 3.7 million sq.m. were under construction as of the same date.

The following table sets forth, as of December 31, 2010, project reserves of Forte by city:

	Total		**Under Construction**		**To Be Developed**	
City	**In Total**	**Attributable to Forte**	**In Total**	**Attributable to Forte**	**In Total**	**Attributable to Forte**
	(sq.m.)	**(sq.m.)**	**(sq.m.)**	**(sq.m.)**	**(sq.m.)**	**(sq.m.)**
Shanghai	1,671,927	1,018,283	443,039	276,402	1,228,888	741,880
Beijing	5,148	5,148	5,148	5,148	—	—
Tianjin	405,233	283,663	153,470	107,429	251,763	176,234
Taiyuan	861,209	688,967	—	—	861,209	688,967
Nanjing	1,400,924	802,364	602,819	334,911	798,105	467,453
Hangzhou	689,362	481,104	533,070	363,885	156,292	117,219
Wuxi	1,012,209	481,495	171,918	85,959	840,291	395,536
Chongqing	1,282,515	885,287	310,448	310,448	972,067	574,838
Wuhan	1,208,519	845,963	155,165	108,616	1,053,354	737,348
Chengdu	2,256,937	1,393,428	636,457	574,511	1,620,480	818,917
Xi'an	2,452,179	1,268,446	290,759	187,736	2,161,420	1,080,710
Changchun	893,679	893,679	356,043	356,043	537,635	537,635
Total	**14,139,842**	**9,047,827**	**3,658,338**	**2,711,088**	**10,481,504**	**6,336,738**

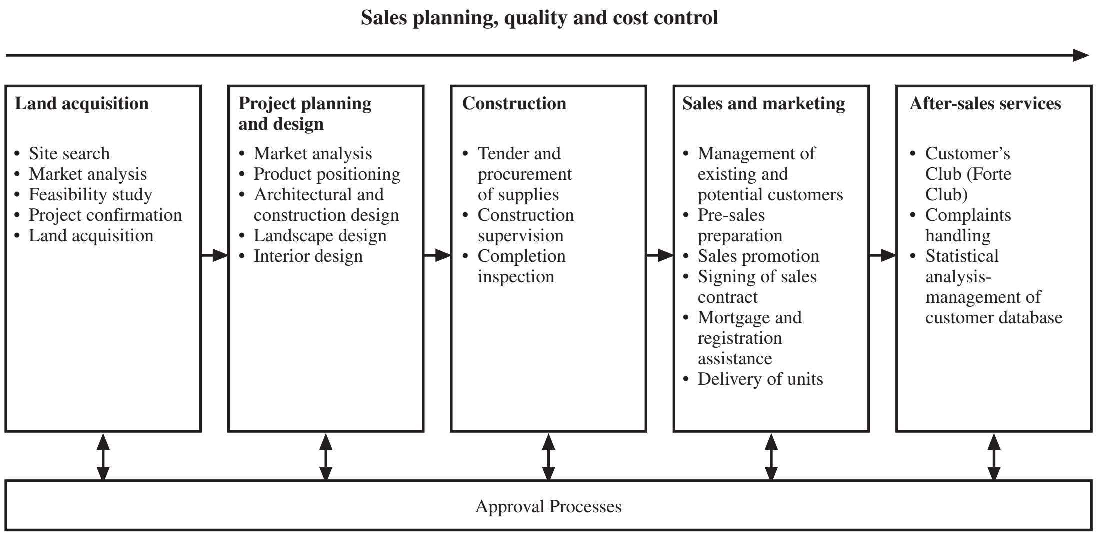
Notes:

(1) Reserved projects include projects under development and projects to be developed (including the projects of joint ventures in which the Forte group owns equity interests and associate companies);

(2) Of the reserved projects to be developed with a total GFA of 10,481,504 sq.m. (which include projects without land use right certificates but with executed land grant contracts or approved by the PRC government), the Gross GFA of the projects with land use right certificates is approximately 6,220,911 sq.m.

Stages of a property development project

Forte typically takes two to three years to complete a property development project. The different stages of a property development project are summarized in the diagram below:



Land Acquisition. Generally, Forte acquires land use rights through tenders and auctions, acquisition of entities with land use rights, and formation of joint ventures with other developers.

In the case of tenders and auctions, Forte enters into land grant contracts with the local government and, after the payment of the acquisition price, obtains the land use certificates for the land it purchases. If applicable, it may need to compensate the existing residents for their relocation and resettlement expenses.

Project Planning and Design. Forte contracts out all project design and interior design work to reputable domestic and international architectural and interior design firms, which handle the architectural, landscape and interior design work of the relevant property development project in accordance with the requirements of Forte. All major design firms retained by Forte are independent third parties.

The design management department of Forte is responsible for selecting architectural and interior design firms and monitoring the progress and quality of each property development project to ensure successful completion. In selecting contractors, Forte considers their market reputation, reliability, quality and characteristics of the proposed design, as well as bidding price. Generally, Forte selects design contractors through competitive tenders.

Construction. Before construction work may begin, Forte must obtain the required planning permits and construction permits. These certificates and permits are only granted if Forte meets specific government requirements. Forte contracts out all construction work to large construction companies with sound market reputation and, relevant good track records. Major construction companies retained by Forte are all independent third parties.

In selecting contractors, Forte takes into consideration reputation, experience and bidding price. Generally, Forte selects construction contractors through a competitive open tender process. The quality and timeline of the construction is typically specified in the relevant contract, which also specifies that the construction contractor is liable for penalties if such requirements are not met. In the last three years, Forte has not had major disputes with any of its construction contractors.

Forte places strong emphasis on quality control. Quality control procedures are implemented throughout Forte as well as in each project company and construction supervisory company. Forte's construction supervisory companies have established a quality management system in compliance with the ISO 9001:2000 to ensure that their products and services comply with relevant laws and regulations and market standards.

Sales and Marketing. Forte mainly carries out sales and marketing activities through specialized subsidiaries and has established a sales management department to supervise, manage and provide coordination among these subsidiaries. Forte offers regular training programs to the sales and marketing personnel to maintain an orderly and efficient sales system.

Forte gives its customers the option to pay the purchase price as a lump sum or finance their purchase through mortgages. In line with industry practice, Forte supports its customers who elect to finance their purchase through mortgages by extending credit to them during their mortgage application process. The process typically takes between 30 and 90 days. Hence, for customers of residential properties, Forte offers credit terms of up to 90 days. In contrast, for customers of large non-residential properties, credit terms of up to one year may be given on a case-by-case basis.

Forte assists its customers in their purchase by providing them with information regarding banks and mortgage requirements. Forte also assists them in completing the relevant property registration procedures. In line with industry practice, Forte provides guarantees to the banks for the benefit of its customers in respect of their mortgage obligations until ownership certificates and certificates of other interests in the property are submitted to the mortgage bank.

After-sales Services. Forte's customer service department operates Forte Club and provides various after-sales services to maintain good customer relationships. We believe that Forte's customer services build confidence in purchasers, enhance the Forte brand name, and encourage purchasers of its properties to purchase, or to recommend others to purchase, other properties developed by Forte.

Pursuant to relevant laws and regulations, Forte is required to appoint a property management company for each completed project. The property management company can be one of Forte's associates or subsidiaries, or a third party property management company. The appointed property manager assumes the responsibility of managing the properties for up to two years from the time of completion until the owners establish their own management board and appoint a new property management company.

Competition

We believe that China's property market is fragmented and there is no dominant market player. Forte faces competition from domestic and foreign property developers targeting the urban middle class such as China Vanke Co., Ltd. and Greentown China Holdings Limited.

Forte controls project costs by acquiring land parcels at commercially reasonable prices, shortening project development cycles, and conducting profit and loss analysis. To maintain its competitiveness, Forte plans to improve its comprehensive customer resources management system, and leverage the industrial expertise of its management team and capitalize on its extensive project management experience.

Insurance

PRC laws and regulations do not require property developers to maintain insurance coverage in respect of their projects. However, under certain circumstances, Forte, consistent with what it believes to be customary industry practice, procures and maintains insurance coverage on certain of its properties under construction against risks of loss or damage to its raw materials, work-in-progress, equipment and third party liabilities. In the past three years, Forte has not encountered material accidents at any construction sites of its property development projects. We believe Forte maintains adequate insurance coverage.

