FOSUN 复星

# Fosun International Limited

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

Stock Code : 0656

# Interim Report 2008

The Group is the largest privately-owned conglomerate in China. Our core businesses consist of pharmaceuticals, property development, steel, mining, retail, financial services and strategic investments. Our core businesses are well-positioned to benefit from China's urbanisation, mass population, fast-growing market and the continuous growth of manufacturing industry. Our core businesses rank among the top players in China.

| | |
|---|---|
| Financial Summary | 2 |
| Business Overview | 3 |
| Chairman's Statement | 5 |
| Financial Review | 9 |
| Human Resources | 18 |
| Interim Condensed Consolidated Income Statement | 19 |
| Interim Condensed Consolidated Balance Sheet | 20 |
| Interim Condensed Consolidated Statement of Changes in Equity | 22 |
| Interim Condensed Consolidated Cash Flow Statement | 24 |
| Notes to Interim Condensed Consolidated Financial Statements | 25 |
| Statutory Disclosures | 53 |
| Corporate Information | 58 |
| Glossary | 59 |

| *In RMB million* | For the six months ended 30 June **2008** | 2007 |
|---|---|---|
| **Revenue** | **20,782.8*** | 14,264.3* |
| **Contribution of each segment to revenue** | | |
| Pharmaceuticals | **1,880.5** | 1,799.0 |
| Property development | **1,033.1** | 1,335.8 |
| Steel | **16,604.2** | 11,129.5 |
| Mining | **1,848.8** | 63.0 |
| **Profit attributable to equity holders of the parent** | **1,921.4** | 826.6 |
| **Contribution of each segment to the profit attributable to equity holders of the parent** | | |
| Pharmaceuticals | **196.1** | 56.0 |
| Property development | **23.2** | 37.9 |
| Steel | **1,086.1** | 609.3 |
| Mining | **880.9** | 186.7 |
| Retail, financial services and others (including unallocated expenses) | **-264.9** | -63.3 |
| **Earnings per share** *(in RMB)* | **0.30** | 0.17 |

* Inter-segment sales amounting to RMB583.8 million and RMB63.0 million have been eliminated in the revenue for the six months ended 30 June 2008 and the six months ended 30 June 2007, respectively.

By fully leveraging its keen insight of China's domestic market and its three core competitive strengths, the Group continued to make efforts to improve its management and efficiency, to discover and capture high growth opportunities rooted in China and to access high-quality capital through multiple financing channels. With 16 years of operation, the Group has now grown into the largest privately owned conglomerate in China.

## PHARMACEUTICALS

The Group operates its pharmaceutical business through Fosun Pharma. With respect to pharmaceutical research, development and manufacturing business, products developed by Fosun Pharma for illnesses such as hepatic diseases, diabetes and malaria have continued to be in leading positions in their respective markets. With respect to pharmaceutical distribution business, Sinopharm Holding, in which Fosun Pharma holds significant equity interests, operates the largest pharmaceutical distribution network in China. With respect to pharmaceutical retail business, Fosun Pharma's brand chain pharmacies have established a leading edge in geographical coverage and market position in major cities such as Shanghai and Beijing.

## PROPERTY DEVELOPMENT

The Group operates its property development business through Forte. Besides Shanghai, Forte, being a large national property developer, also has property development operations in other major cities across China including Beijing, Tianjin, Nanjing, Chongqing, Wuhan, Wuxi, Hangzhou, Xi'an and Chengdu.

## STEEL

The Group operates its steel business principally through Nanjing Steel United. Currently, Nanjing Steel United has an annual crude steel production capacity of over six million tonnes. Meanwhile, the Group has also invested in Jianlong Group and Ningbo Steel through the acquisition of equity interests and announced investment in Tianjin Steel during the Reporting Period. Through a series of investments, the layout of the Group's steel business along the coast and ports was initially established, and the economy of scale and synergy within the segment has been enhanced through a broadened industry integration.

## MINING

The Group's mining segment includes iron ore mine, coking coal mine and gold mine. Through Hainan Mining, the Group owns the largest iron-rich ore mine in China and operates businesses such as mining and trading. Meanwhile, the Group has also invested in iron ore companies such as Jin'an Mining and Huaxia Mining to enhance the integration of upstream resources of steel industry. Important investments by the Group in the mining segment also include the investment in Shanjiaowulin which is a new mine with a reserve of 815 million tonnes of coal for coking and the investment in Zhaojin Mining which is engaged in gold mining.

## RETAIL, FINANCIAL SERVICES AND STRATEGIC INVESTMENTS

The interest in Yuyuan held by the Group represents an important investment of its retail business. Other significant investments include the acquisitions of equity interests in Tebon Securities and Yong'an Insurance, both of which are engaged in financial services. With excellent capabilities in investment and execution, the Group has accomplished a series of strategic investments. Strategic investments, particularly investments in the Pre-IPO projects, are among the Group's important businesses.

Dear shareholders,

For the Reporting Period, the overall results of the Group continued to grow. During the Reporting Period, profit attributable to equity holders of the parent and revenue were RMB1,921.4 million and RMB20,782.8 million respectively, an increase of 132.4% and 45.7% over the same period of last year.

## Continuous optimisation of management, enhancement of core competitiveness

**Pharmaceuticals:** During the Reporting Period, the results of the Group's pharmaceuticals segment grew rapidly. Through further strengthening of our professional operating teams in therapeutic areas such as malaria, diabetes and hepatic diseases, sales of pharmaceuticals developed and manufactured by our subsidiary, Fosun Pharma, increased by approximately 10.2% to RMB950.9 million compared to the same period of last year. Omitting the effect of deconsolidation of a former subsidiary, Guangxi Huahong, sales from the research and development and manufacturing businesses increased by 28.0%. As for pharmaceutical distribution and retail business, Sinopharm Holding, the largest pharmaceutical distribution enterprise in China, in which Fosun Pharma owns a significant stake, recorded RMB18,057.0 million in sales revenue during the Reporting Period, a year-on-year increase of 21.9%. Net profit was RMB356.3 million, a year-on-year increase of 118.5%.

**Property development:** During the Reporting Period, sales by Forte, the Company's subsidiary, was significantly affected by the overall trend of the property industry in the PRC. GFA sold and GFA booked attributable to Forte dropped by 44.5% and 65.3% over the same period of last year, representing 148,979 sq.m. and 43,652 sq.m. respectively. The Group is optimistic about the medium and long term development of the property industry. During the Reporting Period, Forte continued to launch new projects. The aggregate GFA of newly commenced projects attributable to Forte was 525,947 sq.m., an increase of 43.2% compared to the same period of last year. Forte continued to increase its land banks at a reasonable price as well. As at the end of the Reporting Period, Forte's planned aggregate GFA was approximately 10,070,000 sq.m. (the planned aggregate GFA attributable to Forte was approximately 6,309,741 sq.m.). Such investment laid solid foundation for Forte's rapid growth once the market starts to recover. Currently, Forte is trying to adjust its profit model that is mainly based upon sales of residential properties. Forte is gradually speeding up the development of properties held. The implementation of this strategy will bring Forte sustainable cash inflows in the future.

**Steel:** The steel segment of the Group actively participated in industry consolidation and capacity expansion to take advantage of economies of scale. During the Reporting Period, through organic growth, the gross production of crude steel increased to 11.0 million tonnes from 8.5 million tonnes for the same period of last year, an increase of 29.8%. The attributable production of crude steel increased to 2.8 million tonnes from 2.4 million tonnes for the same period of last year. The Group announced an investment in Tianjin Steel to further expand the Group's steel business along the coastal areas.

Meanwhile, the Group improved and optimised its existing processes, as well as emphasised on the development and application of new products. This resulted an increase in the products' profitability and offset the pressure of rising raw material and fuel prices. During the Reporting Period, Nanjing Steel United, the Company's subsidiary, invested in the construction of a medium and heavy coil heat treatment line. Sales of Nanjing Steel United's medium and heavy plates increased to 1.6 million tonnes from 1.3 million tonnes for the same period of last year, an increase of more than 22.4%. The production of plates for shipbuilding increased by 90.1%. During the Reporting Period, Nanjing Steel United overcame the pressure of the surging raw material prices and kept the gross profit per tonne steel at a similar level as the same period of last year. The sales to production ratio was approximately 100%. During the Reporting Period, Ningbo Steel in which the Group owns a 20.0% effective equity interest was also gradually put into operation and recorded profit.

**Mining:** During the Reporting Period, the Group's mining segment enjoyed considerable growth in profit. Such increase was mainly due to the formation of a new subsidiary, Hainan Mining in the second half of 2007. The increase in profit also benefited from the surge in prices of iron ore during the Reporting Period and increased production efficiency and profitability as a result of Hainan Mining's continuous management optimisation. During the Reporting Period, subsidiaries and associates of our mining segment produced in total 3.5 million tonnes of iron ore. The attributable production was 1.5 million tonnes. Hainan Mining adjusted its downstream client profile, added products with higher gross profit and controlled its costs, all of which drove a significant increase in the overall profitability.

One important strategy for the Group in the development of its mining business is to integrate upstream raw material resources of the steel industry and to raise iron ore self-supply ratio. By increasing investments in the mining segment, the Group's iron ore self-supply ratio reached 35.9% at the end of the Reporting Period.

**Retail:** During the Reporting Period, through brand expansion, Yuyuan, the Group's major associate, accelerated its effort in expanding its market coverage, which led to rapid growth in its principal business activities. Businesses using "Old Temple Gold" and "Ya Yi Gold Store", two well-known trademarks of China, expanded the scale of their gold and jewellery wholesale and retail network. As at the end of the Reporting Period, the number of outlets of "Old Temple Gold" and "Ya Yi Gold Store" increased by approximately 100 as compared with the beginning of the year. In addition, other commercial brands of Yuyuan achieved positive results in market development.

**Financial services and strategic investments:** During the Reporting Period, the investment banking and brokerage businesses of Tebon Securities experienced steady development. However, the performance of its proprietary trading business declined as compared with the same period of last year reflecting the downward trend of the Chinese stock market. In May 2008, the investment banking division of Tebon Securities was accredited "Investment Bank with the Greatest Potential in China for 2008" by "Securities Times". In addition, in January 2008, Tebon Securities was awarded the 2007 Chinese Securities Dealers "Best Risk Control" Prize by 21st Century Newspapers.

