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FOLLI FOLLIE GROUP AND FOSUN INTERNATIONAL: A GLOBAL PARTNERSHIP[1]

On May 4, 2011, Folli Follie, a Greek luxury jewelry designer and retail group, made a public announcement (**Exhibit 1**) that Fosun International, a large China-based holding company with a diverse portfolio of businesses, has agreed to acquire approximately 9.5% stake of Folli Follie Group at €84.58 million. Thus, Fosun, together with its affiliate, would acquire the newly issued stock through a private investment in public equity (PIPE) placement at €13.30 (compared to €12.75 the day before) per share and would jointly become one of Folli Follie Group's largest strategic investors.

At the same time, Folli Follie announced that the two groups intended to collaborate in their business development in China as well as in other parts of the world. The move would facilitate Folli Follie's expansion in China, one of the world's fastest growing markets for luxury goods.

Folli Follie Group

Dimitris Koutsolioutsos founded Folli Follie in 1982 together with his wife and business partner, Ketty Koutsolioutsos. It is headquartered in Athens, Greece. The company started its operations by establishing a shop in the centre of Athens. Folli Follie now designs, manufactures and distributes jewelery, watches and fashion accessories. The company started expanding in the Greek market through franchising, which allowed the company both to reduce the risk taken and to control the quality of the product offering.

In 1995, Folli Follie opened its first overseas store in Japan. Due to the limited financial resources of the firm, the initial entry was achieved through the establishment of a joint venture with a well-known Japanese firm.[2] The cooperation with a local firm provided Folli Follie with the necessary knowledge of the local market. Although Greece and Japan were initially the basic growth markets for Folli Follie, the founder did not limit the firm's operations to these two countries. Driven by his vision for a globally successful firm, he decided to enter several international markets. Folli Follie has now become a global brand with boutique shops in 24 countries and more than 430 points of sale worldwide, including shops in the most fashionable streets of the world's major cosmopolitan cities including London, Paris and Tokyo.[2] In 2010, domestic sales in Greece accounted for 51% of the total sales and the rest 49% were from overseas sales. The expansion in these countries further boosted the firm's international growth, providing

[1] This case was prepared by Cheng Qiu, Andreas Skiadopoulos, Dong Yang and Yina Shi under the supervision of Professor Andrew Karolyi. It was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Original version is dated August 28, 2012; current version is dated April 8, 2015.

[2] Marian Jones, "Internationalization, entrepreneurship and the smaller firm: evidence from around the world," 2009.

[2] Folli Follie Group Annual Report 2010.

the company with the opportunity to exploit local, high-quality distribution channels as well as several local tax advantages.

"There is no magic recipe when it comes to a brand's success," says George Koutsolioutsos, Folli Follie's CEO. "Right from the start it's about a long-term strategy and an impeccable product of sustained quality – world markets are very demanding and they never forgive."[3] In the case of Folli Follie, it is about constantly renewed collections of stylish jewelry, ranging from youthful stainless steel pendants to elegant white gold and diamond rings. It also offers a line of men's and women's watches known as the Triton, as well as leather handbags, pashminas and sunglasses. In addition to the Folli Follie brand, the group owns the Links of London, an international jewelry brand. The jewelry products are of high quality, and are difficult to counterfeit. Folli Follie's philosophy is to offer a "full fashion concept" of branded, modern jewelry at affordable prices.

Apart from the flagship stores in strategic locations, Folli Follie products are sold through stand-alone shops as well as in famous department stores. Folli Follie has direct control of its international distribution network by vertically integrating its operations from production to retail. As a result, it has established a direct line of communication with its customers having adopted the required flexibility to respond to their changing demands.

A chief contributor to the achievement of Folli Follie's goals has been the company's entry to the duty free zones around the world after the merger with Hellenic Duty Free Shops in June, 2010. As a result, the company has built a strong presence in the travel retail market with points of sale in numerous airports duty free shops around the world such as Beijing, Seoul and Athens among others. In particular, Folli Follie Group owns 57% of the Hellenic Duty Free shops.