Environmental and Safety Matters

Property development in China is subject to PRC national and local environmental regulations and is particularly affected by those governing air pollution, noise pollution, water and waste discharge. In accordance with PRC environmental laws and regulations, property development companies are required to carry out environmental impact studies before engaging in new construction projects to ensure that the construction processes meet the required environmental standards.

The PRC Government assesses all of Forte's development projects to ensure that environmental standards are met. Reports of these assessments must be provided together with other specified documents to the local construction administration authorities. Forte has not been charged with any activities causing environmental damage, and no major findings of deficiencies were found by the PRC Government during any of its environmental assessments of Forte's development projects.

Forte delegates all construction work to independent construction companies and requires them to comply with the required safety standards in accordance with written agreements. Pursuant to these agreements, Forte's contractors are required to implement safety measures, comply with all applicable safety regulations, and attend safety training before construction work begins. Contractors are subject to Forte's supervision and are obligated to report monthly to the relevant government authorities and Forte on the safety aspects of the construction. Forte maintains health and accident insurance for its employees.

Forte has not encountered any serious construction-related accidents or been charged for violations of safety standards.

Intellectual Property Rights

Forte principally uses the "复地" trademark in association with its business operations. The trademark has been registered with the Trademark Bureau.

Legal Proceedings

Forte is involved in legal proceedings from time to time in the normal course of business. We are not aware of, and our PRC counsel is of the opinion that there do not exist, any legal proceedings, pending or threatened, that could have a material adverse effect on our business, financial condition or results of operations.

Other Portfolio Companies in the Property Industry

Resource Property

Established in March 1999, Resource Property is a fast-growing integrated real estate services provider. Resource Property's main business covers the areas of primary agency, real estate consulting and commercial real estate. As of December 31, 2010, it had successfully closed approximately 200 agency projects in China. In 2009, Fosun Group acquired a 67.1% equity interest in Resource Property from Forte for a consideration of approximately RMB91.4 million. After the transaction, Forte still held a 9.9% equity interest in Resource Property.

Star Investment

Star Investment is a real estate fund management company co-founded by Fosun Group, in which we hold an 80% equity interest. Star Investment's first fund, Star Capital, successfully raised RMB3.7 billion and was closed in March 2011. Star Capital is planning to build the Shining Star project, an integrated city complex with the theme of "private enterprise center" that will develop, sell and lease high-end urban complexes with upscale hotels, commercial properties and residential apartments in various cities at different development levels in China.

Haizhimen

In 2010, we, Zendai, Hangzhou Greentown Real Estate Investment Co., Ltd. and Shanghai Panshi Investment Management Co., Ltd. formed Haizhimen, a joint venture in which we directly hold a 50% equity interest, while Zendai holds a 35% equity interest. Haizhimen will primarily be engaged in developing high-end urban community complexes in Shanghai.

Steel Business

Overview of Our Steel Business

We operate our steel business primarily through Nanjing Iron & Steel. In October 2010, we successfully completed the Nanjing Steel United Reorganization, whereby the iron mining and steel-related business operations of Nanjing Steel United were injected into Nanjing Iron & Steel in order to (i) strengthen the competitive position of Nanjing Iron & Steel in the iron and steel industry; and (ii) reduce the number of related party transactions on the part of Nanjing Iron & Steel under the listing rules of Shanghai Stock Exchange.

Located in East China, Nanjing Iron & Steel is an integrated steel company with a complete production process, including coking, sintering, iron smelting, steel smelting, steel casting and steel rolling. Its principal products include steel plates, steel bars, wire rods, steel strips and structural section steel. Nanjing Iron & Steel is one of the few steel product producers in China who can produce 9%Ni steel.

In addition to Nanjing Iron & Steel, we also have a 26.7% equity interests in Jianlong Group, which is a large steel producer in Northern and Northeastern China. Its main products consist of hot rolling medium wide strips, cold rolling medium wide strips, hot rolling narrow strips, hot rolling coil, bars and wire rods and sectional material.

In 2010, our steel segment generated revenue of RMB29,652.2 million, representing 66.4% of our revenue in the same period.

Competitive Strengths

We believe that our steel business has the following competitive strengths:

Proximity to customers and strategic location. Nanjing Iron & Steel is located in Eastern China, the most developed region in China. Its primary production facilities have adequate access to railways, highways and waterways, which offers logistical advantages in terms of raw material procurement and product delivery. Nanjing Iron & Steel is based in Nanjing, the waterway and overland transportation hub in the lower reaches of the Yangtze River which benefits from comparatively low transportation costs and short delivery times. Eastern China, with developed processing and manufacturing industries, is the major domestic steel consumption region. It is home to a number of large shipbuilders and mechanical equipment manufacturers, which has provided a large market for the Nanjing Iron & Steel's principal products.

Advanced production facilities and technologies. Nanjing Iron & Steel is a leading enterprise in the steel industry. It has advanced iron making and steel making, hot rolling, automatic control and information management facilities and technologies. The company produces high-grade steel products including pipeline steel plates, shipbuilding steel plates, petrolatum tank steel plate, and steel for automobiles. As at the end of 2010, Nanjing Iron & Steel had over 100 patents. In 2010, Nanjing Iron & Steel developed a number of high-end products such as X70HD anti-deformation pipeline steel and X120 high-strength pipeline steel. Nanjing Iron & Steel is one of the few steel product producers in China who can produce 9%Ni steel.

Efficient production process. We have actively expanded Nanjing Iron & Steel's scale of production and reduced production costs by improving its production technologies and upgrading its production facilities. We believe that, as a result of its increased production capacity, advanced production equipment and sophisticated management techniques, Nanjing Iron & Steel's production processes are operated with high efficiency.

Experienced and motivated management team. Our steel business has an experienced management team with extensive knowledge of China's steel industry. A majority of Nanjing Iron & Steel's senior executives have more than 30 years of experience in the iron and steel industry. We believe that the team's industry knowledge and technical expertise enable Nanjing Iron & Steel to compete effectively and increase its market share in the relevant sectors in China as well as to facilitate its expansion into the international market.

Strategy

We focus on improving our steel product mix by concentrating on higher value-added products with attractive profit margins. Our goal is to further strengthen our market position in the domestic market for steel plates and selected higher value-added steel products. To achieve this goal, we have formulated the following strategies for our steel business.

Further expand production capacity for steel plates and optimize product mix. We have improved, and plan to continue to strengthen, our product mix by devoting more resources to the development of higher value-added steel products, including products used for oil and natural gas pipelines, storage containers, shipbuilding, offshore engineering, machinery and construction.

Enhance operational efficiency. To further reduce operating costs, increase operational efficiency and expand our scope of operations, we plan to continue to modernize the production facilities of Nanjing Iron & Steel. We will also continue to focus on cost control through careful budgeting, monitoring and control of expenditures.

Business of Nanjing Iron & Steel

Nanjing Iron & Steel is located in Nanjing, Jiangsu Province. Nanjing Iron & Steel offers a product line consisting of various steel grades with various specifications. Three of its product series have been awarded the National Metallurgical Product Quality Golden Cup Prize and its shipbuilding steel plates maintain quality assurance certification by ship classification societies in China, the United States, the United Kingdom, France, Germany, Italy, Norway, India, Japan and South Korea. Nanjing Iron & Steel 's operations relating to the design, development, production and services of its products maintain the ISO 9001:2008 certification.

Products

Nanjing Iron & Steel's principal products are steel plates, bars, wire rods, steel strips and structural section steel.

Steel Plates. Steel plates are among Nanjing Iron & Steel's most competitive products in the market. We have a variety of steel plates, including steel plate for oil tanks, construction machinery, offshore engineering equipment, ship, bridge, boiler and pressure container, high-rise building and wind towers used in petroleum, petrochemical, marine engineering, ship building, bridges, port machinery, wind power, new energy and other industries.

Bars. The varieties of steel bars Nanjing Iron & Steel produces include alloy tube bloom, bearing steel, drill collar and drill pipe steel, automotive gear steel, non-quenched and tempered steel, spring steel, alloy structural steel, used in petroleum and petrochemical, machinery, automobile manufacturing and other industries.