## Continuous identification and development of investment opportunities

During the Reporting Period, the Group's professional investment teams were actively seeking strategic investment projects with great potential, as well as industrial consolidation opportunities of the Group's existing businesses. In relation to industrial investment, the Group announced in June 2008 for acquisition of a 47.5% equity interest in Tianjin Steel for a consideration of RMB3,800.0 million. Tianjin Steel is located in the Tianjin Binhai development zone, established under the national strategic plan, and is in proximity to the Tianjin port, thus enjoying considerable political and logistical advantages. The acquisition of Tianjin Steel will help the Group to expand the economies of scale and to further complete the layout along the coastline and ports for its steel business.

As for strategic investments, during the Reporting Period, the Group invested in altogether four enterprises for a total investment amount of RMB511.4 million.

## Continuous construction of a multi-channel financing system

During the Reporting Period, domestic enterprises generally faced financial pressure due to a tight monetary policy. As at the end of the Reporting Period, the Group had available credit facility of approximately RMB13,320.0 million, including a three-year credit facility of RMB5,000.0 million successfully obtained from the Shanghai Branch of China Development Bank and credit lines of approximately HKD881.2 million received from principal banks in Hong Kong during the Reporting Period. Currently, the Group's overall financial position is sound with sufficient cash liquidity. As at the end of the Reporting Period, cash and bank balances of the Group was RMB14,101.8 million and the net debt to net capitalisation ratio was 23.0%.

## Future Prospects

At present, various nations and regions have started to observe signs of economic slowdown or even recession with a tendency of decline in market demand. Meanwhile, it seems unlikely that prices of raw materials will drop significantly in a short term, and cost will remain high. China is also expected to be affected shortly, and the second half of year 2008 will present a difficult environment, bringing tremendous challenge to the Group's operations. However, the Group has been making continuous effort in improving operational efficiency, as well as consistently implementing a prudent financial policy. With sufficient cash in hand and a proven capability to discover high growth investment opportunities, this volatile market will likely to bring more opportunities to the Group, as a result. We are cautiously optimistic about the Group's performance for the second half of year 2008.

From a medium to long term point of view, urbanisation and industrialisation are likely to continue for a significant period of time because of the consumption growth driven by the huge population of the PRC and the differences in economic status from regions to regions. The Group is confident in a sustainable and rapid Chinese economic growth. The core businesses of the Group, including pharmaceuticals, property development, steel, mining, retail, financial services and strategic investments, all benefit from the rapid economic growth of China, and therefore, enjoy a good medium to long term prospective. With prudent risk evaluation, the Group will actively participate in the industry consolidation of its existing core businesses and continue to identify and invest in industries which enjoy positive growth in China.

Facing a tough economic environment, the Group will continue to optimise management, reduce costs, increase efficiency, enhance corporate value and competitiveness. Meanwhile, the Group is also making continuous effort to construct a multi-channel financing platform and implement a prudent financial policy, which will ensure the Group to achieve a good growth while lowering the risks.

## Appreciations

On behalf of the Board, I would like to take this opportunity to thank all staff and directors of the Group for their hard work and shareholders of the Company for their support.

**Guo Guangchang**
*Chairman*

Shanghai, the PRC
23 August 2008

## PREFACE

The Interim Report of the Company for the six months ended 30 June 2008 includes Chairman's Statement, interim accounts and other information that is required by the accounting standards, laws and requirements of the Stock Exchange. This Financial Review has been prepared to discuss the profit contribution of each business segment and the overall financial position of the Group so as to assist readers to have a better understanding of the statutory information contained herein.

The Interim Condensed Consolidated Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement are set out in pages 19 to 24 of this interim report. The accompanying notes to these financial statements for explaining certain information contained in the statements are set out in pages 25 to 52 of this interim report.

## ACCOUNTING PRINCIPLES

The Company has prepared its financial statements in accordance with the generally adopted Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants

## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The profit attributable to equity holders of the parent for the six months ended 30 June 2008 was RMB1,921.4 million, an increase of 132.4% compared with RMB826.6 million for the same period in 2007. This was mainly attributable to respective profit growth of the majority business segments. Details of the reasons for the increase in profit regarding each segment are set out below.

## PROFIT CONTRIBUTION OF EACH BUSINESS SEGMENT

Comparison between the profit contribution of each business segment for the six months ended 30 June 2008 and the corresponding figures for the same period in 2007 is as follows:

Unit: RMB million

| **Segments** | **January-June, 2008** | January-June, 2007 | Change |
|---|---|---|---|
| Pharmaceuticals | **196.1** | 56.0 | 140.1 |
| Property development | **23.2** | 37.9 | (14.7) |
| Steel | **1,086.1** | 609.3 | 476.8 |
| Mining | **880.9** | 186.7 | 694.2 |
| Retail, financial services and others | **(264.9)** | (63.3) | (201.6) |
| Total | **1,921.4** | 826.6 | 1,094.8 |

**Pharmaceuticals:** Profit contributed by the pharmaceuticals segment increased to RMB196.1 million for the six months ended 30 June 2008 from RMB56.0 million for the six months ended 30 June 2007. The significant increase was mainly due to the continuous and rapid growth in the manufacturing business of Fosun Pharma in the first half of 2008, the continuous and rapid growth in the business of its associate Sinopharm Holding and the investment gain from the disposal of interests in, among others, Shanghai Friendship Fosun (Holding) Co., Ltd.

**Property Development:** Profit contributed by the property development segment decreased to RMB23.2 million for the six months ended 30 June 2008 from RMB37.9 million for the six months ended 30 June 2007. The total GFA booked from property projects completed by Forte for the first half of 2008 decreased as compared with the same period in 2007. However, given the relatively high profit margin of the property projects booked, gross profit still increased as compared with the same period in 2007. Nevertheless, the expansion of the scale of development projects undertaken by Forte led to an increase in various operating expenses in the first half of 2008. In addition, the relatively high gross profit from certain property developments booked also led to higher land appreciation tax expenses. As the increase in relevant expenses exceeded the increase in gross profit as a result of the high gross profit from property projects booked, this resulted in a decrease in profit contribution from the property development segment.

## PROFIT CONTRIBUTION OF EACH BUSINESS SEGMENT (Continued)

**Steel:** Profit contributed by the steel segment increased to RMB1,086.1 million for the six months ended 30 June 2008 from RMB609.3 million for the six months ended 30 June 2007. The significant increase in the profit contribution was due to the increase in profit in Nanjing Steel United, a subsidiary of the Company, and Jianlong Group and Ningbo Steel, associates of the Company. The cost of raw materials increased substantially and domestic steel product prices continued to maintain at relatively high levels. The increase in selling prices of steel products offset the impact of the increase in the costs of production during the Reporting Period. Based on the above, the profitability of Nanjing Steel United was greatly improved as a result of the increase in the sales volume of steel products and the continuous optimisation of its product portfolio by increasing the proportion of higher value-added medium-heavy plate products. Moreover, Nanjing Steel United adopted an effective cost control policy to continuously minimise the impact of the increase in production cost resulting from the rising prices of the raw materials. Furthermore, Nanjing Steel United reduced its shareholding in its subsidiary, Nanjing Iron & Steel Shareholding Co., Ltd., which also increased its profit contribution. In addition, Ningbo Steel commenced operation gradually and started contributing profits in the first half of 2008 whereas the large amount of preliminary expenses for the same period last year led to losses.

**Mining:** Profit contributed by the mining segment increased to RMB880.9 million for the six months ended 30 June 2008 from RMB186.7 million for the six months ended 30 June 2007. This increase was mainly contributed by its newly formed subsidiary, Hainan Mining, in the second half of 2007. The operating results of this subsidiary were consolidated for the whole Reporting Period. In addition, the increase in the production capacity in its subsidiary, Jin'an Mining, and associate, Huaxia Mining, and sustained high selling prices of iron ore contributed to the net profit of the Company. In April 2007, the Group recognised an excess over the cost of business combination in the amounts of RMB129.0 million arising from its acquisition of an equity interest in Huaxia Mining. There was no such gain in the first half of 2008, and this partially offsets the growth of the operating profit of the mining business.

**Retail, Financial Services and Others:** Profit contributed by the retail, financial services and other segments widened to a loss of RMB264.9 million for the six months ended 30 June 2008 from a loss of RMB63.3 million for the six months ended 30 June 2007. This was mainly attributable to foreign exchange losses in the amount of RMB167.5 million as the Renminbi appreciated and large amounts of non-Renminbi deposits held at the group level during the Reporting Period. In addition, the core retail business, particularly the gold retail business, operated by Yuyuan, maintained stable growth, resulting in an increase of its operating profit. However, this portion of income was offset by a decline of 65.2% in profit contributed from the financial services business.

## REVENUE

For the six months ended 30 June 2008, total revenue of the Group was RMB20,782.8 million, an increase of 45.7% compared to the total revenue of RMB14,264.3 million for the same period in 2007. The increase in revenue during the Reporting Period was mainly due to the increase in revenue in majority of our business segments compared to the results for the same period in 2007. The details are as follows:

**Pharmaceuticals:** Revenue contributed by the pharmaceuticals segment increased to RMB1,880.5 million for the six months ended 30 June 2008 from RMB1,799.0 million compared to the same period in 2007. The increase in revenue was mainly due to the significant growth in the manufacturing business of Fosun Pharma compared with the same period in 2007. Despite the deconsolidation of Guangxi Huahong since December 2007, the rapid development of the pharmaceuticals manufacturing business still led to an increase in revenue of the pharmaceuticals segment.

**Property Development:** Revenue contributed by the property development segment decreased to RMB1,033.1 million for the six months ended 30 June 2008 from RMB1,335.8 million for the six months ended 30 June 2007. It was mainly due to the decrease in total GFA booked by Forte for the six months ended 30 June 2008 compared to the same period in 2007.

**Steel:** Revenue contributed by the steel segment increased to RMB16,604.2 million for the six months ended 30 June 2008 from RMB11,129.5 million for the six months ended 30 June 2007. The significant increase in revenue was mainly due to the increase in revenue of Nanjing Steel United as a result of a substantial increase in the selling prices of steel products which was pushed by increasing cost and was sustained at a relatively high level as compared to the same period in 2007, and on the other hand, due to the increase in the production capacity and the continuous optimisation of product portfolio by increasing the proportion of high value-added products, in particular, the medium and heavy plates.

**Mining:** Revenue contributed by the mining segment increased to RMB1,848.8 million for the six months ended 30 June 2008 from RMB63.0 million for the six months ended 30 June 2007. The significant growth in revenue was due to the consolidation of the subsidiary, Hainan Mining for the whole Reporting Period and the increase in the production capacity of Jin’an Mining as well as the relatively high selling prices of iron ore.