Deteriorating Folli Follie's Financials

The last couple of years had been challenging for the Group due to the impact of the global financial crisis. While the global economies had started to improve during 2010, the effects of the crisis in Greece and southern Europe had been reflected in the financial performance of the Group.

The Group's consolidated sales for 2010 amounted to € 989.6 million in comparison with € 992.5 million in 2009, a decrease of 0.3%. Consolidated profit before taxes, interest and amortization (EBITDA) amounted to €193.4 million, a decrease of 3% compared to 2009. In connection with the group's sales breakdown, the jewelry-watches sector had the highest contribution to the group in 2010 (**Exhibit 2** and **3**). Available cash increased by €14.3 million in comparison to 2009 and net debt increased €633 million in 2009 to €652 million in 2010.

Greek Economic Crisis

Greece entered into a severe financial recession in the second quarter of 2010. In May 2010, the Greek government's deficit was estimated to be 13.6%,[4] which was one of the highest in the world relative to GDP, and public debt was projected, according to some estimates, to hit 120%[5] of GDP during 2010. In early May 2010 the other Eurozone countries, and the International Monetary Fund, agreed to a rescue package which involved giving Greece an immediate €45 billion in bail-out loans, with more funds

[3] See http://www.nytimes.com/2004/02/24/news/24iht-rgreek_ed3_.html.
[4] Thomas Jr. Louise, and Nelson D. Schwartz, "Wall St. Helped To Mask Debt Fueling Europe's Crisis", The New York Times, 14 February 2010.
[5] "Greek Deficit Revised to 13.6%; Moody's Cuts Rating", Bloomberg, Retrieved 2 May 2010.

to follow, totaling €110 billion. In order to secure the funding, Greece was required to adopt harsh austerity measures to bring its deficit under control.

Specifically, the 3-year reform program included measures to cut government spending, reduce the size of the public sector, tackle tax evasion, reform the health care and pension systems, and liberalize the labor and product markets. Greece had committed to reduce its deficit to less than 3% of GDP (the ceiling under the EU's Maastricht Treaty) by 2014. Furthermore, the global crisis and the consecutive recession caused an increase in unemployment to 9.4% in 2009 (from 7.7% in 2008). Unemployment was expected to continue to increase, reaching 11.8% in 2010, 14.6% in 2011, and 14.8% in 2012, before beginning to decrease in 2013 to 14.3%.[6]

Fosun International

Fosun was established in 1992 by four graduates of Shanghai's Fudan University. It started off as a pharmaceuticals business. From pharmaceuticals, the company moved into real estate (mine and other areas). In 2000 to 2001, the company bought many state-run enterprises in China. In 2004, its parent company Fosun International was established in Hong Kong. On July 16, 2007, Fosun International, the parent company of Fosun Group went public on Hong Kong Stock Exchange with IPO price of HKD 9.23 per share. Today, Fosun's business portfolio ranges from pharmaceuticals and healthcare to property, steel and mining but also covers retail, services and other strategic investments. There are also many subsidiary companies in each business. Fosun is the largest private run conglomerate in China, with revenues of $7B, total assets of $21 billion and $8.6 billion in debt in 2010. Among China's top 500 private enterprises in 2010, Fosun ranked 2nd in profits, 4th in asset, 4th in tax payments, and 14th in operating revenues (**Exhibits 4** and **5**). Fosun was awarded the "Famous Brand of Shanghai" and "Most Influential 60 Brands of 60 Years" by CCTV in 2009.

Fosun regarded "actively capture investment opportunities benefiting from China's growth momentum" as an important task for building up its main business portfolio.[7] Since 2009, Fosun Group has also started its global capability building. Fosun hired John Snow, former Treasury Secretary of the United States, to be the advisor to the Board in 2011. Fosun has invested in other overseas-listed companies with a China presence, including Focus Media, Chindex and Club Med. For instance, in 2010, Fosun invested in a French premium resort operator, Club Mediterranée SA (CM) with 9% stake, hoping to offer services attractive to the fast growing high-end consumer population in China and accelerate the execution of their China strategy. CM's first Chinese resort was opened in Heilongjiang Yabuli in December 2010.