Wire Rods. The wire rods Nanjing Iron & Steel produces mainly include spring steel wire, alloy wire, steel cord, free cutting steel, bearing steel and cold heading steel, used in machinery manufacturing, high-speed railway and automobile manufacturing.

Steel Strips. The steel strips Nanjing Iron & Steel produces mainly include the automotive steel, alloy steel, tool steel and climate-resistant steel four categories, which are widely used in machinery manufacturing, container, automotive, hardware and tools.

Structural Steel Sections. Structural steels sections Nanjing Iron & Steel produces include L-shape section steel and other high-quality carbon structural steel mainly used in shipbuilding.

By-products. In addition to the principal products described above, Nanjing Iron & Steel also produces a number of by-products.

Raw Materials, Fuel and Utilities

Raw Materials. The principal raw materials consumed by Nanjing Iron & Steel include iron ore and coking coal. Other raw materials and supplementary materials include steel scrap, ferroalloys and limestone.

Iron Ore. Nanjing Iron & Steel uses both imported iron ore and domestic iron ore in its production processes. In 2010, Nanjing Iron & Steel imported most of its total iron ore from overseas, including Australia, South Africa, Brazil and India. Nanjing Iron & Steel has long-term supply contracts with its principal overseas iron ore suppliers. In addition, Nanjing Iron & Steel procures a portion of its iron ore requirements from domestic suppliers. It also sources some of its iron ore requirements internally from Jin'an Mining, its wholly-owned subsidiary, and from companies in our mining business. Nanjing Iron & Steel adjusts its inventory levels continuously according to market conditions and its production needs.

For imported raw materials, such as iron ore, Nanjing Iron & Steel typically pays the supplier by means of a letter of credit prior to shipment and makes full payment upon receipt of invoice evidencing shipment by the bank. For raw materials supplied by domestic suppliers, Nanjing Iron & Steel typically pays a portion of the invoiced amount when the iron ore is delivered to its warehouses and pays the remaining amount when the settlement invoice is received.

Coking Coal. Nanjing Iron & Steel has purchase contracts with most of its coking coal suppliers. Most of these contracts have a term of one year. Nanjing Iron & Steel also has long-term supply contracts with Chongqing Nantong Minerals Company Limited (重慶南桐礦業有限責任公司) and Shandong Zaozhuang Mining (Group) Co., Ltd. (山東棗莊礦業(集團)有限責任公司).

Payment terms vary by suppliers. Nanjing Iron & Steel typically pays its major suppliers in advance. For the remaining suppliers, Nanjing Iron & Steel typically pays a portion of the invoiced amount when the coking coal is delivered to its warehouses and pays the remaining amount when the settlement invoice is received.

Other Raw Materials and Supplementary Materials. Other raw materials and supplementary materials include steel scrap, limestone, ferroalloys and dolomite. Nanjing Iron & Steel procures these materials primarily from suppliers in local and neighboring areas. Nanjing Iron & Steel typically pays for these materials upon the receipt of the settlement invoice.

Fuel and Utilities. Steel production requires extensive amounts of electricity, water and industrial gas. The main facilities of Nanjing Iron & Steel are located adjacent to the Yangtze River and have access to an abundant water supply. The major industrial gases consumed by Nanjing Iron & Steel are oxygen and nitrogen for the iron smelting and steel smelting processes. The oxygen and nitrogen are mainly generated by Nanjing Steel United's own systems.

Transportation

The facilities of Nanjing Iron & Steel are conveniently served by railway, highway and waterway transportation. Nanjing Iron & Steel operates its own railway system within its production facilities and this internal railway system is connected to the national railway network. Through this railway system, raw materials and finished products can be transported to and from many suppliers and customers. In addition, Xinwu Shipping, an associate of Nanjing Steel United, owns a fleet of industrial ships.

Nanjing Iron & Steel has not encountered any major interruptions or other problems in the supply of electricity, water and industrial gases in its production processes or in the transportation of raw materials and finished products. We, however, cannot assure you that such problems will not occur in the future.

Customers, Sales and Marketing

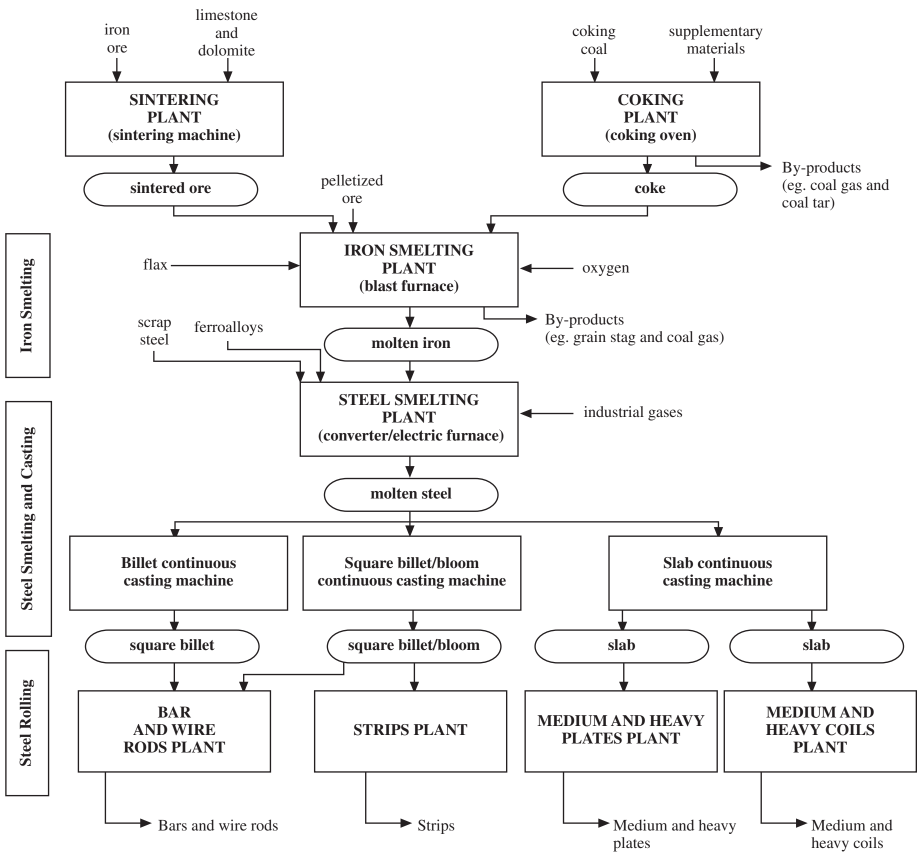
Customers. Nanjing Iron & Steel's products are principally used for oil and natural gas pipelines, storage containers, shipbuilding, machinery, building and infrastructure construction. Nanjing Iron & Steel has stable relationships with companies in certain fast-growing industries, including the oil and natural gas, shipbuilding and machinery industries. For example, Nanjing Iron & Steel has a strategic cooperation arrangement with Sinopec, pursuant to which it supplies Sinopec significant volumes of medium and heavy plates for the making of pipelines. Generally, these arrangements have a term of at least one year and are renewable on an ongoing basis. For the most part, these arrangements do not require minimum purchase commitments or set pre-determined prices. Actual purchase amounts and prices are determined at the time purchase orders are placed by customers.

In accordance with the prevailing industry practice in recent years, Nanjing Iron & Steel typically requires its customers to make advance payments or deposits of up to 30% of purchase price for their orders. Nanjing Iron & Steel's pricing committee meets regularly. For products sold in China, the pricing committee generally takes into consideration factors including prevailing market conditions and the company's long-term relationships with major customers, among others, when pricing its products. For products sold overseas, the pricing committee will take into consideration Nanjing Iron & Steel's export policy, the strategic significance of the relevant customers and markets, and the indicative prices set by the finance department.