## INTEREST EXPENSES

The interest expenses net of the capitalised amount of the Group increased from RMB583.9 million for the six months ended 30 June 2007 to RMB683.1 million for the six months ended 30 June 2008, which was mainly attributable to an increase in the interest rate benchmark. For the six months ended 30 June 2008, the borrowing cost was approximately between 2.13% and 9.84%, compared with approximately between 2.13% and 9.20% for the six months ended 30 June 2007.

## TAX

Tax of the Group increased from RMB636.6 million for the six months ended 30 June 2007 to RMB950.9 million for the six months ended 30 June 2008. The increase of tax was mainly attributable to the rise in the taxable profit of Hainan Mining, the steel segment and the pharmaceuticals segment.

## CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

The capital expenditures of the Group mainly included the amounts spent on construction of production facilities, technology upgrade, purchase of machines and equipment, and development of investment property. We increased investment in the research and development of pharmaceutical products in order to produce more proprietary products with higher profit margins. We have been striving for property development and will make the necessary adjustment according to the changes in market conditions. In order to increase the production capacity of the steel segment and the optimisation of product mix, we have increased the investment in the steel segment. More efforts will be put into the mining segment with an aim to continuously strengthen its leading position in the industry.

As at 30 June 2008, the Group's capital commitment contracted but not provided for was RMB9,699.6 million, and this is mainly committed for property development and investment in the steel segment. Details of capital commitment are set out in note 20 to the interim condensed consolidated financial statements.

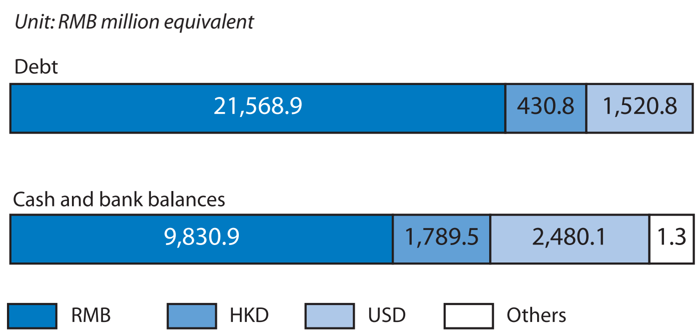
## INDEBTEDNESS AND LIQUIDITY OF THE GROUP

As at 30 June 2008, the total debt of the Group was RMB23,520.5 million, a slight increase as compared with the figure as at 31 December 2007. Cash and bank balances stayed stable, with a total balance of RMB14,101.8 million.

Unit: RMB million

| | **30 June 2008** | 31 December 2007 |
|---|---|---|
| Total debt | **23,520.5** | 21,918.0 |
| Cash and bank balances | **14,101.8** | 14,144.0 |

The original denomination of the Group's debt as well as cash and bank balances by currencies, equivalent in Renminbi, as at 30 June 2008 is summarised as follows:




## TOTAL DEBT TO TOTAL CAPITALISATION RATIO

As at 30 June 2008, the ratio of total debt to total capitalisation was 42.8% compared to 42.3% as at 31 December 2007, and this was relatively stable. Healthy debt ratios and abundant financial resources can reinforce the Group's ability to defend against risk exposure and provide support to the Group in capturing investment opportunities.

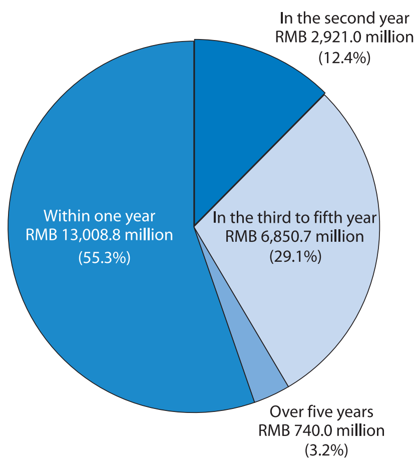
## BASIS OF CALCULATING INTEREST RATE

To stabilise interest expenses, the Group endeavoured to maintain appropriate borrowings at fixed and floating interest rates respectively. As at 30 June 2008, 42.8% of the Group's total borrowing was calculated at a fixed rate.

## THE MATURITY PROFILE OF OUTSTANDING BORROWINGS

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

Outstanding borrowings classified by year of maturity as at 30 June 2008 are as follows:




## AVAILABLE FACILITIES

Save for cash and bank balances of RMB14,101.8 million, as at 30 June 2008, the Group had unutilised banking facilities of RMB13,320.0 million.

Save for the banking facilities mentioned above, the Group has entered into cooperation agreements with various major banks in China. According to these agreements, the banks have granted the Group general banking facilities to support its capital needs. Prior approval of individual projects in China from banks in accordance with bank regulations must be obtained before the use of these banking facilities. As at 30 June 2008, available banking facilities under these arrangements aggregated to RMB35,156.2 million, among which RMB21,836.2 million has been allocated to various projects.

## PLEDGED ASSETS

As at 30 June 2008, the Group has pledged assets of RMB7,986.6 million (31 December 2007: RMB8,584.9 million) for bank borrowings. Details of pledged assets are set out in note 16 to the interim condensed consolidated financial statements.

## CONTINGENT LIABILITIES

The Group's contingent liabilities were RMB4,741.8 million as at 30 June 2008. Details of contingent liabilities are set out in note 21 to the interim condensed consolidated financial statements.

## INTEREST COVERAGE

For the six months ended 30 June 2008, EBITDA divided by interest expense was 8.7 times as compared with 5.8 times for the same period in 2007. This was due to the rise in operating results of the Group, resulting in increase of EBITDA by 74.4%, whereas the interest expense only increased by 17.0%.

## FINANCIAL POLICIES AND RISK MANAGEMENT

### General policy

The Company provides guidance to each business segments while maintaining their financial independence to ensure that risks of the Group are centrally monitored and financial resources are being effectively utilised. We obtain funds from different sources through banks borrowing and capital markets. These sources of funding allow the Company to meet the needs of cash flow for our business development.

### Foreign currencies exposure

The Group conducts its business mainly in Renminbi which is also our functional and presentation currency. Most of our revenue is received in Renminbi, but part of it is converted into foreign currencies for the purchase of imported raw materials. Since the exchange rate reform in July 2005, the exchange rate of Renminbi against U.S. dollar has appreciated steadily. However, we are uncertain of the stability of Renminbi in the future. The cost of conversion of Renminbi into foreign currencies will be subject to the fluctuation of the exchange rate of Renminbi. As at 30 June 2008, 97.0% (approximately RMB70,289.7 million) of our total assets were located in China (31 December 2007: RMB62,799.8 million or 93.8%).

## FINANCIAL POLICIES AND RISK MANAGEMENT (Continued)

### Foreign currencies exposure (Continued)

The Company received the proceeds from its listing on the main board of the Stock Exchange in Hong Kong dollars. It is unlikely that such proceeds can be converted into Renminbi in full or be applied in the short term. With the continued appreciation of Renminbi since the exchange rate reform and the business settlement and currency conversion on the statement date, such non-Renminbi deposits will generate foreign exchange losses of a greater amount within a certain period of time.

### Interest rate exposure

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

### Application of derivatives

The Group will make timely use of suitable derivatives to hedge risk exposure. We do not apply derivative products for speculation. To reduce uncertainties concerning revenue from the export business due to the appreciation of Renminbi, individual subsidiaries of the Group signed foreign exchange forward contracts with financial institutions to fix the amount in Renminbi converted from future proceeds.

### Forward-looking statements

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

Forward-looking statements involve inherent risks and uncertainties. Please note that numerous factors can cause actual results to differ from any business forecasted or implied by the forward looking statements. Material difference may even exist under certain circumstances.

As at 30 June 2008, the Company and its subsidiaries had a total of 29,402 employees, an increase of 1,858 employees compared to that as at 31 December 2007. This was mainly due to the increase of employees in the subsidiaries.

The Group regards talent as its most valuable asset. It has always been committed to attracting and retaining talents by company growth and career development. It assesses and helps its employees to grow through work and performance. The Company puts human resources management as its first priority, closely associates the personal development of employees with corporate development, and makes the employee's growth an integral part of the corporate development.

The Group advocates equal employment opportunities. The recruitment and promotion of employees depend on whether they can fulfill the requirements of their positions. To ensure that the salaries and benefits of employees are competitive and to follow up with the business development needs, the Group has taken the initiative to review the salary packages of employees on a regular basis. In the past six months, there were no material change in the Group's human resources management policies and procedures which were in good performance except that a more regulatory and effective HR management policy or procedure, which was adopted at the end of 2007 according to the requirements of labour laws and regulations promulgated and implemented early last year. The Group cultivates a corporate culture which encourages open communication, exchange of opinions between the employees and the management. The Group strives to provide a good working environment for employees and to offer different benefits to encourage the continuous learning and innovation of employees. The Group provides internal training for the staffs and offers them subsidies for pursuing further education after work for personal development. It has also taken part in the government education programmes to provide practical training opportunities for university students from mainland and Hong Kong.

To ensure the safety and to protect basic interests of the employees, the Group offers various kinds of benefits to them, including different kinds of insurance programmes as required by the state laws and regulations and established an internal emergency fund which aims to relieve employees' urgent financial needs.

The Group has actively sponsored and participated in various charity activities. Furthermore, it also encourages employees to devote themselves to social activities in areas such as education, environment protection, culture, sports and art. It symbolised great national spirit and citizenship that our employees initiatively took part in charity activities for providing assistance in snow disaster of China and in earthquake in Wenchuan in the first half of 2008.

# Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2008

| | Notes | For the six months ended 30 June<br>2008<br>RMB'000<br>(Unaudited) | <br>2007<br>RMB'000<br>(Unaudited) |
|---|---|---|---|
| **REVENUE** | 4, 5 | **20,782,755** | 14,264,294 |
| Cost of sales | | **(15,646,435)** | (11,194,120) |
| **GROSS PROFIT** | | **5,136,320** | 3,070,174 |
| Other income and gains | 5 | **977,267** | 280,435 |
| Selling and distribution costs | | **(533,158)** | (462,951) |
| Administrative expenses | | **(898,227)** | (529,447) |
| Other expenses | | **(270,595)** | (80,914) |
| Finance costs | 6 | **(866,758)** | (610,499) |
| Share of profits and losses of: | | | |
| - Jointly-controlled entities | | **2,947** | 8,176 |
| - Associates | | **902,072** | 469,374 |
| **PROFIT BEFORE TAX** | 7 | **4,449,868** | 2,144,348 |
| Tax | 8 | **(950,911)** | (636,603) |
| **PROFIT FOR THE PERIOD** | | **3,498,957** | 1,507,745 |
| Attributable to: | | | |
| Equity holders of the parent | | **1,921,372** | 826,615 |
| Minority interests | | **1,577,585** | 681,130 |
| | | **3,498,957** | 1,507,745 |
| **DIVIDENDS** | 9 | **—** | — |
| **EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | 10 | | |
| **- BASIC** *(RMB)* | | **0.30** | 0.17 |
| **- DILUTED** *(RMB)* | | **N/A** | N/A |

# Interim Condensed Consolidated Balance Sheet

For the six months ended 30 June 2008

| | Notes | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 11 | **16,001,124** | 15,598,578 |
| Investment properties | 11 | **466,000** | 456,000 |
| Prepaid land lease payments | | **898,786** | 908,376 |
| Mining rights | | **874,347** | 546,469 |
| Intangible assets | | **23,906** | 25,352 |
| Goodwill | | **234,717** | 108,152 |
| Investments in jointly-controlled entities | | **644,053** | 381,055 |
| Investments in associates | 12 | **7,818,060** | 6,847,994 |
| Available-for-sale investments | | **1,691,762** | 2,188,057 |
| Properties under development | 13 | **5,898,528** | 6,009,593 |
| Loans receivable | | **220,000** | 220,000 |
| Prepayments | 15 | **1,505,709** | 1,547,278 |
| Deferred tax assets | | **395,700** | 283,426 |
| **Total non-current assets** | | **36,672,692** | 35,120,330 |
| **CURRENT ASSETS** | | | |
| Cash and bank balances | | **14,101,762** | 14,144,004 |
| Equity investments at fair value through profit or loss | | **61,178** | 90,437 |
| Available-for-sale investments | | **—** | 205,000 |
| Trade and notes receivables | 14 | **4,354,897** | 2,924,246 |
| Prepayments, deposits and other receivables | | **2,246,366** | 3,320,208 |
| Inventories | | **7,575,774** | 6,470,854 |
| Completed properties for sale | | **675,545** | 746,538 |
| Properties under development | 13 | **5,937,857** | 3,405,440 |
| Due from related companies | | **850,511** | 530,506 |
| **Total current assets** | | **35,803,890** | 31,837,233 |
| **CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | 16 | **13,008,789** | 14,890,502 |
| Trade and notes payables | 17 | **4,505,533** | 4,486,157 |
| Accrued liabilities and other payables | | **8,725,751** | 7,612,814 |
| Tax payable | | **1,374,878** | 972,091 |
| Deferred income | | **1,400** | — |
| Dividends payables | | **1,045,348** | — |
| Due to related companies | | **640,943** | 815,464 |
| **Total current liabilities** | | **29,302,642** | 28,777,028 |
| **NET CURRENT ASSETS** | | **6,501,248** | 3,060,205 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **43,173,940** | 38,180,535 |

## Interim Condensed Consolidated Balance Sheet

For the six months ended 30 June 2008

| | Notes | **30 June 2008 RMB'000 (Unaudited)** | 31 December 2007 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | 16 | **10,364,348** | 6,879,740 |
| Loans from related companies | | **147,355** | 147,719 |
| Deferred income | | **25,419** | 21,735 |
| Other long-term payables | | **688,917** | 737,472 |
| Deferred tax liabilities | | **465,018** | 423,244 |
| **Total non-current liabilities** | | **11,691,057** | 8,209,910 |
| **Net assets** | | **31,482,883** | 29,970,625 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Issued capital | 18 | **621,497** | 622,962 |
| Reserves | | **19,692,967** | 18,188,934 |
| Proposed final dividend | | **—** | 1,022,219 |
| | | **20,314,464** | 19,834,115 |
| **Minority interests** | | **11,168,419** | 10,136,510 |
| **Total equity** | | **31,482,883** | 29,970,625 |

Guo Guangchang
Director

Ding Guoqi
Director

# Interim Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2008

| | Attributable to equity holders of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital RMB'000 (Unaudited) | Share premium RMB'000 (Unaudited) | Capital reserves/ (other deficits) RMB'000 (Unaudited) | Statutory surplus reserve RMB'000 (Unaudited) | Available-for-sale investments revaluation reserve RMB'000 (Unaudited) | Capital redemption reserve RMB'000 (Unaudited) | Retained earnings RMB'000 (Unaudited) | Exchange fluctuation reserve RMB'000 (Unaudited) | Proposed final dividend RMB'000 (Unaudited) | Total RMB'000 (Unaudited) | Minority interests RMB'000 (Unaudited) | Total equity RMB'000 (Unaudited) |
| At 1 January 2008 | 622,962 | 11,785,713 | (443,540) | 1,795,724 | 254,244 | — | 4,927,399 | (130,606) | 1,022,219 | 19,834,115 | 10,136,510 | 29,970,625 |
| Exchange realignment | — | — | — | — | — | — | — | (78,874) | — | (78,874) | 1,359 | (77,515) |
| Changes in fair value of available-for-sale investments | — | — | — | — | (152,661) | — | — | — | — | (152,661) | (128,453) | (281,114) |
| Realised gains on available-for-sale investments transferred to income statement upon disposals | — | — | — | — | (80,631) | — | — | — | — | (80,631) | (84,403) | (165,034) |
| Reserves released upon disposal of an associate (note 12) | — | — | — | — | (28,523) | — | — | — | — | (28,523) | (29,652) | (58,175) |
| Total income and expense for the period recognised directly in equity | — | — | — | — | (261,815) | — | — | (78,874) | — | (340,689) | (241,149) | (581,838) |
| Profit for the period | — | — | — | — | — | — | 1,921,372 | — | — | 1,921,372 | 1,577,585 | 3,498,957 |
| Total income and expense for the period | — | — | — | — | (261,815) | — | 1,921,372 | (78,874) | — | 1,580,683 | 1,336,436 | 2,917,119 |
| Acquisition of subsidiaries | — | — | — | — | — | — | — | — | — | — | 3,467 | 3,467 |
| Acquisition of interest in subsidiaries | — | — | — | — | — | — | — | — | — | — | (151,968) | (151,968) |
| Dividends paid to minority shareholders | — | — | — | — | — | — | — | — | — | — | (245,581) | (245,581) |
| Repurchase and cancellation of shares (note 18) | (1,465) | — | — | — | — | — | (76,650) | — | — | (78,115) | — | (78,115) |
| Transfer on shares repurchased and cancelled (note 18) | — | — | — | — | — | 1,465 | (1,465) | — | — | — | — | — |
| Final dividend declared | — | — | — | — | — | — | — | — | (1,022,219) | (1,022,219) | — | (1,022,219) |
| Disposal of subsidiaries | — | — | — | — | — | — | — | — | — | — | (1,292) | (1,292) |
| Disposal of interest in a subsidiary | — | — | — | — | — | — | — | — | — | — | 75,737 | 75,737 |
| Compensation arising from land appreciation tax ("LAT") provision (note 8(3)) | — | — | — | — | — | — | — | — | — | — | 15,110 | 15,110 |
| At 30 June 2008 | **621,497** | **11,785,713** | **(443,540)** | **1,795,724** | **(7,571)** | **1,465** | **6,770,656** | **(209,480)** | **—** | **20,314,464** | **11,168,419** | **31,482,883** |

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

| | Attributable to equity holders of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Issued capital RMB'000 (Unaudited) | Capital reserves/ (other deficits) RMB'000 (Unaudited) | Statutory surplus reserve RMB'000 (Unaudited) | Available-for-sale investments revaluation reserve RMB'000 (Unaudited) | Retained earnings RMB'000 (Unaudited) | Exchange fluctuation reserve RMB'000 (Unaudited) | Total RMB'000 (Unaudited) | Minority interests RMB'000 (Unaudited) | Total equity RMB'000 (Unaudited) |
| At 1 January 2007 | 208 | (443,540) | 1,480,085 | — | 2,910,931 | 34,979 | 3,982,663 | 7,158,271 | 11,140,934 |
| Exchange realignment | — | — | — | — | — | 20,751 | 20,751 | (1,153) | 19,598 |
| Changes in fair value of available-for-sale investments: | — | — | — | 144,357 | — | — | 144,357 | 111,951 | 256,308 |
| Total income for the period recognised directly in equity | — | — | — | 144,357 | — | 20,751 | 165,108 | 110,798 | 275,906 |
| Profit for the period | — | — | — | — | 826,615 | — | 826,615 | 681,130 | 1,507,745 |
| Total income and expense for the period | — | — | — | 144,357 | 826,615 | 20,751 | 991,723 | 791,928 | 1,783,651 |
| Acquisition of subsidiaries | — | — | — | — | — | — | — | 400 | 400 |
| Dividends | — | — | — | — | — | — | — | (247,520) | (247,520) |
| Acquisition of interests in subsidiaries | — | — | — | — | — | — | — | 9,769 | 9,769 |
| Disposal of interests in subsidiaries | — | — | — | — | — | — | — | (22,654) | (22,654) |
| Compensation arising from LAT provision (note 8(3)) | — | — | — | — | — | — | — | 7,066 | 7,066 |
| Deconsolidation of a subsidiary | — | — | — | — | — | — | — | (70,887) | (70,887) |
| At 30 June 2007 | 208 | (443,540) | 1,480,085 | 144,357 | 3,737,546 | 55,730 | 4,974,386 | 7,626,373 | 12,600,759 |

| | For the six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited, restated) |
| **NET CASH INFLOW FROM OPERATING ACTIVITIES** | **1,770,624** | 1,743,974 |
| **NET CASH OUTFLOW FROM INVESTING ACTIVITIES** | **(1,131,564)** | (1,590,424) |
| **NET CASH INFLOW BEFORE FINANCING ACTIVITIES** | **639,060** | 153,550 |
| **NET CASH INFLOW FROM FINANCING ACTIVITIES** | **548,504** | 798,819 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **1,187,564** | 952,369 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | **10,024,118** | 3,605,466 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **11,211,682** | 4,557,835 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:** | | |
| Cash and bank balances at end of the Period | **14,101,762** | 5,719,937 |
| Less: Pledged bank balances and deposits with original maturity of more than three months | **(2,890,080)** | (1,162,102) |
| Cash and cash equivalents at end of Period | **11,211,682** | 4,557,835 |

## 1. CORPORATE INFORMATION

Fosun International Limited (the "Company") was incorporated as a company with limited liability in Hong Kong on 24 December 2004 under the Hong Kong Companies Ordinance (Chapter 32). The registered office of the Company is located at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong.