In November 2002, Fosun has become the largest shareholder of Yuyuan Tourist Mart which has been China' s No.1 large-sized retailer for 10 consecutive years since 1998. Yuyuan Tourist Mart is also China' s largest gold and jewelry chain enterprise with over 800 outlets nationwide.

Fosun's global investment approach is distinctive from traditional Chinese companies by taking minority stakes in high-profile foreign firms eager to expand in China. "For a Chinese company to take control of a U.S. or European brand, you'll run into problems of trust," says Liang Xinjun, Fosun's chief executive. "When I buy into a brand, I want the company's customers to think that nothing will change to existing investors, we have to appear as a benign shareholder, as their China partner."[8] However, Fosun tried in vain to buy a stake in Italian fashion house Prada SpA and led a consortium that unsuccessfully bid for American International Group Inc.'s Asian insurance unit.

[6] http://www.state.gov.

[7] http://ir.fosun.com/phoenix.zhtml?c=194273&p=irol-irhome_pf .

[8] Meat Trade News Daily, "China - Leaving the US economy in the dust," November 27th, 2011.

In 2011, Fosun announced a $600 million insurance joint investment fund with Prudential Financial Inc. (PFI). In this deal, PFI as a limited partner was looking to invest US$500 million in the fund, while Fosun, as a general partner would take responsibility for investment decisions and invest US$100 million. Mark Grier, Vice Chairman of PFI said, "The cooperation is based on optimism about the economic prospects for China, as well as the common investment philosophy between PFI and Fosun. We trust in Fosun's investment ability, industrial base and understanding of local markets. As one of PFI's most important strategic partners, Fosun will play a key role in PFI's China strategy and business development in the future."[10] In 2010, Fosun also signed an agreement on a $100 million joint venture with Carlyle Group LP to make private-equity investments in China.

The two founders of Fosun, Guo Guangchang (Chairman) and Liang Xinjun (Vice Chairman and Chief Executive Officer) were primarily responsible for Fosun's international expansion. The other two founders, Wang Qunbin (President) and Fan Wei, and three other executives constituted a seven-person management team. None of the four founders of Fosun has studied or worked overseas. The founders, aged 41 to 44, were seldom ever in the same place, but talked in some combination at least once a day.[9] In China, Fosun was known for political connections. Guo Guangchang is one of Shanghai's 66 delegates to the National People's Congress. Guo was also awarded the title of "Most Influential 25 Entrepreneurs" by "Chinese Entrepreneur Magazine," "China's Top Employer" by CRF Netherlands.

Chinese Economy

The People's Republic of China (PRC) is one of the fastest-growing economies in the world, with consistent GDP growth rates of around 10% over the past 30 years. Since 2010, China has become the world's second largest economy after the United States. China's growing economy has resulted in a rising middle class with increased spending power. China has now become the fastest growing market for consumer products. However, although Chinese government tried to improve its Consumption-to-GDP ratio, it was still low at 33.2% in 2010 compared with other developed countries. The government's support for a domestic-driven economy, the strong economic development (the average disposable income in China is predicted to more than double by 2015), and vast population (1.3 billion people) not only ensure the future growth for China's domestic consumption but also create significant business opportunities, including growing consumption of luxury goods and aspirational brands.

China's Growing Love for Luxury

During the past decade, luxury consumption in China has been enjoying a rapid increase. In 2003, China's luxury market only accounted for about 1% of global luxury group sales. By the end of 2009, China's consumption of luxury goods totaled $9.4 billion, accounting for 27.5% in global sales of luxury goods (**Exhibit 6**). China has surpassed the United States and become the world's second largest market of luxury goods, second only to Japan. With rising income, widely available luxury products, and shifting attitudes toward the display of wealth, Chinese consumers are more willing to buy luxury goods than ever. In particular, China's rising upper middle class with income between $15,000 and $30,000 offers the biggest growth opportunity.