Sales and Marketing. Nanjing Iron & Steel conducts sales through its sales and marketing subsidiaries and third-party trading companies. To reduce expenses, Nanjing Iron & Steel sells products directly to major end users only. Its sales and marketing subsidiaries focus on establishing long-term cooperative relationships with strategic customers with sound credit and good reputation, such as Sinopec and China Shipbuilding International Trading Company Limited (中船國際貿易有限公司). For other end users, Nanjing Iron & Steel relies on trading companies, which purchase products from Nanjing Iron & Steel and resell them to other intermediaries or end users.

Production Process

The following chart shows the principal production process of Nanjing Iron & Steel and the products produced.



Production Facilities and Capacity

For 2008, 2009 and 2010, Nanjing Iron & Steel's crude steel production output was approximately 5.0 million tons, 5.5 million tons and 6.8 million tons, respectively.

Maintenance of Production Facilities

Maintenance work is generally classified into major maintenance, intermediate maintenance and minor repair. Intermediate maintenance and minor repairs are done from time to time with only minor effects on operations. Major maintenance work generally involves longer maintenance periods and generally requires interruptions in the production process.

The effect of any major maintenance on production depends on the type of equipment on which the major maintenance work is performed. Intermediate maintenance and minor repairs are performed by employees of Nanjing Iron & Steel. Nanjing Iron & Steel generally engages outside contractors to perform major maintenance on production facilities. Nanjing Iron & Steel's major maintenance plan is designed by management after taking into account factors, such as equipment condition and the costs and benefits of conducting maintenance work on production facilities.

Quality Control

Nanjing Iron & Steel's quality control department is responsible for ensuring quality control in production processes. Nanjing Iron & Steel's operations relating to the design, development, production and services of its products maintain ISO9001:2008 quality certification.

Nanjing Iron & Steel's shipbuilding steel plate has passed the authentications of several international ship classification societies. Three of its products, including the petrolatum tank steel plate, won China's National Metallurgy Products Quality Golden Cup Award. Three other products, including tire cord steel, won the award of Good Quality Products in the Metallurgy Industry.

Competition

Nanjing Iron & Steel sells its products mainly to customers in Eastern China. Its competitors in this region include publicly traded companies such as Baoshan Iron and Steel Co., Ltd. (寶山鋼鐵股份有限公司), Maanshan Iron & Steel Company Limited (馬鞍山鋼鐵股份有限公司) and Jinan Iron and Steel Company, Ltd. (濟南鋼鐵股份有限公司). In addition, Nanjing Iron & Steel faces competition in China's steel market with major foreign steel manufacturers. To maintain and enhance its competitiveness, Nanjing Iron & Steel aims to further strengthen and develop long-term, stable and cooperative relationships with key customers. It will also focus on improving its product mix, including developing higher value-added steel products, lowering its production costs, adopting advanced process technologies, strengthening its marketing techniques and enhancing its procurement logistics for its products.

Insurance

Nanjing Iron & Steel maintains insurance coverage in respect of its principal production facilities.

Consistent with what we believe to be customary industry practice, Nanjing Iron & Steel does not maintain insurance coverage against risks of third party liability, business interruption, product liability or environmental damage arising from its operations, or damages caused by natural disasters, such as earthquakes. Since its establishment in 2003, Nanjing Iron & Steel has not filed any material claims against its insurers.

Environmental and Safety Matters

Steel production in China is subject to PRC national and local environmental regulations and is particularly affected by those governing the discharge and emission of pollutants.

Nanjing Iron & Steel's operations generate waste gases such as soot and dust, coking and cooling wastewater, solid waste such as steel and tar residue, and noise. Nanjing Iron & Steel upgrades its pollution control measures from time to time. Such measures focus primarily on reducing the discharge of dust particles at each stage of production. The environmental protection measures and their related project designs have been reviewed and approved by relevant government agencies. Nanjing Iron & Steel had not been charged with any behavior causing environmental damage.

Steel production processes are subject to relevant PRC safety laws and regulations such as the PRC Law on Production Safety (中華人民共和國安全生產法) and the Labor Protection Regulation of Jiangsu Province. Nanjing Iron & Steel strictly follows national and local regulations and also formulates and implements safety management standards for its production processes in accordance with relevant government regulations. Nanjing Iron & Steel has rarely encountered any serious work-related injuries.

Legal Proceedings

Nanjing Iron & Steel is involved in legal proceedings from time to time in the normal course of business. We are not aware of, and our PRC counsel is of the opinion that there does not exist, any material legal proceedings, pending or threatened, that could have a material adverse effect on our business, financial condition or results of operations.

Other Portfolio Companies in the Steel Industry

Jianlong Group. The major production facilities of Jianlong Group are located in Tangshan and Chengde in Hebei Province, Shuangyashan in Heilongjiang Province, Fushun in Liaoning Province, and Jilin and Panshi in Jilin Province. We believe Jianlong Group enjoys logistics advantages over some of its competitors because its production facilities in Northern and Northeastern China are close to its raw material suppliers and customers.

The principal products of the Jianlong Group include hot and cold strips, hot-rolled coils, and bars and wire rods. These products are principally used as raw materials for the production of welding tubes, mechanical parts and construction materials. Most of the products of Jianlong Group are sold to downstream processing entities in Northern and Northeastern China.

Mining Business

Overview of our Mining Business

We operate our mining business principally through Hainan Mining, through which we own a large open pit iron ore mine and conduct activities such as iron ore mining and trading. We have also invested in additional iron ore companies, such as Jin'an Mining and Huaxia Mining, to increase our business scale, and to generate and enhance integration and synergies within our businesses by increasing the iron ore self-sufficiency of our steel business. We have also invested in other resources such as coking coal and gold through investments in companies such as Shanjiaowulin and Zhaojin Mining, respectively.

In 2010, our mining segment generated revenue of RMB1,685.5 million (exclusive of intersegment sales of RMB1,494.7 million), representing 3.8% of our revenue in the same period.

Iron Ore Mining

Hainan Mining was jointly established by Fosun Group and Hainan Iron & Steel in August 2007, specialized in iron ore mining and trading business. Fosun Group owns a 60% equity interest in Hainan Mining and Hainan Iron & Steel owns the remaining 40%. Hainan Mining owns a large open pit iron ore mine in China and is known for its large resources and high grade of iron ore. Hainan Mining's mining site is located at Shilu Town, Changjiang County, Hainan Province. Hainan Mining also owns a deposit of copper associated with cobalt and nickel in its mine in Shilu Town ("Shilu Mine"). According to a report issued by Hainan Provincial Bureau of Geology in September 2010, as of March 2010, the iron ore reserve volume of Hainan Mining's Shilu Mine was approximately 290 million tons and the average grades of the iron ore was 46.8%. In 2010, Hainan Mining produced approximately 3.4 million tons of iron ore products.

Hainan Mining's business strategy is to focus on developing its local iron ore projects in Hainan and investing in domestic and overseas mining resources. Hainan mining is targeting at becoming the leader of global small and medium sized mining companies with its core business of iron ore developing, mining and trading supported by our Group's unique and competitive management philosophy and system.

Nanjing Steel United acquired Jin'an Mining in January 2004 and currently Jin'an Mining is a wholly-owned subsidiary of Nanjing Iron & Steel. Jin'an Mining's mining sites are located in Fanqiao Town, Huoqiu County, Liu'an City, Anhui Province. Its final product is iron ore concentrates with low tramp elements.

We first invested in Huaxia Mining in April 2007 and currently hold an equity interest of 18.39% in it. Huaxia Mining is mainly engaged in iron ore exploration, mining and processing and owns several mines in North and North-East China.

Other Mining

In addition to iron ore, we also invest in other resources such as coking coal and gold.

Coking Coal. Shanjiaowulin is a joint venture between our Group and Xishan Coal Electricity Group Co., Ltd. (西山煤電股份有限公司) in which we hold an equity interest of 20%. Shanjiaowulin specializes in mining and processing coking coal and is located in the Sanquan Industry and Development District of Fenyang City, Shanxi Province.

Gold. We are one of the founding investors of Zhaojin Mining. Our investment in Zhaojin Mining began in April 2004. Zhaojin Mining is located in Zhaoyuan City, Shandong Province, which is known as the "Gold Capital of China." Zhaojin Mining primarily engages in gold exploration and prospecting, mining, refining and processing. Zhaojin Mining has been a public company listed on the Main Board of Hong Kong Stock Exchange since 2006. According to the statistics published by China Gold Organization, Zhaojin Mining was one of the largest gold producers in China by production volume.

