

**FOSUN 复星**

**ANNUAL REPORT 2008**

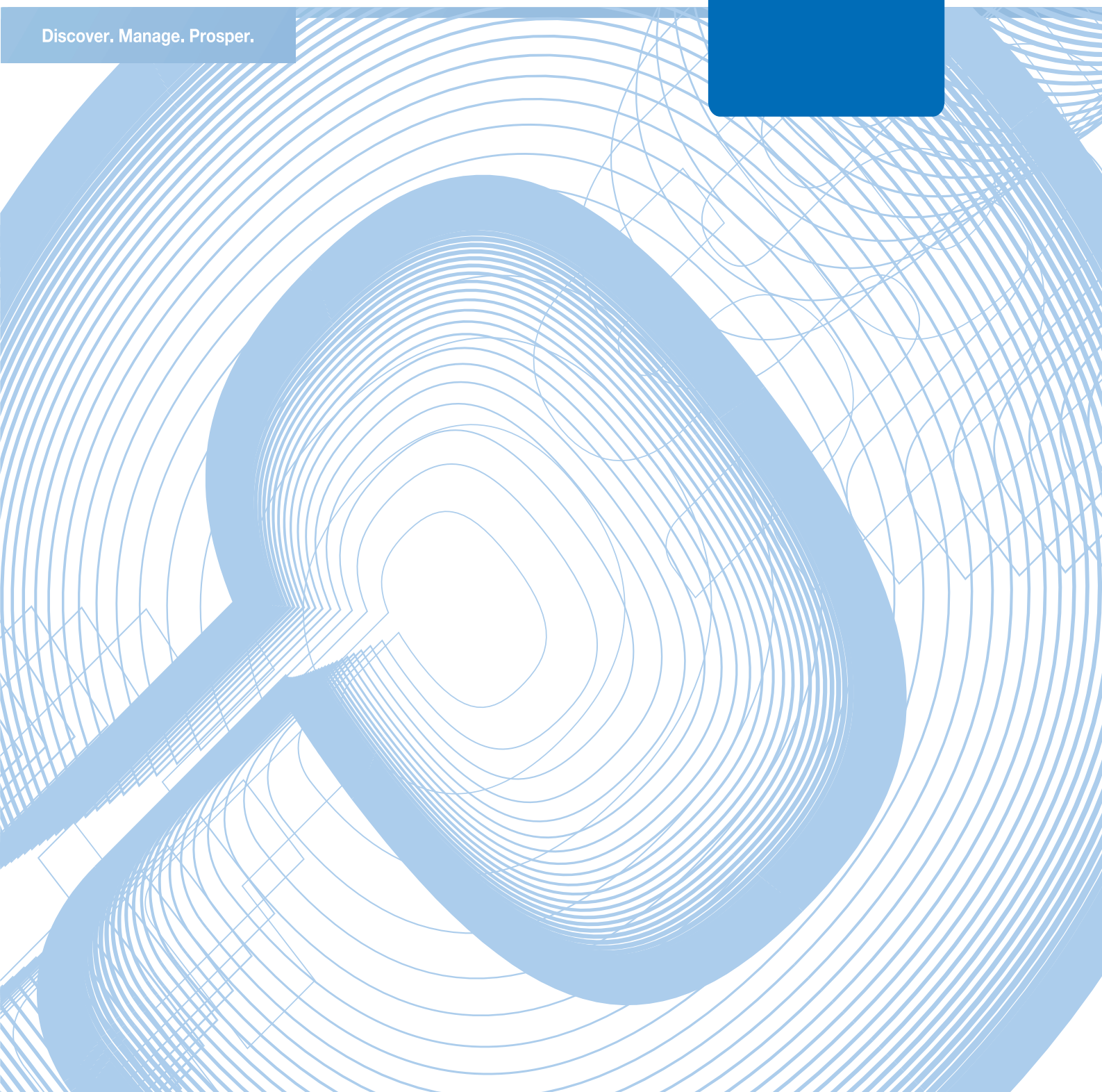
Stock Code : 00656

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**Fosun International Limited**

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

Discover. Manage. Prosper.



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# Financial Summary

<i>In RMB million</i>	For the year ended 31 December	
	2008	2007
<b>Revenue</b>	<b>40,250.3*</b>	31,977.1*
Contribution of each segment to revenue		
Pharmaceuticals	<b>3,699.2</b>	3,631.6
Property development	<b>3,733.3</b>	3,976.6
Steel	<b>30,930.0</b>	23,972.1
Mining	<b>3,106.6</b>	743.5
<b>Profit attributable to equity holders of the parent</b>	<b>1,328.4</b>	3,354.3
Contribution of each segment to the profit attributable to equity holders of the parent		
Pharmaceuticals	<b>261.4</b>	164.5
Property development	<b>57.6</b>	383.8
Steel	<b>118.0</b>	1,845.1
Mining	<b>1,285.1</b>	592.9
Retail, services and others (including unallocated expenses)	<b>(393.7)</b>	368.0
<b>Earnings per share (in RMB)</b>	<b>0.21</b>	0.59
<b>Dividend per share (in HKD)</b>	<b>0.08</b>	0.17

\*Notes: Intersegment sales in the amounts of RMB 1,218.8 million and RMB 346.7 million have been eliminated in the consolidated revenue for the years 2008 and 2007, respectively.

# Business Overview

With operations based in China, the Group has an excellent insight into the domestic market. After 17 years of operations, the Group has now grown into the largest privately-owned conglomerate in China.

## PHARMACEUTICALS

The Group operates its pharmaceutical business through its subsidiary Fosun Pharma. With respect to pharmaceutical research, development and manufacturing, products researched, developed and manufactured by Fosun Pharma for the treatment of various diseases such as liver disease, diabetes and malaria remain leaders in their respective niche markets. With respect to pharmaceutical distribution, Sinopharm Holding, in which Fosun Pharma holds significant equity interest, operates the largest pharmaceutical distribution network in China. With respect to pharmaceutical retail, Fosun Pharma's branded chain pharmacies are leading in terms of geographical coverage and market positions in major cities such as Shanghai and Beijing.

## PROPERTY DEVELOPMENT

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

## STEEL

The Group operates its steel business principally through its subsidiary Nanjing Steel United. Nanjing Steel United has an annual crude steel production capacity of over 6 million tonnes. Its main products are medium and heavy plates with established branding advantages in various segments such as plates for shipbuilding, plates for oil pipelines and structural steel for wind power generators. It remains competitive in the industry, measured by various economic efficiency indicators. During the Reporting Period, the Group's other important investments in the steel segment include its equity interest in Jianlong Group, one of the major privately-owned steel enterprises in China, as well as that in Ningbo Steel.

## MINING

Through its subsidiary Hainan Mining, the Group owns China's largest iron-rich ore mine and operates businesses such as iron ore mining and trading. Using Hainan Mining as one principal platform, the Group invested in additional iron ore companies to increase business scale, to improve ranking, as well as to generate and enhance integration and synergy with the Group's steel segment by increasing iron ore self-sufficiency. The Group also invested in other iron ore companies such as Jin'an Mining and Huaxia Mining and in other resources such as coking coal, molybdenum and gold.

## RETAIL, SERVICES AND STRATEGIC INVESTMENTS

The equity interest in Yuyuan held by the Group represents an important investment for its retail business. The Group also invested in a series of listed and unlisted companies including Focus Media, one of the largest digital media groups in the PRC. Strategic investments with high rates of return constitute one of the Group's principal businesses.

# Chairman's Statement



**Dear shareholders,**

2008 was a unique year with extraordinary changes. The Group's operations faced substantial challenges. In 2008, the Group's consolidated revenue was RMB40,250.3 million, representing a year-on-year increase of 25.9%, and profit attributable to equity holders of the parent was RMB1,328.4 million, representing a decrease of 60.4% as compared with 2007, in which the operating profit decreased by 27.9%.

**DIVIDEND**

Given the results and financial resources of the Group, and taking into account the need for future development, the Board has recommended the payment of a final dividend of HKD0.08 per ordinary share, with the total proposed dividend accounting for 34.1% of the profits attributable to equity holders of the parent for 2008. Subject to approval by the shareholders at the forthcoming annual general meeting, the proposed final dividend is expected to be paid on or around 16 July 2009 to shareholders whose names appear on the register of members of the Company on 19 June 2009.

**ANNUAL REVIEW**

In 2008, advantages of the Group's diversified business portfolio were fully revealed in facing the global financial crisis. During the Reporting Period, profits contributed by the pharmaceuticals and mining segments of the Group recorded year-on-year increases to various extents. The profit contribution of the mining segment increased by 116.7% as compared with 2007 while revenue and net profit of the pharmaceuticals segment recorded a historical high. In particular, Sinopharm Holding, the main associate of Fosun Pharma, continued to lead its dominant position in pharmaceutical distribution in China. However, there was a substantial decrease in profits contributed by the steel and property development segments.

Actively coping with the tough economic environment, the Group persisted in management optimisation and continued to enhance the core competitiveness of its portfolio companies. The Group strengthened its core management team and continued to improve risk control.

Seeking opportunities in the crisis, the Group continued to identify and capture opportunities for value investment in a time when the cost of assets was drastically declining. During the Reporting Period, the Group integrated its internal retail business and promoted portfolio companies to participate in industry integration. The Group paid close attention to investment opportunities from industries which benefit from the development of China's domestic consumption market, with light assets and less cyclical in nature. The Group increased investments in outstanding Chinese enterprises listed overseas which were significantly undervalued. Meanwhile, certain shareholdings were strategically disposed of to accelerate cashflow, thus to optimise asset structure, adopting an entry and exit strategy.

Abundant financial resources provided strong support for the Group to weather the crisis while capturing investment opportunities. Devoted to the construction of a multi-channel financing system, the Group now enjoyed advantages brought by its unique structure with financing platforms of both Hong Kong and Mainland China. This structure, on one hand, enabled the Group to collect sufficient cash ahead of the crisis, while on the other hand, allowed the Group to make full use of the current relatively easing financing environment in the PRC to increase debt financing in Reminbi thus to increase the proportion of medium and long term debt, optimize debt structure and reduce financing costs. As at the end of the Reporting Period, the Group had cash and bank balances of RMB11,691.0 million and unutilised credit facilities equivalent to RMB19,055.2 million.

## FUTURE PROSPECTS

At the beginning of 2009, the economy of several developed countries and regions including the United States, Europe and Japan showed signs of recession. Despite positive support from the government and huge domestic demand, it is still difficult for China to achieve positive performance in a globalised economy. As the worst may be yet to come, international and domestic economic environments will remain tough throughout 2009. The Group believes that the fundamentals of China's economy and the core impetus fueling China's development remain intact. The prolonged industrialisation and urbanisation processes and the great consumption and investment demands will provide strong and sustained driving forces for the growth of enterprises in China. Moreover, through the 30 years of implementation of reform and open policies, the Chinese Government has accumulated extensive experience in the operation and management of the market economy so as to better respond to the crisis. As such, the Group has full confidence in the medium to long term development of China's economy.

In 2009, the Group will continue to attend to funding, secure further high quality capital through various channels and in the meantime, reduce the costs and risks of financing having taken the leverage of the flexible financing environment in the PRC for optimising the debt structure of the Group. The Group will provide support and assistance to all business segments in their involvement in industrial integration and consolidation to continuously enhance the Group's competitiveness and position in those industries. The Group will also further invest in industries such as natural resources, consumption industry with brands, appropriately increase the proportion of light assets and weak cyclical industry assets in its asset portfolio, optimise and adjust asset structure, adjust its investment portfolio to lower costs and further invest in overseas assets.

The Group will continue to work towards attracting entrepreneurs and highly skilled individuals. Meanwhile, the Group will enhance consolidation of its various high quality research resources, further reinforce management control and risk prevention, and raise the standard and quality of service of its functional departments. Riding on its role as a corporate citizen and its attempt to be one of the best employers in China, the Group will continue to strive towards building its corporate brand.

Looking forward, 2009 is likely to be a year full of uncertainties for macro-economic development. Adhering to its corporate core values, the Group will respond to market changes and provide its portfolio companies with guidance and support in their strategic decisions, personnel deployment and comparison management. Meanwhile, the Group will continue to raise its competitive edge, enhance its ability to respond to risk and capture new opportunities. The Group's operations all benefit from the momentum of Chinese economic development. The Group has confidence that it can emerge from the crisis, develop rapidly and create value for its shareholders through its three core competitive strengths and the efforts of its employees.

## APPRECIATIONS

Confronting the global financial crisis of the century, the Group managed a relatively stable development with encouraging performance from certain segments. This, on one hand, was attributable to the Group's continuous efforts in building our core capabilities in investment, financing and management improvement, while on the other hand, was also due to the efforts by all of our staff, particularly our teams of entrepreneurs comprising professionals in operation, investment and financing, from various sectors at different levels. Our achievement also relied upon consistent support to the Group from all parties involved. I would like to express my sincere gratitude to our shareholders and partners. I would also like to give my appreciation to our devoted directors and staff who have performed outstandingly. The Group will strive to achieve our corporate culture, which is "self improvement, teamwork, performance and contribution to society". The Group will continue to follow our strategy "Discover • Manage • Prosper" to capitalize on every chance to maximize shareholders' value.

**Guo Guangchang**

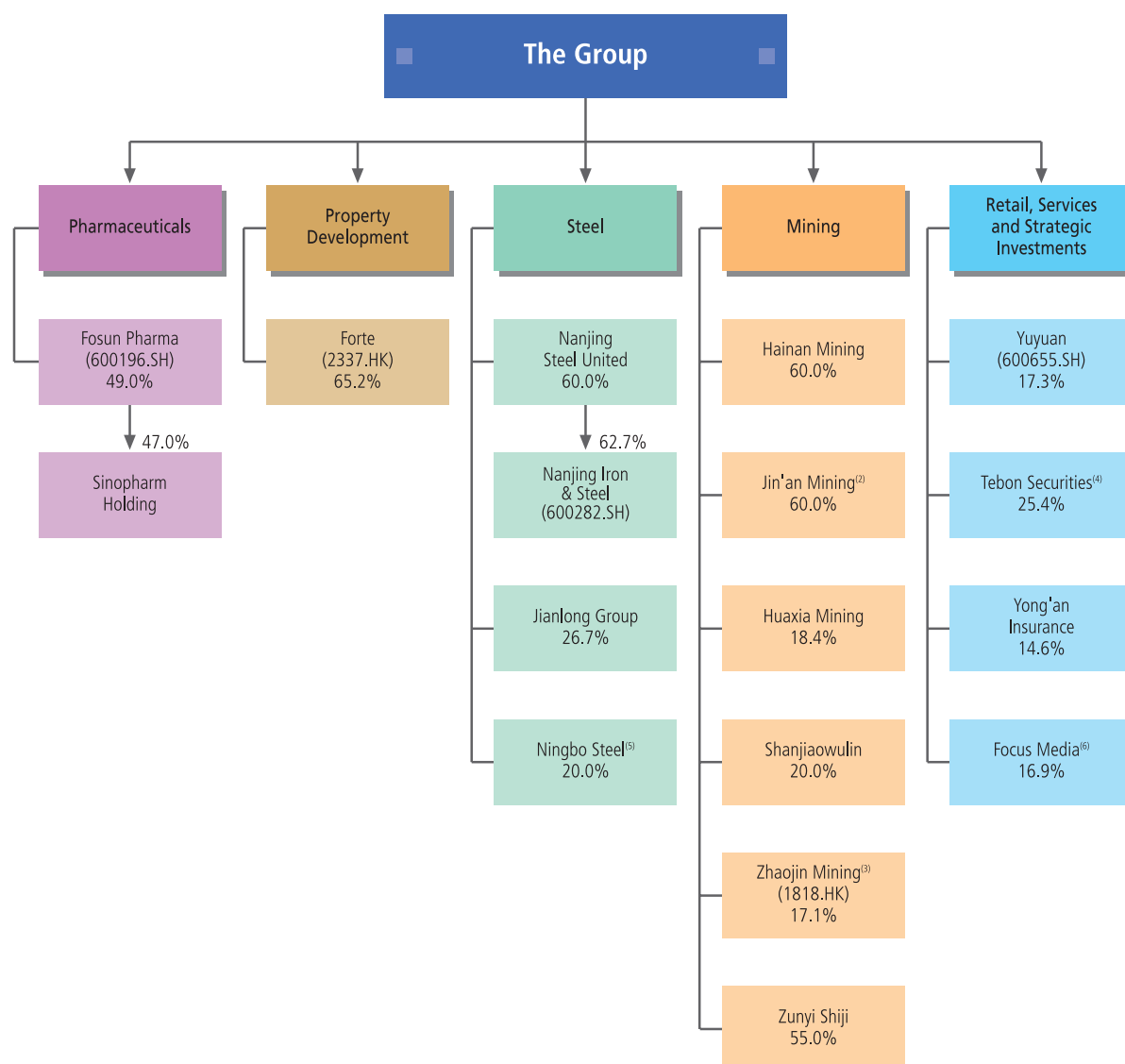
*Chairman*

Shanghai, PRC

11 March 2009



# Corporate Structure



As at 31 December 2008

Notes:

- (1) Shareholding percentages represent effective equity interests as at 31 December 2008.
- (2) Nanjing Steel United owns 100% equity interest of Jin'an Mining. Thereby, the Group has 60% effective shareholding of Jin'an Mining.
- (3) Yuyuan agreed to acquire from Fosun Industrial Investment approximately 10.91% of the total issued share capital of Zhaojin Mining on 10 November 2008. Upon completion of the transaction, Fosun Industrial Investment will hold approximately 3.64% of the total issued share capital of Zhaojin Mining while Yuyuan will hold approximately 26.18% of the total issued share capital of Zhaojin Mining.
- (4) Fosun Industrial Investment agreed to sell to Shanghai Xingye Investment Development Co., Ltd. its 19.7405% equity interest in Tebon Securities on 27 February 2009.
- (5) Nanjing Steel United agreed to sell to Hangzhou Iron & Steel Group Company its 20% equity interest in Ningbo Steel on 27 February 2009.
- (6) As at 11 March 2009, the Company holds approximately 26.53% equity interest in Focus Media.

# Business Review

2008 saw tough domestic and international economic conditions and severe fluctuations in cyclical industries. Confronting the crisis head on, the Group on one hand, persisted in the further development of its three core values, continuing to optimise management, identify and capture investment opportunities and raise high quality capital through multiple channels; on the other hand, the Group made timely optimal adjustments to the structure of its asset portfolio according to market changes and strengthened its ability to cope with the crisis. During the Reporting Period, although steel and property development businesses were being challenged, the financial status of the Group remained sound and the Group had abundant cash on hand. With the efforts of all staff and the Group's fundamental competitive advantages, the Group continued to make steady improvements in aspects such as cost control, product innovation, market development, risk management and brand building. The profits contributed from the pharmaceuticals and mining segments of the Group recorded substantial growth. With its diversified source of profit, the Group can better resist the crisis as compared to other companies which are engaged in a single industry.

During the Reporting Period, the consolidated revenue of the Group amounted to RMB40,250.3 million, representing a year-on-year increase of 25.9%. The profit attributable to equity holders of the parent was RMB1,328.4 million, representing a year-on-year decrease of 60.4%.

## 1. ANALYSIS OF MAIN REASONS AFFECTING THE GROUP'S PERFORMANCE

The two main reasons for the decline in profit of the Group in the Reporting Period were (i) non-recurring loss during the Reporting Period while there were significant non-recurring incomes and gains recorded in 2007, and (ii) the losses recorded by the steel segment in the second half of 2008 while there was a substantial profit contribution from this segment in 2007.

The major reason for non-recurring loss was impairment provisions for part of the long-term assets of the Group and exchange loss incurred at the holding companies level.

The major reason for the loss recorded by the steel segment for the second half of 2008 was the substantial operating pressure endured by Ningbo Steel in the second half of 2008 amid a sharp industry-wide correction. Other reasons for the declines in performance of this segment included drastic declines in steel prices in the second half of 2008 and provision for inventory and reduced product output from portfolio companies because of weak market demand for iron and steel.



## 2. CONTINUOUSLY OPTIMISE MANAGEMENT AND STEADILY ENHANCE CORE COMPETITIVENESS

### 2.1 Pharmaceuticals

The Group is engaged in the pharmaceuticals business through Fosun Pharma, a subsidiary of the Company listed on the Shanghai Stock Exchange. The major business areas of Fosun Pharma include the manufacture, research and development, distribution and retail of pharmaceuticals.

During the Reporting Period, the pharmaceuticals segment contributed RMB261.4 million to profit attributable to equity holders of the parent, representing an increase of 58.9% compared to 2007.

The performance of the pharmaceuticals segment was mainly reflected in the following two aspects:

- 1) During the Reporting Period, the pharmaceutical manufacturing and research and development business of Fosun Pharma recorded a year-on-year growth of profit.
- 2) Sinopharm Holding, a major associate of the Group, continued to maintain its rapid growth and further consolidated its dominant industry ranking in the market.

### 2.2 Property Development

The Group is engaged in the property development business through Forte, a subsidiary of the Company listed on the Stock Exchange.

Confronted with a continued downward trend in the property market, Forte promptly adopted various measures including responding to market changes by, among other things, actively slowing down land acquisition plans and stepping up efforts in sales promotion to mitigate operational risks. During the Reporting Period, the newly acquired land reserve in terms of planned gross floor area attributable to Forte was approximately 1,270,000 sq.m., a decrease of approximately 54% compared to 2007.

Forte's main achievements during the Reporting Period are as follows:

#### *Project Development*

During the Reporting Period, Forte had a total of 34 projects under development (including projects undertaken by joint ventures of Forte) with an aggregate GFA of approximately 3,307,175 sq.m., of which the aggregate GFA attributable to Forte was approximately 2,393,126 sq.m..



#### *Land Bank*

As at the end of the Reporting Period, the planned aggregate GFA of Forte's land bank amounted to 7,783,498 sq.m. (the planned GFA attributable to Forte was approximately 4,905,340 sq.m.) located in 11 cities, including Shanghai, Beijing, Chengdu, Wuhan, Wuxi, Hangzhou, Chongqing, Tianjin, Nanjing, Xi'an and Changchun.

#### *Property Sales*

During the Reporting Period, Forte sold properties with an aggregate GFA of approximately 540,314 sq.m., of which approximately 356,407 sq.m. was attributable to Forte, representing a year-on-year decrease of 34.4%.

#### *Property Booked*

During the Reporting Period, total GFA booked amounted to 550,765 sq.m., and the GFA booked attributable to Forte amounted to 361,051 sq.m., representing a year-on-year decrease of 33.7%.



### 2.3 Steel

The Group is engaged in iron and steel operations mainly through Nanjing Steel United, and has investments in Jianlong Group and Ningbo Steel, both associates of the Group.

The major portfolio companies of the Group in the steel segment include:

Major portfolio companies	Major products	Output of crude steel in 2008 (million tonnes)	Effective equity interest
Nanjing Steel United	Medium and heavy plates and bars and wire rods	5.74	60.0%
Jianlong Group	Medium wide hot and cold strips, hot-rolled coils, bars and wire rods	6.54	26.7%
Ningbo Steel	Steel billets and hot rolled coils	2.84	20.0%*

\* The Group owned 20% equity interest in Ningbo Steel through Nanjing Steel United and held 30.5% equity interest in Ningbo Steel through Jianlong Group.

During the Reporting Period, the steel industry experienced significant fluctuations. Nanjing Steel United sold 5.22 million tonnes of steel in 2008. According to the statistics of the China Iron & Steel Association, among steelmakers with a production capacity of over 5 million tonnes, Nanjing Steel United ranked number 2 in total asset contribution, number 3 in return on net assets and number 4 in the overall efficiency index, per capita profit and per capita profit tax.

After prudent evaluation, the Group considered that the shareholding structure of Ningbo Steel was unfavourable to bringing the advantages of integration into full play and entered into an agreement to dispose of its equity interest in Ningbo Steel for RMB720.0 million on 27 February 2009.

## 2.4 Mining

During the Reporting Period, contribution of the mining segment to the profit attributable to equity holders of the parent was RMB1,285.1 million, representing a year-on-year increase of 116.7%. The major portfolio companies of the Group in the mining segment include:

Major portfolio companies	Major products	Output in 2008	Effective equity interest	Notes to changes in effective equity interest
Hainan Mining	Lump ore and refined ferrous powder	A total of 2.75 million tonnes of lump ore and refined ferrous powder	60.0%	No change
Jin'an Mining	Refined ferrous powder	0.63 million tonnes of refined ferrous powder	60.0%	No change
Huaxia Mining	Refined ferrous powder	2.74 million tonnes of refined ferrous powder	18.4%	No change
Shanjiaowulin	Coke, methanol and raw coal	0.78 million tonnes of coke	20.0%	No change
Zhaojin Mining	Gold	17,619 kg (approximately 499.5 thousand ounces) of gold	17.1%*	Agreement has been entered into in relation to the transfer of 10.91% equity interest during the Reporting Period
Zunyi Shiji	Ammonium molybdate	24.9 tonnes of ammonium molybdate	55.0%	Subsidiary acquired during the Reporting Period

\* The Group directly owned 14.5% equity interest in Zhaojin Mining and indirectly held 15.3% equity interest in Zhaojin Mining through Yuyuan.



Since August 2008, prices of iron ore have dropped significantly, but the Group's mining business segment recorded remarkable earnings. The major strengths and results of the mining segment are attributable to:

- 1) the production cost advantages of the Group's subsidiaries such as Hainan Mining;
- 2) the cost advantages of the initial investment in the mining business segment by the Group;
- 3) the prompt adjustment made by Hainan Mining to its production plan and its enhanced efforts in the mining of ores amidst high ore prices in the first half of 2008;
- 4) the continued improvement in management and operations of Hainan Mining, which enhanced the pricing and sales ability of its products.

## 2.5 Retail, Services and Strategic Investments

The Group's major investments in the retail and services industries include its 17.3% equity interest in Yuyuan. The Group is the largest single shareholder of Yuyuan. During the Reporting Period, contribution of Yuyuan to profit attributable to equity holders of the parent was RMB51.9 million. Revenue was RMB7,805.9 million, the highest recorded over the past years. The improvement in the results of the principal business of Yuyuan was mainly attributable to the steady growth of its core retail business, in particular of gold. During the Reporting Period, the Group's investments in the retail industry and services industry also included its 19.74% equity interest in Tebon Securities. The contribution of Tebon Securities to profit attributable to equity holders of the parent was RMB23.9 million. The Group entered into an agreement to dispose of its interests in Tebon Securities on 27 February 2009.

Strategic investment is a major business of the Group. It also demonstrates the Group's ability to identify promising investment opportunities in the PRC. During the Reporting Period, the Group invested in various strategic investment projects, including Focus Media, one of the largest digital media groups in the PRC.



The Group considers new media to belong to the light asset industry which generates steady cash flow, benefits from the development of demand in the PRC and meets the Group's needs in optimising and adjusting its asset structure. Focus Media is a leading enterprise in its industry and its products cover various media such as visual media in commercial buildings targeting special respondents which can be mutually integrated. Amid the drastic decline of overseas capital markets, the Group has captured the opportunity to invest in Focus Media at just the right time. At the end of the Reporting Period, the Group acquired 16.9% equity interest in Focus Media for USD193.1 million. The Group is currently the single largest shareholder of Focus Media.

### 3. CONTINUE TO IDENTIFY AND CAPTURE INVESTMENT OPPORTUNITIES

With the development of the global financial crisis and drastic declines in asset values during the Reporting Period, many valuable investment opportunities have emerged. The Group anticipates that the worst is yet to come for the current economic crisis. Bearing this in mind, the Group will, on the basis of prudent evaluation and upholding the principle of maximising shareholders' interests, make proper use of existing financial resources to propel integration among segments, actively drive members of the Group to participate in industry integration at low costs, moderately increase the proportion of light assets and weak cyclical industry assets, increase asset liquidity and optimise and adjust the asset structure of the Group.

In respect of driving industry integration among segments: During the Reporting Period, Fosun Pharma completed the transfer of its 23% equity interest in Shanghai Friendship Fosun (Holding) Co., Ltd. to Yuyuan, basically completing the integration of the internal retail business of the Group. Meanwhile, Yuyuan entered into an agreement with the Group to acquire 10.91% equity interest in Zhaojin Mining. Upon completion of the transfer, the percentage of shares held by Yuyuan in Zhaojin Mining will have increased from 15.27% to 26.18%, thus enhancing the integration of upstream industries by Yuyuan.