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

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

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

## 2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated balance sheet of the Group as at 30 June 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six months ended 30 June 2008 (the "Period"), have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007.

## 3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations), as set out in note 3.2 to the interim condensed consolidated financial statements.

## 3.2 ADOPTION OF NEW AND REVISED HKFRSs

From 1 January 2008, the Group adopted the following new and revised HKFRSs, which are relevant to its operations.

| | |
|---|---|
| HK(IFRIC)-Int 11 | HKFRS 2 *Group and Treasury Share Transactions* |
| HK(IFRIC)-Int 14 | HKAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* |

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operation of the Group.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or reduction in the future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists. As the Group's current policy for defined benefit aligns with the requirements of the interpretation, the interpretation has had no financial impact on the Group.

## 3.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

| | |
|---|---|
| HKFRS 2 Amendments | Amendments to HKFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*[1] |
| HKFRS 3 (Revised) | *Business Combinations*[2] |
| HKAS 27 (Revised) | *Consolidated and Separate Financial Statements*[2] |
| HKAS 32 and HKAS 1 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation* and Amendments to HKAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*[1] |

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

The amendments to HKFRS 2 Share-based Payments were published in March 2008 and become effective for financial years beginning on or after 1 January 2009. The standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counter party, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes and does not expect implications on its accounting for share-based payments.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will have impact on the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The changes introduced by HKFRS 3 (Revised) are required to be applied prospectively and will affect future acquisitions and transactions with minority interests. The Group plans to adopt HKFRS 3 (Revised) on 1 January 2010.

HKAS 27 (Revised) requires accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The Group plans to adopt HKAS 27 (Revised) on 1 January 2010.

The amendments to HKAS 32 and HKAS 1 were issued in June 2008, which allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified features. As the Group currently has no such transactions, the amendments are unlikely to have any financial impact on the Group.

## 4. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(i) the pharmaceutical segment engages in the manufacturing, sale and trading of pharmaceutical products;

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

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

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

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

## 4. SEGMENT INFORMATION (Continued)

**Six months ended 30 June 2008**

| | Pharma-ceutical RMB'000 (Unaudited) | Property development RMB'000 (Unaudited) | Steel RMB'000 (Unaudited) | Mining RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Eliminations RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|---|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | | |
| Sales to external customers | 1,880,472 | 1,033,117 | 16,604,224 | 1,264,942 | — | — | 20,782,755 |
| Inter-segment sales | — | — | — | 583,820 | — | (583,820) | — |
| Other income and gains | 335,314 | 25,800 | 376,884 | 85,059 | 6,446 | — | 829,503 |
| Total | **2,215,786** | **1,058,917** | **16,981,108** | **1,933,821** | **6,446** | **(583,820)** | **21,612,258** |
| **Segment results** | 412,291 | 380,391 | 2,223,381 | 1,352,948 | (52,274) | — | 4,316,737 |
| Interest and dividend income | 14,414 | 8,635 | 29,927 | 14,787 | 81,057 | (1,056) | 147,764 |
| Unallocated expenses | | | | | | | (52,894) |
| Finance costs | (79,160) | (19,348) | (473,960) | (26,433) | (268,913) | 1,056 | (866,758) |
| Share of profits and losses of: | | | | | | | |
| — Jointly-controlled entities | 38 | 2,909 | — | — | — | — | 2,947 |
| — Associates | 262,233 | (616) | 398,744 | 201,673 | 40,038 | — | 902,072 |
| Profit/(loss) before tax | 609,816 | 371,971 | 2,178,092 | 1,542,975 | (200,092) | — | 4,449,868 |
| Tax | (109,565) | (239,050) | (396,746) | (193,597) | (11,953) | — | (950,911) |
| Profit/(loss) for the Period | **500,251** | **132,921** | **1,781,346** | **1,349,378** | **(212,045)** | **—** | **3,498,957** |

## 4. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2007

| | Pharma-ceutical RMB'000 (Unaudited, restated) | Property development RMB'000 (Unaudited, restated) | Steel RMB'000 (Unaudited, restated) | Mining RMB'000 (Unaudited, restated) | Others RMB'000 (Unaudited, restated) | Eliminations RMB'000 (Unaudited, restated) | Total RMB'000 (Unaudited, restated) |
|---|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | | |
| Sales to external customers | 1,799,012 | 1,335,775 | 11,129,507 | — | — | — | 14,264,294 |
| Inter-segment sales | — | — | — | 62,953 | — | (62,953) | — |
| Other income and gains | 99,748 | 27,204 | 62,624 | 114 | 6,633 | — | 196,323 |
| Total | 1,898,760 | 1,362,979 | 11,192,131 | 63,067 | 6,633 | (62,953) | 14,460,617 |
| **Segment results** | 164,680 | 221,732 | 1,825,159 | 31,612 | (24,909) | — | 2,218,274 |
| Interest and dividend income | 9,136 | 643 | 75,677 | — | 14,378 | (15,722) | 84,112 |
| Unallocated expenses | | | | | | | (25,089) |
| Finance costs | (59,249) | (2,735) | (430,645) | (2,729) | (130,863) | 15,722 | (610,499) |
| Share of profits and losses of: | | | | | | | |
| — Jointly-controlled entities | — | 8,176 | — | — | — | — | 8,176 |
| — Associates | 104,485 | 4,444 | 89,772 | 163,575 | 107,098 | — | 469,374 |
| Profit/(loss) before tax | 219,052 | 232,260 | 1,559,963 | 192,458 | (34,296) | — | 2,144,348 |
| Tax | (5,332) | (114,814) | (522,301) | 9,660 | (3,816) | — | (636,603) |
| Profit/(loss) for the Period | 213,720 | 117,446 | 1,037,662 | 202,118 | (38,112) | — | 1,507,745 |

## 4. SEGMENT INFORMATION (Continued)

### Total segment assets:

Total segment assets as at 30 June 2008 and 31 December 2007 are as follows:

| | **30 June 2008 RMB'000 (Unaudited)** | 31 December 2007 RMB'000 (Audited) |
|---|---|---|
| Pharmaceutical | **6,730,610** | 6,773,019 |
| Property development | **20,131,002** | 18,042,003 |
| Steel | **30,987,936** | 27,424,963 |
| Mining | **6,075,550** | 4,645,406 |
| Others | **12,275,821** | 13,109,590 |
| | **76,200,919** | 69,994,981 |
| Adjustments and eliminations | **(3,724,337)**[1] | (3,037,418) |
| Total consolidated assets | **72,476,582** | 66,957,563 |

1 Inter-segment loans and other balances of RMB4,258,304,000 (31 December 2007: RMB3,450,492,000) are eliminated on consolidation. Segment assets do not include deferred tax of RMB395,700,000 (31 December 2007: RMB283,426,000) and income tax recoverable of RMB138,267,000 (31 December 2007: RMB129,648,000) as these assets are managed on a group basis.

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Revenue** | | |
| Sale of goods: | | |
| Pharmaceutical products | **1,874,913** | 1,788,260 |
| Properties | **1,048,625** | 1,364,488 |
| Iron and steel products | **16,711,416** | 11,164,876 |
| Iron concentrates | **1,300,890** | 62,952 |
| | **20,935,844** | 14,380,576 |
| Rendering of services: | | |
| Property agency | **45,987** | 47,728 |
| Others | **19,139** | 22,186 |
| | **65,126** | 69,914 |
| Subtotal | **21,000,970** | 14,450,490 |
| Less: Government surcharges | **(218,215)** | (186,196) |
| | **20,782,755** | 14,264,294 |

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

| | For the six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Other income** | | |
| Interest income | **135,800** | 78,730 |
| Dividends from available-for-sale investments | **3,143** | 5,382 |
| Dividends from equity investments at fair value through profit or loss | **8,821** | — |
| Gross rental income | **20,691** | 16,941 |
| Sale of scrap materials | **28,545** | 9,110 |
| Government grants | **36,337** | 20,612 |
| Consultancy income | **1,517** | 2,451 |
| Processing income | **10,493** | 1,838 |
| Others | **97,995** | 28,228 |
| | **343,342** | 163,292 |
| **Gains** | | |
| Gain on disposal of subsidiaries | **1,497** | — |
| Gain on disposal of interests in subsidiaries | **247,854** | 20,398 |
| Gain on disposal of interests in associates | **—** | 27,169 |
| Gain on disposal of an associate (note 12(1)) | **172,541** | 17,980 |
| Gain on disposal of items of property, plant and equipment | **1,757** | 3,812 |
| Gain on disposal of available-for-sale investments | **145,799** | 11,404 |
| Gain on disposal of equity investments at fair value through profit or loss | **—** | 17,243 |
| Exchange gains | **54,477** | 9,171 |
| Gain on fair value adjustment of investment properties (note 11) | **10,000** | 5,000 |
| Fair value gains of derivative financial instruments — transactions not qualifying as hedges | **—** | 4,966 |
| | **633,925** | 117,143 |
| Other income and gains | **977,267** | 280,435 |
| Total | **21,760,022** | 14,544,729 |

## 6. FINANCE COSTS

| | For the six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Total interest expenses | **854,853** | 670,903 |
| Less: Interest capitalized | **(171,724)** | (87,003) |
| Interest expenses, net | **683,129** | 583,900 |
| Bank charges and other finance costs | **16,102** | 8,317 |
| Bank loan guarantee fees | **—** | 11,559 |
| Exchange losses | **167,527** | 6,723 |
| Total finance costs | **866,758** | 610,499 |

## 7. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Cost of sales | **15,646,435** | 11,194,120 |
| Inventories written off | **409** | 350 |
| Depreciation of items of property, plant and equipment (note 11) | **745,425** | 661,227 |
| Amortization of: | | |
| — Prepaid land lease payments | **9,590** | 7,313 |
| — Mining rights | **41,351** | 1,948 |
| — Intangible assets | **2,454** | 1,842 |
| Provisions/(reversals) for impairment of: | | |
| — Trade and other receivables | **(1,153)** | 1,511 |
| — Items of property, plant and equipment | **—** | 186 |
| — Available-for-sale investments | **—** | 8,000 |
| — Inventories | **14,369** | 4,292 |
| Provision for indemnity of LAT (note 8(3)) | **15,110** | 7,066 |
| Loss on deemed disposal of interest in an associate | **25,238** | — |
| Loss on disposal of items of property, plant and equipment | **10,988** | 7,993 |

## 8. TAX

The major components of tax expenses for the six months ended 30 June 2008 and 2007 are as follows:

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2008** | 2007 |
| | | **RMB'000** | RMB'000 |
| | Notes | **(Unaudited)** | (Unaudited) |
| Current taxation – Hong Kong | (1) | **2,082** | — |
| Current taxation – Mainland China | | | |
| — Income tax in Mainland China for the Period | (2) | **780,577** | 658,995 |
| — Under provision in prior years | | **—** | 8,009 |
| — LAT in Mainland China for the Period | (3) | **175,843** | 89,763 |
| Deferred tax | | **(7,591)** | (120,164) |
| Tax expenses for the Period | | **950,911** | 636,603 |

Notes:

(1) Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period.