Competitive Strengths

Abundant and high-quality resources. Our mining segment owns large-scale and high-quality iron ore, coking coal and gold resources. The Shilu Mine owned by Hainan Mining is a mine of polymetallic ore. The mine contains iron ore reserves and other metal reserves for copper, cobalt and nickel. In addition, we believe that together with the enhancement of our management and operational procedures, our strengths in resources can result in cost advantages and increase our mining segment's competitiveness.

Industrial advantages derived from our Group structure. Our mining segment is an integrated part of our Group's businesses, benefiting from synergies and benefits generally unavailable to standalone mining enterprises. Our mining segment benefits from enhanced corporate governance practices, cost benchmarking and investment management systems. In addition, we believe our group supports and facilitates our mining segment's access to the capital markets.

Experienced industry personnel and management. Experienced mining technicians and personnel with established industry expertise are critical to the success of our mining operations. Through our mining enterprises such as Hainan Mining, Jin'an Mining, Zhaojin Mining and Huaxia Mining, we have a team of carefully selected professionals who possess deep knowledge of and rich experience in various aspects of our mining business, including exploration, development, operation and marketing.

Strategy

Strengthen organic growth. We plan to further strengthen and improve strategic planning, budgeting processes and risk controls to facilitate the organic growth of our portfolio companies in the mining segment. We will specifically emphasize benchmarking management to lower the unit operation cost of our mining products and enhance the competitiveness of our portfolio companies. We also expect to provide support, services and advice to our portfolio mining companies to achieve sustainable profitability to enhance market position in the mining industry.

Expand through mergers and acquisitions. We plan to continue to actively seek and evaluate domestic and international investment opportunities in mining resources. We will continue to conduct in-depth research to identify and invest in projects which have high growth potential, high profitability, low investment costs and low operational costs. We plan to invest in projects with larger reserves and of higher resource quality through diversified investment models including private equity and strategic investments. We will continue to seek to grow our mining reserves and operational scale through external investments in the mining industry.

Production and Mining Sites

The following table sets forth information about the production of iron ore in our mining segment:

	Main Product ('000 tons)	Output (2010) ('000 tons)	Reserve Volume
Hainan Mining	iron lumps, fines and concentrate	3,443	290 million tons of iron ore(1)
Jin'an Mining	iron concentrate	876	86.2 million tons of iron ore(2)

Sources:

(1) As of March 2010, based on a report issued by Hainan Provincial Bureau of Geology on September 19, 2010.

(2) As of May 2010, based on a report issued by the Ministry of Land of Resources of the PRC on June 28, 2010.

Customers and Sales

We supply all of our iron ore lumps, fines, and concentrate to the steel industry. Prevailing and expected levels of demand for steel products affect demand for our iron ore products. Demand for steel products is influenced by many factors, such as global manufacturing production, civil and infrastructure construction. The major customers of Hainan Mining include Nanjing Iron & Steel, Wuhan Iron & Steel Co., Ltd., Shaoguan Iron & Steel Co., Ltd. and Anyang Iron & Steel Co., Ltd. Hainan Mining sells its products to steel manufacturers directly or through distributors. Jin'an Mining mainly supplies its iron ore products to Nanjing Iron & Steel.

We strongly emphasize customer service in order to improve the competitiveness of our products. We work with our customers to understand their requirements so that we can provide them with iron ore solutions to meet specific customer needs. Using our expertise in mining, agglomeration and iron-making processes, we search for technical solutions that will balance the best use of our mining assets and the satisfaction of our customers.

Competition

The global iron ore markets are highly competitive. The main factors affecting competition include price, quality, product range, reliability, costs and services.

Our principal competitors in the PRC market are domestic mining companies, including the mines of Hebei Iron & Steel Group and the mines of Anshan Iron & Steel Group, as well as overseas mining companies such as Vale, BHP Billiton plc and Rio Tinto Ltd. We believe we are competitive in the PRC market mainly because of (i) our scale and cost of operations and (ii) our close proximity to end users, which allows us to have lower transportation costs than some of our domestic and international competitors.

Insurance

Hainan Mining and Jin'an Mining maintain insurance coverage in respect of their principal production facilities.

Consistent with what we believe to be customary industry practice, Hainan Mining and Jin'an Mining do not maintain insurance coverage against risks of third party liability, business interruption, product liability or environmental damage arising from their operations, or damages caused by natural disasters, such as earthquakes.

Environmental and Safety Matters

Our mining segment is subject to environmental regulations that apply to the specific types of mining and processing activities we conduct. Environmental regulations affecting our operations relate, among other matters, to emissions into the air, soil and water; recycling and waste management; protection and preservation of forests, coastlines, natural caverns, watersheds and other features of the ecosystem; water use; and decommissioning and reclamation. In many cases, the mining concessions or environmental permits under which we operate impose specific environmental requirements on our operations. Environmental regulations can sometimes change and ongoing compliance can require significant costs for capital expenditures, operating costs, reclamation costs and compliance.

Mining processes are subject to relevant PRC safety laws and regulations such as the PRC Law on Production Safety and the Labor Protection Regulation. The companies in our mining segment strictly follow national and local regulations and also formulate and implement safety management standards for their mining processes in accordance with relevant government regulations. The companies in our mining segment also provide safety training to their employees and require all employees to follow the safety standards prescribed by their safety departments. Our mines are inspected regularly, and each production plant has a designated employee responsible for safety inspection.

Legal Proceedings

Hainan Mining and Jin'an Mining are involved in legal proceedings from time to time in the normal course of business. We are not aware of, and our PRC counsel is of the opinion that there do not exist, any material legal proceedings, pending or threatened, that could have a material adverse effect on our business, financial condition or results of operations.

Retail, Services and Other Investments Business

Overview

We invest strategically in retail, services and a number of other industries, including our investments in Yuyuan, Yong'an Insurance, Focus Media and Club Med.

We employ a disciplined investment approach and follow strict investment management procedures with a goal to achieving superior returns. We have adopted comprehensive investment management and decision-making procedures which cover the whole cycle of an investment, from selecting, evaluating, structuring, diligence, negotiating, executing, monitoring to exiting. All of our investment or divestment decisions are approved by our investment committee, which consists of our executive Directors.

At present, our investment portfolio companies in the retail, services and other key industries mainly include:

Yuyuan

We have an equity interest of 17.3% in Yuyuan. Yuyuan is publicly traded with its A shares listed on the Shanghai Stock Exchange. Yuyuan is located at Yuyuan Commercial and Tourist District, a well-known tourist destination in Shanghai. Yuyuan specializes in gold jewelry retail, the food and beverage business and non-residential property leasing. As of December 31, 2010, Yuyuan operated 58 self-owned gold and jewelry stores and 1,138 gold and jewelry retail outlets nationwide. As of December 31, 2010, Yuyuan also held an equity interest of 26.2% in Zhaojin Mining.

Focus Media

We own an equity interest of 21.1% in Focus Media. Focus Media is listed on the NASDAQ Stock Exchange. Founded in 2003, Focus Media is a leading digital media group in China. Its product portfolio covers several audience-centric and interactive media networks, including commercial property networks, shopping district terminal networks, residential complex lift lobby networks (framedia), outdoor LCD color screen networks and movie theater networks. Currently, Focus Media's networks cover more than 100 cities and 100,000 terminals in China. It has become one of the popular media platforms in China, and has gained significant recognition from advertisers.

Yong'an Insurance

Yong'an Insurance, headquartered in Xi'an, has subsidiaries in 16 provinces, municipalities and autonomous regions. As of December 31, 2010, we owned a 18.3% effective equity interest in Yong'an Insurance.

Club Med

Club Med is a world-renowned resort group. Established in 1950 in France, Club Med is among the earliest companies in the world to advocate the holiday resort model. Club Med currently operates 80 resort hotels in 40 countries worldwide. As of December 31, 2010, we had acquired a 9.5% equity interest in Club Med's share capital. Following our acquisition of an equity interest in Club Med, we have advised and supported Club Med in expanding its networks and businesses in China.