China had been a stable source of growth for luxury goods during the global economic downturn, while the rest of the world had been suffering shrinking sales in luxury goods. For example in 2009, sales of luxury goods in mainland China still rose by 16%, to about $9.4 billion. Though less than the 20%

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9 Wall Street Journal, "Corporate china spreads its wings," November 9, 2011.

growth in 2008 (**Exhibit 7**), it was far better than the performance of many other major luxury markets.[10] In 2010, the luxury sales in the United States, Europe, and Asia grew by 12%, 6%, and 22%, respectively, while the sales in mainland China rose by 30%. The sales revenue for luxury goods in China is projected to have a 25% increase compared to 2010, faster than any other luxury goods market in the world, where the luxury sales in North and South America were set to grow by 8% in 2011, and Japan expected luxury sales to fall by 5%.

China's luxury goods consumption reached $11.5 billion in 2010, and was expected to reach $14.6 billion within the next 5 years, making it the world's biggest luxury market.[11] On the other hand, in 2009 China's per capita GDP was only US$7,544, ranking 94th in the world. In a country whose per capita GDP nearly ranked outside the top 100 in the world, the fact that its consumption of luxury goods ranks among the world's leading ones makes China's luxury market a very distinctive phenomenon. Only 30% of luxury goods consumption was made by people with great personal wealth, the remaining 70% was all made by white-collar workers whose annual income ranged from hundreds of thousands to as low as dozens of thousands. The latter group consists of luxury consumers who live frugally and often have to spend several months' salary to buy a luxury product, especially those high premium luxury brands such as Louis Vuitton, Gucci, and Prada. Owning luxury brands helps define an identity and a better social status.[12]

The rapid expansion of China's luxury market has stimulated the luxury companies' desire to broaden their market. Rapid urbanization and growing wealth beyond China's largest cities are creating a number of geographic markets with sizable pools of luxury goods consumers. More small cities are becoming large enough to justify the presence of luxury stores catering to them. However, the lack of brank recognition, and inexperienced partners and distributors also pose a challenge to introducing luxury goods to smaller cities.

Chinese Overseas Investment

Chinese outward foreign direct investment rose to $68 billion in 2010, a total that was still small compared to the U.S. figure of $329 billion, according to the United Nations, but more than five times its own figure five years earlier.[13]

The early wave of Chinese investment abroad was led by the purchase of mining and energy companies by China's state sector. Looking at the period between 2006 to 2010, it comes as no surprise that energy and power accounted for nearly half ($102.2 billion, or 47% of the total), followed by metals ($60.8 billion, or 28%) and finance and real estate ($39.2 billion, or 18%). Together, these top three categories accounted for 94% of China's investments abroad. In addition, major engineering and construction projects, almost by definition, were concentrated in energy and power ($43.6 billion, or 47% of the total) and transport ($35.0 billion, or 38%).[14]

However, the trend was changing as private companies such as Fosun began to look for global opportunities. For instance, private-equity firm Hony Capital Ltd. was looking to put its cash abroad.[15]

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[10] McKinsey Annual Retail and Consumer Goods Report, 2010.
[11] McKinsey Annual Retail and Consumer Goods Report, 2010.
[12] McKinsey Annual Retail and Consumer Goods Report, 2010.
[13] Wall Street Journal, "Corporate China spread its wings," November 9, 2011.
[14] Forbes, "Insight into China's oversea investments," February 27, 2011.
[15] Reuters, "Chinese private equity firms set sail abroad," October 8, 2011.

Additionally, the parent of Hainan Airlines Co. was bidding for the airport assets of German construction company Hochtief AG.[16]

Fosun's overseas investment strategy was different from some other Chinese firms that had stirred controversy with high-profile bids abroad, such as Huawei Technologies Co.'s attempts to buy assets in the U.S. or Chinalco's effort to raise its stake in the Anglo-Australian miner Rio Tinto.[17] By taking minority stakes in relatively small foreign firms eager to expand in China, Fosun avoided running into potential trust issue associated with hostile acquisitions.