(2) In accordance with the PRC Corporate Income Tax Law (the "New CIT Law") which was approved and became effective on 1 January 2008, the provision for Mainland China current income tax has been based on a statutory rate of 25% of the assessable profits of the Group for the Period (six months ended 30 June 2007: 33%), except for certain subsidiaries of the Group in Mainland China, which are taxed at preferential rates in the range of 15% to 20%.

## 8. TAX (Continued)

(3) According to the tax notice issued by the relevant local tax authorities, the Group commenced to pay LAT at rates ranging from 1% to 3% on proceeds of the sale and pre-sale of properties from 2004. Prior to the year ended 31 December 2006, except for this amount paid to the local tax authorities, no further provision for LAT had been made. The directors considered that the relevant tax authorities would be unlikely to impose additional LAT levies other than the amount already paid based on the relevant percentages of the proceeds from the sale and pre-sale of the Group's properties.

For the Period, based on the latest understanding of LAT regulations from the tax authorities, the Group provided additional LAT of RMB165,016,000 (six months ended 30 June 2007: RMB77,186,000) in respect of the sales of properties sold up to 30 June 2008 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

In 2004, Shanghai Fosun High Technology (Group) Co., Ltd. (the "Fosun Group") and Shanghai Forte Land Co., Ltd. ("Forte"), both subsidiaries of the Group, entered into a deed of tax indemnity whereby the Fosun Group has undertaken to indemnify Forte in respect of the LAT payable attributable to Forte and its subsidiaries in excess of the prepaid LAT based on 1% to 3% of sales proceeds, after netting off potential income tax savings, in consequence of the disposal of the properties owned by Forte as at 30 November 2003. As at 30 June 2008, the outstanding LAT indemnity payable to Forte after netting off potential income tax saving amounted to RMB46,831,000 (31 December 2007: RMB190,808,000), and the deferred tax liability arising thereon amounted to RMB59,410,000 (31 December 2007: RMB47,701,000). The Group's share of losses arising from the LAT indemnity during the Period amounted to RMB15,110,000 (six months ended 30 June 2007: RMB7,066,000).

(4) The share of tax attributable to jointly-controlled entities and associates amounting to RMB1,854,000 (six months ended 30 June 2007: RMB878,000) and RMB207,190,000 (six months ended 30 June 2007: RMB235,360,000), respectively, is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the interim condensed consolidated income statement.

## 9. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2007: Nil).

The proposed final dividend of HKD0.17 per ordinary share for the year ended 31 December 2007 was declared payable and approved by the shareholders at the Annual General Meeting of the Company on 17 June 2008.

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of earnings per share is based on profit for the Period attributable to equity holders of the parent of RMB1,921,372,000 (six months ended 30 June 2007: RMB826,615,000).

The calculation of earnings per share is based on the weighted average number of 6,424,708,497 shares in issue during the Period (six months ended 30 June 2007: 5,000,000,000 shares, on the basis as disclosed in note 13 to the Accountants' Report included in the Company's prospectus dated 29 June 2007), after taking into account of the repurchase of ordinary shares as referred to in note 18 to the interim condensed consolidated financial statements.

No diluted earnings per share amounts are presented for the two periods ended 30 June 2008 and 2007 as no diluting events occurred during the two periods ended 30 June 2008 and 2007.

## 11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

| | **Property, plant and equipment RMB'000 (Unaudited)** | **Investment properties RMB'000 (Unaudited)** |
|---|---|---|
| Carrying value at beginning of the Period | **15,598,578** | 456,000 |
| Additions | **1,175,635** | — |
| Disposals | **(24,961)** | — |
| Disposal of subsidiaries | **(2,203)** | — |
| Depreciation charge for the Period (note 7) | **(745,425)** | — |
| Gain from fair value adjustment (note 5) | **—** | 10,000 |
| Carrying value at end of the Period | **16,001,124** | 466,000 |

The Group's property, plant and equipment, and investment properties with net carrying values of RMB1,832,972,000 (31 December 2007: RMB1,810,588,000) and RMB466,000,000 (31 December 2007: RMB456,000,000) respectively, were pledged as security for interest-bearing bank loans as set out in note 16 to the interim condensed consolidated financial statements.

## 12. INVESTMENTS IN ASSOCIATES

(1) On 16 June 2008, Shanghai Fosun Pharmaceutical (Group) Co., Ltd, a subsidiary of the Group, disposed of its 23% equity interest in Shanghai Friendship Fosun (Holding) Co., Ltd. to an associate of the Group, Shanghai Yuyuan Tourist Mart Co., Ltd., for a consideration of RMB347,088,000. The book value of net assets disposed of amounted to RMB196,401,000. The gains from the disposal amounting to RMB172,541,000, after giving effect to (i) the elimination of the unrealised gain of RMB36,321,000, and (ii) the reserves released on the disposal of RMB58,175,000, was credited to other gains during the Period as set out in note 5 to the interim condensed consolidated financial statements.

(2) In January 2008, the Group acquired a 40% equity interest in Hainan Wuzhishan (Group) Co., Ltd. through its wholly-owned subsidiaries for a consideration of RMB184,000,000.

## 13. PROPERTIES UNDER DEVELOPMENT

| | **30 June 2008 RMB'000 (Unaudited)** | 31 December 2007 RMB'000 (Audited) |
|---|---|---|
| Land costs | **8,420,015** | 6,999,910 |
| Construction costs | **2,757,573** | 1,946,381 |
| Capitalized financial costs | **658,797** | 468,742 |
| | **11,836,385** | 9,415,033 |
| Portion classified as current assets | **(5,937,857)** | (3,405,440) |
| | **5,898,528** | 6,009,593 |

The Group's properties under development are situated in Shanghai, Hangzhou, Wuhan, Nanjing, Beijing, Chongqing, Xi'an and Tianjin, the PRC.

The Group's properties under development with a carrying value of RMB3,929,662,000 (31 December 2007: RMB3,550,027,000) was pledged to certain banks as security for bank loans granted to the Group (note 16).

## 14. TRADE AND NOTES RECEIVABLES

| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) |
|---|---|---|
| Trade receivables | **1,406,138** | 1,454,074 |
| Notes receivable | **2,948,759** | 1,470,172 |
| | **4,354,897** | 2,924,246 |

An aged analysis of trade receivables as at the balance sheet dates, based on the invoice date, is as follows:

| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) |
|---|---|---|
| Outstanding balances with ages: | | |
| Within 90 days | **1,132,827** | 1,129,012 |
| 91 - 180 days | **135,691** | 159,254 |
| 181 - 365 days | **122,311** | 150,071 |
| 1 - 2 years | **24,242** | 25,988 |
| 2 - 3 years | **7,843** | 10,003 |
| Over 3 years | **113,624** | 109,108 |
| | **1,536,538** | 1,583,436 |
| Less: Provision for impairment of trade receivables | **(130,400)** | (129,362) |
| | **1,406,138** | 1,454,074 |

## 14. TRADE AND NOTES RECEIVABLES (Continued)

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

| | **Credit terms** |
|---|---|
| Steel segment | 0 to 90 days |
| Mining segment | 0 to 90 days |
| Pharmaceutical segment | 90 to 180 days |
| Property development segment | 30 to 360 days |

The Group's notes receivable with a carrying value of RMB57,000,000 (31 December 2007: RMB435,224,000) was pledged to certain banks as security for bank loans granted to the Group (note 16).

## 15. PREPAYMENTS

Prepayments are in respect of the following:

(a) Prepayment for the proposed acquisition of an equity interest in Shanghai Quecheng Real Estate Co., Ltd.

On 25 January 2008, Shanghai Forte Investment Management Co., Ltd. ("Forte Investment"), an indirect subsidiary of the Company, entered into an equity transfer agreement with Shandong Yatai Industrial Co., Ltd. ("Shandong Yatai") and KINCORP Investment Limited ("KINCORP") in respect of the acquisition of a 100% equity interest in Shanghai Quecheng Real Estate Company ("Shanghai Quecheng") for a total purchase consideration of RMB148,000,000.

As at 30 June 2008, the Group fully advanced RMB148,000,000 to Shanghai Quecheng. Pending the finalization of this equity transfer, Shanghai Quecheng entered into a land use right certificate mortgage agreement with Forte Investment to pledge its land use right to Forte Investment.

## 15. PREPAYMENTS (Continued)

Prepayments are in respect of the following: (Continued)

(b) Prepayment for the proposed acquisition of an equity interest in Beijing Hehua Real Estate Development Co., Ltd.

On 28 December 2006, the Group entered into a cooperative agreement with Home Value Holding Co., Ltd. ("Home Value") to acquire a 33% equity interest in a subsidiary of Home Value, Beijing Hehua Real Estate Development Co., Ltd. ("Beijing Hehua"), for the joint development of JW Marriott Centre in Beijing (the "Agreement"), pursuant to which (i) the Group conditionally agreed to inject an aggregate amount of USD7,600,000 (equivalent to RMB60,000,000) by way of contribution to the registered capital of Beijing Hehua; (ii) the Group conditionally agreed to provide an additional investment of RMB387,000,000 by way of a shareholder loan; and (iii) the Group and Home Value will increase their investment in Beijing Hehua in the proportion of 50% each by way of shareholder loans.

Pursuant to a supplemental agreement entered into by the Group and Beijing Hehua in December 2006, the shareholder loan as set out in (ii) & (iii) is unsecured, interest free, repayable on demand and will not exceed RMB1,000,000,000.

On 14 July 2008, the Group entered into a supplemental agreement with Home Value, pursuant to which (i) the proposed acquisition interest was increased from 33% to 37% with the consideration unchanged and (ii) the Group and Home Value agreed to invest in the project by proportionate of 37%: 63% replacing the original 50%: 50%, respectively, as stipulated in the cooperative agreement.

As at 30 June 2008, the Group has advanced RMB741,400,000 (31 December 2007: RMB851,400,000) to Beijing Hehua, including the capital injection of RMB60,000,000 as set out in the Agreement.