Other Investments

We also seek value-oriented investment opportunities in both private and public markets. We aim to profit from China's growth momentum by investing in sectors, such as financial services, retail and consumer goods, that stand to benefit from the growth in China's domestic consumption. We also invest in minority interests of those companies with listing potential through a few private equity investment platforms. We promote the listing of the investee companies and seek to exit at an appropriate time to achieve high investment returns.

We operate our investment activities through several investment platforms, principally including Fosun Capital Management, Fosun Venture Capital Investment and Principle Capital, of which we own a 100%, 100% and 99% equity interest, respectively. The table below sets out six of our private equity investment projects that successfully went public in 2010.

Listed company	Stock code	Investment amount (RMB million)	Accumulated dividends (RMB million)	Market capitalization attributable to our Group as of December 31, 2010 (RMB million)	Appreciation of investment funds(1)
Befar Group Co., Ltd.	601678.SH	150.0	18.2	627.3	430.3%
Xi' an Shaangu Power Co., Ltd.	601369.SH	176.0	23.2	1,094.8	635.2%
Zhejiang Aishida Electric Co., Ltd.	002403.SZ	18.0	—	90.0	499.8%
Hunan Hansen Pharmaceutical Co., Ltd.	002412.SZ	48.6	—	550.0	1,131.7%
Yashili International Holdings Ltd.	01230.HK	149.7	—	262.7	175.5%
Yotrio Group Co., Ltd.	002489.SZ	66.0	0.9	242.2	368.2%

Note:

(1) Equals the result of the aggregate of (i) Market capitalization attributable to our Group as of December 31, 2010 and (ii) Accumulated dividends minus (iii) the investment amount, and then divided by the investment amount.

We strive to further expand our assets management business through investment platforms, including Fosun Capital, Fosun Venture Capital Investment. Currently, Shanghai Fosun Capital Equity Investment Fund L.P., Carlyle Fosun Shanghai Equity Investment Enterprise and Pramerica-Fosun China Opportunity Fund L.P. have successfully raised RMB1,500 million, US$100 million and US$600 million, respectively.

Finance Company

We are in the process of setting up a finance company in order to strengthen our Group's centralized management of funds to improve the efficiency of our fund utilization. On November 25, 2010, Fosun Group obtained approval from the China Banking Regulatory Commission to set up a finance company under the name of Shanghai Fosun Group Finance Co., Ltd. (上海复星集團財務有限責任公司) ("Fosun Group Finance"). Fosun Group Finance will be a non-bank financial institution providing financial management services primarily in making loans to, and taking deposits from, qualified customers. Qualified customers include (i) Fosun Group and its subsidiaries in which Fosun Group holds an equity interest of no less than 51%; (ii) companies in which Fosun Group, or any of its subsidiaries, individually or jointly, holds an equity interest of more than 20%; (iii) companies in which Fosun Group or any of its subsidiaries, individually or jointly, holds an equity interest of less than 20% but is the single largest shareholder of such companies; and (iv) public institution legal persons or social organization legal persons（事业單位法人或者社会团体法人）formed by Fosun Group or its subsidiaries. We are required to set up Fosun Group Finance within six months of the approval date.

As a finance company, Fosun Group Finance can engage in the following type of business pursuant to the relevant PRC laws and regulations:

- finance and financing consultancy, credit verification and related consultancy and agency business for qualified customers;
- provision of assistance to qualified customers in collection and payment of funds;
- insurance agency business as approved;
- provision of guarantees to qualified customers;
- handling entrusted loans and investment (委托貸款和投資) among qualified customers;
- acceptance and discounting of bills for qualified customers;
- settlement of internal transfer between qualified customers and design of plans for related settlements and clearances;
- acceptance of deposits from qualified customers;
- providing loans and lease financing to qualified customers;
- interbank borrowings; and
- other businesses as approved by the China Banking Regulatory Commission.

In addition, a finance company which fulfils certain criteria may apply to the China Banking Regulatory Commission to conduct the following types of business:

- issue of finance company bonds as approved;
- underwriting enterprise bonds issued by qualified customers;
- equity investment in financial institutions;
- investment in negotiable and debt securities; and
- provision of consumer credits, purchaser credits and lease financing purchasers of products of the qualified customers.

We intend to expand into other financial service industries, such as insurance and provide related financial services such as insurance underwriting, in the near future if we obtain the necessary approval and license to carry out these businesses.

Competitive Strengths

We believe we have the following competitive strengths in this segment:

- proven successful investment track record;
- strong investment teams and an existing extensive network in China with access to companies in various industries;

- our experienced management team and strong expertise in managing investment and industrial operations, together with our long and extensive investment experience in China, enable us to make sound investment decisions;

- early mover with access to various investment opportunities;

- our extensive network and ability to improve management in the companies we invest in, supplemented by our good relationship with governmental authorities and financial institutions, give us stronger negotiating power than other investment firms; and

- proven successful listing of a number of portfolio companies.

We actively look for investment opportunities in a variety of industries such as retail, consumer goods, services and natural resources. We believe that such businesses will benefit from China's rapid economic growth. In particular, we are looking for internationally recognized companies that we could help expand their business in China.

In general, we seek to be the first or second largest shareholder of the investee company so as to have a greater influence over the management of the company by appointing directors to the board. We set high standards for the management teams of our investee companies and require that the culture and values of such companies be in line with ours. For unlisted investee companies, we seek to facilitate their public listing for value appreciation and to allow us to exit our investments. Our holding period is flexible, and usually extends to around three to five years or any such longer period as we may consider desirable based on the nature of the investment.

We believe that our distinctive business model, our in-depth understanding of China's growth momentum, our existing experience in a wide range of industries and our rich investment experience and history can help us in the future to capture more high-growth investments opportunities.

We also believe the rapid development of the Chinese capital markets presents immense opportunities for the investment and asset management industry. Leveraging our experience and our deep understanding of the local Chinese markets, we will continue to utilize our existing investment platforms to carry out our investment business. We plan to make asset management one of our core businesses, to take advantage of more investment opportunities and generate high and stable returns. Specifically, we plan to:

- Identify companies within industries that stand to benefit from public policies in China and that have a high potential of successfully going public;

- Target enterprises with stable business and performance track records and established corporate structures and governance mechanisms required to satisfy listing standards; and

- Adhere to the value investment philosophy and make investments at reasonable costs.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our investment in and the operations of our business segments and finance our working capital requirements, we and our subsidiaries had entered into financing agreements with various financial institutions. As of December 31, 2010, our total bank loans and other borrowings amounted to RMB37,383.8 million and we had a total of approximately RMB25,463.7 million unutilized banking facilities. Set forth below is a summary of our major bank and other borrowings by our Company and each of our business segments.

OTHER MATERIAL INDEBTEDNESS OF FOSUN INTERNATIONAL

Banking Facilities

Our Company has from time to time entered into loan facility agreements with various offshore financial institutions, including, among others, Standard Chartered Bank (Hong Kong) Limited, China Development Bank Corporation, Hong Kong Branch, Citic Bank International Limited and Wing Lung Bank Limited. These loans typically are used for working capital or to refinance our existing indebtedness.