In respect of driving the participation of existing industries in industry integration and acquisition: In the pharmaceuticals segment, Fosun Pharma invested in an overseas-listed pharmaceutical enterprise during the Reporting Period. As at the end of the Reporting Period, Fosun Pharma had invested USD13.1 million acquiring 12.1% equity interest in Tongjitang Chinese Medicines Company (NYSE: TCM), one of the largest domestic orthopaedic pharmaceutical manufacturing enterprises listed overseas. In the property development segment, Forte has, on one hand, continued acquiring interest in land at low costs and added a total GFA of approximately 1,270,000 sq.m. attributable to Forte to its land bank through the acquisition of project companies and by way of auction after prudent feasibility studies, and on the other hand, taken advantage of the opportunities of significant declines in the capital markets, acquiring additional shares of approximately 1.15% in Shanghai Zendai Property Limited during the Reporting Period. In the mining segment, the Group has, at the same time, continued to expand investment in mining. During the Reporting Period, the Group acquired 55% equity interest of Zunyi Shiji at RMB190.0 million to fund the construction of a platform for non-ferrous mining. Meanwhile, Hainan Mining continues to aim at building itself as a leading enterprise in small and medium mine exploration, and invested RMB223.3 million in mining projects in Xinjiang and Yunnan.

In respect of the optimisation of asset structure and allocation: The Group has a positive stance towards industries which benefit from the growth momentum of China, particularly those industries closely related to internal PRC demand such as pharmaceuticals, branded consumer products, commercial chains, new media and internet applications. The Company believes that these industries can not only better resist the current declining economic conditions but also generate steady cash flow, which is favourable to the optimisation of the Group's current asset structure. In late 2008, the Group invested in Focus Media, one of the largest digital media groups in the PRC, through securities trading on NASDAQ. During the Reporting Period, Fosun Pharma acquired 20% equity interest in the Chinese-style fast-food chain, Old Uncle Catering, which was one of the "Top 10 Catering Brands in the PRC" for RMB56.0 million. Also during the Reporting Period, Yuyuan acquired 5% equity interest in Asia Christine International Holding Co., Ltd., one of the largest western-style food chain enterprises in Shanghai for USD15.1 million. At the same time, the Group continued to pay attention to and seek investment opportunities which are currently undervalued and may enjoy sustained high growth in the future, such as investment opportunities in the resources industry.



In response to the current market changes, the Group promptly adjusted its investment strategy and shifted its investment focus from enterprises proposed to be listed to listed projects in the second half of 2008. In particular, it has increased investment in severely undervalued PRC enterprises listed overseas. Under the current special economic environment, the Group strictly evaluates various existing investment projects within the Group when increasing external investment. Assets which are incapable of meeting the Group's investment return requirements will be disposed of in a timely manner, thus reducing risk and releasing funds to allow the Group to capture different investment opportunities.

#### **4. CONSTRUCT A MULTI-CHANNEL FINANCING SYSTEM**

During the Reporting Period, relatively satisfactory results were achieved in multi-channel financing under the backdrop of banks being prudent in granting loans as a result of the overseas financial crisis and domestic macro-economic control measures.

As at the end of the Reporting Period, the Group's total debt to total capitalisation ratio was 45.0%. Cash and bank deposits were RMB11,691.0 million. Unused credit facilities amounted to RMB19,055.2 million. In line with state policy, the Group has made full use of the advantages of financing platforms in the PRC and Hong Kong to step up efforts in medium-to-long-term debt financing, and switched from fixed rates to floating rates of interest in a timely manner. It has also taken advantage of reduced interest rates to reduce financing costs. After obtaining the approval of the National Development and Reform Commission of the PRC, Nanjing Steel United commenced the issue of 7-year RMB2.5 billion corporate bonds in February 2009. As at 31 December 2008, the percentage of medium-to-long-term debts in total interest-bearing debts of the Group reached 37.6% and 76.2% of the interest-bearing debts are subject to floating rates. The optimised debt structure and declining financing costs facilitate the Group in better coping with the crisis.

#### **5. ENHANCE RISK CONTROL**

During the Reporting Period, the Group did not purchase any high-risk, high-leverage financial derivatives, ensuring the security of assets and a reasonable debt ratio with controlled operating risk.

# Financial Review

## PREFACE

The 2008 Annual Report of Fosun International includes Chairman's Statement, annual accounts and other information that is required by the accounting standards, law and the Stock Exchange. This Financial Review has been prepared to discuss the profit contribution of each business segment and the overall financial position of the Company so as to assist readers to have a better understanding of the statutory information contained herein.

The Consolidated Income Statement, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement are set out on pages 58 to 67 of this annual report. The accompanying notes to these financial statements for further explaining certain information contained in the statements are set out on pages 68 to 177 of this annual report.

On page 57 is the report to shareholders from Fosun International's auditor, Ernst & Young of their independent audit on Fosun International's Annual Accounts.

## ACCOUNTING PRINCIPLES

Fosun International 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, which is in line with International Financial Reporting Standards.

## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The profit attributable to equity holders of the parent in 2008 was RMB1,328.4 million, representing a decrease of 60.4% compared with RMB3,354.3 million in 2007. Details of the reasons for the decrease in profit are described below.

## PROFIT CONTRIBUTION OF EACH BUSINESS SEGMENT

Comparison between the profit contribution of each business segment in 2008 and the corresponding figures in 2007 is as follows:

Unit: RMB million

Business Segments	2008	2007	Increase/ (decrease)
Pharmaceuticals	261.4	164.5	96.9
Property development	57.6	383.8	(326.2)
Steel	118.0	1,845.1	(1,727.1)
Mining	1,285.1	592.9	692.2
Retail, services and others	(393.7)	368.0	(761.7)
Total	1,328.4	3,354.3	(2,025.9)

**Pharmaceuticals:** Profit contributed by the pharmaceuticals segment increased to RMB261.4 million in 2008 from RMB164.5 million in 2007. The significant increase was mainly due to rapid growth in the research and development and manufacturing business of Fosun Pharma in 2008 and the continuing and rapid growth in the performance of its associate Sinopharm Holding.

**Property Development:** Profit contributed by the property development segment decreased to RMB57.6 million in 2008 from RMB383.8 million in 2007. The decrease in profit contribution was primarily due to the impairment provision for available-for-sale investment in 2008 as opposed to the gains on disposal of equity interests in certain project companies in 2007.

**Steel:** Profit contributed by the steel segment decreased to RMB118.0 million in 2008 from RMB1,845.1 million in 2007. The significant decrease was due to the downturn of the steel market as a result of the price of steel products plummeting in the second half of 2008 within a short period. Furthermore, Nanjing Steel United, Ningbo Steel and Jianlong Group made impairment provision for inventories due to the decreasing price of steel products and raw materials, which further added to the decrease in profit contributed by the steel segment in 2008 as compared with that of 2007.

**Mining:** Profit contributed by the mining segment increased to RMB1,285.1 million in 2008 from RMB592.9 million in 2007. This substantial increase was mainly attributable to Hainan Mining, the subsidiary acquired in August 2007, the operating results of which were consolidated for the whole year of 2008. Jin'an Mining, a subsidiary of the Company and Huaxia Mining, an associate of the Group, contributed further to the operating profit of the mining segment with their increases in production capacity and average selling prices. In addition, the mining segment recognised an excess over the cost of business combination of RMB129.0 million arising from its acquisition of equity interest in Huaxia Mining in 2007. There was no such gain in 2008, and this partially offset the growth of operating profit in the mining business.

**Retail, Services and Others:** Profit contributed by the retail, services and others segment decreased to a loss of RMB393.7 million in 2008 from the profit of RMB368.0 million in 2007. During the Reporting Period, the core retail businesses, in particular the gold retail business operated by Yuyuan, an associate of the Group, maintained stable growth. However, profit contributed by the retail businesses decreased compared with that of 2007, as the gain from the share transfer of equity interest in a property company was recognised in 2007 and there was no such gain in 2008. During the Reporting Period, affected by negative market conditions in 2008, profit contributed by Tebon Securities, decreased as compared with that of 2007. In addition, the Group recognised interest income of RMB211.7 million for frozen proceeds from the listing, a gain of RMB180.1 million on the disposal of part of its equity interest in Yuyuan, and an excess over the cost of business combination realised as income of RMB141.2 million arising from the acquisition of 60% equity interest in Hainan Mining. There were no such gains during the Reporting Period, and this expanded the difference in the profit contributed by the retail, services and others segment between 2008 and 2007.

## REVENUE

In 2008, total consolidated revenue of the Group was RMB40,250.3 million, an increase of 25.9% compared to RMB31,977.1 million in 2007. The growth of revenue was mainly due to the increase in revenue of the steel and mining segments in 2008 as compared to 2007, the details of which are described below.

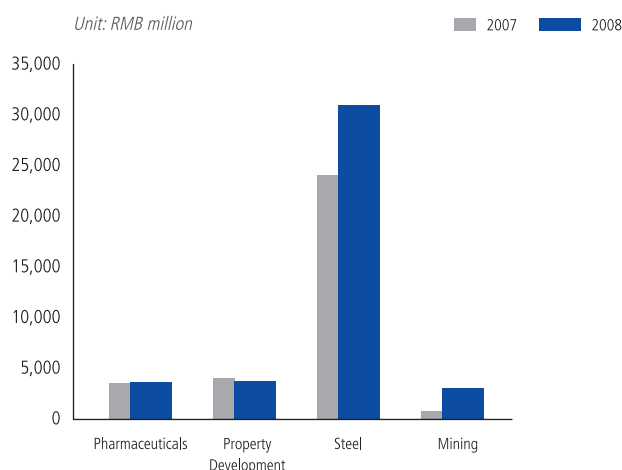
**Pharmaceuticals:** Revenue of the pharmaceuticals segment was RMB3,699.2 million in 2008, which remained almost the same as compared with RMB3,631.6 million in 2007. Despite the deconsolidation of a former subsidiary Guangxi Huahong Pharmaceutical Co., Ltd., which was no longer qualified as a subsidiary from December 2007, and the deconsolidation of revenue of the subsidiary Hubei Tianxiang Pharmaceutical Co., Ltd. after it was disposed of in August 2008, the rapid development of the pharmaceutical manufacturing business still maintained stable revenue levels for the pharmaceuticals segment.

**Property Development:** Revenue of the property development segment decreased to RMB3,733.3 million in 2008 from RMB3,976.6 million in 2007. The decrease in revenue was mainly due to the decrease in GFA booked by Forte in 2008 as compared to 2007.

**Steel:** Revenue of the steel segment increased to RMB30,930.0 million in 2008 from RMB23,972.1 million in 2007. The revenue from the steel segment increased by 29.0%. Selling prices in the domestic steel market remained at high levels pushed by increasing costs in the first half of 2008, which resulted in a higher average selling price of steel products for Nanjing Steel United for the whole year of 2008 as compared to 2007. The increase was also due to a further optimised product structure and continuous increases in the proportion of high value-added products, in particular medium and heavy plates. The volume and revenue of sales from medium and heavy plates were higher in 2008 as compared to 2007.

**Mining:** Revenue of the mining segment increased to RMB3,106.6 million in 2008 from RMB743.5 million in 2007. The significant increase was due to the incorporation of a newly acquired subsidiary in August 2007, Hainan Mining into the account of the whole year of 2008 and the expansion in production capacity of the subsidiary, Jin'an Mining.

The comparison of revenue by segments between 2008 and 2007 is as follows:



Note: Intersegment sales amounting to RMB346.7 million and RMB1,218.8 million were not eliminated for 2007 and 2008 respectively.

## INTEREST EXPENSES

The interest expenses net of the capitalised amount of the Group increased from RMB1,254.4 million in 2007 to RMB1,348.9 million in 2008. This was mainly attributable to an increase in the loan amount. In 2008, the interest rate of the borrowings cost was approximately between 1.60% and 9.34%, compared with 2.13% and 9.84% in 2007.

## TAX

Tax decreased from RMB1,440.0 million in 2007 to RMB1,149.1 million in 2008. The decrease was mainly attributable to the fall in the taxable profit of the steel business, which resulted in a decrease of income tax charge.

## BASIC EARNINGS PER SHARE OF ORDINARY SHARES

Basic earnings per share attributable to equity holders of the parent was RMB0.21 in 2008, representing a decrease of 64.4% from RMB0.59 in 2007. The weighted average number of shares was 6,423.1 million shares for 2008 while the comparable number was 5,660.1 million shares for 2007. During the Reporting Period, the Company has repurchased 15.9 million shares of the Company and all repurchased shares have been cancelled.

## PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a proposed final dividend of HKD0.08 per ordinary share for the year ended 31 December 2008. Subject to the approval of the Company's equity holders at the Company's annual general meeting to be held on 19 June 2009, the proposed final dividend will be paid to the Company's equity holders on or around 16 July 2009.

## CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

The capital expenditures of the Group mainly included the amounts spent on construction of production facilities as well as technology upgrade and purchase of machines and equipments. We have been increasing investment in the research and development of pharmaceutical products in order to produce more proprietary products with higher profit margin. We have been striving for property development and will make necessary adjustments according to the changes in market conditions. In order to enhance the production capacity of the steel segment and the optimisation of product mix, we have increased the investment in the steel segment. Efforts will be made in the mining segment with an aim to continuously strengthen our leading role in the industry. Details of capital expenditure are set out in note 5 to the financial statements.

As at 31 December 2008, the Group's capital commitment contracted but not provided for was RMB4,871.7 million, which is mainly committed for property development. Details of capital commitment are set out in note 47 to the financial statements.

## INDEBTEDNESS AND LIQUIDITY OF THE GROUP

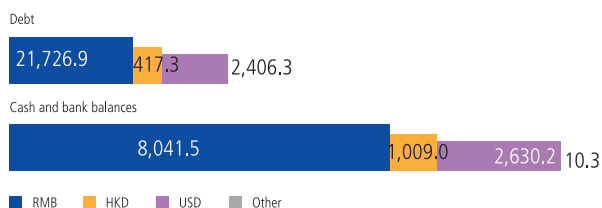
As at 31 December 2008, total debt of the Group increased to RMB24,550.5 million from RMB21,918.0 million as at 31 December 2007, in particular, attributable to the increase in long-term borrowings.

Unit: RMB million

	2008	2007
Total debt	<b>24,550.5</b>	21,918.0
Cash and bank balances	<b>11,691.0</b>	14,144.0

The original denomination of the Group's debt as well as cash and bank balances by currencies, equivalent in RMB, as at 31 December 2008 is summarised as follows:

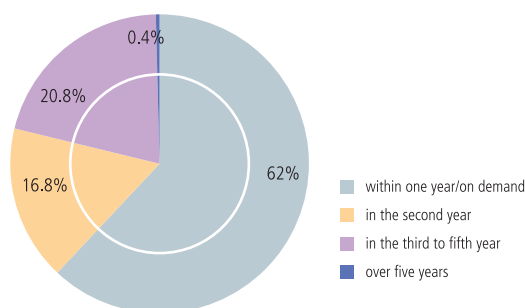
Unit: RMB million equivalent



## THE MATURITY PROFILE OF OUTSTANDING BORROWINGS

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

### Outstanding borrowings classified by year of maturity



## TOTAL DEBT TO TOTAL CAPITALISATION RATIO

As at 31 December 2008, the ratio of total debt to total capitalisation was 45.0% as compared to 42.3% as at 31 December 2007, and this was maintained at relatively stable levels throughout the year. Healthy gearing ratios and sufficient financial resources will enhance the Group's ability to defend against risk exposure and provide support to the Group in its proposed capture of investment opportunities.

## BASIS OF CALCULATING INTEREST RATE

To stabilise interest expenses, the Group endeavoured to maintain appropriate borrowings at fixed interest rates and floating interest rates. The Group made timely adjustment to the debt structure under the current circumstances where the interest rate was reduced from time to time. As at 31 December 2008, 76.2% of the Group's total borrowing bore interest at a floating interest rate.

## ANALYSIS OF THE BORROWINGS OF THE GROUP

Unit: RMB million

	2008	2007
The Company	<b>937.1</b>	—
Pharmaceuticals	<b>2,183.0</b>	2,289.4
Property development	<b>6,598.4</b>	5,586.4
Steel	<b>12,214.0</b>	10,839.7
Mining	<b>253.0</b>	160.5
Retail, services and others	<b>2,365.0</b>	3,042.0
<b>Total</b>	<b>24,550.5</b>	21,918.0

### AVAILABLE FACILITIES

As at 31 December 2008, save for cash and bank balances of RMB11,691.0 million, the Group had unutilised banking facilities of RMB19,055.2 million.

Save for the banking facilities mentioned above, the Group has entered into cooperation agreement with various major banks in China. According to these agreements, the banks granted the Group general banking facilities to support its capital needs. Prior approval of individual projects in China from banks in accordance with bank regulations must be obtained before the use of these banking facilities. As at 31 December 2008, available banking facilities under these arrangements totalled RMB42,791.2 million, of which RMB23,736.0 million was allocated to various projects.

### CASH FLOW

In 2008, net cash flow from operating activities was RMB1,295.1 million. Profit for the year was RMB2,717.9 million. However, property under development increased by RMB3,018.0 million, accrued liabilities and other payables decreased by RMB2,029.2 million and income tax payment was RMB1,839.4 million. All the above led to the decrease in net cash flow of operating activities during the year. The decrease in prepayments, deposits and other receivables was RMB1,219.4 million and the increase in trade and notes payables was RMB754.4 million, which partially offset the decrease in net operating cash flow. The increase in property under development was mainly due to the increase of investments in property projects in the property development segment. The decrease in

accrued liabilities and other payables was primarily due to the decrease in prepayment by clients. The decrease in prepayment, deposits and other receivables was mainly contributed by the decrease in prepayments to vendors by the property development segment.

In 2008, net cash outflow to investing activities was RMB1,531.2 million. The cash was mainly used for purchase of items of property, plant and equipment, acquisition of minority interests of the subsidiary Forte, and new services and strategic investment projects by the Group. While the Group's partial term deposits with maturity of more than 3 months were released into cash and cash equivalents.

In 2008, net cash outflow to financing activities was RMB210.4 million. The cash was mainly used for repayment of bank and other borrowings, paying interests on bank loans and dividends, with majority offset by the proceeds from new bank and other borrowings.

### PLEDGED ASSETS

As at 31 December 2008, the Group had pledged assets of RMB10,297.3 million (31 December 2007: RMB8,900.4 million) in order to obtain bank borrowings. Details of the Group's pledged assets were set out in note 36 to the financial statements.

### CONTINGENT LIABILITIES

The Group's contingent liabilities were RMB4,297.0 million as at 31 December 2008. Details of contingent liabilities were set out in note 48 to the financial statements.



## INTEREST COVERAGE

In 2008, EBITDA divided by interest expense was 5.1 times as compared with 7.8 times in 2007 on the same calculation basis. This was due to the fact that EBITDA had decreased by 29.6% as a result of reduced profit of the Group, whereas interest expense increased by 7.5%.

## FINANCIAL POLICIES AND RISK MANAGEMENT

### General policy

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

### Foreign currency 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, with part of it converted into foreign currencies for the purchase of imported raw materials. Since the exchange rate reform in July 2005, the exchange rate of 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 31 December 2008, 95.8% (approximately RMB66,847.8 million) of our total assets were located in Mainland China (31 December 2007: RMB62,799.8 million or 93.8%).

Since the net proceeds from the listing on 16 July 2007 of the Company were denominated in HKD and all these amounts could not be converted into RMB or be used in the short term. With the continuous appreciation of Renminbi, these non-Renminbi deposits will incur substantial exchange loss for a considerable length of time due to currency conversion for business settlement and currency translation for report preparation since the reform of the exchange rate.

### Interest rate exposure

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

### Application of derivatives

The Group will promptly apply derivative instruments to hedge the risk exposure instead of speculation. In order to mitigate the uncertainties of Renminbi appreciation to the revenue of export business, individual subsidiaries of the Group have entered into foreign currency forward contracts with financial institutions with an aim to secure the amount of Renminbi converted from future proceeds. The amount of such forward contracts is regarded as immaterial.

## FORWARD-LOOKING STATEMENTS

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

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.

# Five-Year Statistics

Unit: RMB million

Year	2004 (restated)	2005 (restated)	2006 (restated)	2007	2008
Total equity	7,747.1	9,203.4	11,140.9	29,970.6	<b>30,043.1</b>
Equity attributable to equity holders of the parent	1,463.1	2,825.1	3,982.7	19,834.1	<b>19,870.3</b>
Equity per share attributable to equity holders of the parent (in RMB)	0.29	0.57	0.80	3.08	<b>3.09</b>
Indebtedness					
Total debt	10,601.5	14,410.7	19,143.0	21,918.0	<b>24,550.5</b>
Total debt/Total capitalisation	57.8%	61.0%	63.4%	42.3%	<b>45.0%</b>
Interest coverage (times)	6.5	5.9	4.2	7.8	<b>5.1</b>
Capital employed	12,064.6	17,235.8	23,125.7	41,752.1	<b>44,420.8</b>
Cash and bank balances	4,158.2	5,001.8	5,062.7	14,144.0	<b>11,691.0</b>
Property, plant and equipment	11,454.7	12,648.9	14,459.9	15,598.6	<b>16,378.6</b>
Investment property	—	—	446.0	456.0	<b>429.0</b>
Property under development	4,075.8	7,487.3	7,509.9	9,415.0	<b>12,787.7</b>
Prepaid land lease payments	322.1	515.6	542.7	908.4	<b>893.4</b>
Mining rights	—	—	160.9	546.5	<b>1,110.7</b>
Interest in associates	4,075.2	4,281.9	5,461.8	6,848.0	<b>5,947.1</b>
Available-for-sale investments	367.1	319.3	291.2	2,188.1	<b>1,905.3</b>
Profit attributable to equity holders of the parent	1,278.9	1,362.4	1,095.8	3,354.3	<b>1,328.4</b>
Earnings per share (in RMB)	0.26	0.27	0.22	0.59	<b>0.21</b>
Profit contribution by each business segment					
Pharmaceuticals	75.9	67.2	(101.7)	164.5	<b>261.4</b>
Property development	171.7	277.2	272.7	383.8	<b>57.6</b>
Steel	529.8	387.9	591.6	1,845.1	<b>118.0</b>
Mining	6.5	26.3	318.1	592.9	<b>1,285.1</b>
Retail, services and others	495.0	603.8	15.1	368.0	<b>(393.7)</b>
EBITDA	3,660.3	4,457.5	4,062.8	9,784.8	<b>6,887.2</b>
Proposed dividend per share (in HKD)	—	—	—	0.17	<b>0.08</b>

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

# Corporate Governance Report

The Board is pleased to present this corporate governance report for the year ended 31 December 2008.

## CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

The Company has applied the principles as set out in the CG Code.

During the Reporting Period, the Company has complied with the code provisions as set out in the CG Code, save for the deviation from code A.2.1. However, the deviation was rectified on 16 January 2009, details of which are set out in Part B of this Report.

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

## A. THE BOARD

### a) *Responsibilities*

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

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

### b) *Delegation of Management Function*

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

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

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

c) **Board Composition**

The Board for the year ended 31 December 2008 comprised the following Directors:

*Executive Directors:*

Mr. Guo Guangchang  
(Chairman and Chief Executive Officer)

Mr. Liang Xinjun  
(Vice Chairman and President)

Mr. Wang Qunbin

Mr. Fan Wei

Mr. Ding Guoqi

Mr. Qin Xuetang

Mr. Wu Ping

*Non-executive Director:*

Mr. Liu Benren

*Independent Non-executive Directors:*

Dr. Chen Kaixian

Mr. Zhang Shengman

Mr. Andrew Y. Yan

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

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

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

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

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

**d) *Appointment and Re-election of Directors***

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of the Directors (including executive and non-executive Directors) has entered into a service contract with the Company for a term of not more than 3 years from 1 January 2008 to the annual general meeting for the year 2009. The appointment may be terminated by not less than three months' written notice by each party.

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

**e) *Training for Directors***

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

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

**f) Board Meetings**

Number of Meetings and Directors' Attendance

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

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

**g) Practice and Conduct of Meetings**

Annual meeting schedules and draft agenda of each meeting are made available to Directors in advance.

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

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

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

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

## B. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. During the Reporting Period, Mr Guo Guangchang held the offices of Chairman and Chief Executive Officer of the Company. The Board considered that vesting the roles of chairman and chief executive officer in the same person would not impair the balance of power and authority between the Board and the management of the Company. In order to further enhance the administrative and management responsibilities of members of the senior management of the Company, Mr. Liang Xinjun was appointed chief executive officer of the Company in place of Mr. Guo Guangchang with effect from 16 January 2009 and Mr. Wang Qunbin was appointed president of the Company in place of Mr. Liang Xinjun with effect from 16 January 2009. Mr. Guo Guangchang remains chairman and executive director of the Company.

## C. BOARD COMMITTEES

The Board has established the Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. Both Board committees of the Company were established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website ([www.fosun-international.com](http://www.fosun-international.com)) and are available to shareholders upon request.

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

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

### *Remuneration Committee*

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

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

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

<b>Name of Directors</b>	<b>Attendance/ Number of Meeting</b>
Mr. Andrew Y. Yan	1/1
Mr. Liang Xinjun	1/1
Mr. Zhang Shengman	1/1

### ***Audit Committee***

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

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the Reporting Period to review the financial results and reports, financial reporting and compliance procedures.

The attendance records of each member of the Audit Committee at the Audit Committee Meetings are set out below:

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



According to the amendments to the Listing Rules coming into effect on 1 January 2009, the Audit Committee has amended its terms of reference so as to reflect its duties to ensure an effective internal control system including the adequacy of resources, qualification and experience of staff of the Company's accounting and financial reporting function, their training programmes and budget.

The Company's annual results for the year ended 31 December 2008 have been reviewed by the Audit Committee.

#### **D. MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code.

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

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

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

#### **E. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING**

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

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2008.

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

#### **F. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION**

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on page 57.

During the Reporting Period, the remuneration paid to the external auditors of the Company in respect of audit services and non-audit services amounted to RMB3.65 million and HKD202,012 respectively. The non-audit services refer to consultancy services on the internal control system of the Group.

## G. INTERNAL CONTROLS

The Board is responsible for overseeing the internal control system of the Group. The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of internal controls when there are changes in business environment or regulatory guidelines.

The Risk Control Headquarters assists the Board in the implementation of policies and procedures on risk and control by identifying and assessing the risks faced and are involved in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The key processes have been established in reviewing the adequacy and integrity of the system of internal controls and risk management. The Audit Committee of the Company reviews internal control issues identified by external auditors, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems.

During the Reporting Period, the Board conducted a review of the effectiveness of the internal control system of the Group, including financial, operational and compliance controls and risk management functions.

The Board is of the view that the internal control system in place for the Reporting Period and up to the date of issuance of the annual report and financial statements is sound and sufficient to safeguard the interests of shareholders and employees, and the Group's assets.

## H. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

## I. SHAREHOLDER RIGHTS

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

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholder meetings are contained in the Articles of Association. Details of rights to demand a poll are included in all circulars to shareholders and explained in the proceedings of meetings.

Pursuant to the amendments to the Listing Rules, which came into force on 1 January 2009, any vote of shareholders at a general meeting must be taken by poll and a poll results announcement will be posted on the websites of the Company and of the Stock Exchange on the business day following the shareholder meeting in the manner prescribed by the Listing Rules.