Folli Follie in China

Folli Follie entered into Chinese market in 2002. In 2011, Folli Follie had been operating more than 100 stores in 28 cities across China under the brands Folli Follie and Links of London. Folli Follie intended to market its brand as 'affordable luxury' to match the growing consumption demands in China and its consumers.

Accounting for 20% of the luxury division's sales, China was the most important market for Folli Follie. George Koutsolioutsos, Folli Follie Group's CEO, said that the company intended to open 35 stores in China in 2011, after opening 25 outlets last year.[18] Overall, it was estimated that China accounts for 10% of group sales and 17% of group EBITDA.[19]

The Deal

It all started half a year ago when Crédit Agricole bank, the largest retail banking group in France, and a 91% stakeholder in Greece's Emporiki Bank, was tapped by Folli Follie Group to find them a strategic partner in China. Crédit Agricole approached Guo Guangchang, Chairman of Fosun. Having had extensive experience with buying small stakes in various internationally-established brands including French resort company, Club Med, Fosun managed this deal themselves without the support of an investment bank.

After half a year's negotiations, Fosun International acquired 9.5% stock through a Private Investment in Public Equity (PIPE). The total purchase price of the issued stock was approximately €84,588,000. Fosun International partly funded the deal through its own funds, and partly through Fosun's asset management business. On the day of the announcement Folli Follie Group's stock price rose from €12.75 to €12.95 (a 1.6% increase), which is less than the typical reaction of 2-3% increase in stock price after a PIPE deal announcement.[20]

DCF and Multiples

Following the signing of a strategic partnership with Fosun International, Marfin bank, the 5th largest bank in Greece, completed a Discounted Cash Flow (DCF) model for Folli Follie. Marfin bank anticipated fast growth for 2011-2013 because of rapid expansion in China and a moderate growth path for 2014-2015. For 2014-2015 Marfin bank calculated free cash flows by using a 2.5% growth rate, a discount rate of 10.5% and a perpetuity growth rate of 1.5%. The bank set working capital requirements at

[16] Wall Street Journal, "Hainan Air parent bids for Hochtief's airport assets," August 9, 2011.
[17] Reuters, "Huawei backs away from 3Leaf acquisition," February 19, 2011; Daily Telegraph, "Rio Tinto's failed Chinalco deal greeted with relief in Australia," June 5, 2009.
[18] www.Ekathimerini.com, "Folli Follie to tap growth in China," January 13, 2011.
[19] Eurobank EFG, Equity Research, Retail, April 13, 2011.
[20] «The Information Content of PIPE Offerings," an unpublished working paper by Steven Freund, Kose John, and Gopala Vasudevan, November 2006.

EUR67.7 million for 2011, which would have represented another year of aggressive expansion, and then gradually reduced it as Marfin bank assumed better receivables collection.[21]

Marfin's valuation model yielded a target price of €13.80/share which took into account the issue of 6,360,000 new common shares in favor of Fosun. Also, according to the bank's sensitivity analysis with respect to the discount rate and the perpetuity growth rate, the stock price range for Folli Follie Group was €11.90 - 16.20.

Additionally, Marfin used a multiples approach with a selected sample of international peers that are active in luxury goods, retail trade and travel retail. However, there is no company directly comparable to Folli Follie due to its extensive scope of operations. According to Factset, Folli Follie traded 6.5× 2011 (expected) net earnings, which indicated a deep discount against its peers. Compared to its luxury sector peers, Folli Follie was trading at a 70% discount in terms of 2011 (expected) P/E, a gap that could be attributed to country-specific risks and the concerns about the group's high leverage. In relation to Pandora, a firm which is also engaged in affordable luxury, there is a 20% discount in terms of P/E 2011 (expected).[22]

With Greek analysts having conflicting evaluations on Folli Follie Group's stock price, it raised the question whether Fosun paid a premium for its 9.5% stake in Folli Follie Group. Would Folli Follie Group continue to experience growth in the Chinese luxury market to offset its unsatisfactory performance in domestic market?