As of December 31, 2010, our Company had total available loan facilities of RMB3,505.3 million (US$529.3 million), of which our Company had drawn down RMB3,174.3 million (US$479.3 million), the details of which are set forth below:

Lender	Amount Available under the Facility	Amount Outstanding as of December 31, 2010	Term	Maturity Date
	(Denoted currency in millions)	(Denoted currency in millions)		
Standard Chartered Bank (Hong Kong) Limited	US$50	US$50	12 months	July 29, 2011
China Development Bank Corporation, Hong Kong Branch	US$50	US$50	60 months	September 28, 2015
China Development Bank Corporation, Hong Kong Branch	HK$695	HK$695	60 months	September 28, 2015
Citic Bank International Limited	US$100	US$50	36 months	December 20, 2013
Crédit Agricole Corporate and Investment Bank and syndicate	US$140	US$140	36 months	May 31, 2013
Wing Lung Bank Limited and China Merchants Bank Co., Ltd., Hong Kong Branch	US$100	US$100	36 months	June 15, 2013
Total	US$529.3	US$479.3		

The interest rates under these term loan facilities are typically specified as a fixed margin percentage of not more than 2.5% plus LIBOR, HIBOR, or lender's cost of funds, as agreed with the relevant financial institutions. Our Company's payment obligations under these term loan facilities typically rank at least pari passu with other unsecured and unsubordinated claims. Except for the one-year term loan facilities, these term loan facilities are subject to various customary covenants, including without limitation, the following:

- the ratio of total debt to total assets will not exceed a specified amount;
- the consolidated tangible net worth will not be less than a specified amount ranging from RMB23,500 million to RMB15,000 million;

- the ratio of consolidated net borrowings to consolidated tangible net worth will not exceed a specified amount typically at the range of 1.0 to 1.0;

- the ratio of consolidated net borrowings to consolidated EBITDA will not exceed a specified amount typically at the range of 3.5 to 1.0;

- the ratio of consolidated EBITDA to consolidated net interest expense will be not less than a specified amount typically at the range of 4.0 to 1.0; and

- negative pledge under which our Company agreed to cause its material subsidiaries not to grant security (excluding certain permitted security) over any of their assets, unless, among other things, the aggregate book value of any such security is less than 10% of our Group's consolidated tangible net worth.

If our Company fails to satisfy these financial ratios, it, among other things, cannot incur additional indebtedness and will trigger the event of default under these loan agreements. Our Company is in the process of renegotiating with its lenders to amend the various financial covenants under these term loan facilities.

After December 31, 2010 and up to the date of this offering memorandum, our Company has not entered into any additional material loan agreements except for the HK$2,700 million bridge loan facility agreement with Standard Chartered Bank (Hong Kong) Limited in connection with the proposed Forte Offer.

HK$2,700 Million Bridge Loan from Standard Chartered Bank (Hong Kong) Limited

On January 17, 2011, we entered into a HK$2,700 million bridge loan facility agreement with Standard Chartered Bank (Hong Kong) Limited in connection with the Forte Offer. The annual interest rate on the loan is the aggregate of a fixed margin of not more than 2% plus HIBOR. The repayment date for the loan is the earlier of the date falling nine months after the initial utilization date and December 31, 2011. The proceeds of the loan facility are expected to be used to finance the Forte Offer. As of the date of this offering memorandum, we had not drawn down any amount but we expect to draw down approximately HK$2,300 million on April 28, 2011. See "Business — Property Business — Forte Offer" in this offering memorandum.

Pursuant to the loan facility agreement, our Company has agreed, among other things, that:

- its consolidated tangible net worth will not be less than a specific amount;

- the ratio of its consolidated net borrowings to its consolidated tangible net worth will not exceed 1.0 to 1.0;

- the ratio of its consolidated net borrowings to its consolidated EBITDA will not exceed 3.5 to 1.0; and

- the ratio of its consolidated EBITDA to its consolidated net interest expense will be not less than 4.0 to 1.0.

Our Company has further agreed that it will not grant security over any assets of our Company and its principal subsidiaries as defined under the bridge loan agreement (subject to certain exceptions) to secure certain indebtedness which in the aggregate exceed 30% percent of our Company's consolidated total assets. Our Company's payment obligations under the bridge loan facility rank at least *pari passu* with other unsecured and unsubordinated claims.

Guarantees by Fosun International

Our Company has also given guarantees under various loan agreements with financial institutions. Consequently, our Company is subject to various customary covenants, including satisfying certain financial tests and notifying the relevant financial institutions under certain circumstances.

OTHER MATERIAL INDEBTEDNESS OF OUR SUBSIDIARIES

Certain of our subsidiaries have entered into loan agreements, including PRC loan agreements and offshore loan agreements, with various banks and financial institutions, including, among others, Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Bank of Communication, China Merchants Bank Co., Ltd., Wing Lung Bank Limited, Bank of China (Hong Kong) Limited, United Overseas Bank Limited Hong Kong Branch, Deutsche Bank AG, Hong Kong Branch, WestLB AG, Singapore and Standard Chartered Bank (Hong Kong) Limited. These loans typically are for financing the construction of our projects, working capital, property development or trading activities and have terms ranging from six months to ten years. In compliance with the restrictive covenants under some of these loan agreements, we or our subsidiaries may need to notify the relevant banks of the issuance of the Notes. In addition, some of our subsidiaries agreed not to distribute any dividends unless certain conditions are met, including seeking prior written consent from banks and having fully paid any amounts due under the loan agreements.

As of December 31, 2010, the outstanding loans and other borrowings for our consolidated subsidiaries were as follows:

	Amount outstanding as of December 31, 2010		
Borrowers	**Total**	**Short-term**	**Long-Term**
	(RMB in millions)		
Fosun Group	3,600.0	2,930.0	670.0
Fosun Pharma	3,602.5	1,830.3	1,772.2
Forte	9,011.7	2,006.2	7,005.5
Nanjing Nangang	14,665.4	12,027.4	2,638.0
Hainan Mining	380.0	—	380.0
Other consolidated subsidiaries	2,950.0	2,670.0	280.0
Total	34,209.6	21,463.9	12,745.7

Of the RMB34,209.6 million, RMB12,554.6 million was secured by properties or other assets and RMB21,655.0 million was guaranteed by our company or its subsidiaries or other related parties.

Loans and Other Borrowings Incurred by Fosun Group

As of December 31, 2010, Fosun Group, on a non-consolidated basis, had total outstanding debt obligations of RMB3,600.0 million, all of which are PRC term loans. These loans mostly bear interest at floating rates, the resulting effective rates of which range generally from 4.78% to 5.93% per annum, and have a term between eleven months and three years.

Covenants

Some of the PRC term loans incurred by Fosun Group are under bank facilities with a term of typically one year. These bank facility agreements contain customary covenants, including the following:

- without the prior consent of the lenders, the borrower may not undertake any restructuring or reorganization, transfer any equity, sell, transfer, lend, lease out or otherwise dispose of a material part of its assets, substantially increase the indebtedness, provide guarantees in favour of any third party, grant a security interest in its material assets, or make outside investments;

- a change of control may not occur in the borrower;

- the borrower must comply with certain financial covenants by observing certain financial ratios specified under the relevant loan facilities, including debt ratio, current ratio, and return on assets;

- without the written approval of the lenders, the borrower may not change its articles of association or scope of business in any material manner;

- the borrower must disclose to the lenders any transaction between Fosun Group and any of its affiliates with transaction value equal to or more than 10% of its net assets; and

- lenders may ask for additional collateral or guarantees if they reasonably believe that the borrower's security and guarantees for the PRC term loan in question may be adversely affected.

Most of the above bank facilities are generally renewable upon expiration. Fosun Group may be subject to prepayment penalties under some of these facilities if it elects to terminate a facility before its expiration date.

Loans and Other Borrowings Incurred by Fosun Pharma and its Subsidiaries

As of December 31, 2010, Fosun Pharma together with its subsidiaries, on a consolidated basis, had total outstanding debt obligations of RMB3,602.5 million under its term loans, including PRC term loans and offshore term loans. These loans mostly bear interest at floating rates, the resulting effective rates of which range from 1.33% to 5.94% per annum, and mature between six months and 15 years.

Covenants for PRC Term Loans

Some of the PRC term loans incurred by Fosun Pharma and its subsidiaries contain customary covenants, including the following:

- without the prior consent of the lenders, the borrower may not undertake any restructuring or reorganization, transfer any equity, sell, transfer, lend, lease out or otherwise dispose of a material part of its assets, substantially increase its indebtedness, provide guarantees in respect of indebtedness of any third party, grant security interests over its material assets, or make investments to third parties;

- lenders may require early repayment of the borrower's PRC term loans upon the occurrence of any event that materially and adversely affects the lenders' rights; and

- lenders may demand additional collateral or guarantees if they reasonably believe that the security and guarantees for the PRC term loans in question may be adversely affected.

Covenants for Offshore Term Loans

Some of the offshore term loans incurred by Fosun Pharma's subsidiaries contain customary covenants, including but not limited to the following:

- the borrower shall meet certain financial tests before it incurs additional debt;
- the borrower shall not create or permit to exist any security interest over certain assets; and
- the borrower shall ensure that obligations under the loans will rank at least *pari passu* with other present and future similar obligations.