# Biographical Details of Directors and Senior Management



Fan Wei  
Executive Director



Liang Xinjun  
Executive Director,  
Vice Chairman and  
Chief Executive Officer



Guo Guangchang  
Executive Director and  
Chairman



Wang Qunbin  
Executive Director and  
President

## EXECUTIVE DIRECTORS

### Guo Guangchang

**Guo Guangchang**, aged 41, is an Executive Director and Chairman of the Board of the Company. Mr. Guo was a co-founder of the Group. Mr. Guo has been Chairman and President of Fosun Group since its establishment in November 1994 to February 2007 and has been Chairman and Chief Executive Officer since March 2007. In January 2009, Mr. Guo resigned from his position as Chief Executive Officer of the Company. Mr. Guo is a director of both Nanjing Steel United and Fosun Pharma. He is also Chairman of the Board and Executive Director of Forte. Mr. Guo is a deputy to the Tenth and Eleventh National People's Congress of the People's Republic of China and a member of the Ninth National Committee of Chinese People's Political Consultative Conference, and was appointed policy consultant to the Shanghai municipal government from 2001 to 2002. Since 2002, Mr. Guo has been vice chairman of the Shanghai Federation of Industry and Commerce and became vice president in November 2007. Since 2004, Mr. Guo has been chairman of the Shanghai Zhejiang Chamber of Commerce. In 1995, Mr. Guo was named an "Outstanding Private Entrepreneur of China". Mr. Guo was also named "the Third Session Outstanding Young Entrepreneur of Shanghai" in 1997 and "the Fifth Session Top Ten Outstanding Youth of Shanghai" in 1998. In 2003, Mr. Guo was named one of the "Top Ten Leaders in Future Economy of China" and "Top Ten New Private Entrepreneurs in 2003". In 2004, Mr. Guo was named one of the "CCTV People of Financial Year 2004". In 2005, Mr. Guo obtained the nationwide "Outstanding Entrepreneur in Private Sector on Staff Caring" award. In 2006, Mr. Guo was "Industry & Commerce Category Winner" of "Ernst & Young Entrepreneur of the Year". Mr. Guo received a bachelor's degree in philosophy in 1989 and a master's degree in business administration in 1999, both from Fudan University.

### Liang Xinjun

**Liang Xinjun**, aged 40, is an Executive Director, Vice Chairman of the Board and Chief Executive Officer of the Company. Mr. Liang was a co-founder of the Group. Mr. Liang was Vice Chairman and Vice President of Fosun Group from its establishment in November 1994 to February 2007. Mr. Liang remains Vice Chairman of Fosun Group and was appointed President of Fosun Group in March 2007. In January 2009, he was appointed Chief Executive Officer of the Company. Mr. Liang resigned as director of Nanjing Steel United in September 2008. Mr. Liang is a director of Yuyuan, a non-executive director of Zhaojin Mining and an independent director of Shanghai Oriental Pearl (Group) Co., Ltd.. Mr. Liang is a member of the Eleventh Shanghai Committee of Chinese People's Political Consultative Conference; vice chairman of the China Young Entrepreneurs Association; executive vice chairman of China Science and Technology Private Entrepreneurs Association; executive vice president of the Chamber of the Metallurgy Industry of All- China Federation of Industry and Commerce; chairman of the Taizhou Chamber of Commerce in Shanghai and executive vice chairman of the Shanghai Fudan University Alumni Association. In October 2002, Mr. Liang was awarded "the First Session Innovation Award of Shanghai Science and Technology Entrepreneur". In 2002, 2003, 2004 and 2007, Mr. Liang was named an "Outstanding Entrepreneur of China's Science and Technology Private Enterprise". In April 2004, Mr. Liang was named "Shanghai Municipal Labour Model of year 2001 to 2003". In December 2005, Mr. Liang was awarded "the First Session Innovation Management Award for Young Entrepreneur in China". In June 2006, Mr. Liang was named an "Outstanding Party Member of Shanghai New Economic and Social Organisations". In April 2007, Mr. Liang was named "Shanghai Outstanding Builder of Socialism with Chinese Characteristics". In July 2008, Mr. Liang was named "Top Ten Outstanding Youth of Shanghai". Mr. Liang received a bachelor's degree in genetic engineering in 1991 from Fudan University and received a master's degree in business administration in 2007 from Cheung Kong Graduate School of Business.

### Wang Qunbin

**Wang Qunbin**, aged 39, is an Executive Director and President of the Company. Mr. Wang was a co-founder of the Group. Mr. Wang has been a Director of Fosun Group since its establishment in November 1994. He was President of Fosun Pharma since the establishment of its predecessor, Shanghai Fosun Industries Co., Ltd., in 1995 until October 2007. Since October 2007, Mr. Wang has been Chairman of Fosun Pharma. In addition, Mr. Wang was appointed President of the Company in January 2009. Prior to joining Fosun Group, Mr. Wang was a lecturer at the Genetic Research Institute of Fudan University. Mr. Wang holds various positions including chairman of the Shanghai Biopharmaceutical Industry Association, vice chairman of the China Pharmaceutical Industry Association, and chairman of the Shanghai Huzhou Chamber of Commerce. Mr. Wang was named "Top Ten Professional Managers in China Pharmaceutical Industry in 2004" and was awarded "The Forth Session Technology Innovation Prize of China Outstanding Youth". Mr. Wang was accredited "Outstanding Technical Experts Allowance by State Council" in 2007. Mr. Wang received a bachelor's degree in genetic engineering from Fudan University in 1991.

### Fan Wei

**Fan Wei**, aged 39, is an Executive Director of the Company. Mr. Fan was a co-founder of the Group. Mr. Fan has been a Director of Fosun Group since its establishment in November 1994. Mr. Fan has been President of Forte since 1998 and is currently an Executive Director of Forte. Mr. Fan is vice chairman of the Shanghai Real Estate Association, vice council chairman of the Institute of Real Estate Shanghai Academy of Social Sciences and chairman of the Housing Industry Association of Shanghai Federation of Industry and Commerce. In 2005, Mr. Fan obtained the "Top 100 Property Entrepreneur in China in 2005" award and was named "the First Session of Outstanding Young Entrepreneur of Shanghai in Property Sector". Mr. Fan received a bachelor's degree in genetic engineering from Fudan University in 1991.



### Ding Guoqi

**Ding Guoqi**, aged 39, is an Executive Director, Vice President and Chief Financial Officer of the Company. Mr. Ding was appointed Vice President of the Company in March 2009. Mr. Ding is also a director of Nanjing Steel United. Mr. Ding has been Chief Financial Officer of Fosun Group since 1995 and a Director of Fosun Group since 2003. Mr. Ding was a director of Forte from September 2001 to March 2007 and was re-designated a non-executive director of Forte in March 2007. Mr. Ding resigned as non-executive director of Forte in September 2008. Prior to joining the Group in 1995, Mr. Ding worked in the accounting department of Shanghai Jinshan Petrochemical Construction Company. Mr. Ding received a bachelor's degree in accounting from Shanghai University of Finance and Economics in 1991.



### Qin Xuetao

**Qin Xuetao**, aged 45, is an Executive Director, Vice President and General Counsel of the Company. Mr. Qin was appointed Vice President of the Company in March 2009. Mr. Qin is also a director of Nanjing Steel United. Mr. Qin has been a Director of Fosun Group since June 2004. Mr. Qin was the secretary of the board of directors of Fosun Pharma from August 1998 to May 2004. Mr. Qin was the legal affairs director of Fosun Group from August 1995 to July 1998 and was a lecturer at the law department of Fudan University from August 1985 to July 1995. Mr. Qin received a bachelor's degree in laws in 1985 from the Southwestern University of Political Science and Laws and was admitted to practise law in the PRC in 1990.



### Wu Ping

**Wu Ping**, aged 44, is an Executive Director, Vice President and the Chief Administrative and Personnel Officer of the Company. Mr. Wu was appointed Vice President of the Company in March 2009. Mr. Wu is also a non-executive director of

Zhaojin Mining. Mr. Wu has been a Director and Administrative and Personnel General Manager of Fosun Group since October 1995. Mr. Wu has been chairman of Yuyuan since December 2001 and vice chairman of Shanghai Shopping Centre Association since December 2004.

## NON-EXECUTIVE DIRECTOR



### Liu Benren

**Liu Benren**, aged 66, has been a Non- Executive Director since March 2007. From 1965 to 1986, Mr. Liu worked in the hot rolling factory of Wuhan Iron and Steel Company. From 1986 to 1993, Mr. Liu was deputy chief engineer and vice president of

Wuhan Iron and Steel Company. From 1993 to 2004, Mr. Liu was the general manager of Wuhan Iron and Steel Group Company. Mr. Liu is a member of the Tenth National Political Consultative Conference. Mr. Liu was awarded "Middle-age and Youth Expert with Special Contribution to the Nation" by the State Council. Mr. Liu has been vice chairman of the China Iron and Steel Industry Association, vice director of the China Metals Association and vice chairman of the China Quality Association.

## INDEPENDENT NON-EXECUTIVE DIRECTORS



### Chen Kaixian

**Chen Kaixian**, aged 63, has been an Independent Non-Executive Director since August 2005. Dr. Chen received a bachelor's degree in radioactive chemistry in 1967 from Fudan University. Dr. Chen also received a master's degree in 1982 and a

doctorate degree in 1985 from the Shanghai Pharmaceutical Research Institute of the Chinese Academy of Science. From 1985 to 1988, Dr. Chen conducted post-doctorate studies in the Paris Institute of Biology, Physics & Chemistry. In 1999, Dr. Chen was named an academician of the Chinese Academy of Sciences. Dr. Chen is currently President of the Shanghai University of Chinese Traditional Medicine; a researcher, doctoral supervisor and director of the academic committee of the Shanghai Institute of Materia Medica of the Chinese Academy of Sciences; director of the academic committee of the State Key Laboratory of Drug Research; Chief Scientist of the project "Innovative Drug Research Based On Genetic Function" under the National Basic Research Program of China (Plan 973); and a member of the experts group of the National Key Sci-Tech Special Project under the Eleventh Five-Year Plan "The Key New Drug Creation and Manufacturing". Dr. Chen is also chairman of the executive council of the China Society of Doctors in New Pharmaceuticals, chairman of the Chinese Association of Integrative Medicine and vice council chairman of the China Pharmaceuticals Association. Dr. Chen serves as vice chairman of the Shanghai Science and Technology Association, vice chairman of the Shanghai Overseas Returned Scholars Association, and chairman of the Pudong New District Science and Technology Association. He is also an adjunct professor at Zhe Jiang University, China Pharmaceutical University and Fudan University.



### Zhang Shengman

**Zhang Shengman**, aged 51, has been an Independent Non-Executive Director since December 2006. Mr. Zhang was redesignated to president, Asia Pacific of Citigroup from vice chairman of Global Banking and chief operating officer of Citigroup's

Corporate and Investment Banking, Asia Pacific in April 2008. Mr. Zhang joined Citigroup in February 2006 as chairman of the public sector group. He is also an independent director of Cabot Corporation, a company listed on the New York Stock Exchange. Mr. Zhang worked in the PRC Ministry of Finance as deputy director and vice secretary from 1994 to 1995. From 1994 to 1995, Mr. Zhang was the executive director for China at the World Bank. From 1995 to 1997, Mr. Zhang was vice president and chief secretary of the World Bank. From 1997 to 2001, Mr. Zhang was senior vice director of the World Bank. Mr. Zhang was a managing director of the World Bank and chairman of World Bank's operations committee, the sanctions committee and the corporate committee on fraud and corruption policy from 2001 to 2005. Mr. Zhang received a bachelor's degree in English literature in 1978 from Fudan University and a master's degree in public administration in 1985 from University of the District of Columbia. Mr. Zhang completed the Harvard Advanced Management Program in 1997.



### Andrew Y. Yan

**Andrew Y. Yan**, aged 51, has been an Independent Non-Executive Director since March 2007. Mr. Yan is also an independent non-executive director of Stone Group Holdings Limited, China Resources Land Limited and China Oilfield Services

Limited, and non-executive director of Digital China Holdings Limited. All four companies are listed on the Stock Exchange. Currently, Mr. Yan is the managing partner of SAIF Partners. From 1982 to 1984, Mr. Yan worked at Jianghuai Airplane Corp. as chief engineer. From 1984 to 1986, Mr. Yan worked as a research fellow at the State Commission for Economic Restructuring of the State Council of China. From 1989 to 1991, Mr. Yan worked at the Policy, Planning, and Research Division of the World Bank on several major projects on the reform of Chinese

enterprise and welfare systems. From 1991 to 1994, Mr. Yan was a research fellow at Hudson Institute in Washington, D. C. From 1994 to 1995, Mr. Yan was a director of Strategic Planning and Business Development for the Asia Pacific region at Sprint International Corporation. From 1995 to 2001, Mr. Yan worked as managing director of AIG Asian Infrastructure Fund and was in charge of the investment in the Northeast Asia and Greater China region before he joined SAIF Partners. Mr. Yan received his bachelor's degree in engineering from Nanjing Aeronautic Institute in 1982. Mr. Yan obtained his master's degree in sociology and economics from Peking University in 1986 and a second master's degree from Princeton University in 1990.

## SENIOR MANAGEMENT OF FOSUN GROUP, FOSUN PHARMA, FORTE AND NANJING STEEL UNITED

### Fosun Group

**Zhou Linlin**, aged 47, is Vice President of the Company. Dr. Zhou joined Fosun Group in 2003. Since 2003, Dr. Zhou has been president of Principle Capital Limited. Prior to joining Fosun Group, Dr. Zhou was president of Digital Video System, a NASDAQ company; president of Sinogen China; senior consultant of McKinsey & Company; marketing manager and business development manager of Rohm & Haas Co.; and assistant researcher of the National Research Council Canada. Dr. Zhou received a bachelor's degree in chemistry in 1982 from Fudan University, a doctorate degree in 1989 from the University of Maryland and an MBA degree in 1994 from Wharton Business School.

### Fosun Pharma

**Chen Qiyu**, aged 36, is the vice chairman and general manager of Fosun Pharma. Mr. Chen was appointed non-executive director of Forte in October 2008. Mr. Chen joined Fosun Pharma in 1994, worked as manager in the industry development department of Fosun Group, and vice general manager, chief financial officer, secretary of the board, and executive vice general manager of Fosun Pharma. Prior to joining Fosun Group, Mr. Chen worked in the research and development department of Shanghai RAAS Blood Product Co., Ltd.. Mr. Chen is deputy chairman of the Shanghai Society of Genetics, vice president of the Shanghai Licensed Pharmacist Association, vice president



of the Shanghai Pharmaceutical Industry Association and vice chairman of the Fourth Council of China Medicinal Biotech Association. Mr. Chen received a bachelor's degree in genetics and genetic engineering in 1993 from Fudan University and an EMBA degree in 2005 from China Europe International Business School.

**Zhang Guozheng**, aged 43, is a director, vice general manager and chief financial officer of Fosun Pharma and chairman of the Supervisory Committee of Forte. Mr. Zhang has been a supervisor of Forte since August 2002, and joined Fosun Pharma in January 2007. He successively served as chief audit officer and chief financial officer of Bright Dairy and Food Co. Ltd. from 2001 to 2006, and as vice general manager and chief financial officer of Fosun Pharma from January 2007 to May 2008. Mr. Zhang received a master's degree in accounting from the Chinese University of Hong Kong in 2004.

**Fan Banghan**, aged 55, is a vice general manager of Fosun Pharma. Mr. Fan joined Fosun Group in April 2000, and is currently the director and general manager of Sinopharm Industrial Investment Company Limited, director of Sinopharm Holding, supervisor of China National Medicine Co., Ltd. and vice president of Shanghai Pharmaceutical Trade Association. Mr. Fan graduated from Shanghai Education Management School in 1984.

**Li Xianlin**, aged 53, is a vice general manager of Fosun Pharma. Mr. Li joined Fosun Group in October 2004. Mr. Li has successively served as general manager and chairman of the board of Wanbang Biopharma Co., Ltd. since 2001. He now concurrently holds the position of director in Tianjin Pharmaceutical Group Co., Ltd. Mr. Li received an EMBA degree from China Europe International Business School in 2008.

### Forte

**Wang Zhe**, aged 38, is executive director, vice president and chief financial officer of Forte. Mr. Wang joined Forte in August 2002 and was appointed executive director of Forte in March 2008. Prior to joining Forte, Mr. Wang worked in the Agricultural Bank of China and Shanghai Pudong Development Bank. Mr. Wang became a qualified economist in 1997. Mr. Wang graduated from the global economic department at Fudan University in 1992 with a bachelor's degree in economics. Mr. Wang graduated from the international economics department of Fudan University in 1999 and received a master's degree in international finance.

**Zhang Hua**, aged 43, is executive president of Forte. Mr. Zhang joined Forte in 1999. Mr. Zhang is State Certified Real Estate Appraiser and Engineer. Mr. Zhang has worked in the production and infrastructure department of Shanghai No.2 Commerce Bureau and Shanghai Shanglian Real Estate Co., Ltd.. Mr. Zhang has been vice general manager of Shanghai Puhua Real Estate Development Co., Ltd., general manager of Shanghai Forte Zhibao Real Estate Development Co., Ltd. and regional general manager of Shanghai Northern Region of Forte. Mr. Zhang received a bachelor's degree in management from Tongji University in 2003. Mr. Zhang was appointed executive president of Forte in February 2009.

**Zhang Lin**, aged 50, is vice president of Forte. Mr. Zhang joined Forte in August 1998. Mr. Zhang worked as an architect in Shanghai Jing'an Residential Company, the infrastructure office of the Shanghai University of Finance and Economics, Shanghai Aijian Architectural Design Firm and Shenzhen Design Institute of Mechanical Engineering Department. Mr. Zhang received a bachelor's degree in engineering from Tongji University in 1987.

**Cao Zhidong**, aged 38, is vice president of Forte. Mr. Cao joined Forte in July 2002. Mr. Cao is a senior economist. Mr. Cao has been a lecturer in the Institute of Construction and Kinetic Studies of Shanghai Jiaotong University. Mr. Cao was project director of the PRC national social security and insurance symposium consultation project, deputy manager, group strategic management and human resources consultant of the human resources department of Shanghai New Huang Pu (Group) Company Limited. Mr. Cao was also head of human resources and director and supervisor of various subsidiary companies of that group. Mr. Cao received a doctorate degree in management from Shanghai Jiaotong University in 2000.

**Zhang Weigang**, aged 51, is vice president of Forte. Mr. Zhang joined Forte in January 2004. Mr. Zhang has been secretary and deputy head of the office for Shanghai County Committees, deputy head of the Meilong Town Government in Minhang District, head of the government in Minhang District, party secretary of Hongqiao Town in Minhang District and director of the planning committee of Minhang District. Mr. Zhang graduated from Shanghai Normal University in 1984.

**Liu Yicheng**, aged 61, is vice president of Forte. Mr. Liu joined Forte in May 2007. Mr. Liu is a senior professional agent in the Chinese real estate industry and a deputy to the Eleventh People's Congress of Shanghai. Mr. Liu was general manager of Shanghai Agricultural, Industrial & Commercial Group's Dongwang Company, chairman of the board of Shanghai Nongkou Real Estate Company, and vice chairman of board and president of Shanghai Agricultural, Industrial and Commercial Group. Mr. Liu graduated from the history department of Harbin Normal University in 1981.

**Bo Wei**, aged 45, is vice president of Forte. Mr. Bo joined Forte in September 2006. Mr. Bo is a senior engineer. Mr. Bo has been director and chief engineer of the design office for the Shanghai Construction Design Institute, vice general manager of Shanghai Hongji Real Estate Corp., executive vice general manager of Shanghai Sunshine Group, and vice general manager and chief engineer of Shanghai Pengxin Real Estate Development Corp.. Mr. Bo received a bachelor's degree from Tongji University in 1985.

**Wang Ning**, aged 41, is vice president of Forte. Mr. Wang joined Forte in August 2001. Mr. Wang has been manager of the finance department of Shanghai Vanke Property Management Co., Ltd. and manager of the sales and the planning departments of Shanghai Vanke Property Co., Ltd. Mr. Wang received a bachelor's degree in economics from the Shanghai University of Finance and Economics in 1990. Mr. Wang resigned in January 2009.

## Nanjing Steel United

**Yang Siming**, aged 55, has been a director of Nanjing Steel United since April 2003 and general manager of Nanjing Steel United since August 2003. Since June 1991, Dr. Yang worked as party deputy secretary and disciplinary committee secretary of Nanjing Iron & Steel Factory, and vice general manager, director and general manager of Nanjing Iron & Steel Group Co., Ltd.. Dr. Yang was named researcher level senior engineer by the government's Department of Personnel in December 2002. Dr. Yang received a doctorate in management from the University of Nanjing in June 2007.

**Lü Peng**, aged 46, is General Manager of Nanjing Steel United. Mr. Lü joined Fosun Group in June 2003 and worked as vice general manager of the steel business department of Fosun Group from June 2003 to November 2005. Prior to joining Fosun Group, Mr. Lü held various positions in the Shanghai Research Institute of Steel Technology from July 1985 to August 1995. Mr. Lü worked as vice general manager of Shanghai No. 3 Steel Factory from 1995 to 1996. Mr. Lü was vice general manager of Bao Steel Group Shanghai Pudong Steel Limited Company from 1996 to 2003. Mr. Lü received a bachelor's degree in steel and metallurgy in 1982 from the Beijing University of Science and Technology. Mr. Lü also received a master's degree in steel and metallurgy from the Beijing University of Science and Technology in 1985.

**Sun Yimin**, aged 38, is the chief financial officer of Nanjing Steel United. Mr. Sun joined Fosun Group in July 2005. He was the financial manager of Shenyang Hejin Holding Investment Co., Ltd. from June 2001 to July 2005, and chief financial officer of the steel business department of Fosun Group as well as vice general manager and chief financial officer of Hainan Mining from July 2005 to May 2008. Since May 2008, Mr. Sun has served as chief financial officer of Nanjing Steel United. Mr. Sun graduated from the Dongbei University of Finance and Economics with a bachelor's degree of economic investment management in 1992, and from Renmin University of China with a master's degree in accounting in 2001.

### Company Secretary

**Kam Mei Ha, Wendy**, aged 41, is the Company Secretary of the Company. Ms. Kam is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Kam has more than 16 years of experience in the company secretarial industry. Ms. Kam resigned on 11 March 2009.

**Sze Mei Ming**, aged 31, was appointed Company Secretary of the Company on 11 March 2009. Ms. Sze joined the Fosun Group in November 2007. Ms. Sze holds a bachelor's degree in Arts from the University of Hong Kong, a bachelor's degree in laws from the University of London and a master's degree in Chinese and Comparative Law from the City University of Hong Kong. Ms. Sze is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

### Qualified Accountant

**Tse Man Kit, Keith**, aged 35, is the Qualified Accountant and Deputy Chief Financial Officer of the Company, responsible for the financial and management reporting of the Group, including internal control and policy review, audit and regulatory affairs. Mr. Tse has over 11 years experience in public accounting, auditing, financial reporting and management. He worked with international accounting firms prior to joining the Group. He is a member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

# Directors' Report

The Board is pleased to present its report and the audited financial statements of the Group for the year ended 31 December 2008.

## PRINCIPAL ACTIVITIES

The core businesses of the Group consist of pharmaceuticals, property development, steel, mining, retail, services and strategic investments.

## RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2008 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes on pages 58 to 177.

The Board has recommended the payment of a final dividend of HKD0.08 per ordinary share for the year ended 31 December 2008 to shareholders of the Company whose names appear on the Company's register of members on 19 June 2009. Subject to approval by the Company's shareholders at the annual general meeting to be held on 19 June 2009, the proposed final dividend is expected to be paid on or around 16 July 2009 to shareholders of the Company.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 16 June 2009 to Friday, 19 June 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and be eligible to attend and vote at the annual general meeting to be held on 19 June 2009, all transfer documents accompanied by the relevant share certificates and other relevant documents, if any, must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Share Registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 15 June 2009.

## SUMMARY FINANCIAL INFORMATION

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

## USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on Main Board of the Stock Exchange and the exercise of the over-allotment option in July 2007 amounted to HKD12,853.7 million. As at 31 December 2008, the proceeds of HKD9,227.3 million had been used in accordance with the proposed applications set out in the Company's prospectus in the following manner:

- approximately HKD5,086.7 million was used for repayment of bank loans;
- approximately HKD465.3 million was used for acquiring a coking coal company and a nonferrous metal company;
- approximately HKD2,389.9 million was used for acquisitions in the services industry and other strategic investments;
- approximately HKD1,285.4 million was used as the working capital of the Group.

## PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

## ISSUED CAPITAL

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

## SUBSIDIARIES

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

## BORROWINGS

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

## 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:

<b>Date of Repurchase</b>	<b>Number of Shares Repurchased</b>	<b>Highest Price Paid (HKD)</b>	<b>Lowest Price Paid (HKD)</b>	<b>Total Amount Paid (HKD)</b>
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
<b>Total</b>	<b>15,905,500</b>			<b>84,484,555.10</b>

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

### RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on pages 62 to 63 of this annual report and details of movements in the reserves of the Company during the Reporting Period are set out in note 39 to the financial statements.

### DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company's reserves available for distribution are set out in note 39(c) to the financial statements.

### CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group made charitable contributions totaling approximately RMB24.0 million.

### MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and the five largest suppliers contributed less than 30% of the total operating revenue and total costs, respectively, of the Group during the Reporting Period. Accordingly, a corresponding analysis of major customers and suppliers is not presented.

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

### SHARE OPTION SCHEME

The Company adopted its share option scheme on 19 June 2007. The major terms of the scheme are as follows:

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

- 2) The participants of the scheme are any Director (including independent non-executive Director), employee (whether full-time or part-time), consultant or advisor who in the sole discretion of the Board has contributed or will contribute to the Group.
- 3) The overall limit on the number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other schemes must not exceed 30% (or other percentage as stipulated in the Listing Rules) of the shares of the Company in issue from time to time. Subject to the aforesaid limit, the total number of shares of the Company available for issue under options which may be granted under the scheme and any other schemes must not, in aggregate, exceed 643,750,000 shares of the Company, being 10% of the issued share capital of the Company as at 16 July 2007, the date of listing of the shares of the Company, unless separate shareholders' approval has been obtained.
- 4) The maximum entitlement of each participant under the scheme is 1% of the issued share capital of the Company unless such grant has been duly approved by resolution of the shareholders of the Company in general meeting.
- 5) The exercise period of any option granted under the scheme must not be more than ten years commencing on the date of grant.
- 6) The acceptance amount for the option is determined by the Board from time to time.
- 7) The exercise price determined by the Board shall be at least the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share of the Company.
- 8) Subject to earlier termination by the Company in general meeting or by the Board, the scheme shall be valid and effective for a period to be determined and notified by the Board to the grantee during which the option may be exercised and in any event shall not be more than 10 years commencing on the date on which the offer in relation to such option is deemed to have been accepted in accordance with the terms of the scheme and expiring on the last day of the ten-year-period.

Since the adoption of the scheme, no share option has been granted by the Company.

## CHANGE OF COMPANY SECRETARY

Ms Kam Mei Ha, Wendy resigned as Company Secretary of the Company with effect from 11 March 2009. The Board appointed Ms Sze Mei Ming as the Company Secretary of the Company with effect from 11 March 2009. The biographical details of Ms Sze are set out on page 42 of this annual report.

## DIRECTORS

The Directors during the Reporting Period were:

### Executive Directors

Mr. Guo Guangchang  
*(Chairman and Chief Executive Officer)*  
Mr. Liang Xinjun  
*(Vice Chairman and President)*  
Mr. Wang Qunbin  
Mr. Fan Wei  
Mr. Ding Guoqi  
Mr. Qin Xuetao  
Mr. Wu Ping

### Non-Executive Director

Mr. Liu Benren

### Independent Non-Executive Directors

Dr. Chen Kaixian

Mr. Zhang Shengman

Mr. Andrew Y. Yan

According to articles 106 and 107 of the Articles of Association, Mr. Liang Xinjun, Mr. Wang Qunbin, Mr. Fan Wei and Dr. Chen Kaixian shall retire by rotation at the forthcoming annual general meeting of the Company. All of the above four retiring Directors, being eligible, will offer themselves for re-election at the same meeting.

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

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 35 to 42 of this annual report.

### DIRECTORS' SERVICE CONTRACTS

Each Director has entered into a service contract with the Company for a term of not more than 3 years from 1 January 2008 to the 2009 annual general meeting of the Company.

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

### DIRECTORS' REMUNERATION

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

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

### DIRECTORS' INTERESTS IN CONTRACTS

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

### DIRECTORS INTERESTS IN COMPETING BUSINESS

As at 31 December 2008, none of the Directors nor their respective associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.