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[21] Marfin Analytics, http://www.marfininvestmentgroup.com.
[22] Marfin Analytics, http://www.marfininvestmentgroup.com.

Exhibit 1

FOLLI FOLLIE GROUP AND FOSUN INTERNATIONAL: A GLOBAL PARTNERSHIP, 2011

Folli Follie Group Press Release

FF
GROUP

HELLENIC DUTY FREE SHOPS S.A.

Press Release

Folli Follie Group announces a global strategic partnership with Fosun International
Fosun International will acquire approximately 9.5% stake in Folli Follie Group through private placement following a share capital increase

Source: http://www.ffgroup.com/default.asp?pid=32&la=1&cid=1&irid=49

Exhibit 2

FOLLI FOLLIE GROUP AND FOSUN INTERNATIONAL: A GLOBAL PARTNERSHIP, 2011

Folli Follie Financials (in € million)

Income Statement		
	2009	2010
Currency	*EUR*	*EUR*
Revenue	992.5	989.6
Total Revenue	**992.5**	**989.6**
Cost Of Goods Sold	503.6	496.2
Gross Profit	**488.9**	**493.4**
Selling General & Admin Exp.	329.3	345.9
Other Operating Expense/(Income)	(17.4)	(22.8)
Other Operating Exp., Total	**311.9**	**323.1**
Operating Income	**177.1**	**170.3**
Interest Expense	(27.9)	(33.3)
Interest and Invest. Income	0.8	1.5
Net Interest Exp.	**(27.0)**	**(31.8)**
Income/(Loss) from Affiliates	-	-
Currency Exchange Gains (Loss)	13.3	(12.9)
Other Non-Operating Inc. (Exp.)	(5.7)	1.2
EBT Excl. Unusual Items	**157.7**	**126.8**
Impairment of Goodwill	-	-
Gain (Loss) On Sale Of Invest.	0.1	(2.1)
Gain (Loss) On Sale Of Assets	-	-
Asset Writedown	-	-
Other Unusual Items	-	-
EBT Incl. Unusual Items	**157.8**	**124.7**
Income Tax Expense	42.5	39.6
Net Income to Company	**115.2**	**85.1**
Minority Int. in Earnings	(1.8)	(1.8)
Net Income	**113.4**	**83.3**

Sales per activity sector		
	2009	2010
Currency	*EUR*	*EUR*
Jewellery - Watches - Accessories	478.7	509.7
Clothing - Footwear	144.5	140.8
Department Stores	154.7	144.5
Travel Retail	274.1	257.2
Other	1.4	7.4
Corporate (Consolidation Differences)	(61.0)	(70.0)
Total Revenues	**992.5**	**989.6**

Source: Capital IQ

Exhibit 3

FOLLI FOLLIE GROUP AND FOSUN INTERNATIONAL: A GLOBAL PARTNERSHIP, 2011

Folli Follie Statement of Financial Position (in € million)