(c) Prepayment for the proposed acquisition of an equity interest in Shanghai Dijie Real Estate Limited

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

As at 30 June 2008, the Group advanced RMB616,309,000 (31 December 2007: RMB575,878,000) to Shanghai Vanke. The remaining capital commitment not paid as at 30 June 2008 amounted to RMB355,967,000 is set out in note 20 to the interim condensed consolidated financial statements.

## 16. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | Notes | **30 June 2008 RMB'000 (Unaudited)** | 31 December 2007 RMB'000 (Audited) |
|---|---|---|---|
| Bank loans: | (1) | | |
| Guaranteed | | **763,000** | 910,732 |
| Secured | | **7,525,169** | 8,776,822 |
| Unsecured | | **11,413,666** | 10,079,117 |
| | | **19,701,835** | 19,766,671 |
| Short term commercial papers | (2) | **1,650,479** | 756,522 |
| Unsecured other borrowings | (3) | **2,020,823** | 1,247,049 |
| Total | | **23,373,137** | 21,770,242 |
| Portion classified as: | | | |
| Current | | **13,008,789** | 14,890,502 |
| Long-term | | **10,364,348** | 6,879,740 |
| Total | | **23,373,137** | 21,770,242 |

## 16. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

(1) Bank loans

| | **30 June 2008 RMB'000 (Unaudited)** | 31 December 2007 RMB'000 (Audited) |
|---|---|---|
| Guaranteed by: | | |
| Related parties | **763,000** | 910,732 |
| Secured by: | | |
| Net carrying value/net book value: | | |
| Property, plant and equipment (note 11) | **1,832,972** | 1,810,588 |
| Investment properties (note 11) | **466,000** | 456,000 |
| Prepaid land lease payments | **146,387** | 12,231 |
| Mining rights | **152,940** | 156,995 |
| Inventories | **—** | 45,000 |
| Available-for-sale investments | **113,973** | — |
| Time deposits with original maturity of more than three months | **795,960** | 1,841,642 |
| Notes receivable (note 14) | **57,000** | 435,224 |
| Interest in a subsidiary | **491,750** | 277,230 |
| Properties under development (note 13) | **3,929,662** | 3,550,027 |
| | **7,986,644** | 8,584,937 |
| The bank loans bear interest at rates per annum in the range of: | **4.30% to 8.96%** | 4.05% to 8.96% |

## 16. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(2) Short term commercial papers

On 23 November 2007, Nanjing Iron and Steel United Co., Ltd. ("Nanjing Steel United"), a subsidiary of the Group, issued short term commercial papers aggregating RMB800,000,000 to members registered in the PRC interbank debt market. The short term commercial papers were issued at a discounted value of RMB93.98 for a par value of RMB100, with an effective yield of 6.41% per annum.

On 28 January 2008, Nanjing Steel United issued additional short term commercial papers aggregating RMB900,000,000 to members registered in the PRC interbank debt market. The short term commercial papers were issued at a discounted value of RMB94.07 for a par value of RMB100, with an effective yield of 6.3% per annum.

These short term commercial papers will be repaid by Nanjing Steel United on 26 November 2008 and 7 January 2009, respectively.

(3) Unsecured other borrowings

| | **30 June 2008 RMB'000 (Unaudited)** | 31 December 2007 RMB'000 (Audited) |
|---|---|---|
| Borrowings from third parties | **2,020,823** | 1,247,049 |
| The other borrowings bear interest at rates per annum in the range of: | **2.13% to 9.84%** | 2.13% to 9.84% |

## 17. TRADE AND NOTES PAYABLES

| | **30 June 2008 RMB'000 (Unaudited)** | 31 December 2007 RMB'000 (Audited) |
|---|---|---|
| Trade payables | **3,262,277** | 3,326,879 |
| Notes payable | **1,243,256** | 1,159,278 |
| | **4,505,533** | 4,486,157 |

An aged analysis of trade payables as at the balance sheet dates, based on the invoice date, is as follows:

| | **30 June 2008 RMB'000 (Unaudited)** | 31 December 2007 RMB'000 (Audited) |
|---|---|---|
| Outstanding balances with ages: | | |
| Within 90 days | **2,581,003** | 1,990,063 |
| 91 - 180 days | **178,268** | 676,200 |
| 181 - 365 days | **201,937** | 383,744 |
| 1 - 2 years | **264,731** | 188,341 |
| 2 - 3 years | **15,845** | 52,563 |
| Over 3 years | **20,493** | 35,968 |
| | **3,262,277** | 3,326,879 |

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

| | **Credit terms** |
|---|---|
| Steel segment | 0 to 90 days |
| Mining segment | 0 to 90 days |
| Pharmaceutical segment | 0 to 360 days |
| Property development segment | 180 to 360 days |

## 18. SHARE CAPITAL

| | Number of ordinary shares (Unaudited) | Nominal amount of ordinary shares RMB'000 (Unaudited) |
|---|---|---|
| Ordinary shares at HKD0.10 each | | |
| Issued and fully paid: | | |
| At 1 January 2008 | 6,437,500,000 | 622,962 |
| Repurchase and cancellation of shares | (15,905,500) | (1,465) |
| At 30 June 2008 | **6,421,594,500** | **621,497** |

During the Period, the Company repurchased 15,905,500 of its own shares on the Stock Exchange of Hong Kong. The summary details of those transactions are as follows:

| Month | Number of shares repurchased (Unaudited) | Price per share Highest RMB (Unaudited) | Lowest RMB (Unaudited) | Total price paid RMB'000 (Unaudited) |
|---|---|---|---|---|
| January 2008 | 6,000,000 | 5.07 | 4.68 | 29,202 |
| February 2008 | 9,905,500 | 5.06 | 4.63 | 48,632 |
| | 15,905,500 | | | 77,834 |
| Total expense on shares repurchased | | | | 281 |
| | | | | 78,115 |

The purchased shares were cancelled during the Period and the issued share capital of the Company was reduced by the par value thereof. An amount equivalent to the par value of the shares cancelled has been transferred to the capital redemption reserve. The premium paid on the purchase of the shares of RMB76,650,000 has been charged to the retained earnings of the Company in accordance with relevant requirement of Hong Kong Company Ordinance.

The purchase of the Company's shares during the Period was effected by the directors, pursuant to the mandate received from shareholders at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

## 19. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment properties, under operating lease arrangements, with leases negotiated for terms ranging from one to eight years.

At the balance sheet dates, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | **30 June 2008 RMB'000 (Unaudited)** | 31 December 2007 RMB'000 (Audited) |
|---|---|---|
| Within one year | **7,399** | 7,273 |
| In the second to fifth years, inclusive | **10,316** | 10,527 |
| After five years | **628** | 628 |
| | **18,343** | 18,428 |

### (b) As lessee

The Group leases certain of its office properties and shop lots, plant buildings and employees' dormitory buildings under operating lease arrangements. Leases for office properties and shop lots are negotiated for terms ranging from three to six years. Leases for plant buildings and employees' dormitory buildings are negotiated for terms ranging from 46 to 66 years.

At the balance sheet dates, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **30 June 2008 RMB'000 (Unaudited)** | 31 December 2007 RMB'000 (Audited) |
|---|---|---|
| Within one year | **23,599** | 17,565 |
| In the second to fifth years, inclusive | **36,729** | 35,872 |
| After five years | **139,456** | 137,736 |
| | **199,784** | 191,173 |

## 20. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 19(b) to the interim condensed consolidated financial statements, the Group had the following capital commitments at the balance sheet dates:

| | **30 June 2008 RMB'000 (Unaudited)** | 31 December 2007 RMB'000 (Audited) |
|---|---|---|
| Contracted, but not provided for: | | |
| In respect of: | | |
| Land and buildings | **103,340** | 22,000 |
| Plant and equipment | **499,070** | 326,059 |
| Properties under development | **4,941,178** | 5,719,065 |
| Intangible assets | **—** | 75,000 |
| Mining and exploration rights | **—** | 260,000 |
| Investments ((a) and note 15) | **4,155,967** | 780,398 |
| | **9,699,555** | 7,182,522 |
| Authorised, but not contracted for: | | |
| In respect of: | | |
| Land and buildings | **—** | 439 |
| Plant and equipment | **250,400** | — |
| | **250,400** | 439 |

(a) Tianjin Iron & Steel Co., Ltd. is a wholly owned subsidiary of Tianjin Tiangang (Group) Co., Ltd. ("Tianjin Tiangang"). On 12 June 2008, the Group entered into a joint-venture contract with Tianjin Tiangang and Tianjin Aoxin Investment Co., Ltd. ("Tianjin Aoxin") to increase the registered capital of the joint-venture Tianjin Iron & Steel Co., Ltd which will be renamed as Tianjin Iron & Steel (Group) Co., Ltd. ("Tianjin Steel"). The Group will contribute RMB3.8 billion to the registered capital of the joint-venture, which represents 47.5% of Tianjin Steel's total registered capital. After the capital contribution, Tianjin Steel's equity interest will be owned as to 47.5% by the Group, 48.5% by Tianjin Tiangang and 4% by Tianjin Aoxin.

The transaction has not yet been completed up to the date of approval of these interim condensed consolidated financial statements. The capital commitment not paid as at 30 June 2008 amounted to RMB3.8 billion is set out above.

## 21. CONTINGENT LIABILITIES

The Group had the following contingent liabilities:

| | **30 June 2008 RMB'000 (Unaudited)** | 31 December 2007 RMB'000 (Audited) |
|---|---|---|
| Guaranteed bank loans of: | | |
| Related parties | **1,633,666** | 1,331,041 |
| Third parties | **350,000** | 320,356 |
| | **1,983,666** | 1,651,397 |
| Qualified buyers' mortgage loans | **2,758,130** | 2,261,983 |
| | **4,741,796** | 3,913,380 |

## 22. RELATED PARTY TRANSACTIONS

(1) During the Period, the Group had the following material transactions with related parties:

| | For the six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Associates: | | |
| Sales of pharmaceutical products | **53,821** | 40,368 |
| Sales of billet products | **90,091** | — |
| Purchase of pharmaceutical products | **11,485** | 13,288 |
| Interest income | **—** | 30,518 |
| Service income | **50,454** | 2,077 |
| Service fee | **4,276** | 35,944 |
| Bank loan guarantees provided to related companies | **1,633,666** | 1,079,639 |
| Disposal of equity interest (note 12(1)) | **347,088** | — |
| | **2,190,881** | 1,201,834 |
| Minority shareholders of the subsidiaries of the Group: | | |
| Rental fee | **2,007** | — |
| Bank loan guarantees fees | **—** | 11,559 |
| Bank loan guarantees provided by related companies | **4,466,000** | 4,477,800 |
| Bank bills guarantees provided to related companies | **—** | 609,500 |
| | **4,468,007** | 5,098,859 |
| Other related parties: | | |
| Sales of iron ore | **78,792** | — |
| Bank loan guarantees provided to related companies | **—** | 780,000 |
| Entrusted bank loan provided to related companies | **269,327** | — |
| Interest income | **10,926** | — |
| Interest expense | **2,636** | — |
| Service income | **2,117** | — |
| Notional interest | **2,702** | 4,728 |
| | **366,500** | 784,728 |

## 22. RELATED PARTY TRANSACTIONS (Continued)

(1) During the Period, the Group had the following material transactions with related parties: (Continued)

In the opinion of the directors, except for bank loan guarantees provided by related companies, all other related party transactions as set out above were conducted on normal commercial terms.