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

As at 31 December 2008, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated 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 had 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	Class of Shares	Number of Shares	Type of interests	Approximate percentage of Share in issue
Guo Guangchang	Ordinary	5,024,555,500 <sup>(1)</sup>	Corporate	78.24%
Ding Guoqi	Ordinary	12,940,000	Individual	0.20%
Qin Xuetang	Ordinary	3,880,000	Individual	0.06%
Wu Ping	Ordinary	7,760,000	Individual	0.12%

(2) *Long 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	Class of Shares	Number of Shares	Type of interests	Approximate percentage of share in issue
Guo Guangchang	Fosun Holdings	Ordinary	1	Corporation	100%
	Fosun International Holdings	Ordinary	29,000	Individual	58%
	Fosun Pharma	Ordinary	76,050	Individual	0.01%
Liang Xinjun	Fosun International Holdings	Ordinary	11,000	Individual	22%
Wang Qunbin	Fosun International Holdings	Ordinary	5,000	Individual	10%
	Fosun Pharma	Ordinary	76,050	Individual	0.01%
Fan Wei	Fosun International Holdings	Ordinary	5,000	Individual	10%
Qin Xuetang	Fosun Pharma	Ordinary	76,050	Individual	0.01%

Note:

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

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were 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 the substantial shareholders	Number of Shares directly or indirectly held	Approximate percentage of issued share capital (%)
Fosun Holdings	5,024,555,500	78.24%
Fosun International Holdings <sup>(1)</sup>	5,024,555,500 <sup>(2)</sup>	78.24%

### Notes:

- (1) Fosun International Holdings is held by Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei with 58.0%, 22.0%, 10.0% and 10.0% equity interests, respectively.
- (2) Fosun International Holdings is the beneficial owner of all the issued shares in Fosun Holdings and, therefore, Fosun International Holdings is deemed, or taken to be, interested in the shares owned by Fosun Holdings for the purposes of the SFO.
- (3) Mr. Guo Guangchang is the sole director of Fosun Holdings and Fosun International Holdings.

Save as disclosed herein so far as is known to the Directors, as at 31 December 2008, no person (not being a Director) had an interest or a short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

## SUFFICIENCY OF PUBLIC FLOAT

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

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

### Connected transactions

1. On 21 May 2008, (i) Shanghai Qishen Investment Co. Ltd. ("Qishen Investment") and Shanghai Fosun Great Medicine Chain Operating Co., Ltd. ("Great Medicine") entered into a share transfer agreement, pursuant to which Qishen Investment acquired from Great Medicine its 40% equity interest in Sinopharm Holding for a consideration of RMB686,840,000; and (ii) Qishen Investment and Fosun Pharma entered into a share transfer agreement, pursuant to which Qishen Investment acquired from Fosun Pharma its 7.04% equity interest in Sinopharm Holding for a consideration of RMB120,890,000. Qishen Investment and Great Medicine are connected persons of the Company by virtue of them being subsidiaries of Fosun Pharma. Fosun Pharma is a connected person of the Group by virtue of it being a substantial shareholder of Forte, a subsidiary of the Company. For further details, please refer to the Company's announcement dated 21 May 2008.

2. On 20 June 2008, Fosun Pharma and China National Pharmaceutical Group Limited ("Sinopharm Group") entered into a share transfer agreement pursuant to which Sinopharm Group acquired from Fosun Pharma its 1.96% equity interests in Sinopharm Holding for a consideration of RMB43,000,000. Sinopharm Holding is an associate of Fosun Pharma by virtue of it being an associate of Qishen Investment. Sinopharm Group is an associate of Fosun Pharma by virtue of it being a holding company of Sinopharm Holding. Fosun Pharma is a connected person of the Group by virtue of it being a substantial shareholder of Forte, a subsidiary of the Company. For further details, please refer to the Company's announcement dated 20 June 2008.

### Continuing connected transactions

3. On 30 June 2008, the Company and Fosun Pharma entered into a framework agreement, pursuant to which the Company agreed to provide guarantees, or through its subsidiaries to provide guarantees during the period commencing from 30 June 2008 to 31 December 2010 to Fosun Pharma for bank loans to be borrowed or debentures to be issued by Fosun Pharma with RMB3.5 billion, RMB4.2 billion and RMB5.0 billion annual caps for the financial years ended 31 December 2008, 2009 and 2010 respectively. Fosun Pharma is a connected person of the Group by virtue of it being a substantial shareholder of Forte, a subsidiary of the Company. For further details, please refer to the Company's announcement dated 30 June 2008.
4. On 12 August 2008, Shanghai Transfusion Technology Co., Ltd. ("Shanghai Transfusion") and Shanghai Blood Centre entered into a pharmaceutical products sales agreement for the supply of pharmaceutical products by Shanghai Transfusion to Shanghai Blood Centre for a term of one year during the period commencing 12 August 2008 to 11 August 2009. On 10 March 2009, Shanghai Transfusion and Shanghai Blood Centre entered into a supplemental agreement extending the term of the pharmaceutical products sales agreement to 31 December 2009 with an annual cap of RMB26,500,000. Shanghai Blood Centre is a connected person of the Group by virtue of it being a substantial shareholder of Shanghai Transfusion, a subsidiary of the Company. For the years ended 31 December 2006, 2007 and 2008, the actual value of the supply of pharmaceutical products by Shanghai Transfusion to Shanghai Blood Centre were RMB24,374,765.24, RMB17,133,905.97 and RMB20,391,771.02, respectively. For further details, please refer to the Company's announcement dated 10 March 2009.
5. On 16 March 2009, Shanghai Fosun Pharmaceutical Co., Ltd. ("Shanghai Fosun Pharmaceutical"), a subsidiary of Fosun Pharma and Shanghai Lianhua Fosun Pharmacy Chain Operation Co., Ltd. ("Shanghai Lianhua Fosun") entered into a pharmaceutical products supply agreement for the supply of pharmaceutical products by Shanghai Fosun Pharmaceutical to Shanghai Lianhua Fosun for a term of one year during the period commencing 1 January 2009 to 31 December 2009 with an annual cap of RMB30,000,000. Shanghai Lianhua Fosun is a connected person by virtue of it being an associate of Fosun Pharma, a subsidiary and a connected person of the Company. For the years ended 31 December 2006, 2007 and 2008, the actual value of the supply of pharmaceutical products by Shanghai Fosun Pharmaceutical to Shanghai Lianhua Fosun were RMB29,571,489.99, RMB30,575,905.43 and RMB22,622,147.55 respectively. For further details, please refer to the Company's announcement dated 16 March 2009.
6. On 16 March 2009, Fosun Pharma and Sinopharm Holding entered into a pharmaceutical products supply agreement for the mutual supply of pharmaceutical products between (i) Fosun Pharma and its subsidiaries ("Fosun Pharm Group") and (ii) Sinopharm Holding and its subsidiaries ("Sinopharm Holding Group") for a term of one year during the period commencing 1 January 2009 to 31

December 2009. The supply of pharmaceutical products by Fosun Pharma Group to Sinopharm Holding Group is subject to an annual cap of RMB70,000,000 and the supply of pharmaceutical products by Sinopharm Holding Group to Fosun Pharma Group is subject to an annual cap of RMB20,000,000. Sinopharm Holding is a connected person by virtue of it being an associate of Fosun Pharma, a subsidiary and a connected person of the Company. For the years ended 31 December 2006, 2007 and 2008, the actual value of the supply of pharmaceutical products by Fosun Pharma Group to Sinopharm Holding Group were RMB35,059,326.66, RMB31,794,832.53 and RMB47,125,387.03 respectively, and the actual value of the supply of pharmaceutical products by Sinopharm Holding Group to Fosun Pharma Group were RMB49,566,784.09, RMB40,860,430.94 and RMB12,957,191.51. For further details, please refer to the Company's announcement dated 16 March 2009.

The independent non-executive Directors have reviewed the above connected transactions and continuing connected transactions and in their opinion, these transactions were entered into by the Group:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have provided a letter to the Board and confirmed that the continuing connected transactions referred to above:

1. have received the approval of the Board;
2. were in accordance with the pricing policies stated in the Group's financial statements;
3. except for the transactions as disclosed in (5) and (6) above, for which no agreement was entered into prior to 2009, the above transactions were entered into in accordance with the terms of the agreements governing the transactions; and
4. except for the transactions as disclosed in (4) to (6) above, for which no annual caps were determined prior to 2009, the amount of the transactions referred to above have not exceeded the relevant annual caps.

## NON-COMPETITION UNDERTAKING

As disclosed in the listing prospectus of the Company, the independent non-executive Directors will review all the decisions taken relating to the enforcement of the deed of non-competition undertaking. The independent non-executive Directors conducted a review on the enforcement of the deed of non-competition undertaking during the Reporting Period.

## RELATED PARTY TRANSACTIONS

Related party transactions entered by the Group during the Reporting Period are disclosed in note 49 to the financial statements.

## SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 52 to the financial statements.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company had complied with the code provisions as set out in the CG Code, save for the deviation from code A.2.1. However, this deviation was rectified on 16 January 2009, details of which are set out on page 30 of this annual report.

## AUDIT COMMITTEE

The Audit Committee of the Company consists of three independent non-executive Directors, namely Mr. Zhang Shengman (Chairman), Dr. Chen Kaixian and Mr. Andrew Y. Yan. The main duties of the Audit Committee are to review and monitor the financial reporting procedures and the internal control system of the Company, and make recommendations and comments to the Board. The Audit Committee has reviewed the 2008 annual results of the Group.

## AUDITORS

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

ON BEHALF OF THE BOARD

**Guo Guangchang**

*Chairman*

Shanghai, PRC

31 March 2009

# Corporate Social Responsibility

Since its establishment, the Group has been striving to put the spirit of corporate citizenship into practice and fulfill its social responsibility. Our core values are “self improvement, teamwork, performance and contribution to society”.

## ENVIRONMENTAL PROTECTION

The Group believes that an outstanding enterprise with sustainable growth should care for the environment, protect the environment and improve the environment. During the Reporting Period, the Group has been attaching great importance to environmental protection and striving to comply with environmental laws and regulations promulgated by central and local governments. In the course of production, all segments strictly adopt a series of stringent measures such as energy saving and emissions reduction, encouragement for the use of renewable energies and promotion of production with minimised pollution.

## OCCUPATIONAL SAFETY

Besides providing comprehensive labor safety protection, the Group also extensively conducts safety consciousness education, disaster drills and skill training. With safety as the assessment criteria, the Group has established an inspection mechanism to assess the safety of the working environment, products and services.

## MEDICAL ASSISTANCE

**Artesunate:** The Artesunate Tablet is a medicine researched and developed by Guilin Pharmaceutical Co., Ltd. (桂林製藥有限責任公司), a subsidiary of Fosun Pharma. In 2004, this medicine drew worldwide attention and was recognized by the World Health Organization to be one of the most effective drugs for the treatment of malaria. Among the five entities from Shanghai undertaking the foreign assistance program of the Ministry of Commerce, Fosun Pharma is the only privately-owned enterprise. Fosun Pharma directly donated Artesunate-related medicines to Africa through various channels and promotes communication with African countries regarding the prevention of malaria and jointed these countries to improve the management standards, technology and methodology of malaria prevention by providing trainings and seminars. On 16 June 2008, Fosun Pharma held the Seminar on the Prevention of Malaria in Developing Countries organised by the Ministry of Commerce for the third time. Before then, Fosun Pharma successfully held two seminars in December 2006 and December 2007. These training programs cover a wide range of senior audience and provide strategic guidance in general for the prevention and treatment of malaria in developing countries, especially malaria-endemic African countries. Such activities are well received in these countries.



**Prevention and Treatment of AIDS:** The China Red Ribbon Volunteer League (the “CRR”) originated from the Forum of “AIDS Orphan Salvation Action” in 2002. The CRR is committed to advocating civism and spreading social service messages through interaction between internet society and real society, helping more people understand AIDS and the salvation work for AIDS orphans, encouraging and creating opportunities for more people to devote and attach themselves to social service and social development work. Mr. Guo Guangchang, Chairman of the Company, is vice president of the foundation. The Group has committed to donate RMB400,000 on an annual basis from 2008 for 50 years. The amounts will be used to help the foundation promote the prevention and treatment of AIDS in the PRC.

## DISASTER RELIEF

**Sichuan Earthquake Relief:** Subsequent to the Sichuan Earthquake in May 2008, the Group donated approximately RMB15.5 million in the forms of cash and medicines. The Group mobilized all its employees while Fosun Pharma and Sinopharm Holding spared no effort in ensuring sufficient supply of medicines within the pharmaceutical distribution network in Southwest China. The Group also, together with its invested companies, launched a donation campaign in the name of “We are with Wenchuan” (心繫汶川) by setting up thousands of Fosun Love donation boxes. The Group and Tebon Securities supported the reconstruction of education infrastructure in earthquake-stricken areas in Sichuan by jointly sponsoring the rebuilding of two Project Hope Primary Schools in such areas.

## EDUCATION DEVELOPMENT

### “Forte • I have a dream” large-scale charity campaign:

Through “Forte • I have a dream”, a large-scale charity campaign jointly hosted by China Youth Development Foundation and Forte, Forte helped to improve sports facilities for children in poverty-stricken areas. During the campaign, Forte set up “Forte • Happy Sports Field”, donated sports equipment to 100 Project Hope Primary Schools (RMB20,000 for each) and helped sponsored primary schools to organize “Forte • Happy Sports Games”. The purpose of “Forte • I have a dream” was to narrow the gap of resource allocation for physical education in urban and rural areas and to promote sporting in remote areas so that children of the Project Hope Primary Schools could also enjoy sports, experience the Olympic spirit and welcome the arriving of the great Olympic Games.

**Other education donations:** During the Reporting Period, the Group continued to donate to Fosun Guangcai Education Reward Fund in Hainan Province, Bazhong and Yilong in Sichuan, and Dongyang Middle School and Jiulong Model Middle School in Shanghai with a total amount of approximately RMB1.2 million so as to support the education development in these areas or schools.

The Group donated RMB500,000 to the Fudan University Education Development Foundation to support the primary school and middle school affiliated with Fudan University in founding education award funds to honour outstanding students and teachers.



## COMMUNITY CONSTRUCTION

During the Reporting Period, the Group sponsored RMB400,000 for building a clinic and an activity centre for the elderly in Xinlu Village, Luojing Town, Baoshan District, Shanghai, to improve their medical and health conditions and promote leisure activities in the village. The Group also supported State policy on new countryside construction to tangibly improve the living environment for peasants.

## PARTICIPATION IN AND DELIBERATION OF STATE AFFAIRS

The Group has decided to contribute RMB200,000 every year for 5 consecutive years from 2008 to support the Shanghai Committee of China Democratic League in the participation in and deliberation of State affairs and advise on State development.

## HUMAN RESOURCES

As at 31 December 2008, the Group had a total of 33,317 employees.

Human resources management of the Group has been implemented and enhanced by following the principles of "attracting and retaining talent by company growth and career development, nurturing and assessing staff through work and performance". It puts human resources management at high importance, and associates the personal development of our employees with our corporate development, which in turn aligns our corporate enhancement with the upgrading of employee's personal value.



The Group provides equal employment opportunities with salaries and benefits at market competitive levels, offers internal and external training opportunities for staff and a specially designed programme for off-site practical training in Hong Kong to help staff enhance their value. The Group also participated in government education programmes by providing internship training opportunities for students of Shanghai and Hong Kong. In 2008, in order to cater for business development needs of the Group, a total of 428 newly graduated students were recruited. Meanwhile, staff relationship management has been the key measure for enhancing corporate brand image through the work of various mechanisms such as performance management and salary management to create good internal staff relationships within the Group, thus providing strong assurance for cumulative growth and the continuous performance of the Group.

## POVERTY AID

The Group always supports the building of a harmonious society. During the Reporting Period, the Group donated RMB2.0 million to China Social Entrepreneurs Foundation to help the poor in the society.



## AWARDS

Time of issue	Award or ranking	Issuer
March 2008	2007 Faithful Company of China (2007 年度中國最佳誠信企業)	China Enterprise Confederation, China Enterprise Directors Association
April 2008	Hurun Report 2008 Corporate Social Responsibility Ranking Top 500 (2008 胡潤企業社會責任 500 強)	Hurun Report
April 2008	2007 China Charity Award – Most Generous Domestic Company (2007 年度中華慈善獎—最具愛心內資企業)	Ministry of Civil Affairs of the PRC
August 2008	Ranking 23rd of Corporate Social Responsibility Top 50 in 2008 Hurun Report Charity Ranking (since 2003) (2008 胡潤慈善排行榜 2003 年 至今企業社會責任 50 強第 23 位)	Hurun Report
September 2008	Ranking 61st in Corporate Tax Contribution in China Top 200 (中國企業納稅 200 強第 61 位)	China Enterprise Confederation, China Enterprise Directors Association
October 2008	Ranking 37th in Corporate Group Tax Contribution in China Top 500 (中國企業集團納稅 500 強排行榜第 37 位)	State Administration of Taxation
October 2008	China Human Resources Annual Choice: China's Best Employer (中國人力資源年度評選中國最佳僱主企業獎)	International Public Management Association for Human Resources, Peking University Business Review and Career Journal of Ministry of Labour and Social Security of the PRC
December 2008	2008 China Charity Award - Most Generous Domestic Company (2008 年度中華慈善獎—最具愛心內資企業)	Ministry of Civil Affairs of the PRC
December 2008	2008 China's Best Corporate Citizen (2008 年度中國最佳企業公民)	21st Century

# INDEPENDENT AUDITORS' REPORT



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

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

We have audited the financial statements of Fosun International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 58 to 177, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **AUDITORS' RESPONSIBILITY**

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

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

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

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

## **OPINION**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**Ernst & Young**  
*Certified Public Accountants*

Hong Kong  
11 March 2009

# CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
<b>REVENUE</b>	6	<b>40,250,293</b>	31,977,105
Cost of sales		<b>(32,221,179)</b>	(25,024,737)
Gross profit		<b>8,029,114</b>	6,952,368
Other income and gains	6	<b>1,673,586</b>	3,128,064
Selling and distribution costs		<b>(1,170,007)</b>	(1,039,606)
Administrative expenses		<b>(1,659,109)</b>	(1,344,499)
Other expenses		<b>(1,792,158)</b>	(552,637)
Finance costs	7	<b>(1,362,623)</b>	(1,276,181)
Share of profits and losses of:			
Jointly-controlled entities	21	<b>(6,307)</b>	5,631
Associates		<b>154,456</b>	1,074,964
<b>PROFIT BEFORE TAX</b>	8	<b>3,866,952</b>	6,948,104
Tax	10	<b>(1,149,068)</b>	(1,439,991)
<b>PROFIT FOR THE YEAR</b>		<b>2,717,884</b>	5,508,113
Attributable to:			
Equity holders of the parent		<b>1,328,391</b>	3,354,326
Minority interests		<b>1,389,493</b>	2,153,787
		<b>2,717,884</b>	5,508,113
<b>Dividends</b>			
Proposed final	11	<b>453,051</b>	1,022,219
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
– Basic (RMB)	12	<b>0.21</b>	0.59
– Diluted (RMB)	12	<b>N/A</b>	N/A

# CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	16,378,577	15,598,578
Investment properties	14	429,000	456,000
Prepaid land lease payments	15	893,404	908,376
Exploration and evaluation assets	16	386,645	—
Mining rights	17	1,110,721	546,469
Intangible assets	18	28,826	25,352
Goodwill	19	90,591	108,152
Interests in jointly-controlled entities	21	632,481	381,055
Interests in associates	22	5,947,063	6,847,994
Held-to-maturity investments	23	63,761	—
Available-for-sale investments	24	1,905,289	2,188,057
Properties under development	25	6,666,100	6,009,593
Loan receivable	26	220,000	220,000
Prepayments	27	1,156,383	1,547,278
Deferred tax assets	28	663,330	283,426
<b>Total non-current assets</b>		<b>36,572,171</b>	<b>35,120,330</b>
<b>CURRENT ASSETS</b>			
Cash and bank balances	30	11,691,015	14,144,004
Equity investments at fair value through profit or loss	31	1,534,899	90,437
Available-for-sale investments	24	—	205,000
Trade and notes receivables	32	2,441,440	2,924,246
Prepayments, deposits and other receivables	33	2,793,980	3,320,208
Inventories	34	6,203,675	6,470,854
Completed properties for sale		987,604	746,538
Properties under development	25	6,121,600	3,405,440
Due from related companies	35	830,953	530,506
		<b>32,605,166</b>	<b>31,837,233</b>
Non-current assets held for sale	29	594,430	—
<b>Total current assets</b>		<b>33,199,596</b>	<b>31,837,233</b>

	Notes	2008 RMB'000	2007 RMB'000
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	36	15,228,528	14,890,502
Trade and notes payables	37	5,180,426	4,486,157
Accrued liabilities and other payables	38	5,931,574	7,612,814
Tax payable		1,385,710	972,091
Due to the holding company	35	568,819	—
Due to related companies	35	864,135	815,464
Total current liabilities		29,159,192	28,777,028
<b>NET CURRENT ASSETS</b>			
		4,040,404	3,060,205
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		40,612,575	38,180,535
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	36	9,169,761	6,879,740
Loans from related companies	40	152,193	147,719
Deferred income	41	47,702	21,735
Other long term payables	42	634,251	737,472
Deferred tax liabilities	28	565,581	423,244
Total non-current liabilities		10,569,488	8,209,910
Net assets		30,043,087	29,970,625
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	44	621,497	622,962
Reserves	39	18,795,730	18,188,934
Proposed final dividend	11	453,051	1,022,219
		19,870,278	19,834,115
<b>Minority interests</b>			
		10,172,809	10,136,510
Total equity		30,043,087	29,970,625

Director  
Guo Guangchang

Director  
Ding Guoqi

# BALANCE SHEET

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
<b>NON-CURRENT ASSETS</b>			
Office equipment	13	54	181
Interests in subsidiaries	20	1,920,668	1,329,336
Investment in an associate	22	82,421	82,421
Held-to-maturity investments	23	31,696	—
Total non-current assets		2,034,839	1,411,938
<b>CURRENT ASSETS</b>			
Cash and bank balances	30	1,181,140	3,682,368
Equity investments at fair value through profit or loss	31	1,534,709	82,106
Prepayments, deposits and other receivables	33	1,547	396
Due from subsidiaries	35	8,495,874	7,634,162
Total current assets		11,213,270	11,399,032
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank loans	36	796,020	—
Accrued liabilities and other payables	38	1,114	35,766
Tax payable		—	4,586
Due to the holding company	35	568,819	—
Total current liabilities		1,365,953	40,352
<b>NET CURRENT ASSETS</b>		<b>9,847,317</b>	11,358,680
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>11,882,156</b>	12,770,618
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans	36	141,102	—
Net assets		11,741,054	12,770,618
<b>EQUITY</b>			
Issued capital	43	621,497	622,962
Reserves	39	10,666,506	11,125,437
Proposed final dividend	11	453,051	1,022,219
Total equity		11,741,054	12,770,618

Director  
Guo Guangchang

Director  
Ding Guoqi

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

## Group

	Attributable to equity holders of the parent										
	Issued capital RMB'000 (note 44)	Share premium RMB'000	Other deficits RMB'000 (note 39(a))	Statutory surplus reserve RMB'000 (note 39(b))	Available- for-sale investment revaluation reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 11)	Total	Minority interests RMB'000	Total equity RMB'000
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	—	—	—	—	—	—	(165,585)	—	(165,585)	192	(165,393)
Changes in fair value of available-for-sale investments	—	—	—	—	254,244	—	—	—	254,244	222,557	476,801
Total income and expense for the year recognised directly in equity	—	—	—	—	254,244	—	(165,585)	—	88,659	222,749	311,408
Profit for the year	—	—	—	—	—	3,354,326	—	—	3,354,326	2,153,787	5,508,113
Total income and expense for the year	—	—	—	—	254,244	3,354,326	(165,585)	—	3,442,985	2,376,536	5,819,521
Issue of shares	139,098	12,699,602	—	—	—	—	—	—	12,838,700	—	12,838,700
Share issue expenses	—	(430,233)	—	—	—	—	—	—	(430,233)	—	(430,233)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	837,101	837,101
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(468,730)	(468,730)
Proposed final 2007 dividend	—	—	—	—	—	(1,022,219)	—	1,022,219	—	—	—
Transfer from retained profits	—	—	—	315,639	—	(315,639)	—	—	—	—	—
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	(60,981)	(60,981)
Disposal of partial interests in subsidiaries (note 45)	—	—	—	—	—	—	—	—	—	415,943	415,943
Disposal of subsidiaries (note 43(b))	—	—	—	—	—	—	—	—	—	(1,302)	(1,302)
Capitalisation of share premium account	483,656	(483,656)	—	—	—	—	—	—	—	—	—
Compensation arising from Land Appreciation Tax ("LAT") provision	—	—	—	—	—	—	—	—	—	30,354	30,354
Deconsolidation of subsidiaries	—	—	—	—	—	—	—	—	—	(150,682)	(150,682)
At 31 December 2007	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

Attributable to equity holders of the parent

	Issued capital RMB'000 (note 44)	Share premium RMB'000	Other deficits RMB'000 (note 39(a))	Available- for-sale		Capital redemption reserve RMB'000 (note 44)	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000 (note 11)	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
				Statutory surplus reserve RMB'000 (note 39(b))	investment revaluation reserve RMB'000							
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	—	—	—	—	—	—	—	(84,925)	—	(84,925)	3,055	(81,870)
Changes in fair value of available-for-sale investments	—	—	—	—	(29,983)	—	—	—	—	(29,983)	(119,577)	(149,560)
Realised gains on available-for-sale investments transferred to income statement upon disposals	—	—	—	—	(72,972)	—	—	—	—	(72,972)	(70,902)	(143,874)
Impairment of available-for-sale investments (note 24)	—	—	—	—	24,509	—	—	—	—	24,509	22,354	46,863
Reserves released upon disposal of an associate (note 22)	—	—	—	—	(28,523)	—	—	—	—	(28,523)	(29,652)	(58,175)
Total income and expense for the year recognised directly in equity	—	—	—	—	(106,969)	—	—	(84,925)	—	(191,894)	(194,722)	(386,616)
Profit for the year	—	—	—	—	—	—	1,328,391	—	—	1,328,391	1,389,493	2,717,884
Total income and expense for the year	—	—	—	—	(106,969)	—	1,328,391	(84,925)	—	1,136,497	1,194,771	2,331,268
Acquisition of subsidiaries (note 43(a))	—	—	—	—	—	—	—	—	—	—	254,747	254,747
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	93,640	93,640
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(910,353)	(910,353)
Repurchase and cancellation of shares (note 44)	(1,465)	—	—	—	—	—	(76,650)	—	—	(78,115)	—	(78,115)
Transfer on shares repurchased and cancelled (note 44)	—	—	—	—	—	1,465	(1,465)	—	—	—	—	—
Final dividend declared	—	—	—	—	—	—	—	—	(1,022,219)	(1,022,219)	—	(1,022,219)
Proposed final 2008 dividend	—	—	—	—	—	—	(453,051)	—	453,051	—	—	—
Transfer from retained profits	—	—	—	229,726	—	—	(229,726)	—	—	—	—	—
Disposal of subsidiaries (note 43(b))	—	—	—	—	—	—	—	—	—	—	(30,867)	(30,867)
Disposal of partial interests in subsidiaries (note 45)	—	—	—	—	—	—	—	—	—	—	75,663	75,663
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	(656,926)	(656,926)
Compensation arising from LAT provision	—	—	—	—	—	—	—	—	—	—	15,624	15,624
At 31 December 2008	621,497	11,785,713	(443,540)	2,025,450	147,275	1,465	5,494,898	(215,531)	453,051	19,870,278	10,172,809	30,043,087



# CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	<i>Notes</i>	<b>2008</b> RMB'000	2007 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>3,866,952</b>	6,948,104
Adjustments for:			
Depreciation of items of property, plant and equipment	8	<b>1,554,480</b>	1,531,988
Amortisation of prepaid land lease payments	15	<b>18,962</b>	19,589
Amortisation of intangible assets	18	<b>25,917</b>	11,264
Amortisation of mining rights	17	<b>72,011</b>	19,504
Provision for impairment of items of property, plant and equipment	13	<b>133,391</b>	10,845
Provision for impairment of available-for-sale investments	8	<b>238,164</b>	8,000
Provision for impairment of goodwill	8	<b>6,965</b>	96,750
Net (gain)/loss on disposal of items of property, plant and equipment		<b>(1,657)</b>	43,280
Net gain on disposal of available-for-sale investments	6, 8	<b>(158,829)</b>	(153,433)
Gain on disposal of equity investments at fair value through profit or loss	6	<b>(14,450)</b>	(118,110)
Net gain on disposal of subsidiaries	43(b)	<b>(4,710)</b>	(38,958)
Gain on disposal of associates	6	<b>(172,541)</b>	(46,667)
Gain on disposal of jointly-controlled entities	6	—	(93,614)
Gain on disposal of partial interests in subsidiaries	6	<b>(246,183)</b>	(1,350,577)
Gain on disposal of partial interests in associates	6	<b>(4,347)</b>	(364,741)
Net gain on deemed disposal of interests in associates	6, 8	<b>(3,420)</b>	—
Provision/(reversal) for impairment of receivables	8	<b>16,125</b>	(11,509)
Provision for inventories	8	<b>675,544</b>	65,615
Provision for properties under development	8	<b>80,456</b>	—
Write-off of inventories	8	<b>1,754</b>	14,200
Interest expenses		<b>1,348,863</b>	1,254,356
Fair value adjustment on equity investments at fair value through profit or loss	8	<b>9,300</b>	3,124
Gain on termination of derivative investments	6	—	(8,385)
Dividends from equity investments at fair value through profit or loss	6	<b>(2,173)</b>	(1,417)
Fair value losses/(gains) on investment properties	14	<b>27,000</b>	(10,000)
Interest income	6	<b>(252,179)</b>	(522,299)
Dividends from available-for-sale investments	6	<b>(66,763)</b>	(42,635)
Share of profits and losses of associates		<b>(154,456)</b>	(1,074,964)
Subtotal carried forward		<b>6,994,176</b>	6,189,310

	Notes	2008 RMB'000	2007 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b> (continued)			
Subtotal brought forward		<b>6,994,176</b>	6,189,310
Share of profits and losses of jointly-controlled entities		<b>6,307</b>	(5,631)
Excess over the cost of business combinations realised as income	6, 43(a)	<b>(6,520)</b>	(141,187)
Share issue expenses		—	78,292
Provision for indemnity of LAT	8	<b>15,624</b>	30,354
<b>CASH INFLOW BEFORE WORKING CAPITAL CHANGES</b>			
		<b>7,009,587</b>	6,151,138
Increase in properties under development		<b>(3,017,978)</b>	(10,564)
(Increase)/decrease in properties held for sale		<b>(241,066)</b>	5,938
Decrease/(increase) in trade and notes receivables		<b>415,393</b>	(440,494)
Decrease/(increase) in prepayments, deposits and other receivables		<b>1,219,417</b>	(1,178,895)
Increase in inventories		<b>(464,406)</b>	(2,388,164)
(Increase)/decrease in amounts due from related companies		<b>(211,247)</b>	37,471
Increase in trade and notes payables		<b>754,368</b>	186,797
(Decrease)/increase in accrued liabilities and other payables		<b>(2,029,218)</b>	1,705,453
Increase in deferred income		<b>25,967</b>	11,358
Decrease in other long term payables		<b>(103,221)</b>	(63,964)
Decrease in amounts due to shareholders		—	(190,404)
Increase/(decrease) in amounts due to related companies		<b>48,671</b>	(937,371)
<b>CASH INFLOW FROM OPERATIONS</b>			
		<b>3,406,267</b>	2,888,299
Interest paid		<b>(271,762)</b>	(270,361)
Income tax paid		<b>(1,839,360)</b>	(1,480,109)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
		<b>1,295,145</b>	1,137,829

	Notes	2008 RMB'000	2007 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment		<b>(2,298,273)</b>	(3,079,686)
Increase of prepaid land lease payments		<b>(4,205)</b>	(354,128)
Purchase of intangible assets		<b>(26,146)</b>	(21,558)
Purchase of held-to-maturity investments		<b>(62,731)</b>	—
Purchase of exploration and evaluation assets		<b>(281,645)</b>	—
Purchase of available-for-sale investments		<b>(229,182)</b>	(1,298,724)
Purchase of equity investments at fair value through profit or loss		<b>(1,487,990)</b>	(339,990)
Purchase of minority interests		<b>(638,033)</b>	(89,282)
Proceeds from disposal of equity investments at fair value through profit or loss		<b>44,046</b>	171,107
Proceeds from disposal of available-for-sale investments		<b>418,379</b>	175,402
Proceeds from disposal of items of property, plant and equipment		<b>122,399</b>	207,911
Proceeds from disposal of prepaid land lease payments		<b>2,883</b>	12,463
Proceeds from disposal of intangible assets		<b>3,684</b>	1,070
Proceeds from disposal of partial interests in subsidiaries		<b>553,846</b>	1,534,520
Acquisition of subsidiaries	43(a)	<b>(457,887)</b>	(564,461)
Acquisition of associates		<b>(573,187)</b>	(430,729)
Acquisition of jointly-controlled entities		<b>(5,000)</b>	(158,396)
Disposal of subsidiaries	43(b)	<b>18,963</b>	126,276
Disposal of associates		<b>374,841</b>	589,107
Disposal of jointly-controlled entities		<b>52,000</b>	75,000
Deconsolidation of subsidiaries		—	(119,672)
Dividends received from available-for-sale investments		<b>66,763</b>	42,635
Shareholder loans provided to related companies		<b>(252,733)</b>	(459,200)
Dividends received from equity investments at fair value through profit or loss		<b>2,173</b>	1,417
Decrease/(increase) in pledged bank balances and time deposits with original maturity of more than three months		<b>2,006,566</b>	(2,662,665)
Dividends received from associates		<b>596,185</b>	107,891
Interest received		<b>252,179</b>	522,299
Prepayments for purchase of exploration and evaluation assets and acquisitions		<b>(40,435)</b>	(1,440,378)
Return of prepayment in respect of a proposed acquisition		<b>311,330</b>	—
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(1,531,210)</b>	(7,451,771)

	Notes	2008 RMB'000	2007 RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares		—	12,838,700
Share issue expenses		—	(508,525)
Repurchase and cancellation of shares	44	<b>(78,115)</b>	—
Investment from minority shareholders		<b>93,640</b>	23,400
New bank and other borrowings		<b>24,659,845</b>	20,767,777
Repayments of bank and other borrowings		<b>(21,999,898)</b>	(18,677,062)
Dividends paid to minority shareholders		<b>(910,353)</b>	(468,730)
Dividends paid		<b>(453,400)</b>	—
Interest paid		<b>(1,522,077)</b>	(1,242,966)
<b>NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES</b>		<b>(210,358)</b>	12,732,594
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(446,423)</b>	6,418,652
Cash and cash equivalents at beginning of year		<b>10,024,118</b>	3,605,466
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>9,577,695</b>	10,024,118
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:</b>			
<b>CASH AND BANK BALANCES</b>			
(EXCLUDING PLEDGED BANK BALANCES AND DEPOSITS WITH ORIGINAL MATURITY OF MORE THAN THREE MONTHS)	30	<b>9,577,695</b>	10,024,118

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

## 1. CORPORATE INFORMATION

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

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

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

## 2.1 BASIS OF PRESENTATION

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

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

## 2.2 ADOPTION OF NEW AND REVISED HKFRSS

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

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: <i>Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets</i>
HK(IFRIC)-Int 11	HKFRS 2- <i>Group and Treasury Share Transactions</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	HKAS 19- <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements.

## 2.3 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 financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> <sup>1</sup>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment -Vesting Conditions and Cancellations</i> <sup>1</sup>
HKFRS 1 (Revised)	<i>First-time Adoption of HKFRSs</i> <sup>2</sup>
HKFRS 3 (Revised)	<i>Business Combinations</i> <sup>2</sup>
HKFRS 8	<i>Operating Segments</i> <sup>1</sup>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> <sup>1</sup>
HKAS 23 (Revised)	<i>Borrowing Costs</i> <sup>1</sup>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> <sup>2</sup>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation</i> <sup>1</sup>
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> <sup>2</sup>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> <sup>3</sup>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> <sup>1</sup>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> <sup>4</sup>
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i> <sup>2</sup>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> <sup>2</sup>

## 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSS (continued)

Apart from the above, the HKICPA has also issued *Improvements to HKFRSSs\** which sets out amendments to a number of HKFRSSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

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

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

3 Effective for annual periods beginning on or after 1 July 2008

4 Effective for annual periods beginning on or after 1 October 2008

\* Improvements to HKFRSSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rate*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

## 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSS (continued)

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt HKAS 1 (Revised) from 1 January 2009.

Except as stated above, the Group expects that the adoption of the above new and revised HKFRSs is unlikely to have a significant impact on the Group's financial statements in the period of initial application.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**(a) Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

**(b) Sale of completed properties**

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

**(c) Service fees**

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

**(d) Rental income**

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

**(e) Interest income**

Revenue is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

**(f) Dividend income**

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



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the costs of those assets. The capitalisation of such borrowing costs cease when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

### Gains or losses on deemed disposal

Gains or losses on deemed disposal arising from changes in the proportionate interest of the Group in subsidiaries, with control retained, are dealt with in the consolidated income statement.

### Foreign currency translation

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

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

As at the balance sheet date, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the balance sheet date and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

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

### Government grants

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

- where the deferred tax liabilities arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax (continued)

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

### Dividends

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

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

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment and depreciation (continued)

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

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

### Investment properties

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

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

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

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the consolidated income statement. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the consolidated income statement.

### Non-current assets and disposal groups held for sale

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

Non-current assets and disposal groups (other than investment properties, deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derivative financial instruments

The Group uses derivative financial instruments to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the consolidated income statement.

### Impairment of non-financial assets other than goodwill

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### Prepaid land lease payments

Prepaid land lease payments are stated at cost less accumulated amortisation and any impairment losses. Prepaid land lease payments are amortised on the straight-line basis over the lease terms.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Exploration and evaluation assets

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

### Mining rights

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

### Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

### ***Patents and licenses and technical know-how***

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

### ***Research and development costs***

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired and liabilities and contingent liabilities assumed as at the date of acquisitions.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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

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

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

### Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the consolidated income statement.

The excess for associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profits or losses in the period in which the investments are acquired.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Associates

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

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

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

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

### Jointly-controlled entities

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

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



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

### Acquisition of minority interests

Subsequent to an exchange transaction which resulted in a business combination, acquisition of minority interests of a subsidiary is accounted for by adopting the parent entity extension method. Under the parent entity extension method, the difference arising on the acquisition of minority interests of subsidiaries represents the difference between the cost of the acquisition and the Group's interests in net asset acquired as at the date of acquisition, and is treated as goodwill/excess over the cost of acquisition. The assets and liabilities of the subsidiary are not remeasured to reflect their fair values at the date of the acquisition.

### Investments and other financial assets

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

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" above.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains or losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### **Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains or losses are recognised in the consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation process.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the consolidated income statement as "Other income and gains" in accordance with the policies set out for "Revenue recognition" above.

Losses arising from the impairment of such investments are recognised in the consolidated income statement as "Impairment losses on available-for-sale investments" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

#### **Fair value**

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; or other valuation models.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### ***Assets carried at amortised cost***

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

#### ***Assets carried at cost***

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

#### ***Available-for-sale financial assets***

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. The Group generally refers to 30% or more as significant and regards a period of greater than 12 months as prolonged. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derecognition of financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Financial liabilities at amortised cost (including interest-bearing loans and other borrowings)

Financial liabilities including trade and, other payables and accruals, an amount due to the holding company, amounts due to related companies and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within “finance costs” in the income statement.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

### Properties under development

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

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

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

### Completed properties for sale

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks and time deposits, which are not restricted as to use.

### Provisions

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

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

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

### Inventories

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

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

### Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases (continued)

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

### Retirement benefits

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

#### (i) **Defined contribution pension schemes**

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

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

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

##### *Qualified SOE Employees*

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Retirement benefits (continued)

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

##### *Qualified SOE Employees* (continued)

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

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

##### *Qualified Retirees*

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

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

### Accommodation benefits

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



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Mandatory Provident Fund retirement benefit scheme

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

### Related parties

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

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

**(i) Operating lease commitments – the Group as lessor**

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

**(ii) Classification between investment properties and owner-occupied properties**

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

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

**(iii) Deferred tax liabilities**

Deferred tax liabilities are recognized for withholding corporate income taxes relating to the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The carrying value of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries in Mainland China at 31 December 2008 was RMB37,440,000 (2007: Nil). Further details are contained in note 28 to the financial statements.

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(i) Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The estimation of the expected future cash flows from the cash-generating units could change significantly should the cash-generating units fail to sustain the estimated growth. The carrying amount of goodwill at 31 December 2008 was RMB90,591,000 (2007: RMB108,152,000).

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

#### Estimation uncertainty (continued)

**(ii) Impairment of non-financial assets (other than goodwill)**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

**(iii) Impairment of available-for-sale financial assets**

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated income statement. At 31 December 2008, impairment losses in the amount of RMB238,164,000 (2007: RMB8,000,000) have been recognised for available-for-sale assets. The carrying amount of available-for-sale assets was RMB1,905,289,000 (2007: RMB2,393,057,000).

**(iv) Estimation of fair value of investment properties**

As described in note 14 to the financial statements, investment properties were revalued on 31 December 2008 on an open market value and existing use basis by an independent professional valuer. This valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

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

- (a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

The carrying amount of investment properties at 31 December 2008 was RMB429,000,000 (2007: RMB456,000,000).

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

#### Estimation uncertainty (continued)

**(v) Provision for bad debts of loans and receivables**

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

**(vi) Estimation of rehabilitation cost provision**

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

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

**(vii) Useful lives of property, plant and equipment**

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

**(viii) Impairment of mining and exploration assets, including property, plant and equipment**

The carrying value of mining and exploration assets, including property, plant and equipment, is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of these assets, or, where appropriate, the cash-generating unit to which they belong, is calculated as the higher of its fair value less costs to sell and value in use. Estimating the value in use requires the Group to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

#### Estimation uncertainty (continued)

**(ix) *Deferred tax assets***

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

**(x) *Net realisable value of inventories, properties under development and completed properties for sale***

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

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

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2008 are set out below:

Name of company	Place and date of incorporation/ registration and operations	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
<i>Subsidiaries</i>						
上海復星高科技（集團）有限公司 (Shanghai Fosun High Technology (Group) Co., Ltd.)	PRC 21 November 1994	880,000	100.0%	—	100.0%	Investment holding
上海復星工業技術發展有限公司 (Shanghai Fosun Industrial Technology Development Co., Ltd.)	PRC 4 August 2003	200,000	—	100.0%	100.0%	Investment holding
上海復星產業投資有限公司 (Shanghai Fosun Industrial Investment Co., Ltd.)	PRC 22 November 2001	600,000	—	100.0%	100.0%	Investment holding
<i>Steel segment</i>						
南京鋼鐵聯合有限公司 (Nanjing Iron & Steel United Co., Ltd.)	PRC 24 March 2003	2,750,000	—	60.0%	60.0%	Manufacture and sale of iron and steel products
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Shareholding Co., Ltd.)	PRC 18 March 1999	1,684,800	—	62.7%	37.6%	Manufacture and sale of iron and steel products
南京鋼鐵有限公司 (Nanjing Iron & Steel Limited)	PRC 28 June 2001	1,279,637	—	100.0%	60.0%	Manufacture and sale of iron and steel products
南京金騰鋼鐵有限公司 (Nanjing Jinteng Iron & Steel Co., Ltd.)	PRC 22 February 1993	67,484	—	100.0%	60.0%	Manufacture and sale of iron and steel products
江蘇南鋼寶興鋼鐵有限公司 (Jiangsu Nangang Baoxing Iron & Steel Co., Ltd.)	PRC 8 April 1997	246,060	—	75.0%	45.0%	Manufacture and sale of iron and steel products
香港金騰國際有限公司 (Hong Kong Jinteng International Company Limited)	HK 20 June 2006	HKD20,000,000	—	100.0%	60.0%	Trading and technology development consulting

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

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2008 are set out below: (continued)

Name of company	Place and date of incorporation/ registration and operations	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
<i>Pharmaceuticals segment</i>						
上海復星醫藥（集團）股份有限公司* (Shanghai Fosun Pharmaceuticals (Group) Company Limited)	PRC 13 July 1998	952,135	—	49.0%	49.0%	Manufacture and sale of pharmaceutical products
上海復星醫藥產業發展有限公司 (Shanghai Fosun Pharmaceuticals Industrial Development Co., Ltd.)	PRC 27 November 2001	92,250	—	100.0%	49.0%	Investment holding
上海復星醫藥投資有限公司 (Shanghai Fosun Pharmacy Investment Co., Ltd.)	PRC 1 September 2000	689,600	—	100.0%	49.0%	Investment holding
上海復星大藥房連鎖經營有限公司 (Shanghai Fosun Grant Medicine Chain Operating Co., Ltd.)	PRC 21 March 2001	516,200	—	100.0%	48.9%	Operation and management of chain stores of pharmaceutical products
<i>Property development segment</i>						
復地（集團）股份有限公司 (Shanghai Forte Land Co., Ltd.)	PRC 13 August 1998	505,861	12.9%	57.7%	65.2%	Property development
<i>Mining segment</i>						
海南礦業聯合有限公司 (Hainan Mining United Co., Ltd.)	PRC 1 September 2007	1,500,000	—	60.0%	60.0%	Mining and ore processing
安徽金安礦業有限責任公司 (Anhui Jin'an Mining United Co., Ltd.)	PRC 24 July 2006	100,000	—	100.0%	60.0%	Mining and ore processing
遵義縣世紀有色金屬有限責任公司 (Zunyi County Shiji Nonferrous Metal Limited Liability Company)	PRC 12 November 2004	22,000	—	55.0%	55.0%	Mining and ore processing
托里縣紅山礦業金屬有限責任公司 (Tuolixian Hongshan Mining and Metal Limited Liability Company)	PRC 22 October 2008	192,000	—	70.0%	42.0%	Mining and ore processing

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

Particulars of the principal companies comprising the Group, associates and jointly-controlled entities at 31 December 2008 are set out below: (continued)

Name of company	Place and date of incorporation/ registration and operations	Nominal value of registered/ paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
<i>Associates</i>						
國藥產業投資有限公司 (Sinopharm Industrial Investment Co., Ltd.)	PRC 6 May 2008	100,000	—	49.0%	24.0%	Sale of pharmaceutical products
上海豫園旅遊商城股份有限公司@ (Shanghai Yuyuan Tourist Mart Co., Ltd.)	PRC 13 May 1992	725,920	—	17.3%	17.3%	Retail
德邦證券有限責任公司@ (Tebon Securities Co., Ltd.)	PRC 15 May 2003	1,008,000	—	19.7%	19.7%	Securities trading
唐山建龍實業有限公司 (Tangshan Jianlong Industrial Co., Ltd.)	PRC 15 September 2000	580,000	—	26.7%	26.7%	Manufacture and sale of iron and steel products
寧波鋼鐵有限公司 (Ningbo Iron & Steel Co., Ltd.)	PRC 14 January 2003	3,600,000	—	20.0%	12.0%	Manufacture and sale of iron and steel products
山西焦煤集團五麟 煤焦開發有限公司 (Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd.)	PRC 15 May 2003	978,000	—	20.0%	20.0%	Mining and refining of coal products
北京華夏建龍礦業科技有限公司@ (Beijing Huaxia Jianlong Mining Technology Co., Ltd.)	PRC 19 September 2003	108,750	—	18.4%	18.4%	Mining and refining of steel ores
滙鑫生物漿紙股份有限公司 (Huixin Biological Paper Co., Ltd.)	PRC 8 January 1993	200,000	—	30.0%	14.7%	Manufacture and sale of paper products
<i>Jointly-controlled entities</i>						
上海巨峰房地產開發有限公司 (Shanghai Jufeng Property Development Co., Ltd.)	PRC 4 June 2002	50,000	—	45.0%	29.3%	Property development
無錫復地房地產開發有限公司 (Wuxi Forte Real Estate Development Co., Ltd.)	PRC 28 September 2004	130,000	—	50.0%	32.6%	Property development
陝西省建泰房地產開發有限公司 (Shaanxi Jianqin Real Estate Development Co., Ltd.)	PRC 22 September 1992	130,000	—	50.0%	32.6%	Property development

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



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

The above table lists the subsidiaries, associates and jointly-controlled entities of the Group which, in the opinion of the Directors of the Company, principally affected the results of the Group for the year ended 31 December 2008 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries, associates and jointly-controlled entities would, in the opinion of the Directors of the Company, result in particulars of excessive length.

Notes:

- \* Shanghai Fosun Pharmaceuticals (Group) Company Limited (“Fosun Pharma”) continues to be accounted for as a subsidiary by virtue of the Group’s control over the Board of Directors as well as the operating and financial policies of this company, although the Group’s equity interest in this company is 49.0% for the year ended 31 December 2008.
- @ The Group’s interests in these entities are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the Board of Directors and participation in the policy-making process, although the Group’s equity interest in these entities is lower than 20% for the year ended 31 December 2008.

## 5. SEGMENT INFORMATION

Segment information is presented by way of the Group’s primary segment reporting basis, by business segment. In determining the Group’s geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group’s revenue is derived from customers based in Mainland China, and over 90% of the Group’s assets are located in Mainland China.

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 pharmaceuticals segment engages in the manufacture, sale and trading of pharmaceutical products;
- (ii) the property development segment engages in the development and sale of properties in Mainland China;
- (iii) the steel segment engages in the manufacture, sale and trading of iron and steel products;
- (iv) the mining segment engages in the mining and ore processing of various metals; and
- (v) the “others” segment comprises, principally, the management of investments in retail and services industries, and other strategic investments.

## 5. SEGMENT INFORMATION (continued)

Year ended 31 December 2008

	Pharmaceuticals RMB'000	Property development RMB'000	Steel RMB'000	Mining RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	3,699,190	3,731,754	30,929,970	1,889,379	—	—	40,250,293
Intersegment sales	—	1,501	—	1,217,288	—	(1,218,789)	—
Other income and gains	441,406	27,223	706,620	164,815	28,064	(15,657)	1,352,471
<b>Total</b>	<b>4,140,596</b>	<b>3,760,478</b>	<b>31,636,590</b>	<b>3,271,482</b>	<b>28,064</b>	<b>(1,234,446)</b>	<b>41,602,764</b>
Segment results	470,720	913,408	1,860,431	1,885,381	(272,253)	—	4,857,687
Interest and dividend income	27,107	23,223	96,607	19,894	154,284	—	321,115
Unallocated expenses	—	—	—	—	—	—	(97,376)
Finance costs	(154,097)	(44,421)	(930,521)	(45,603)	(187,981)	—	(1,362,623)
Share of profits and losses of							
- jointly-controlled entities	47	(6,354)	—	—	—	—	(6,307)
- associates	375,666	1,222	(601,623)	319,292	59,899	—	154,456
Profit before tax	719,443	887,078	424,894	2,178,964	(246,051)	—	3,866,952
Tax	(74,745)	(645,472)	(141,046)	(233,720)	(54,085)	—	(1,149,068)
<b>Profit for the year</b>	<b>644,698</b>	<b>241,606</b>	<b>283,848</b>	<b>1,945,244</b>	<b>(300,136)</b>	<b>—</b>	<b>2,717,884</b>
Segment assets	4,376,768	19,076,154	25,735,633	5,667,837	14,372,385	(6,036,554)	63,192,223
Interests in jointly-controlled entities	3,249	629,232	—	—	—	—	632,481
Interests in associates	2,503,136	256,278	1,474,648	585,769	1,127,232	—	5,947,063
<b>Total assets</b>	<b>6,883,153</b>	<b>19,961,664</b>	<b>27,210,281</b>	<b>6,253,606</b>	<b>15,499,617</b>	<b>(6,036,554)</b>	<b>69,771,767</b>
Segment and total liabilities	3,093,008	14,111,465	18,498,453	1,909,569	7,958,467	(5,842,282)	39,728,680
Other segment information:							
Depreciation and amortisation	152,185	19,276	1,281,742	212,382	5,785	—	1,671,370
Impairment losses for non-current assets	18,875	197,191	700	114,516	47,238	—	378,520
Provision and impairment							
for current assets	3,592	80,456	660,480	27,597	—	—	772,125
Research and development costs	57,447	—	82,111	8,703	—	—	148,261
Fair value loss on fair value adjustments							
of investment properties	—	27,000	—	—	—	—	27,000
Fair value loss on equity investments							
at fair value through profit or loss	24	—	—	—	9,276	—	9,300
Capital expenditure	241,329	35,835	1,894,997	697,614	20,081	—	2,889,856

## 5. SEGMENT INFORMATION (continued)

### Year ended 31 December 2007

	Pharmaceuticals RMB'000	Property development RMB'000	Steel RMB'000	Mining RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	3,631,649	3,974,620	23,972,085	398,751	—	—	31,977,105
Intersegment sales	—	2,027	—	344,765	—	(346,792)	—
Other income and gains	333,281	528,929	1,235,650	53,196	426,233	(15,576)	2,561,713
<b>Total</b>	<b>3,964,930</b>	<b>4,505,576</b>	<b>25,207,735</b>	<b>796,712</b>	<b>426,233</b>	<b>(362,368)</b>	<b>34,538,818</b>
Segment results							
Segment results	360,414	1,282,486	4,479,835	417,313	184,436	—	6,724,484
Interest and dividend income	23,864	8,447	117,077	27,563	389,400	—	566,351
Unallocated expenses	—	—	—	—	—	—	(147,145)
Finance costs	(132,524)	(15,140)	(826,397)	(23,567)	(278,553)	—	(1,276,181)
Share of profits and losses of							
- jointly-controlled entities	225	5,406	—	—	—	—	5,631
- associates	217,417	31,270	221,330	357,014	247,933	—	1,074,964
<b>Profit before tax</b>	<b>469,396</b>	<b>1,312,469</b>	<b>3,991,845</b>	<b>778,323</b>	<b>543,216</b>	<b>—</b>	<b>6,948,104</b>
Tax	(61,412)	(551,487)	(775,035)	(24,010)	(28,047)	—	(1,439,991)
<b>Profit for the year</b>	<b>407,984</b>	<b>760,982</b>	<b>3,216,810</b>	<b>754,313</b>	<b>515,169</b>	<b>—</b>	<b>5,508,113</b>
Segment assets							
Segment assets	4,586,395	17,539,030	25,202,744	3,774,173	12,061,089	(3,434,917)	59,728,514
Interests in jointly-controlled entities	3,725	377,330	—	—	—	—	381,055
Interests in associates	2,194,706	406,519	2,279,825	890,143	1,076,801	—	6,847,994
<b>Total assets</b>	<b>6,784,826</b>	<b>18,322,879</b>	<b>27,482,569</b>	<b>4,664,316</b>	<b>13,137,890</b>	<b>(3,434,917)</b>	<b>66,957,563</b>
Segment and total liabilities							
Segment and total liabilities	3,104,844	12,713,292	18,001,728	1,508,010	5,070,505	(3,411,441)	36,986,938
Other segment information:							
Depreciation and amortisation	278,353	14,858	1,219,503	64,975	4,656	—	1,582,345
Impairment losses for non-current assets	84,384	3,683	7,445	12,083	8,000	—	115,595
Provision and impairment for current assets	5,653	438	49,030	(1,015)	—	—	54,106
Research and development costs	39,261	270	36,859	2,117	—	—	78,507
Fair value gains on value adjustments of investment properties	—	(10,000)	—	—	—	—	(10,000)
Fair value loss on equity investments at fair value through profit or loss	—	—	—	—	3,124	—	3,124
Capital expenditure	537,156	52,580	1,695,947	372,654	7,464	—	2,665,801

## 6. REVENUE, OTHER INCOME AND GAINS

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

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

	2008 RMB'000	2007 RMB'000
<b>Revenue</b>		
Sale of goods:		
Pharmaceutical products	<b>3,683,947</b>	3,610,898
Properties	<b>3,857,386</b>	4,022,390
Iron and steel products	<b>30,441,286</b>	24,115,805
Iron concentrates	<b>2,596,142</b>	507,611
	<b>40,578,761</b>	32,256,704
Rendering of services:		
Property agency	<b>48,098</b>	160,034
Construction supervisory	<b>9,234</b>	4,779
Property sales planning and advertising	<b>6,167</b>	9,847
Others	<b>84,243</b>	60,165
	<b>147,742</b>	234,825
Subtotal	<b>40,726,503</b>	32,491,529
Less: Government surcharges	<b>(476,210)</b>	(514,424)
	<b>40,250,293</b>	31,977,105