Balance Sheet	Jan-1-2009	Dec-31-2009	Dec-31-2010
Currency	*EUR*	*EUR*	*EUR*
ASSETS			
Cash & ST Investments	73.5	120.0	134.1
Receivables	332.2	359.7	389.1
Inventory	245.8	266.4	297.0
Prepaid Exp.	3.2	-	6.9
Other Current Assets	9.7	0.1	50.1
Total Current Assets	**664.4**	**746.2**	**877.3**
Gross Property, Plant & Equipment	299.9	304.3	324.5
Accumulated Depreciation	(78.9)	(76.8)	(92.5)
Long-term Investments	1.0	0.7	0.5
Goodwill	253.0	253.1	252.8
Other Intangibles	102.7	9.9	105.5
Accounts Receivable Long-Term	0.6	1.3	1.1
Loans Receivable Long-Term	1.2	-	-
Deferred Tax Assets, LT	6.5	11.6	12.5
Deferred Charges, LT	7.1	97.8	-
Other Long-Term Assets	87.5	88.8	101.0
Total Assets	**1,345.0**	**1,436.7**	**1,582.8**
LIABILITIES			
Accounts Payable	124.6	91.8	103.4
Accrued Exp.	14.3	11.1	11.1
Curr. Port. of LT Debt	114.6	418.0	132.8
Curr. Port. of Cap. Leases	1.8	3.9	3.8
Curr. Income Taxes Payable	13.5	30.3	19.7
Unearned Revenue, Current	7.0	8.8	15.0
Other Current Liabilities	41.5	36.6	34.2
Total Current Liabilities	**317.3**	**600.6**	**319.9**
Long-Term Debt	599.5	310.1	628.5
Capital Leases	19.9	52.4	55.3
Pension & Other Post-Retire. Benefits	8.8	9.3	9.4
Def. Tax Liability, Non-Curr.	19.2	18.6	20.8
Other Non-Current Liabilities	4.2	4.8	4.4
Total Liabilities	**968.8**	**995.6**	**1,038.3**
Common Stock	9.9	18.2	18.2
Additional Paid In Capital	62.5	62.5	62.5
Retained Earnings	308.6	501.9	585.5
Treasury Stock	(13.6)	(14.6)	(9.0)
Comprehensive Inc. and Other	(106.7)	(140.5)	(128.1)
Total Common Equity	**260.8**	**427.5**	**529.2**
Minority Interest	115.4	13.6	15.3
Total Equity	**376.2**	**441.1**	**544.5**
Total Liabilities And Equity	**1,345.0**	**1,436.7**	**1,582.8**

Source: Capital IQ

Exhibit 4

FOLLI FOLLIE GROUP AND FOSUN INTERNATIONAL: A GLOBAL PARTNERSHIP, 2011

Fosun International Consolidated Income Statement

Income Statement		
	Reclassified	12 months
	12 months	Dec-31-2010
For the Fiscal Period Ending	Dec-31-2009	
Currency	*CNY*	*CNY*
Revenue	34,855.8	44,643.7
Other Revenue	-	-
Total Revenue	**34,855.8**	**44,643.7**
Cost Of Goods Sold	29,161.4	35,277.2
Gross Profit	**5,694.4**	**9,366.5**
Selling General & Admin Exp.	2,927.4	3,546.6
R & D Exp.	-	-
Depreciation & Amort.	-	-
Other Operating Expense/(Income)	952.0	788.2
Other Operating Exp., Total	**3,879.3**	**4,334.7**
Operating Income	**1,815.1**	**5,031.8**
Interest Expense	(1,081.1)	(1,504.7)
Interest and Invest. Income	270.6	328.0
Net Interest Exp.	**(810.6)**	**(1,176.7)**
Income/(Loss) from Affiliates	976.4	926.3
Currency Exchange Gains (Loss)	144.4	79.0
Other Non-Operating Inc. (Exp.)	442.1	338.7
EBT Excl. Unusual Items	**2,567.4**	**5,199.0**
Impairment of Goodwill	30.5	-
Gain (Loss) On Sale Of Invest.	5,466.1	2,218.9
Gain (Loss) On Sale Of Assets	26.3	970.8
Asset Writedown	85.2	264.6
Other Unusual Items	-	-
EBT Incl. Unusual Items	**8,175.5**	**8,653.3**
Income Tax Expense	1,357.2	2,506.6
Earnings from Cont. Ops.	**6,818.4**	**6,146.7**
Earnings of Discontinued Ops.	-	-
Extraord. Item & Account. Change	-	-
Net Income to Company	**6,818.4**	**6,146.7**
Minority Int. in Earnings	(2,171.7)	(1,919.6)
Net Income	**4,646.7**	**4,227.1**
Pref. Dividends and Other Adj.	-	-
NI to Common Incl Extra Items	**4,646.7**	**4,227.1**
NI to Common Excl. Extra Items	**4,646.7**	**4,227.1**
Per Share Items		
Basic and Diluted EPS	0.72	0.66