Loans and Other Borrowings Incurred by Forte and its Subsidiaries

As of December 31, 2010, Forte together with its subsidiaries, on a consolidated basis, had total outstanding debt obligations of RMB9,011.7 million under its term loans, inlcuding PRC term loans and offshore term loans. A majority of these loans are project loans to finance the construction of our projects. These loans generally bear interest at fixed rates, the resulting effective rates of which range from 2.12% to 12.18% per annum, and mature between nine months and 10 years.

Guarantees and Security

Term loans incurred by Forte and its subsidiaries in the amount of RMB6,656.6 million were secured by, among other things, their land use rights, investment properties, buildings and properties under development, with an aggregate net book value of RMB10,367.6 million as of December 31, 2010.

Customer Guarantees

Forte acts as the guarantor for mortgages secured by properties that it sells. Its obligation as a guarantor generally expires upon the delivery of the relevant certificates on the underlying property to the bank. The maximum guarantee period normally does not exceed 18 months. See "Business — Property Business — Property Development Projects — Stages of a Property Development Project — Sales and marketing" in this offering memorandum. As of December 31, 2010, Forte had approximately RMB3,013.6 million of customer guarantees outstanding.

Covenants for PRC Term Loans

Some of the PRC term loans incurred by Forte and its subsidiaries contain customary covenants. Among others, Forte and its subsidiaries may not, without the prior consent of the lenders, undertake any restructuring or reorganization, transfer any equity, sell, transfer, lend, lease out or otherwise dispose of a material part of its assets, substantially increase their indebtedness, provide guarantees in favor of any third party, grant security interests in their material assets, or make investments to third parties.

Covenants for Offshore Term Loans

Some of the offshore term loans incurred by Forte's subsidiaries contain customary covenants, including but not limited to the following:

- the borrower or guarantor has to meet certain financial tests before it incurs additional debt or provide guarantees;
- the borrower or guarantor shall not create or permit to subsist any security over any of its assets, and not sell, transfer or otherwise dispose of any of its assets unless certain conditions are met;

- the obligations under the loan agreements will rank at least *pari passu* with other unsecured and unsubordinated claims; and

- the borrower shall not pay dividends unless certain conditions are met.

Loans and Other Borrowings Incurred by Nanjing Nangang and its Subsidiaries

As of December 31, 2010, Nanjing Nangang together with its subsidiaries, on a consolidated basis, had total outstanding debt obligations of RMB14,665.4 million under its term loans, including PRC term loans and offshore term loans. These loans mostly bear interest at floating rates, the resulting effective rates of which range from 0.22% to 5.94% per annum, and mature between six months and seven years.

Guarantees and Security

Term loans incurred by Nanjing Nangang and its subsidiaires in the amount of RMB1,313.0 million were guaranteed by related parties. Term loans in the amount of RMB4,649.0 million were secured by their assets, including property, plant and equipment, inventories and time deposits. These assets had an aggregate net book value of RMB4,283.4 million as of December 31, 2010.

Covenants for PRC Term Loans

Some of the PRC term loans incurred by Nanjing Nangang and its subsidiaries contain customary covenants, including but not limited to the following:

- without the prior consent of the lenders, the borrower may not undertake any restructuring or reorganization, transfer any equity, sell, transfer, lend, lease out or otherwise dispose of a material part of its assets, substantially increase the indebtedness, provide guarantees in favor of any third party, grant security interests in its material assets, or make outside investments;

- the borrower must observe certain financial ratios including asset-to-debt ratio, current ratio, operating income ratio and account receivables turnover specified under the relevant loan facilities agreement;

- without the written approval from the lenders, the borrower may not change its articles of association or scope of business in any material manner;

- the borrower must disclose to lenders any material transactions between the borrower and its affiliates; and

- lenders may demand additional collateral or guarantees from the borrower if they reasonably believe that the security and guarantees for the PRC term loans in question may be adversely affected.

Covenants for Offshore Term Loans

Some of the offshore term loans incurred by Nanjing Nangang's subsidiaries contain customary covenants, including but not limited to the following:

- the borrower shall meet certain financial tests before it incurs additional debt;

- the borrower shall not create or permit to subsist any security over any of its assets and shall not sell, transfer or otherwise dispose of any of its assets and receivables unless certain conditions are met; and

- the obligations under the loan agreements will rank at least *pari passu* with other unsecured and unsubordinated claims.

ENTERPRISE/CORPORATE BONDS

Nanjing Steel United Enterprise Bonds

On February 27, 2009, Nanjing Steel United completed an offering of RMB2,500 million seven-year domestic enterprise bonds, with a fixed an annual interest rate of 6.13%. On March 18, 2009, Nanjing Steel United's enterprise bonds were listed on the Shanghai Stock Exchange.

Nanjing Steel United's obligations under the enterprise bonds are guaranteed by Fosun Group, under which Fosun Group guarantees the payment of principal of, and interest on, the enterprise bonds. As of December 31, 2010, RMB2,500 million in principal amount of the enterprise bonds was outstanding.

Forte Corporate Bond

On September 22, 2009, Forte completed an offering of RMB1,900 million five-year domestic corporate bonds, with an annual interest rate of 7.3%. On November 3, 2009, Forte's corporate bonds were listed on the Shanghai Stock Exchange.

Forte's obligations under the corporate bonds are guaranteed by Fosun Group, under which Fosun Group guarantees the payment of principal of, and interest on, the corporate bonds. As of December 31, 2010, RMB1,900 million in principal amount of the corporate bonds was outstanding.

Fosun Group Enterprise Bonds

On December 24, 2010, Fosun Group completed an offering of RMB1,100 million seven-year domestic enterprise bonds, with an annual interest rate of 6%. On February 15, 2011, Fosun Group's enterprise bonds were listed on the Shanghai Stock Exchange.

Fosun Group's obligations under the enterprise bonds are guaranteed by Nanjing Steel Group, under which Nanjing Steel Group guarantees the payment of principal of, and interest on, the enterprise bonds. As of December 31, 2010, RMB1,100 million in principal amount of the enterprise bonds was outstanding.

MEDIUM-TERM NOTES

Fosun Pharma First Phase of Medium-Term Notes

On November 8, 2010, Fosun Pharma completed an offering of RMB1,000 million principal amount of five-year medium-term notes with floating interest rate. As of December 31, 2010, RMB1,000 million in principal amount of the notes was outstanding. The notes are not guaranteed.

The interest on the medium-term notes comprises a benchmark interest rate and an interest margin. The benchmark interest rate is a floating rate determined by reference to the interest rate for one-year deposit in the PRC. The interest margin is a fixed margin of 2.4%.

Fosun Pharma Second Phase of Medium-Term Notes

On March 31, 2011, Fosun Pharma completed an offering of RMB1,600 million principal amount of five-year medium-term notes with floating interest rate. As of the date of this offering memorandum, RMB1,600 million in principal amount of the five-year medium-term notes was outstanding. The notes are not guaranteed.

The interest on the medium-term notes comprises a benchmark interest rate and an interest margin. The benchmark interest rate is a floating rate determined by reference to the interest rate for one-year deposit in the PRC. The interest margin is a fixed margin of 2.9%.

RECENT DEVELOPMENT

Nanjing Iron & Steel Corporate Bonds

On February 15, 2011, the board of directors of Nanjing Iron & Steel approved the offering of domestic corporate bonds by Nanjing Iron & Steel. It is proposed that the size of the offering not exceed RMB4,000 million or be for an amount no greater than 40% of Nanjing Iron & Steel's audited equity attributable to the owner of the parent as of December 31, 2010, whichever is smaller. It is proposed that the bonds have a term of no longer than seven years. On March 14, 2011, Nanjing Iron & Steel's shareholders approved the offering. On April 15, 2011, the Public Offering Review Offering Committee of the CSRC completed its review of the offering application. As of the date of this offering memorandum, however, the offering application was yet to receive the CRSC's formal approval. Nanjing Iron & Steel expects to commence the offering in May 2011 and list the bonds on the Shanghai Stock Exchange once the offering is completed.