## 6. REVENUE, OTHER INCOME AND GAINS (continued)

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

	2008 RMB'000	2007 RMB'000
<b>Other income</b>		
Interest income	252,179	522,299
Dividends from available-for-sale investments	66,763	42,635
Dividends from equity investments at fair value through profit or loss	2,173	1,417
Gross rental income	45,170	35,036
Sale of scrap materials	88,864	41,059
Government grants	416,624	90,358
Consultancy income	87,970	31,151
Excess over the cost of business combinations realised as income (note 43(a))	6,520	141,187
Others	54,110	26,235
	<b>1,020,373</b>	931,377
<b>Gains</b>		
Gain on disposal of subsidiaries (note 43(b))	4,710	41,656
Gain on disposal of partial interests in subsidiaries (note 45)	246,183	1,350,577
Gain on disposal of associates (note 22)	172,541	46,667
Gain on disposal of jointly-controlled entities	—	93,614
Gain on disposal of partial interests in associates	4,347	364,741
Gain on deemed disposal of an interest in an associate	28,658	—
Gain on disposal of items of property, plant and equipment	21,019	9,504
Gain on disposal of available-for-sale investments	161,305	153,433
Gain on disposal of equity investments at fair value through profit or loss	14,450	118,110
Gain on fair value adjustment of investment properties (note 14)	—	10,000
Gain on termination of derivative investment	—	8,385
	<b>653,213</b>	2,196,687
Other income and gains	<b>1,673,586</b>	3,128,064
Total revenue, other income and gains	<b>41,923,879</b>	35,105,169

## 7. FINANCE COSTS

	2008 RMB'000	2007 RMB'000
Interest on bank and other borrowings wholly repayable within five years	1,700,642	1,337,808
Interest on bank and other borrowings not wholly repayable within five years	21,188	72,060
Incremental interest on other long term payables ( <i>note 42</i> )	33,873	12,936
	<b>1,755,703</b>	1,422,804
Less: Interest capitalised, in respect of bank and other borrowings ( <i>notes 13 and 25</i> )	<b>(467,356)</b>	(275,512)
Interest expenses, net	<b>1,288,347</b>	1,147,292
Interest on discounted bills	<b>60,244</b>	96,036
Interest on finance leases	<b>272</b>	11,028
Bank charges and other financial costs	<b>13,760</b>	21,825
Total finance costs	<b>1,362,623</b>	1,276,181

## 8. PROFIT BEFORE TAX

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

	2008 RMB'000	2007 RMB'000
Cost of sales	<b>32,221,179</b>	25,024,737
Staff costs (including Directors' emoluments as set out in <i>note 9</i> ):		
Wages and salaries	<b>1,482,515</b>	1,255,637
Accommodation benefits:		
Defined contribution fund	<b>98,761</b>	85,705
Retirement costs:		
Defined contribution fund	<b>239,434</b>	189,378
Total staff costs	<b>1,820,710</b>	1,530,720

## 8. PROFIT BEFORE TAX (continued)

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

	2008 RMB'000	2007 RMB'000
Research and development costs	148,261	78,507
Auditors' remuneration	15,500	14,450
Inventories written off	1,754	14,200
Depreciation of items of property, plant and equipment	1,554,480	1,531,988
Amortisation of prepaid land lease payments (note 15)	18,962	19,589
Amortisation of mining rights (note 17)	72,011	19,504
Amortisation of intangible assets (note 18)	25,917	11,264
Provision/(reversal) for impairment of receivables	16,125	(11,509)
Provision for inventories	675,544	65,615
Provision for properties under development	80,456	—
Provision for impairment of items of property, plant and equipment (note 13)	133,391	10,845
Provision for impairment of available-for-sale investments (note 24)	238,164	8,000
Provision for impairment of goodwill	6,965	96,750
Operating lease rentals	32,182	48,850
Exchange loss, net	159,113	81,167
Loss on disposal of subsidiaries (note 43(b))	—	2,698
Loss on disposal of available-for-sale investments	2,476	—
Loss on deemed disposal of an interest in an associate	25,238	—
Loss on disposal of items of property, plant and equipment	19,362	52,784
Provision for indemnity of LAT (note 10)	15,624	30,354
Fair value loss on equity investments at fair value through profit or loss	9,300	3,124
Fair value loss on fair value adjustments of investment properties (note 14)	27,000	—

## 9. DIRECTORS' EMOLUMENTS

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

	2008 RMB'000	2007 RMB'000
Fees	1,352	1,418
Salaries, allowances and benefits in kind	10,858	7,685
Pension scheme contributions	154	133
	<b>12,364</b>	9,236

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

### (a) Independent non-executive Directors

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

	2008 RMB'000	2007 RMB'000
Andrew Y Yan	356	389
Chen Kaixian	400	400
Zhang Shengman	356	389
	<b>1,112</b>	1,178

There were no other emoluments payable to the independent non-executive Directors during the year (2007: Nil).



## 9. DIRECTORS' EMOLUMENTS (continued)

### (b) Executive Directors and a non-executive Director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<b>Year ended 31 December 2008</b>				
<b>Executive Directors:</b>				
Guo Guangchang	—	1,734	22	1,756
Liang Xinjun	—	1,634	22	1,656
Wang Qunbin	—	1,734	22	1,756
Fan Wei	—	1,734	22	1,756
Ding Guoqi	—	1,274	22	1,296
Qin Xuetao	—	1,374	22	1,396
Wu Ping	—	1,374	22	1,396
	—	10,858	154	11,012
<b>Non-executive Director:</b>				
Liu Benren	240	—	—	240
	240	10,858	154	11,252

## 9. DIRECTORS' EMOLUMENTS (continued)

### (b) Executive Directors and a non-executive Director (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<b>Year ended 31 December 2007</b>				
<b>Executive Directors:</b>				
Guo Guangchang	—	1,200	19	1,219
Liang Xinjun	—	1,113	19	1,132
Wang Qunbin	—	1,200	19	1,219
Fan Wei	—	1,193	19	1,212
Ding Guoqi	—	1,013	19	1,032
Qin Xuetao	—	953	19	972
Wu Ping	—	1,013	19	1,032
	—	7,685	133	7,818
<b>Non-executive Director:</b>				
Liu Benren	240	—	—	240
	240	7,685	133	8,058

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

### (c) Five highest paid employees

The five highest paid employees of the Group include five Directors for the years ended 31 December 2007 and 2008. Information relating to their emoluments is disclosed above.

## 10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The provision for Mainland China current income tax is based on a statutory rate of 25% (2007: 33%) of the assessable profit of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are exempted or taxed at preferential rates of 12.5% to 20%.

The major components of income tax expenses for the years ended 31 December 2008 and 2007 are as follows:

	2008 RMB'000	2007 RMB'000
Group:		
Current – Hong Kong	<b>37,832</b>	11,893
Current – Mainland China		
– Income tax in Mainland China for the year	<b>914,217</b>	1,330,851
– LAT in Mainland China for the year	<b>477,578</b>	317,335
Deferred (note 28)	<b>(280,559)</b>	(220,088)
Income tax expenses for the year	<b>1,149,068</b>	1,439,991

## 10. TAX (continued)

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

### Group – 2008

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit before tax excluding share of profits and losses of jointly-controlled entities and associates	39,773	3,679,030	3,718,803
Tax at the applicable tax rates	6,562	919,758	926,320
Lower tax rates for specific entities	—	(227,942)	(227,942)
Tax effect of:			
Income not subject to tax	(29,122)	(28,701)	(57,823)
Expenses not deductible for tax	54,623	112,241	166,864
Tax losses not recognised	5,755	163,556	169,311
Tax losses utilised	—	(40,944)	(40,944)
Income tax deduction for use of manufacturing equipment made in Mainland China in prior years	—	(72,695)	(72,695)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries (note 28)	—	37,440	37,440
Under provision in prior years	14	808	822
Tax incentives on eligible expenditures	—	(125,329)	(125,329)
Subtotal	37,832	738,192	776,024
Additional LAT provision for the year	—	432,415	432,415
Prepaid LAT for the year	—	45,164	45,164
Deferred tax effect of additional LAT provision (note 28)	—	(108,104)	(108,104)
Tax effect of prepaid LAT	—	(11,291)	(11,291)
Tax effect of LAT indemnity (note 28)	—	14,860	14,860
Income tax expenses	37,832	1,111,236	1,149,068

## 10. TAX (continued)

### Group – 2007

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit before tax excluding share of profits and losses of jointly-controlled entities and associates	300,684	5,566,825	5,867,509
Tax at the applicable tax rate	52,620	1,837,052	1,889,672
Lower tax rate for specific entities	—	(238,949)	(238,949)
Tax effect of:			
Income not subject to tax	(67,807)	(53,261)	(121,068)
Expenses not deductible for tax	26,274	100,055	126,329
Income tax deduction for use of manufacturing equipment made in Mainland China	—	(399,821)	(399,821)
Tax losses not recognised	—	107,518	107,518
Tax losses utilised	—	(7,147)	(7,147)
Under provision in prior years	806	17,853	18,659
Tax incentives on eligible expenditures	—	(121,548)	(121,548)
Change in tax rate from 33% to 25%	—	(35,114)	(35,114)
Subtotal	11,893	1,206,638	1,218,531
Additional LAT provision for the year	—	272,248	272,248
Prepaid LAT for the year	—	45,087	45,087
Deferred tax effect of additional LAT provision (note 28)	—	(89,842)	(89,842)
Tax effect of prepaid LAT	—	(14,878)	(14,878)
Tax effect of LAT indemnity (note 28)	—	8,845	8,845
Income tax expenses	11,893	1,428,098	1,439,991

## 10. TAX (continued)

According to tax notices issued by the relevant local tax authorities, the Group commenced to pay LAT at rates ranging from 1% to 3% on proceeds from the sale and pre-sale of properties from 2004. Prior to the year end of 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 year ended 31 December 2008, based on the latest understanding of the LAT regulations from the tax authorities, the Group made an additional LAT provision in the amount of RMB432,415,000 (2007: RMB272,248,000) in respect of the properties sold in 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. ("Fosun Group") and Shanghai Forte Land Co., Ltd. ("Forte") entered into a deed of tax indemnity whereby Fosun Group has undertaken to indemnify Forte in respect of the LAT payable attributable to Forte and its subsidiaries (the "Forte Group") in excess of the prepaid LAT based on 1% to 3% of the 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 31 December 2008, the LAT indemnity to Forte after netting off potential income tax savings amounted to RMB59,441,000 (2007: RMB190,808,000), and the deferred tax liability arising thereon after taking into account the effect of change in tax rate, amounted to RMB62,561,000 (2007: RMB47,701,000) as set out in note 28. The Group's share of losses arising from the LAT indemnity amounted to RMB15,624,000 (2007: RMB30,354,000) as set out in note 8 to the financial statements.

## 11. DIVIDENDS

	2008 RMB'000	2007 RMB'000
Proposed final – HKD0.08 (2007: HKD0.17) per ordinary share	<b>453,051</b>	1,022,219

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.

On 11 March 2009, the Board of Directors of the Company resolved to propose a final dividend for the year ended 31 December 2008 of HKD0.08 per ordinary share, subject to the approval of the forthcoming annual general meeting of the Company.

## 12. EARNINGS PER SHARE

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

	2008	2007
Profit attributable to equity holders of the parent (RMB thousands)	<b>1,328,391</b>	3,354,326
Weighted average number of ordinary shares in issue (thousands)	<b>6,423,147</b>	5,660,103
Earnings per share (RMB)	<b>0.21</b>	0.59

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2008 is the number of ordinary shares in issue during the year, after taking into account the repurchase of ordinary shares as referred to in note 44 to the financial statements.

No diluted earnings per share amount is presented for the years ended 31 December 2008 and 2007, as no diluting events existed during these years.

## 13. PROPERTY, PLANT AND EQUIPMENT

### Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'00	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost:</b>								
At 1 January 2007	6,282,909	9,414,753	106,691	217,673	23,012	78,278	1,337,871	17,461,187
Additions	185,657	321,782	40,234	43,369	1,945	—	1,670,352	2,263,339
Transferred from construction in progress	472,077	862,497	3,377	1,759	—	135,309	(1,475,019)	—
Acquisition of subsidiaries (note 43(a))	318,623	96,284	37,255	40,003	—	—	377,547	869,712
Disposal of subsidiaries (note 43(b))	(1,794)	(12,548)	(499)	(1,688)	—	—	(39,632)	(56,161)
Disposals	(187,738)	(313,299)	(13,562)	(7,992)	(6,063)	—	(6,933)	(535,587)
Deconsolidation of subsidiaries	(136,666)	(79,281)	(26,881)	(12,858)	(14,026)	—	(203)	(269,915)
At 31 December 2007 and 1 January 2008	6,933,068	10,290,188	146,615	280,266	4,868	213,587	1,863,983	19,732,575
Additions	4,583	214,029	34,598	42,194	801	—	2,181,655	2,477,860
Transferred from construction in progress	585,286	1,626,919	69,580	1,461	—	79,753	(2,362,999)	—
Acquisition of subsidiaries (note 43(a))	79,161	22,446	1,196	3,362	—	—	34,242	140,407
Disposal of subsidiaries (note 43(b))	(23,480)	(9,304)	(1,451)	(1,773)	—	—	—	(36,008)
Disposals	(87,628)	(180,550)	(14,637)	(21,292)	—	—	—	(304,107)
Exchange realignment	—	—	(44)	—	—	—	—	(44)
Reclassification	(34,379)	4,685	15,156	14,538	—	—	—	—
At 31 December 2008	7,456,611	11,968,413	251,013	318,756	5,669	293,340	1,716,881	22,010,683
<b>Accumulated depreciation:</b>								
At 1 January 2007	603,784	2,249,543	51,679	78,430	11,682	461	—	2,995,579
Charge for the year	343,909	1,117,662	34,970	33,709	1,267	2,225	—	1,533,742
Disposal of subsidiaries (note 43(b))	(408)	(4,909)	(345)	(318)	—	—	—	(5,980)
Disposals	(29,390)	(254,961)	(14,044)	(6,511)	(3,174)	—	—	(308,080)
Deconsolidation of subsidiaries	(31,275)	(41,003)	(6,216)	(7,575)	(8,087)	—	—	(94,156)
At 31 December 2007 and 1 January 2008	886,620	3,066,332	66,044	97,735	1,688	2,686	—	4,121,105



### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Group (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Accumulated depreciation:</b> (continued)								
At 31 December 2007 and 1 January 2008	886,620	3,066,332	66,044	97,735	1,688	2,686	—	4,121,105
Charge for the year	380,417	1,090,037	45,409	28,298	1,323	12,547	—	1,558,031
Disposal of subsidiaries (note 43(b))	(2,119)	(6,149)	(895)	(751)	—	—	—	(9,914)
Disposals	(16,130)	(135,319)	(9,459)	(16,283)	—	—	—	(177,191)
Exchange realignment	—	—	(34)	—	—	—	—	(34)
Reclassification	383	382	(1,424)	659	—	—	—	—
At 31 December 2008	1,249,171	4,015,283	99,641	109,658	3,011	15,233	—	5,491,997
<b>Impairment loss:</b>								
At 1 January 2007	—	5,753	—	7	—	—	—	5,760
Charge for the year	4,514	3,807	17	2,432	—	—	75	10,845
Disposal of subsidiaries (note 43(b))	(116)	(2,078)	—	(43)	—	—	—	(2,237)
Disposals	—	(1,476)	—	—	—	—	—	(1,476)
At 31 December 2007 and 1 January 2008	4,398	6,006	17	2,396	—	—	75	12,892
Charge for the year	57,313	35,189	255	371	—	—	40,263	133,391
Disposals	—	(3,742)	(10)	(2,422)	—	—	—	(6,174)
At 31 December 2008	61,711	37,453	262	345	—	—	40,338	140,109
<b>Net book value:</b>								
At 31 December 2008	6,145,729	7,915,677	151,110	208,753	2,658	278,107	1,676,543	16,378,577
At 31 December 2007	6,042,050	7,217,850	80,554	180,135	3,180	210,901	1,863,908	15,598,578

### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Group (continued)

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

	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Buildings	<b>841,113</b>	238,873
Plant and machinery	<b>1,329,420</b>	1,571,715
	<b>2,170,533</b>	1,810,588

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

	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Interest expenses capitalised	<b>195,594</b>	124

- (3) As at 31 December 2008, the Group is in the process of applying for property certificates for plant and office buildings, with a net book value of approximately RMB141,850,000 (2007: RMB438,248,000).

### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Company

	<b>Office equipment</b> RMB'000
<hr/>	
<b>Cost:</b>	
At 1 January 2007	780
Additions	46
Disposals	(53)
<hr/>	
At 31 December 2007 and 1 January 2008	773
Additions	50
Exchange realignment	(44)
<hr/>	
At 31 December 2008	779
<hr/>	
<b>Accumulated depreciation:</b>	
At 1 January 2007	383
Charge for the year	235
Disposals	(26)
<hr/>	
At 31 December 2007 and 1 January 2008	592
Charge for the year	167
Exchange realignment	(34)
<hr/>	
At 31 December 2008	725
<hr/>	
<b>Net book value:</b>	
At 31 December 2008	54
<hr/>	
At 31 December 2007	181
<hr/>	

## 14. INVESTMENT PROPERTIES

### Group

	2008 RMB'000	2007 RMB'000
Carrying amount at 1 January	456,000	446,000
(Loss)/gain from fair value adjustments (note 6 and 8)	(27,000)	10,000
Carrying amount at 31 December	429,000	456,000

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

The Group's investment properties were revalued on 31 December 2008 to the value of RMB429,000,000 by Jones Lang LaSalle Sallmanns Limited, independent professionally qualified valuers, on an open market, existing use basis. The valuation was made on the assumption that the seller sells the properties on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement that could serve to affect the values of the properties. The investment properties are leased to third parties under operating leases arrangements, with leases negotiated for terms ranging from one to six years.

At 31 December 2008, the Group's investment properties with a net carrying amount of approximately RMB429,000,000 (2007: RMB456,000,000) were pledged to a bank for interest-bearing bank loans, as set out in note 36 to the financial statements.

## 15. PREPAID LAND LEASE PAYMENTS

### Group

	2008 RMB'000	2007 RMB'000
<b>Cost:</b>		
At 1 January	951,175	571,800
Additions during the year	4,205	354,128
Acquisition of subsidiaries ( <i>note 43(a)</i> )	2,668	71,931
Deconsolidation of subsidiaries	—	(30,931)
Disposals	(3,252)	(15,753)
At 31 December	954,796	951,175
<b>Accumulated amortisation:</b>		
At 1 January	42,799	29,093
Amortisation for the year	18,962	19,589
Deconsolidation of subsidiaries	—	(2,593)
Disposals	(369)	(3,290)
At 31 December	61,392	42,799
<b>Net book value:</b>		
At 31 December	893,404	908,376
At 1 January	908,376	542,707
Net book value pledged as security for bank loans ( <i>note 36</i> )	1,267,674	12,231

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

As at 31 December 2008, the Group is in the process of applying for the land use certificates, with a net book value of approximately RMB8,296,000 (2007: RMB8,335,000).

## 16. EXPLORATION AND EVALUATION ASSETS

### Group

	2008 RMB'000	2007 RMB'000
<b>Cost:</b>		
At 1 January	—	—
Additions	381,645	—
Acquisition of a subsidiary (note 43(a))	5,000	—
At 31 December	386,645	—

## 17. MINING RIGHTS

### Group

	2008 RMB'000	2007 RMB'000
<b>Cost:</b>		
At 1 January	567,271	162,188
Acquisition of subsidiaries (note 43(a))	636,263	405,083
At 31 December	1,203,534	567,271
<b>Accumulated amortisation:</b>		
At 1 January	20,802	1,298
Amortisation for the year	72,011	19,504
At 31 December	92,813	20,802
<b>Net book value:</b>		
At 31 December	1,110,721	546,469
At 1 January	546,469	160,890
Net book value pledged as security for bank loans (note 36)	148,595	156,995

## 18. INTANGIBLE ASSETS

### Group

	Patents and licenses RMB'000	Technical know-how RMB'000	Others RMB'000	Total RMB'000
<b>Cost:</b>				
At 1 January 2007	3,830	44,662	3,637	52,129
Additions	700	1,289	19,569	21,558
Deconsolidation of subsidiaries	(3,142)	—	(2,072)	(5,214)
Disposals	(700)	(25,818)	(1,367)	(27,885)
At 31 December 2007 and 1 January 2008	688	20,133	19,767	40,588
Additions	—	23,409	2,737	26,146
Acquisition of subsidiaries (note 43(a))	—	—	6,929	6,929
Disposals	(688)	(1,617)	(3,146)	(5,451)
At 31 December 2008	—	41,925	26,287	68,212
<b>Accumulated amortisation:</b>				
At 1 January 2007	1,377	26,910	2,183	30,470
Provided during the year	153	3,756	7,355	11,264
Deconsolidation of subsidiaries	(1,347)	—	(1,178)	(2,525)
Disposals	(86)	(22,976)	(911)	(23,973)
At 31 December 2007 and 1 January 2008	97	7,690	7,449	15,236
Provided during the year	14	23,712	2,191	25,917
Disposals	(111)	—	(1,656)	(1,767)
At 31 December 2008	—	31,402	7,984	39,386
<b>Impairment loss:</b>				
At 1 January 2007	—	2,842	—	2,842
Disposals	—	(2,842)	—	(2,842)
At 31 December 2007 and 31 December 2008	—	—	—	—
<b>Net book value:</b>				
At 31 December 2008	—	10,523	18,303	28,826
At 31 December 2007	591	12,443	12,318	25,352

## 19. GOODWILL

### Group

	2008 RMB'000	2007 RMB'000
<b>Cost:</b>		
At 1 January	<b>249,975</b>	226,201
Acquisition of subsidiaries (note 43(a))	<b>8,297</b>	1,383
Acquisition of an additional interest in a subsidiary	<b>6,965</b>	28,301
Disposal of subsidiaries (note 43(b))	—	(2,942)
Deconsolidation of subsidiaries	—	(2,968)
At 31 December	<b>265,237</b>	249,975
<b>Accumulated impairment:</b>		
At 31 December	<b>(174,646)</b>	(141,823)
<b>Net book value:</b>		
At 31 December	<b>90,591</b>	108,152

### Impairment testing of goodwill

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

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

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	<b>Manufacture and sale of pharmaceutical products</b> RMB'000	<b>Property development</b> RMB'000	<b>Others</b> RMB'000	<b>Total</b> RMB'000
Carrying amount of goodwill				
<b>2008</b>	<b>51,109</b>	<b>35,719</b>	<b>3,763</b>	<b>90,591</b>
2007	51,109	27,422	29,621	108,152



## 19. GOODWILL (continued)

### Impairment testing of goodwill (continued)

The recoverable amount of each CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates applied to the cash flow projections range from 13% to 15% (2007: 10% to 11%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rates do not exceed the projected long term average growth rates for the pharmaceutical and property development industries in Mainland China.

Key assumptions were used in the value in use calculation of the CGUs for 31 December 2008 and 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

## 20. INTERESTS IN SUBSIDIARIES

### Company

	Notes	2008 RMB'000	2007 RMB'000
Unlisted shares, at cost	(1)	1,093,000	1,093,000
Shares listed in Hong Kong, at cost	(2)	651,290	49,216
Loan to a subsidiary	(3)	176,378	187,120
		<b>1,920,668</b>	1,329,336
Market value of listed shares		<b>356,145</b>	43,570

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

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

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

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

## 21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

### Group

	2008 RMB'000	2007 RMB'000
Share of net assets	216,081	231,055
Loans to jointly-controlled entities	416,400	150,000
	<b>632,481</b>	381,055

Loans to jointly-controlled entities of RMB416,400,000 are unsecured and have no fixed terms of repayment. Loans amounting to RMB290,000,000 (2007: RMB150,000,000) are interest-free and loans amounting to RMB126,400,000 (2007: Nil) are bearing a variable interest rate of 6.21% per annum based on the rates quoted by the People's Bank of China (the "PBOC"). In the opinion of the Directors, these loans are considered as quasi-equity investments in jointly-controlled entities.

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

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

## 21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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

	2008 RMB'000	2007 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	<b>837,200</b>	314,226
Non-current assets	<b>169,630</b>	423,605
Current liabilities	<b>(593,194)</b>	(328,324)
Non-current liabilities	<b>(197,555)</b>	(178,452)
Net assets	<b>216,081</b>	231,055
Share of the jointly-controlled entities' results:		
Revenue	<b>3,116</b>	111,964
Other income	<b>1,206</b>	360
	<b>4,322</b>	112,324
Total expenses	<b>(8,222)</b>	(104,305)
Tax	<b>(2,407)</b>	(2,388)
(Loss)/profit after tax	<b>(6,307)</b>	5,631

## 22. INTERESTS/INVESTMENT IN ASSOCIATES

### Group

	2008 RMB'000	2007 RMB'000
Share of net assets	5,556,904	6,465,296
Goodwill on acquisitions	391,044	294,383
	<b>5,947,948</b>	6,759,679
Loans to an associate	—	89,200
	<b>5,947,948</b>	6,848,879
Provision for impairment	(885)	(885)
	<b>5,947,063</b>	6,847,994

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

### Company

	2008 RMB'000	2007 RMB'000
Unlisted shares, at cost	82,421	82,421

The Company's investment in an associate represents a 26.67% (2007: 26.67%) interest in Janeboat Holdings Ltd., a company incorporated in the British Virgin Islands.

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

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

	2008 RMB'000	2007 RMB'000
Assets	85,631,294	99,569,378
Liabilities	(62,636,336)	(67,199,399)
Revenues	103,067,413	77,830,501
(Loss)/Profit	(170,001)	4,835,500

## 22. INTERESTS/INVESTMENT IN ASSOCIATES (continued)

The major acquisitions and disposals of interests in associates during the year are set out as follows:

- (i) On 16 June 2008, Fosun Pharma 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. (“Yuyuan”), at a consideration of RMB347,088,000. The book value of the 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, were credited to other gains during the year as set out in note 6 to the financial statements.
- (ii) In February and June 2008, the Group acquired an aggregate of 30% equity interest in Huixin Biological Paper Co., Ltd. through its subsidiaries for a total consideration of RMB188,000,000.
- (iii) In January 2008, the Group acquired a 40% equity interest in Hainan Wuzhishan (Group) Co., Ltd (“Hainan Wuzhishan”) through its wholly-owned subsidiaries for a consideration of RMB184,000,000.

The investments in Hainan Wuzhishan and Zhaojin Mining Industry Co., Ltd. (“Zhaojin Mining”) had been accounted for using the equity method in the financial statements, until they were classified as non-current assets held for sale in accordance with HKFRS 5, as set out in note 29 to the financial statements.

## 23. HELD-TO-MATURITY INVESTMENTS

### Group

	2008 RMB'000	2007 RMB'000
Debt investments	63,761	—

During the year, the effective interest rates of the held-to-maturity investments ranged from 7.1% to 36.7% per annum. The carrying amounts of the held-to-maturity investments approximate to their fair values.

### Company

	2008 RMB'000	2007 RMB'000
Debt investments	31,696	—

During the year, the effective interest rates of the held-to-maturity investments ranged from 7.1% to 36.7% per annum. The carrying amounts of the held-to-maturity investments approximate to their fair values.

As at 31 December 2008, part of the Group's held-to-maturity investments with an amount of approximately RMB31,696,000 (2007: Nil) were pledged to secure bank loans, as set out in note 36 to the financial statements.

## 24. AVAILABLE-FOR-SALE INVESTMENTS

### Group

	2008 RMB'000	2007 RMB'000
<b>At fair value:</b>		
Listed equity and debt investments	<b>393,592</b>	1,011,684
<b>At cost:</b>		
Unlisted investment funds	—	205,000
Unlisted equity and debt investments	<b>1,511,697</b>	1,176,373
	<b>1,905,289</b>	2,393,057
Portion classified as current assets	—	(205,000)
	<b>1,905,289</b>	2,188,057

There has been a significant decline in the market value of certain listed equity investments during the year. The Directors consider that such a decline indicates that the listed equity investments have been impaired and an impairment loss of RMB238,164,000 (2007: RMB8,000,000), which included a transfer from the available-for-sale investment revaluation reserve of RMB46,863,000 (2007: Nil), has been recognised in the consolidated income statement for the year, as set out in note 8 to the financial statements.

The unlisted investment funds, and equity and debt investments are stated at cost less any accumulated impairment losses because there are no quoted market prices for these investments. In addition, the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, a reasonable estimate of the fair value cannot be made.