Source: Capital IQ

Exhibit 5

FOLLI FOLLIE GROUP AND FOSUN INTERNATIONAL: A GLOBAL PARTNERSHIP, 2011

Fosun International Statement of Financial Position

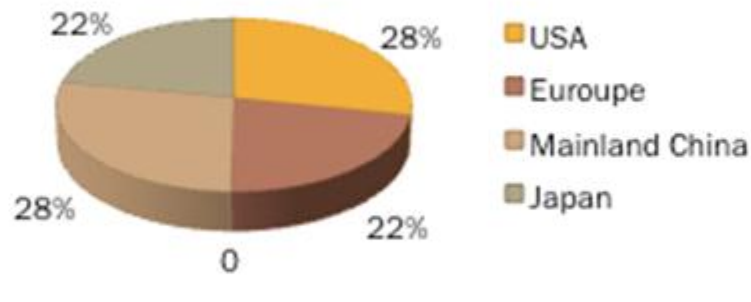
Balance Sheet		
Balance Sheet as of:	**Dec-31-2009**	**Dec-31-2010**
Currency	***CNY***	***CNY***
ASSETS		
Cash And Equivalents	15,947.6	21,335.0
Short Term Investments	985.9	669.2
Trading Asset Securities	4,922.3	6,478.6
Receivables	6,731.9	8,899.7
Inventory	14,150.1	18,772.2
Other Current Assets	2,801.8	1,664.5
Total Current Assets	**45,539.5**	**57,819.2**
Gross Property, Plant & Equipment	26,279.0	30,652.7
Accumulated Depreciation	(7,357.5)	(8,943.9)
Long-term Investments	13,399.9	23,650.4
Goodwill	126.9	376.9
Other Intangibles	34.5	241.0
Accounts Receivable Long-Term	191.9	413.8
Loans Receivable Long-Term	220.0	1,493.4
Deferred Tax Assets, LT	794.0	1,005.8
Other Long-Term Assets	8,925.8	11,665.5
Total Assets	**88,154.0**	**118,374.8**
LIABILITIES		
Accounts Payable	6,876.6	8,646.7
Accrued Exp.	983.6	1,296.2
Short-term Borrowings	-	26.7
Curr. Port. of LT Debt	16,792.4	22,026.8
Curr. Port. of Cap. Leases	-	40.1
Curr. Income Taxes Payable	1,468.6	2,531.0
Other Current Liabilities	11,754.4	13,666.1
Total Current Liabilities	**37,875.6**	**48,233.6**
Long-Term Debt	12,019.6	21,882.0
Capital Leases	-	164.2
Unearned Revenue, Non-Current	82.7	144.9
Pension & Other Post-Retire. Benefits	527.7	437.1
Def. Tax Liability, Non-Curr.	1,242.0	2,476.6
Other Non-Current Liabilities	34.2	37.4
Total Liabilities	**51,781.8**	**73,375.7**
Common Stock	621.5	621.5
Additional Paid In Capital	11,787.8	11,787.8
Retained Earnings	12,167.0	15,601.1
Treasury Stock	-	-
Comprehensive Inc. and Other	(92.0)	1,862.8
Minority Interest	11,888.0	15,126.0
Total Equity	**36,372.3**	**44,999.1**
Total Liabilities And Equity	**88,154.0**	**118,374.8**

Source: Capital IQ

Exhibit 6

FOLLI FOLLIE GROUP AND FOSUN INTERNATIONAL: A GLOBAL PARTNERSHIP, 2011

Global Luxury Market Share, 2010



Source: Bain and Company, *2010 Global Luxury Report*

Exhibit 7

FOLLI FOLLIE GROUP AND FOSUN INTERNATIONAL: A GLOBAL PARTNERSHIP, 2011

Luxury Goods Consumption in China, 1998-2011

Source: Bain and Company, *2010 Global Luxury Report*