(2) Compensation of key management personnel of the Group:

| | For the six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Fees | **680** | 120 |
| Basic salaries and other benefits | **5,552** | 3,738 |
| Pension contributions | **112** | 63 |
| Total compensation paid to key management personnel | **6,344** | 3,921 |

## 23. EVENTS AFTER BALANCE SHEET DATE

Subsequent to the balance sheet date, there were significant falls in many major international stock markets, including those exchanges on which the Group's listed investments are traded. The decline in the carrying amounts of the investments subsequent to the balance sheet date and up to the date of approval of these interim condensed consolidated financial statements has not been reflected in these financial statements.

## 24. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the current Period's presentation.

## 25. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 23 August 2008.

## INTERIM DIVIDEND FOR 2008

No interim dividend was declared by the Company for 2008.

## SHARE OPTION SCHEME

The Share Option Scheme was adopted on 19 June 2007. The primary purpose of this Share Option Scheme is to provide incentives and/or rewards to eligible persons for their contribution to, and continuing efforts to promote the interests of the Company.

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

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, the interests or short positions of the Directors or chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code had been notified to the Company and the Stock Exchange, were as follows:

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

| Name of Director/chief executive | Number of Shares | Type of interests | Approximate percentage of Share in issue |
|---|---|---|---|
| Guo Guangchang | 4,987,008,500[(1)] | Corporate | 77.66% |
| Ding Guoqi | 12,940,000 | Individual | 0.20% |
| Qin Xuetang | 3,880,000 | Individual | 0.06% |
| Wu Ping | 7,760,000 | Individual | 0.12% |

(2) Long position in the Shares , underlying Shares and debenture of the Company's associated corporations (within the meaning of Part XV of the SFO):

| Name of Director/ chief executive | Name of associated corporation | Number of Shares | Type of interests | Approximate percentage of Share in issue |
|---|---|---|---|---|
| Guo Guangchang | Fosun Holdings | 1 | Corporation | 100% |
| | Fosun International Holdings | 29,000 | Individual | 58% |
| | Fosun Pharma | 76,050 | Individual | 0.01% |
| Liang Xinjun | Fosun International Holdings | 11,000 | Individual | 22% |
| Wang Qunbin | Fosun International Holdings | 5,000 | Individual | 10% |
| | Fosun Pharma | 76,050 | Individual | 0.01% |
| Fan Wei | Fosun International Holdings | 5,000 | Individual | 10% |
| Qin Xuetang | Fosun Pharma | 76,050 | Individual | 0.01% |

Notes:

(1) Pursuant to Division 7 of Part XV of the SFO, 4,987,008,500 Shares are deemed corporate interests of Mr. Guo Guangchang by virtue of his 58% shareholding in Fosun International Holdings.

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

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as the Directors are aware, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a subsidiary of the Company, or in any options in respect of such share capital were as follows:

| Name of substantial shareholders | Number of shares directly or indirectly held | Approximate percentage of issued Share capacity (%) |
|---|---|---|
| Fosun Holdings | 4,987,008,500 | 77.66 |
| Fosun International Holdings [(1)] | 4,987,008,500[(2)] | 77.66 |

Notes:

(1) Fosun International Holdings is held by Mr. Guo Guangchang, Mr. Liang Xinjun, Mr. Wang Qunbin and Mr. Fan Wei with 58.0%, 22.0%, 10.0% and 10.0% equity interests, respectively.

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

Save as disclosed herein and so far as is known to the Directors, as at 30 June 2008, no person (not being a Director) had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company repurchased 15,905,500 of its Shares on the Stock Exchange. All the Shares repurchased by the Company were cancelled. Details of Shares acquired by date are as follows:

| Date of Repurchase | Number of shares Repurchased | Highest Price Paid (HKD) | Lowest Price Paid (HKD) | Total Amount Paid (HKD) |
|---|---|---|---|---|
| 30 January 2008 | 3,000,000 | 5.50 | 5.30 | 16,194,900.00 |
| 31 January 2008 | 3,000,000 | 5.26 | 5.08 | 15,482,400.00 |
| 01 February 2008 | 4,000,000 | 5.20 | 5.02 | 20,514,800.00 |
| 15 February 2008 | 5,905,500 | 5.50 | 5.26 | 32,292,455.10 |
| Total | 15,905,500 | | | 84,484,555.10 |

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any Shares during the Reporting Period.

## REVIEW OF INTERIM RESULTS

During the Reporting Period, the Audit Committee of the Company comprised of three members, all of whom are independent non-executive Directors.

The duties of the Audit Committee of the Company primarily include reviewing and supervision of the Company's financial reporting procedures and internal control systems of the Group, as well as advising the Board.

The Company's interim results for the Reporting Period are unaudited. The Audit Committee of the Company has reviewed the Company's interim results for the Reporting Period.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except the deviation from Code A.2.1, details of which are set out below:

Code A.2.1 stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Guo Guangchang currently holds the offices of chairman and chief executive officer of the Company. The Board considers that the current structure of vesting the roles of chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

The Board is of the view that the current structure has been operating well over the years. Both the Board and senior management have benefited from the leadership and experience of Mr. Guo Guangchang. The Company has, therefore, no intention to segregate the duties of chairman and chief executive officer so as to maintain leadership consistency of the Company.

## COMPLIANCE OF THE MODEL CODE

The Company has adopted the Model Code. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the Reporting Period.

# Corporate Information

## Executive Directors
Guo Guangchang *(Chairman)*
Liang Xinjun *(Vice Chairman)*
Wang Qunbin
Fan Wei
Ding Guoqi
Qin Xuetang
Wu Ping

## Non-Executive Director
Liu Benren

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

## Audit Committee
Zhang Shengman *(Chairman)*
Chen Kaixian
Andrew Y.Yan

## Remuneration Committee
Andrew Y.Yan *(Chairman)*
Liang Xinjun
Zhang Shengman

## Company Secretary
Kam Mei Ha, Wendy

## Qualified Accountant
Tse Man Kit, Keith

## Authorised Representatives
Qin Xuetang
Ding Guoqi

## Auditors
Ernst & Young

## Legal Advisor as to Hong Kong Law
Herbert Smith

## Legal Advisor as to PRC Law
Chen & Co. Law Firm

## Compliance Adviser
Shenyin Wanguo Capital (H.K.) Limited

## Principal Bankers
Agricultural Bank of China
Industrial and Commerce Bank of China
China Construction Bank
China Merchants Bank
Bank of East Asia
Bank of Communications
Shanghai Pudong Development Bank

## Registered Office
Room 808, ICBC Tower
3 Garden Road
Central, Hong Kong

## Principle Office
No.2 East Fuxing Road
Shanghai
China 200010

## Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

## Stock Code
00656

## Website
http://www.fosun-international.com

## FORMULAS

| | | |
|---|---|---|
| EBITDA | = | profit for the year + tax + interest expenses + depreciation and amortisation |
| Total debt | = | current and non-current interest-bearing borrowings + interest - free loans from related parties |
| Total capitalisation | = | equity attributable to equity holders of the parent + minority interests + total debt |
| Interest coverage | = | EBITDA / interest expenses |
| Net debt | = | total debt – cash and bank balances |
| Net capitalisation | = | total capitalisation + net debt |

## ABBREVIATIONS

| | |
|---|---|
| the Company | Fosun International Limited |
| the Group | Fosun International Limited and its subsidiaries |
| the Board | the board of directors of the Company |
| the Director(s) | the director(s) of the Company |
| Fosun Holdings | Fosun Holdings Limited |
| Fosun International Holdings | Fosun International Holdings Ltd. |
| Fosun Pharma | Shanghai Fosun Pharmaceutical (Group) Company Limited |
| Sinopharm Holding | Sinopharm Medicine Holding Co., Ltd. |
| Guangxi Huahong | Guangxi Huahong Pharmaceutial Stock Co., Ltd. |
| Forte | Shanghai Forte Land Co., Ltd. |
| Nanjing Steel United | Nanjing Iron & Steel United Co., Ltd. |
| Jianlong Group | Tangshan Jianlong Industrial Co., Ltd. |
| Ningbo Steel | Ningbo Iron & Steel Co., Ltd. |
| Tianjin Steel | Tianjin Iron & Steel (Group) Co., Ltd. |
| Hainan Mining | Hainan Mining United Co., Ltd. |
| Jin'an Mining | Anhui Jin-an Mining Co., Ltd. |
| Huaxia Mining | Beijing Huaxia Jianlong Mining Technology Co. Ltd. |
| Shanjiaowulin | Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. |
| Zhaojin Mining | Zhaojin Mining Industry Co., Ltd. |
| Yuyuan | Shanghai Yuyuan Tourist Mart Co., Ltd. |
| Tebon Securities | Tebon Securities Co., Ltd. |
| Yong'an Insurance | Yong'an Insurance Co., Ltd. |
| Listing Rules | the Rules Governing the Listing of Securities on the Stock Exchange |
| Model Code | the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules |
| Reporting Period | the six months ended 30 June 2008 |
| SFO | the Securities and Futures Ordinance |
| Shares | the shares of the Company |
| Share Option Scheme | the share option scheme of the Company adopted on 19 June 2007 |
| Stock Exchange | The Stock Exchange of Hong Kong Limited |
| GFA | gross floor area |
| PRC | the People's Republic of China |
| RMB | Renminbi, the lawful currency of the PRC |
| HKD | Hong Kong dollars, the lawful currency of Hong Kong |
| USD | United States dollars, the lawful currency of the United States |