As at 31 December 2008, part of the Group's available-for-sale investments with an amount of approximately RMB134,195,000 (2007: Nil) were pledged to secure bank loans as set out in note 36 to the financial statements.

## 25. PROPERTIES UNDER DEVELOPMENT

### Group

	2008 RMB'000	2007 RMB'000
Land costs	8,227,326	6,999,910
Construction costs	3,801,908	1,946,381
Capitalised financial costs	758,466	468,742
	<b>12,787,700</b>	9,415,033
Portion classified as current assets	<b>(6,121,600)</b>	(3,405,440)
	<b>6,666,100</b>	6,009,593

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

	2008 RMB'000	2007 RMB'000
Net book value pledged ( <i>note 36</i> )	3,937,313	3,550,027
Additions to properties under development include:		
Interest expense capitalised in respect of bank and other borrowings ( <i>note 7</i> )	271,762	275,388

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

## 26. LOAN RECEIVABLE

### Group

	2008 RMB'000	2007 RMB'000
Loan receivable from a jointly-controlled entity	220,000	220,000

As at 31 December 2008, the loan receivable represented the entrusted bank loan of RMB220,000,000 provided to a jointly-controlled entity. This loan is unsecured, interest-bearing at a variable interest rate of 9.828% per annum based on the rates quoted by the PBOC and repayable on 21 January 2010.

The carrying amount of the loan receivable approximates to its fair value as at 31 December 2008.



## 27. PREPAYMENTS

### Group

	2008 RMB'000	2007 RMB'000
Prepayment for exploration and evaluation assets	—	100,000
Prepayments for investments	<b>1,156,383</b>	1,447,278
	<b>1,156,383</b>	1,547,278

Prepayments for investments are in respect of the following:

- (a) On 28 December 2006, the Forte 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 Co., Ltd. ("Beijing Hehua"), for the joint development of JW Marriott Centre in Beijing (the "Agreement"), pursuant to which (i) the Forte Group conditionally agreed to inject an aggregate amount of US\$7,600,000 (equivalent to RMB60,000,000) by way of contribution to the registered capital of Beijing Hehua; (ii) the Forte Group conditionally agreed to provide an additional investment of RMB387,000,000 by way of a shareholder loan; and (iii) the Forte 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 Forte Group and Beijing Hehua in December 2006, the shareholder loan is unsecured, interest-free, repayable on demand and will not exceed RMB1,000,000,000.

On 14 July 2008, the Forte 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 Forte Group and Home Value agreed to invest in the project by proportion of 37%: 63% replacing the original 50%:50% respectively, as stipulated in the cooperative agreement.

As at 31 December 2008, the Forte Group advanced RMB540,070,000 (2007: RMB851,400,000) to Beijing Hehua, including the capital injection of RMB60,000,000 as set out in the Agreement.

## 27. PREPAYMENTS (continued)

Prepayments for investments are in respect of the following: (continued)

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

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

As at 31 December 2008, the Forte Group advanced RMB616,313,000 (2007: RMB575,878,000) to Shanghai Vanke. The remaining capital commitment not paid as at 31 December 2008 amounted to RMB355,963,000 (2007: RMB396,398,000).

## 28. DEFERRED TAX

Movements in deferred tax assets and liabilities are as follows:

### Group

#### Deferred tax assets

	Losses available for offset against future taxable profit RMB'000	Accruals and provisions RMB'000	Post- employment benefits RMB'000	Repairs and maintenance RMB'000	Additional LAT provisions RMB'000 <i>(note 10)</i>	Others RMB'000	Total RMB'000
At 1 January 2007	9,949	47,617	9,955	11,830	77,414	23,078	179,843
Deferred tax credited/ (charged) during the year	35,616	14,964	1,760	(7,439)	89,842	(1,447)	133,296
Acquisition of subsidiaries (Note 43(a))	—	—	—	—	—	2,737	2,737
Effect of the change in tax rate from 33% to 25%	(9,483)	(14,176)	(2,840)	(1,064)	—	(4,887)	(32,450)
Gross deferred tax assets at 31 December 2007 and 1 January 2008	36,082	48,405	8,875	3,327	167,256	19,481	283,426
Deferred tax credited/ (charged) during the year	19,567	216,843	(1,221)	3,324	108,104	33,287	379,904
Gross deferred tax assets at 31 December 2008	55,649	265,248	7,654	6,651	275,360	52,768	663,330

## 28. DEFERRED TAX (continued)

Movements in deferred tax assets and liabilities are as follows: (continued)

### Group (continued)

#### Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Fair value adjustments arising from available for sale investments RMB'000	Revaluation of investment properties RMB'000	LAT indemnity RMB'000 (note 10)	Others RMB'000	Withholding taxes RMB'000 (note 10)	Total RMB'000
At 1 January 2007	249,207	—	43,115	38,856	2,262	—	333,440
Deferred tax charged/(credited) to the consolidated income statement during the year	(87,810)	—	5,737	24,110	6,285	—	(51,678)
Deferred tax charged to reserves during the year	—	113,865	—	—	—	—	113,865
Acquisition of subsidiaries (note 43(a))	120,956	—	—	—	—	—	120,956
Effect of change in tax rate from 33% to 25% credited to the consolidated income statement during the year	(38,385)	—	(11,842)	(15,265)	(2,072)	—	(67,564)
Effect of change in tax rate from 33% to 25% credited to reserves during the year	—	(25,775)	—	—	—	—	(25,775)

## 28. DEFERRED TAX (continued)

Movements in deferred tax assets and liabilities are as follows: (continued)

### Group (continued)

#### Deferred tax liabilities (continued)

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Fair value adjustments arising from available for sale investments RMB'000	Revaluation of investment properties RMB'000	LAT indemnity RMB'000 (note 10)	Others RMB'000	Withholding taxes RMB'000 (note 10)	Total RMB'000
Gross deferred tax liabilities at 31 December 2007 and 1 January 2008	243,968	88,090	37,010	47,701	6,475	—	423,244
Deferred tax charged/(credited) to the consolidated income statement during the year	(22,511)	—	(9,187)	14,860	78,743	37,440	99,345
Deferred tax charged to reserves during the year	—	(46,047)	—	—	—	—	(46,047)
Acquisition of subsidiaries (note 43(a))	89,039	—	—	—	—	—	89,039
Gross deferred tax liabilities at 31 December 2008	310,496	42,043	27,823	62,561	85,218	37,440	565,581

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

## 29. NON-CURRENT ASSETS HELD FOR SALE

As at 31 December 2008, the non-current assets held for sale represent the Group's investments in two associates, Hainan Wuzhishan and Zhaojin Mining.

- (a) In November 2008, the Group through its wholly-owned subsidiaries, Taizhou Linhai Investment Co., Ltd. and Shanghai Fosun Chuangfu Investment Management Co., Ltd., entered into a disposal agreement with the original individual shareholders of Hainan Wuzhishan, which are external third parties, for the disposal of the Group's entire shareholding of 40% in Hainan Wuzhishan with the consideration for the disposal of RMB214,000,000. Hainan Wuzhishan is engaged in the forestry business and is included in the other segment under note 5 to the financial statements.

As the disposal transaction is expected to be completed within the next 12 months from 31 December 2008, the carrying amount of the investment of RMB165,596,000 in Hainan Wuzhishan is classified as a non-current asset held for sale in the consolidated balance sheet as at 31 December 2008.

- (b) In November 2008, the Group through its wholly-owned subsidiary, Shanghai Fosun Industrial Investment Co., Ltd., entered into a disposal agreement with an associate of the Group, Yuyuan, for the disposal of the Group's partial shareholding of 10.9% in Zhaojin Mining with the consideration for the disposal of RMB394,320,000. As at 31 December 2008, the Group received the advanced payment of RMB197,160,000. Zhaojin Mining is engaged in the mining and refining of gold ores and included in the mining segment under note 5 to the financial statements.

As the disposal transaction is expected to be completed within the next 12 months from 31 December 2008, the carrying amount of the investment of RMB428,834,000 in Zhaojin Mining is classified as a non-current asset held for sale in the consolidated balance sheet as at 31 December 2008.

### 30. CASH AND BANK BALANCES

#### Group

	<i>Notes</i>	<b>2008</b> <b>RMB'000</b>	2007 RMB'000
Cash on hand		<b>7,245</b>	7,582
Cash at banks, unrestricted		<b>9,570,450</b>	10,016,536
Cash and cash equivalents		<b>9,577,695</b>	10,024,118
Pledged bank balances	(1)	<b>896,578</b>	664,164
Time deposits with original maturity of more than three months	(2)	<b>1,216,742</b>	3,455,722
		<b>11,691,015</b>	14,144,004

Notes:

		<b>2008</b> <b>RMB'000</b>	2007 RMB'000
(1)	Pledged bank balances to secure notes payable	<b>872,900</b>	629,845
(2)	Time deposits with original maturity of more than three months pledged to banks to secure bank loans (note 36)	<b>913,446</b>	1,841,642

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

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

#### Company

		<b>2008</b> <b>RMB'000</b>	2007 RMB'000
Cash at banks, unrestricted		<b>475,628</b>	2,952,516
Pledged bank balances		<b>705,512</b>	729,852
		<b>1,181,140</b>	3,682,368

### 31. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

#### Group

	2008 RMB'000	2007 RMB'000
<b>Equity investments:</b>		
At fair value through profit or loss (listed)	<b>1,534,899</b>	90,437

#### Company

	2008 RMB'000	2007 RMB'000
<b>Equity investments:</b>		
At fair value through profit or loss (listed)	<b>1,534,709</b>	82,106

The above equity investments at 31 December 2008 and 2007 were classified as held for trading.

As at 31 December 2008, part of the Group's equity investments at fair value through profit or loss with an amount of approximately RMB534,739,000 (2007: Nil) were pledged to secure bank loans, as set out in note 36 to the financial statements.



## 32. TRADE AND NOTES RECEIVABLES

	2008 RMB'000	2007 RMB'000
Trade receivables	<b>1,068,676</b>	1,454,074
Notes receivable	<b>1,372,764</b>	1,470,172
	<b>2,441,440</b>	2,924,246

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

	2008 RMB'000	2007 RMB'000
Outstanding balances with ages:		
Within 90 days	<b>939,067</b>	1,129,012
91 to 180 days	<b>75,258</b>	159,254
181 to 365 days	<b>35,977</b>	150,071
1 to 2 years	<b>26,742</b>	25,988
2 to 3 years	<b>8,906</b>	10,003
Over 3 years	<b>61,040</b>	109,108
	<b>1,146,990</b>	1,583,436
Less: Provision for impairment of trade receivables	<b>(78,314)</b>	(129,362)
	<b>1,068,676</b>	1,454,074

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

## 32. TRADE AND NOTES RECEIVABLES (continued)

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

### Group

	2008 RMB'000	2007 RMB'000
At 1 January	129,362	67,897
Amount written off as uncollectible	(55,535)	(3,321)
Provision/(reversal) of impairment losses	6,406	(4,520)
Acquisition of subsidiaries	—	81,517
Disposal of subsidiaries	(1,919)	(12,211)
At 31 December	78,314	129,362

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

### Group

	2008 RMB'000	2007 RMB'000
Neither past due nor impaired	232,060	332,861
Within 90 days past due	558,679	831,769
91 to 180 days past due	55,409	174,857
Over 180 days past due	48,723	109,886
	894,871	1,449,373

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

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

## 32. TRADE AND NOTES RECEIVABLES (continued)

The Group has pledged notes receivable of approximately RMB112,000,000 (2007: RMB435,224,000) to secure bank loans, as set out in note 36 to the financial statements.

At 31 December 2008, the discounted or endorsed but undue notes of approximately RMB2,467,601,000 (2007: RMB1,885,055,000) were derecognized. Subsequent to the balance sheet date and up to the date when the financial statements were approved by the Board of Directors, an amount of RMB1,160,645,000 of the aforementioned discounted or endorsed notes fell due.

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

	<b>Credit terms</b>
Steel segment	0 to 90 days
Mining segment	0 to 90 days
Pharmaceuticals segment	90 to 180 days
Property development segment	30 to 360 days

### 33. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

#### Group

	2008 RMB'000	2007 RMB'000
Prepayments consist of:		
Prepayments for purchase of raw materials of steel	<b>293,724</b>	1,044,728
Prepayments for purchase of pharmaceutical materials	<b>34,210</b>	60,234
Prepayments for purchase of construction materials	<b>155,439</b>	762,924
Prepayments for purchase of equipment and others	<b>357,278</b>	344,399
Deposits	<b>214,318</b>	36,994
Other receivables consist of:		
Loans to third parties	<b>75,578</b>	44,717
Tax recoverable	<b>1,168,632</b>	345,212
Others	<b>494,801</b>	681,000
	<b>2,793,980</b>	3,320,208
<b>Company</b>		
Interest receivables	<b>483</b>	—
Deposits	<b>1,064</b>	396
	<b>1,547</b>	396

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

### 34. INVENTORIES

	2008 RMB'000	2007 RMB'000
Raw materials	3,024,847	4,065,868
Work in progress	1,489,866	678,801
Finished goods	1,547,857	1,079,407
Spare parts and consumables	840,489	733,408
	<b>6,903,059</b>	6,557,484
Less: Provision for inventories	<b>(699,384)</b>	(86,630)
	<b>6,203,675</b>	6,470,854
Net book value of inventories pledged as security for bank loans (note 36)	—	45,000

### 35. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	2008 RMB'000	2007 RMB'000
<b>Group</b>			
Due from related companies:			
Associates	(i)	418,085	169,227
Jointly-controlled entities	(ii)	334,286	356,612
Minority shareholders of subsidiaries	(ii)	78,582	4,667
		<b>830,953</b>	530,506
<b>Company</b>			
Due from subsidiaries	(ii)	8,495,874	7,634,162

Notes:

(i) The balances due from associates represent:

- (1) An amount of RMB316,525,000 (2007: RMB138,391,000), which is unsecured, interest-free and repayable on demand.
- (2) The remaining balances due from associates are trade in nature, interest-free and repayable on demand.

(ii) The balances due from subsidiaries, jointly-controlled entities and minority shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

### 35. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES (continued)

#### Group

	Notes	2008 RMB'000	2007 RMB'000
Due to the holding company	(v)	568,819	—
Due to related companies:			
Associates	(iv)	314,841	523,036
Minority shareholders of subsidiaries	(iii)	428,294	95,341
Jointly-controlled entities	(iii)	121,000	197,087
		<b>864,135</b>	815,464
<b>Company</b>			
Due to the holding company	(v)	568,819	—

Notes:

- (iii) The balances due to minority shareholders of subsidiaries and jointly-controlled entities are unsecured, interest-free and repayable on demand.
- (iv) The balances due to associates include an amount of RMB304,684,000 (2007: RMB512,198,000), which is unsecured, interest-free and repayable on demand. The remaining balances due to associates are trade in nature, interest-free and repayable on demand.
- (v) The balances due to the holding company represent the dividend payables, which are unsecured, interest-free and repayable on demand.

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

The nature of the transactions with shareholders and related companies is disclosed in note 49 to the financial statements.

### 36. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	Notes	2008 RMB'000	2007 RMB'000
Bank loans:	(1)		
Guaranteed		<b>169,200</b>	910,732
Secured		<b>8,877,560</b>	8,776,822
Unsecured		<b>12,907,103</b>	10,079,117
		<b>21,953,863</b>	19,766,671
Short term commercial papers	(2)	<b>1,397,747</b>	756,522
Unsecured other borrowings	(3)	<b>1,046,679</b>	1,247,049
Total		<b>24,398,289</b>	21,770,242
Repayable:			
Within one year		<b>15,228,528</b>	14,890,502
In the second year		<b>4,047,275</b>	1,827,701
In the third to fifth years, inclusive		<b>5,036,031</b>	3,984,539
Over five years		<b>86,455</b>	1,067,500
		<b>24,398,289</b>	21,770,242
Portion classified as current liabilities		<b>(15,228,528)</b>	(14,890,502)
Long term portion		<b>9,169,761</b>	6,879,740

## 36. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

### Group (continued)

Notes:

	2008 RMB'000	2007 RMB'000
(1) Bank loans		
Guaranteed by related parties	169,200	910,732
Secured by:		
Buildings (note 13)	841,113	238,873
Plant and machinery (note 13)	1,329,420	1,571,715
Investment properties (note 14)	429,000	456,000
Prepaid land lease payments (note 15)	1,267,674	12,231
Mining rights (note 17)	148,595	156,995
Inventories (note 34)	—	45,000
Time deposits with original maturity of more than three months (note 30)	913,446	1,841,642
Interest in a subsidiary	618,065	592,645
Notes receivable (note 32)	112,000	435,224
Properties under development (note 25)	3,937,313	3,550,027
Available-for-sale investments (note 24)	134,195	—
Equity investments at fair value through profit or loss (note 31)	534,739	—
Held-to-maturity investments (note 23)	31,696	—
	<b>10,297,256</b>	<b>8,900,352</b>
The bank loans bear interest at rates per annum in the range of	<b>1.60% to 9.02%</b>	4.05% to 8.96%
(2) Short term commercial papers		
(i) On 27 January 2008, the Group issued short term commercial papers totalling RMB900,000,000 to members registered in the PRC 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.		
The aforementioned short term commercial papers were repaid by the Group on 7 January 2009.		
(ii) On 20 August 2008, the Group issued short term commercial papers amounting to RMB500,000,000 to members registered in the PRC debt market. The short term commercial papers were issued at the par value, with a yield of 6.1% per annum.		
(3) Unsecured other borrowings		
	2008 RMB'000	2007 RMB'000
Borrowings from third parties	1,046,679	1,247,049
The other borrowings bear interest at rates per annum in the range of	2.55% to 9.34%	2.13% to 9.84%

The carrying amounts of the Group's current bank and other borrowings approximate to their fair values. The fair value of the Group's non-current bank and other borrowings as at 31 December 2008 with a carrying amount of RMB9,169,761,000 (2007: RMB6,879,740,000) is RMB9,215,012,000 (2007: RMB6,735,816,000).



### 36. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

#### Company

	2008 RMB'000	2007 RMB'000
Bank loans:		
Secured	77,284	—
Unsecured	859,838	—
	<b>937,122</b>	—
Repayable:		
Within one year	796,020	—
In the second year	70,551	—
In the third to fifth years, inclusive	70,551	—
	<b>937,122</b>	—
Portion classified as current liabilities	<b>(796,020)</b>	—
Long term portion	<b>141,102</b>	—
The bank loans bear interest at rates per annum in the range of	<b>2.83% to 4.94%</b>	—

The carrying amounts of the Company's current bank loans approximate to their fair values. The fair value of the Company's non-current bank loans as at 31 December 2008 with a carrying amount of RMB141,102,000 (2007: Nil) is RMB137,594,000 (2007: Nil).

### 37. TRADE AND NOTES PAYABLES

#### Group

	2008 RMB'000	2007 RMB'000
Trade payables	3,173,599	3,326,879
Notes payable	2,006,827	1,159,278
	<b>5,180,426</b>	4,486,157

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

### 37. TRADE AND NOTES PAYABLES (continued)

An aged analysis of the trade payables as at the balance sheet date is as follows:

	2008 RMB'000	2007 RMB'000
Outstanding balances with ages:		
Within 90 days	2,484,540	1,990,063
91 to 180 days	402,703	676,200
181 to 365 days	54,503	383,744
1 to 2 years	175,311	188,341
2 to 3 years	34,965	52,563
Over 3 years	21,577	35,968
	<b>3,173,599</b>	3,326,879

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

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

### 38. ACCRUED LIABILITIES AND OTHER PAYABLES

#### Group

	2008 RMB'000	2007 RMB'000
Advances from customers	3,491,041	5,391,946
Payables related to:		
Purchases of property, plant and equipment	762,220	778,227
Deposits received	244,665	94,485
Payroll	321,456	248,611
Business tax	24,177	43,977
Accrued interest expenses	45,244	26,308
Value-added tax	67,268	159,358
Accrued utilities	138,553	82,059
Acquisition of subsidiaries (note 43(a))	143,500	60,290
Payments for rehabilitation (note 42)	12,200	—
Others	681,250	727,553
	<b>5,931,574</b>	7,612,814

#### Company

	2008 RMB'000	2007 RMB'000
Other payables	1,114	35,766

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

## 39. RESERVES

### Group

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

### Company

	Issued capital RMB'000 (note 44)	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve RMB'000 (note 44)	(Accumulated losses)/ retained earnings RMB'000	Proposed final dividend RMB'000 (note 11)	Total equity RMB'000
At 1 January 2007	208	—	35,360	—	360,776	—	396,344
Issue of ordinary shares	139,098	12,699,602	—	—	—	—	12,838,700
Capitalisation of share premium account	483,656	(483,656)	—	—	—	—	—
Shares issue expenses	—	(430,233)	—	—	—	—	(430,233)
Proposed final 2007 dividend	—	—	—	—	(1,022,219)	1,022,219	—
Exchange realignment	—	—	(369,105)	—	—	—	(369,105)
Profit for the year*	—	—	—	—	334,912	—	334,912
At 31 December 2007 and 1 January 2008	622,962	11,785,713	(333,745)	—	(326,531)	1,022,219	12,770,618
Repurchase and cancellation of shares (notes 44)	(1,465)	—	—	—	(76,650)	—	(78,115)
Transfer on shares repurchased and cancelled (notes 44)	—	—	—	1,465	(1,465)	—	—
Final dividend declared	—	—	—	—	—	(1,022,219)	(1,022,219)
Proposed final 2008 dividend	—	—	—	—	(453,051)	453,051	—
Exchange realignment	—	—	(596,244)	—	—	—	(596,244)
Profit for the year*	—	—	—	—	667,014	—	667,014
At 31 December 2008	<b>621,497</b>	<b>11,785,713</b>	<b>(929,989)</b>	<b>1,465</b>	<b>(190,683)</b>	<b>453,051</b>	<b>11,741,054</b>

\* The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2008 includes a profit of RMB667,014,000 (2007: RMB334,912,000) which has been dealt with in the financial statements of the Company.

#### (a) Other deficits

The opening balance of other deficits as at 1 January 2007 represents the acquisition of the entire equity interest in Fosun Group pursuant to the reorganisation of the Group prior to the listing of its shares on the Hong Kong Stock Exchange, after netting off paid-up capital and capital reserve (arising from the bonus share issue of its subsidiaries) of Fosun Group.

### 39. RESERVES (continued)

**(b) Statutory surplus reserve (the “SSR”)**

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

**(c) Distributable reserves**

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

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

Subsequent to 31 December 2008, Fosun Group, a wholly-owned subsidiary of the Company, proposed final dividends totalling RMB400,000,000 to the Company.

As at 31 December 2008, the accumulated losses of the Company were approximately RMB190,683,000 after taking into account the proposed final dividends of RMB453,051,000. Considering the proposed dividend income from the subsidiary, the Board of Directors of the Company is of the opinion that the Company has adequate reserves for distribution of the proposed dividends as set out in note 11 to the financial statements.

## 40. LOANS FROM RELATED COMPANIES

### Group

	Notes	Carrying amounts		Fair values	
		2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Loans from					
– a jointly-controlled entity	(a)	<b>76,118</b>	71,026	<b>78,495</b>	72,089
– a minority shareholder of a subsidiary	(b)	<b>76,075</b>	76,693	<b>77,813</b>	61,915
Wholly repayable in the second to fourth years, inclusive		<b>152,193</b>	147,719	<b>156,308</b>	134,004

The fair values of the long term loans are calculated by discounting the expected future cash flows at the prevailing interest rates ranging from 6.48% to 6.84% on initial recognition, respectively. Particulars of the financial liabilities are as follows:

- (a) On 19 April 2006, Forte obtained an interest-free, unsecured loan in the amount of RMB93,000,000 from its jointly-controlled entity, Wuxi Forte Property Development Co., Ltd. (“Wuxi Forte”). This loan is repayable on 10 January 2012. The fair value of this loan at the date of inception, 19 April 2006, was estimated with reference to the prevailing interest rate with the same repayment period published by the PBOC of 6.84%, and amounted to RMB63,649,000. Subsequent to its initial recognition, the financial liability is measured using the effective interest method.
- (b) Forte holds a 75% equity interest in Tianjin Forte Puhe Development Co., Ltd. (“Tianjin Forte”) and the remaining 25% equity is held by Yangzte Tianjin Limited (“Yangzte”). On 8 December 2006, Tianjin Forte obtained an interest-free, unsecured loan in the amount of USD12,798,000 (equivalent to RMB99,716,000) from Yangzte. This loan is repayable on 7 December 2010. The fair value of this loan at the date of inception, 8 December 2006, was estimated with reference to the prevailing interest rate of a loan with the similar repayment period published by the PBOC of 6.48%, and amounted to RMB77,570,000. Subsequent to its initial recognition, the financial liability is measured using the effective interest method.

## 41. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2008 RMB'000	2007 RMB'000
Special purpose funds for technology improvement	47,702	21,735

## 42. OTHER LONG TERM PAYABLES

	2008 RMB'000	2007 RMB'000
<b>Payables for rehabilitation:</b>		
At 1 January	40,048	—
Additions	415	—
Acquisition of mining operations	—	51,114
Interest increment ( <i>note 7</i> )	2,658	1,134
Payments made	—	(12,200)
Classified as current portion ( <i>note 38</i> )	(12,200)	—
At 31 December	30,921	40,048
<b>Payables for retirement benefits:</b>		
At 1 January	697,424	402,559
Acquisition of Former SOEs	—	368,352
Interest increment ( <i>note 7</i> )	31,215	11,802
Payments made	(125,309)	(70,795)
Deconsolidation of subsidiaries	—	(14,494)
At 31 December	603,330	697,424
Total	634,251	737,472

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

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

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

## 43. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Acquisition of subsidiaries

	2008 RMB'000	2007 RMB'000
Fair value recognized on acquisitions:		
Property, plant and equipment ( <i>note 13</i> )	<b>140,407</b>	869,712
Prepaid land lease payments ( <i>note 15</i> )	<b>2,668</b>	71,931
Mining rights ( <i>note 17</i> )	<b>636,263</b>	405,083
Exploration and evaluation assets ( <i>note 16</i> )	<b>5,000</b>	—
Intangible assets ( <i>note 18</i> )	<b>6,929</b>	—
Interests in associates	—	36,449
Available-for-sale investments	—	5,873
Deferred tax assets ( <i>note 28</i> )	—	2,737
Properties under development	<b>159,832</b>	1,705,051
Cash and bank balances	<b>21,445</b>	980,986
Equity investments at fair value through profit or loss	—	844
Trade and notes receivables	<b>41</b>	242,299
Prepayments, deposits and other receivables	<b>172,985</b>	247,359
Inventories	<b>13,469</b>	157,140
Interest-bearing bank and other borrowings	—	(170,000)
Trade and notes payables	<b>(6,807)</b>	(22,652)
Accrued liabilities and other payables	<b>(176,610)</b>	(1,326,631)
Tax payable	<b>(136)</b>	—
Due to related companies	—	(106,517)
Deferred tax liabilities ( <i>note 28</i> )	<b>(89,039)</b>	(120,956)
Other long term payables	—	(419,466)
Minority interests	<b>(254,747)</b>	(813,701)
	<b>631,700</b>	1,745,541
Goodwill on acquisition ( <i>note 19</i> )	<b>8,297</b>	1,383
Excess over the cost of business combinations ( <i>note 6</i> )	<b>(6,520)</b>	(141,187)
	<b>633,477</b>	1,605,737
Satisfied by:		
Cash	<b>479,332</b>	1,545,447
Investment in an associate	<b>10,645</b>	—
Cash consideration unpaid ( <i>note 38</i> )	<b>143,500</b>	60,290
	<b>633,477</b>	1,605,737



#### 43. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

##### (a) Acquisition of subsidiaries (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisitions of subsidiaries is as follows:

	2008 RMB'000	2007 RMB'000
Cash consideration	(479,332)	(1,545,447)
Cash and bank balances acquired	21,445	980,986
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	(457,887)	(564,461)

The major acquisitions of subsidiaries during the year are set out as follows:

- (i) On 20 September 2008, the Group acquired a 55% equity interest in Zunyi County Shiji Nonferrous Metal Limited Liability Company ("Zunyi Shiji") through a wholly-owned subsidiary at a total cash consideration of RMB190,000,000 with other ordinary individual shareholders owning an aggregate of 45% equity interest in Zunyi Shiji, to develop the mining and ore processing business in Guizhou Province. An excess of the share of the fair value of the net identifiable assets over the cost of investment in Zunyi Shiji, arising from the acquisition amounting to approximately RMB5,078,000 was recognised in the consolidated income statement as set out in note 6 to the financial statements.
- (ii) On 31 October 2008, the Group acquired a 70% equity interest in Tuolixian Hongshan Mining and Metal Co., Ltd. ("Hongshan Mining") through a subsidiary, Hainan Mining United Co., Ltd., at a consideration of RMB221,200,000 to develop the mining and ore processing business in Xinjiang Province. An excess of the share of the fair value of the net identifiable assets over the cost of investment in Hongshan Mining arising from the acquisition amounting to approximately RMB1,442,000 was recognised in the consolidated income statement as set out in note 6 to the financial statements.

The effect of the acquisitions on the financial results of the Group from the date of acquisition to the end of the respective years is as follows:

	2008 RMB'000	2007 RMB'000
Financial results:		
Revenue	6,481	453,637
(Loss)/profit for the year	(15,823)	207,708

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year 2008 would have been RMB40,255,033,000 (2007: RMB31,978,893,000) and RMB 2,700,991,000 (2007: RMB5,504,694,000), respectively.

#### 43. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

##### (b) Disposal of subsidiaries

	2008 RMB'000	2007 RMB'000
Net assets disposed of:		
Property, plant and equipment ( <i>note 13</i> )	26,094	47,944
Properties under development	—	82,541
Cash and bank balances	16,641	1,519
Trade and notes receivables	51,329	10,472
Available-for-sale investments	5,000	—
Prepayments, deposits and other receivables	14,824	10,980
Interest-bearing loans and other borrowings	(31,900)	—
Inventories	67,756	4,151
Trade and notes payables	(66,906)	(4,712)
Accrued liabilities and other payables	(20,265)	(37,583)
Tax payable	(205)	(3)
Due to related companies	—	(24,833)
	<b>62,368</b>	90,476
Minority interests	(30,867)	(1,302)
The remaining 5% equity investments	—	(3,279)
Goodwill disposed of ( <i>note 19</i> )	—	2,942
Net gain on disposal of subsidiaries ( <i>notes 6 and 8</i> )	4,710	38,958
	<b>36,211</b>	127,795
Satisfied by:		
Cash	35,604	127,795
Prepayments, deposits and other receivables	607	—
	<b>36,211</b>	127,795

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2008 RMB'000	2007 RMB'000
Cash consideration	35,604	127,795
Cash and bank balances disposed of	(16,641)	(1,519)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<b>18,963</b>	126,276

## 44. SHARE CAPITAL

### Shares

	2008 RMB'000	2007 RMB'000
Authorised:		
100,000,000,000 (2007: 100,000,000,000) ordinary shares of HKD0.1 each	<b>9,746,013</b>	9,746,013
Issued and fully paid:		
6,421,594,500 (2007: 6,437,500,000) ordinary shares of HKD0.1 each	<b>621,497</b>	622,962

The following changes in the Company's authorised and issued share capital took place during the period from 1 January 2007 to 31 December 2008:

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
<b>Authorised:</b>		
As at 1 January 2007 (200,000 shares of HKD1 each)	200,000	208
Subdivision of each authorised share of HKD1 into ten shares of HKD0.1 each	1,800,000	—
Increase in authorised capital	99,998,000,000	9,745,805
As at 31 December 2007 and 31 December 2008	100,000,000,000	9,746,013
<b>Issued and fully paid:</b>		
As at 1 January 2007 (200,000 shares of HKD1 each)	200,000	208
Subdivision of each authorised share of HKD1 into ten shares of HKD0.1 each	1,800,000	—
Capitalisation of share premium account	4,998,000,000	483,656
Issue of new shares	1,437,500,000	139,098
As at 31 December 2007 and 1 January 2008	6,437,500,000	622,962
Repurchase and cancellation of shares	(15,905,500)	(1,465)
As at 31 December 2008	6,421,594,500	621,497

#### 44. SHARE CAPITAL (continued)

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

Month	Number of shares repurchased	Price per share		Total price paid RMB'000
		Highest RMB	Lowest RMB	
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 expenses on shares repurchased				281
				78,115

The repurchased shares were cancelled during the year 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 consideration paid on the repurchase of the shares of RMB78,115,000 has been charged to the retained earnings of the Company in accordance with the relevant requirements of the Hong Kong Companies Ordinance.

The repurchase of the Company's shares during the year 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.

#### 45. PARTIAL DISPOSAL OF A SUBSIDIARY WITHOUT LOSING CONTROL

During the period from 2 January 2008 to 20 May 2008 (both dates inclusive), the Group had disposed of 15,748,000 tradable shares in Nanjing Iron & Steel Shareholding Co., Ltd., a subsidiary listed on the Shanghai Stock Exchange, at an aggregate cash consideration of RMB321,846,000.

The book value of the net assets disposed of amounted to RMB75,663,000. The difference between the total consideration and the book value of the net assets disposed of amounting to RMB246,183,000 was credited to other gains as set out in note 6 to the financial statements.

## 46. OPERATING LEASE ARRANGEMENTS

### As lessor

The Group leases its investment properties, as set out in note 14 to the financial statements, under operating lease arrangements.

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

#### Group

	2008 RMB'000	2007 RMB'000
Within one year	17,233	7,273
In the second to fifth years, inclusive	29,766	10,527
Over five years	395	628
	<b>47,394</b>	18,428

### As lessee

The Group leases certain of its office properties, shop lots and plant buildings under operating lease arrangements.

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

#### Group

	2008 RMB'000	2007 RMB'000
Within one year	38,862	17,565
In the second to fifth years, inclusive	99,045	35,872
Over five years	174,078	137,736
	<b>311,985</b>	191,173

#### Company

	2008 RMB'000	2007 RMB'000
Within one year	2,961	522
In the second to fifth years, inclusive	1,481	—
	<b>4,442</b>	522

## 47. COMMITMENTS

In addition to the operating lease commitments detailed in note 46 above, the Group and the Company had the following capital commitments at the balance sheet date:

### Group

	2008 RMB'000	2007 RMB'000
Contracted, but not provided for:		
In respect of:		
Land and buildings	—	22,000
Plant and machinery	<b>387,168</b>	326,059
Properties under development	<b>4,108,550</b>	5,719,065
Intangible assets	—	75,000
Exploration and valuation assets	—	260,000
Investments	<b>375,963</b>	780,398
	<b>4,871,681</b>	7,182,522
Authorised, but not contracted for:		
In respect of:		
Plant and machinery	<b>41,462</b>	—
Land and buildings	—	439
Investments	<b>1,437,895</b>	—
	<b>1,479,357</b>	439

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	2008 RMB'000	2007 RMB'000
Contracted but not provided for:		
Properties under development	<b>6,022</b>	—
Property, plant and equipment	—	18,170
	<b>6,022</b>	18,170

### Company

	2008 RMB'000	2007 RMB'000
Authorised, but not contracted for:		
Investments	<b>1,437,895</b>	—

## 48. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the balance sheet date:

	2008 RMB'000	2007 RMB'000
Guaranteed bank loans of:		
Related parties (note 49)	<b>1,867,500</b>	1,331,041
Third parties	<b>491,000</b>	320,356
Qualified buyers' mortgage loans*	<b>2,358,500</b> <b>1,938,549</b>	1,651,397 2,261,983
	<b>4,297,049</b>	3,913,380

\* The Group provided guarantees of approximately RMB1,938,549,000 (2007: RMB2,261,983,000) in favour of their customers in respect of mortgage loans provided by banks to such customers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks on a time delayed manner due to administrative procedures in the PRC. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements for the guarantees.

## 49. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name of related parties	Nature of transactions	2008 RMB'000	2007 RMB'000
<b>Sales of goods</b>			
Sinopharm Holding Co., Ltd. (Notes 4, 12 & 15)	Sales of pharmaceutical products	47,125	31,795
Shanghai Lianhua Fosun Pharmaceutical Co., Ltd. (Notes 1, 4 & 15)	Sales of pharmaceutical products	22,622	30,576
Beijing Yongan Fosun Pharmacy Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	77	—
Shanghai Pharmacy Holdings Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	8,570	7,341
Shanghai Huifeng Fosun Pharmacy Co., Ltd. (Notes 2 & 4)	Sales of pharmaceutical products	—	5,271
Suzhou Laishi Transfusion Equipment Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	1,822	3,975
Beijing Jinxiang Fosun Pharmaceutical Shareholding Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	—	55
Shanghai Liyi Pharmacy Co., Ltd. (Notes 1 & 4)	Sales of pharmaceutical products	3,622	5,671
Guilin Pharmaceutical Works Australia Pty Ltd (Notes 1 & 4)	Sales of pharmaceutical products	—	1,436
Wanbang Anesiva (Jiangsu) Pharmaceutical Co., Ltd (Notes 1 & 4)	Sales of pharmaceutical products	438	—
Guilin Auspicious Pharmaceutical Industrial Ltd (Notes 1 & 4)	Sales of pharmaceutical products	439	—
Ningbo Steel International Trading Co., Ltd (Notes 4)	Sales of iron ore products	105,245	—
Ningbo Iron & Steel Co., Ltd. (Notes 1 & 4)	Sales of iron and steel products	6,260	11,889
<b>Total sales of goods</b>		<b>196,220</b>	<b>98,009</b>



#### 49. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transactions	2008 RMB'000	2007 RMB'000
<b>Purchases of goods</b>			
Sinopharm Holding Co., Ltd. (Notes 4, 12 & 15)	Purchases of pharmaceutical products	12,957	40,860
Wuhan Zhonglian Pharmaceutical Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	668	1,349
Shanghai Pharmacy Holdings Co., Ltd. (Notes 1 & 4)	Purchases of pharmaceutical products	8,570	9,236
Ningbo Iron & Steel Co., Ltd. (Notes 1 & 4)	Purchases of iron and steel products	132,333	97,354
<b>Total purchases of goods</b>		<b>154,528</b>	148,799
<b>Service income</b>			
Tebon Securities Co., Ltd. (Notes 1 & 5)	Consulting services provided to the related company	—	500
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 5)	Consulting services provided to the related company	4,302	3,309
Wuxi Forte Real Estate Development Co., Ltd. (Notes 2 & 5)	Sales agency services provided to the related company	928	—
Shanghai Fuxin Property Development Co., Ltd. (Notes 1 & 5)	Sales agency services provided to the related company	—	3,500
<b>Total service income</b>		<b>5,230</b>	7,309

#### 49. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transactions	2008 RMB'000	2007 RMB'000
<b>Interest income</b>			
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 7)	Interest income	<b>21,981</b>	174
Show All Limited (Notes 2 & 11)	Interest income	<b>6,266</b>	—
Ningbo Iron & Steel Co., Ltd. (Notes 1 & 7)	Interest income	—	45,779
<b>Total interest income</b>		<b>28,247</b>	45,953
<b>Interest expenses</b>			
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 3 & 7)	Interest expense	—	11,028

#### 49. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transactions	2008 RMB'000	2007 RMB'000
<b>Other expenses</b>			
Shanghai Foreal Property Management Co., Ltd. (Notes 1, 6 & 16)	Property management services provided by the related company	11,096	7,507
Shanghai Yuyuan Tourist Mart Co., Ltd. (Notes 1 & 6)	Management fees	6,628	7,230
Nanjing Xinwu Shipping Co., Ltd. (Notes 1 & 6)	Transportation fees	109,884	71,136
Shanghai Fuxin Property Development Co., Ltd. (Notes 1 & 6)	Construction supervisory services provided to the related company	—	1,176
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 3, 6 & 16)	Operating lease in respect of office buildings leased from the related company	3,593	14,371
Hainan Iron and Steel Co., Ltd. (Notes 3, 6 & 16)	Operating lease in respect of land lease from the related company	13,263	4,989
Shanghai Fosun Pingxin Investment Co., Ltd. (Notes 1 & 6)	Management fees	—	900
<b>Total other expenses</b>		<b>144,464</b>	107,309
<b>Interest-free loans from related companies and the underlying notional interests</b>			
Yangzte Tianjin Limited Co., Ltd. (Note 3, 10 & 16)	Notional interest	5,396	5,027
Wuxi Forte Real Estate Development Co., Ltd (Notes 2 & 9)	Notional interest	5,093	4,354
<b>Total national interests</b>		<b>10,489</b>	9,381

#### 49. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transactions	2008 RMB'000	2007 RMB'000
<b>Guarantees of bank loans</b>			
Nanjing Iron & Steel (Group) Co., Ltd. (Notes 3, 8 & 16)	Bank loans guaranteed by the related company	<b>4,392,200</b>	4,441,800
Ningbo Iron & Steel Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	<b>1,839,000</b>	1,287,541
Nanjing Xinwu Shipping Co., Ltd. (Notes 1 & 8)	Guarantees granted for bank loans of the related company	<b>28,500</b>	43,500
<b>Loans to related companies</b>			
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 7)	Entrusted loan provided to the related company	—	220,000
Show All Limited (Notes 2 & 11)	Shareholder loan provided to the related company	<b>126,400</b>	—
Shaanxi Jianqin Real Estate Development Co., Ltd. (Notes 2 & 11)	Shareholder loan provided to the related company	<b>140,000</b>	150,000
<b>Total loans to related companies</b>		<b>266,400</b>	370,000

## 49. RELATED PARTY TRANSACTIONS (continued)

Notes:

- (1) They are associates of the Group.
- (2) They are jointly-controlled entities of the Group.
- (3) They are minority shareholders of the subsidiaries of the Group.
- (4) The Directors consider that the sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.
- (5) The Directors consider that the fees for consulting services and sales agency services were determined based on prices available to third party customers.
- (6) The Directors consider that the fees for property management services, management services, transportation services, construction supervisory services and leasing paid to related companies were determined based on prices available to third party customers of the related companies.
- (7) The Directors consider that the loans provided by/to the related companies are unsecured, repayable on demand, and the applicable interest rates are determined in accordance with the prevailing market borrowing rates.
- (8) The bank loans and bank bills were guaranteed by related companies free of charge. The guarantees were given by the Group for bank loans of related companies free of charge.
- (9) The entrusted bank loan in the amount of RMB93,000,000 is provided by Wuxi Forte and is interest-free, unsecured and repayable by 2012 as set out in note 40 to the financial statements. The corresponding notional interest for the year ended 31 December 2008 amounted to approximately RMB5,093,000 (2007: RMB4,354,000).
- (10) The loan in the amount of RMB99,716,000 is provided by Yangzte, a minority shareholder of Tianjin Forte, and is interest-free, unsecured and repayable by 2010 as set out in note 40 to the financial statements. The corresponding notional interest for the year ended 31 December 2008 amounted to approximately RMB5,396,000 (2007: RMB5,027,000).
- (11) The shareholder loans in the amount of RMB290,000,000 is provided to Shaanxi Jianqin Real Estate Development Co., Ltd. and loans amounted to RMB126,400,000 is provided to Show All Limited as set out in note 21 to the financial statements. In the opinion of the Directors, these loans are considered as quasi-equity investments in jointly-controlled entities..
- (12) On 20 June 2008, Shanghai Qishen Investment Co., Ltd. ("Qishen Investment"), a subsidiary of the Company entered into an agreement with China National Pharmaceutical Group Limited ("Sinopharm Group") to dispose 49% equity interest in an associate, Sinopharm Holding Co., Ltd. ("Sinopharm Holding"), pursuant to which (i) Qishen Investment disposed a 1.96% equity interest in Sinopharm Holding to Sinopharm Group; (ii) Qishen Investment injected both the remaining 47.04% equity interest and an amount of RMB14,700,000 in cash by way of contribution to the registered capital of Sinopharm Industrial Investment Co., Ltd. ("Sinopharm Investment"). At 31 December 2008, the Group held a 49.0% equity interest in Sinopharm Investment and Sinopharm Holding becomes the subsidiary of the Group's associate.
- (13) During the year ended 31 December 2008, the Group effected the following transaction:  
  
On 16 June 2008, Fosun Pharma disposed of its 23% equity interest in Shanghai Friendship Fosun (Holding) Co., Ltd. to an associate of the Group, Yuyuan, for a consideration of RMB347,088,000 as agreed between both parties. The details of the transaction are set out in note 22 to the financial statements.
- (14) Compensation of key management personnel of the Group:

	2008 RMB'000	2007 RMB'000
Short term employee benefits	12,210	9,103
Pension scheme contributions	154	133
<b>Total compensation paid to key management personnel</b>	<b>12,364</b>	<b>9,236</b>

## 49. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

- (15) These transactions constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions.
- (16) These transactions constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules. They are exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

## 50. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

### 2008 Group

#### Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Held-to- maturity investments RMB'000	Loans and receivables RMB'000	Available- for-sale financial assets RMB'000	Total RMB'000
Held-to-maturity investments	—	63,761	—	—	63,761
Available-for-sale investments	—	—	—	1,905,289	1,905,289
Loan receivable	—	—	220,000	—	220,000
Cash and bank balances	—	—	11,691,015	—	11,691,015
Equity investments at fair value through profit or loss	1,534,899	—	—	—	1,534,899
Trade and notes receivables	—	—	2,441,440	—	2,441,440
Financial assets included in prepayments, deposits and other receivables (note 33)	—	—	1,953,329	—	1,953,329
Due from related companies	—	—	830,953	—	830,953
	<b>1,534,899</b>	<b>63,761</b>	<b>17,136,737</b>	<b>1,905,289</b>	<b>20,640,686</b>

## 50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:  
(continued)

### 2008 Group (continued)

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	24,398,289
Loans from related companies	152,193
Trade and notes payables	5,180,426
Financial liabilities included in other payables and accruals (note 38)	2,440,533
Due to related companies and the holding company	1,432,954
Other long term payables	634,251
	<b>34,238,646</b>

### 2007 Group

#### Financial assets

	Financial assets at fair value through profit or loss - held for trading RMB'000	Loans and receivables RMB'000	Available- for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	—	2,393,057	2,393,057
Loan receivable	—	220,000	—	220,000
Cash and bank balances	—	14,144,004	—	14,144,004
Equity investments at fair value through profit or loss	90,437	—	—	90,437
Trade and notes receivables	—	2,924,246	—	2,924,246
Financial assets included in prepayments, deposits and other receivables (note 33)	—	1,107,923	—	1,107,923
Due from related companies	—	530,506	—	530,506
	90,437	18,926,679	2,393,057	21,410,173

## 50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:  
(continued)

### 2007 Group (continued)

#### *Financial liabilities*

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	21,770,242
Loans from related companies	147,719
Trade and notes payables	4,486,157
Financial liabilities included in other payables and accruals ( <i>note 38</i> )	2,220,868
Due to related companies	815,464
Other long term payables	737,472
	<hr/> 30,177,922 <hr/>



## 50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:  
(continued)

### 2008 Company

#### *Financial assets*

	Financial assets at fair value through profit or loss – held for trading RMB'000	Held-to- maturity investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Held-to-maturity investments	—	31,696	—	31,696
Equity investments at fair value through profit or loss	1,534,709	—	—	1,534,709
Cash and bank balances	—	—	1,181,140	1,181,140
Financial assets included in prepayments, deposits and other receivables (note 33)	—	—	1,547	1,547
Due from subsidiaries	—	—	8,495,874	8,495,874
	1,534,709	31,696	9,678,561	11,244,966

#### *Financial liabilities*

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals (note 38)	1,114
Interest-bearing bank loans	937,122
Due to the holding company	568,819
	1,507,055

## 50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:  
(continued)

### 2007 Company

#### *Financial assets*

	Financial assets at fair value through profit or loss - held for trading RMB'000	Loans and receivables RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	82,106	—	82,106
Cash and bank balances	—	3,682,368	3,682,368
Financial assets included in prepayments, deposits and other receivables ( <i>note 33</i> )	—	396	396
Due from subsidiaries	—	7,634,162	7,634,162
	82,106	11,316,926	11,399,032

#### *Financial liabilities*

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals ( <i>note 38</i> )	35,766

## 51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and other borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also entered into derivative transactions, representing forward currency contracts, during the year ended 31 December 2008. The purpose is to manage the currency risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2008, approximately 24% (2007: 53%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

### Group

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
2008	<b>27</b> <b>(81)</b>	<b>(19,538)</b> <b>57,758</b>
2007	27 (27)	(25,798) 25,798

## 51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currency.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

#### Group

	Increase/ decrease in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
<b>2008</b>		
If RMB weakens against United States dollar	5	36,623
If RMB strengthens against United States dollar	5	(36,623)
If RMB weakens against Hong Kong dollar	5	29,560
If RMB strengthens against Hong Kong dollar	5	(29,560)
<b>2007</b>		
If RMB weakens against United States dollar	5	56,430
If RMB strengthens against United States dollar	5	(56,430)
If RMB weakens against Hong Kong dollar	5	12,457
If RMB strengthens against Hong Kong dollar	5	(12,457)

## 51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, held-to-maturity investments, available-for-sale investments, equity investments at fair value through profit or loss, amounts due from related companies, and other receivable, arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables were widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 32 to the financial statements.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. The Group's policy is that not more than 80% of the borrowings should mature in any 12-month period. 62% (2007: 68%) of the Group's debts would mature in less than one year as at 31 December 2008 based on the carrying value of borrowings reflected in the financial statements.

## 51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

The maturity profile of the Group's and the Company's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

#### Group 2008

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	177,284	1,417,024	13,634,220	9,083,306	86,455	24,398,289
Loans from related companies	—	—	—	180,467	—	180,467
Trade and notes payables	1,727,793	1,966,480	1,486,153	—	—	5,180,426
Due to related companies	864,135	—	—	—	—	864,135
Due to the holding company	568,819	—	—	—	—	568,819
Financial liabilities included in accrued liabilities and other payables	2,440,533	—	—	—	—	2,440,533
Other long term payables	—	—	—	669,725	220,416	890,141
	<b>5,778,564</b>	<b>3,383,504</b>	<b>15,120,373</b>	<b>9,933,498</b>	<b>306,871</b>	<b>34,522,810</b>

#### Group 2007

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	2,638,932	12,251,570	5,812,240	1,067,500	21,770,242
Loans from related companies	—	—	—	186,484	—	186,484
Trade and notes payables	2,145,854	219,036	2,121,267	—	—	4,486,157
Due to related companies	815,464	—	—	—	—	815,464
Financial liabilities included in accrued liabilities and other payables	2,210,762	10,106	—	—	—	2,220,868
Other long term payables	—	—	—	751,127	263,908	1,015,035
	<b>5,172,080</b>	<b>2,868,074</b>	<b>14,372,837</b>	<b>6,749,851</b>	<b>1,331,408</b>	<b>30,494,250</b>

## 51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

#### Company 2008

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	77,284	683,460	35,276	141,102	—	937,122
Due to the holding company	568,819	—	—	—	—	568,819
Financial liabilities included in accrued liabilities and other payables	1,114	—	—	—	—	1,114
	<b>647,217</b>	<b>683,460</b>	<b>35,276</b>	<b>141,102</b>	<b>—</b>	<b>1,507,055</b>

#### Company 2007

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Financial liabilities included in accrued liabilities and other payables	35,766	—	—	—	—	35,766

### Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 31) and available-for-sale investments measured at fair value (note 24) as at 31 December 2008. The Group's listed investments are listed on the Hong Kong, Shenzhen, Shanghai and United States stock exchanges and are valued at quoted market prices at the balance sheet date.

## 51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Equity price risk (continued)

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the purpose of this analysis, for the available-for-sale equity investments the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

		Carrying amount of equity investments RMB'000	Increases in profit before tax RMB'000	Increases in equity RMB'000
<b>2008</b>				
Investments listed in:				
Hong Kong	– Available-for-sale	73,490	—	3,675
	– Held-for-trading	49,637	2,482	—
Shenzhen	– Available-for-sale	107,582	—	5,379
	– Held-for-trading	96	5	—
Shanghai	– Available-for-sale	57,962	—	2,898
	– Held-for-trading	94	5	—
United States	– Available-for-sale	154,558	—	7,728
	– Held-for-trading	1,485,072	74,254	—

### 2007

Investments listed in:

Hong Kong	– Available-for-sale	202,258	—	10,113
	– Held-for-trading	63,150	3,158	—
Shenzhen	– Available-for-sale	369,376	—	18,469
	– Held-for-trading	2,487	124	—
Shanghai	– Available-for-sale	250,580	—	12,529
United States	– Available-for-sale	189,470	—	9,474
	– Held-for-trading	24,800	1,240	—



## 51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 31 December 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio between 20% to 60%. Net debt includes interest-bearing bank and other borrowings, and loans from related companies, less cash and cash equivalents. Total equity includes equity attributable to the equity holders of the parent and minority interests. The gearing ratios as the balance sheet dates were as follows:

#### Group

	2008 RMB'000	2007 RMB'000
Interest-bearing bank and other borrowings	<b>24,398,289</b>	21,770,242
Loans from related companies	<b>152,193</b>	147,719
Less: Cash and cash equivalents	<b>(9,577,695)</b>	(10,024,118)
Net debt	<b>14,972,787</b>	11,893,843
Total equity	<b>30,043,087</b>	29,970,625
Total equity and net debt	<b>45,015,874</b>	41,864,468
Gearing ratio	<b>33%</b>	28%

## 52. SUBSEQUENT EVENTS

- (a) Subsequent to the balance sheet date and up to the date when the financial statements were approved by the Board of Directors, the Company acquired an aggregate of 12,472,347 American depositary shares of Focus Media Holding Limited (“Focus Media ADSs”) at a total consideration of approximately RMB618,096,000 on the open market in NASDAQ. As at the date when the financial statements were approved by the Board of Directors, the Company held an aggregate of 34,358,577 Focus Media ADSs, representing approximately 26.53% of the total issued share capital of Focus Media Holding Limited.
- (b) On 16 February 2009, Qishen Investment and Sinopharm Group agreed to inject capital of RMB294,000,000 and RMB306,000,000, respectively, into Sinopharm Investment in proportion to their shareholdings in Sinopharm Investment. Upon completion of the capital increase, Qishen Investment and Sinopharm Group will continue to hold 49% and 51% equity interests in Sinopharm Investment, respectively.
- (c) On 27 February 2009, Nanjing Iron & Steel United Co., Ltd. (“Nanjing Steel United”), a 60% owned subsidiary of the Company, and Hangzhou Iron and Steel Group Company (“Hangzhou Iron & Steel”) entered into a share transfer agreement, pursuant to which, Nanjing Steel United has agreed to dispose of its entire 20% equity interest in Ningbo Iron & Steel Co., Ltd. to Hangzhou Iron & Steel, at a consideration of RMB720,000,000.
- (d) On 27 February 2009, Shanghai Fosun Industrial Investment Co., Ltd. (“Fosun Industrial Investment”), a wholly-owned subsidiary of the Company, and Shanghai Xingye Investment Development Co., Ltd. (“Xingye Investment”) entered into a share transfer agreement, pursuant to which Fosun Industrial Investment has agreed to dispose of its entire 19.74% equity interest in Tebon Securities Co., Ltd. to Xingye Investment at a consideration of RMB243,041,000.
- (e) On 27 February 2009, Nanjing Steel United commenced a public offer of the corporate bonds amounting to not more than RMB2,500,000,000 with maturity of seven years to domestic institutional investors in Mainland China to satisfy its operational needs and to improve its debt structure after obtaining the approval of the National Development and Reform Commission of the PRC.

## 53. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year’s presentation.

## 54. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 11 March 2009.

# Corporate Information

## EXECUTIVE DIRECTORS

Guo Guangchang  
Liang Xinjun  
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 (*resigned on 11 March 2009*)  
Sze Mei Ming (*appointed on 11 March 2009*)

## QUALIFIED ACCOUNTANT

Tse Man Kit, Keith

## AUTHORIZED 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 ADVISOR

Shenyin Wanguo Capital (H.K.) Limited

## PRINCIPAL BANKERS

Agricultural Bank of China  
China Construction Bank  
Industrial and Commercial Bank of China  
Shanghai Pudong Development Bank  
Bank of Communications  
China Merchants Bank  
Bank of East Asia  
Standard Chartered Bank

## REGISTERED OFFICE

Room 808, ICBC Tower  
3 Garden Road  
Central  
Hong Kong

## PRINCIPAL OFFICE

No.2 East Fuxing Road  
Shanghai  
China 200010

## SHARE REGISTRAR AND TRANSFER OFFICE

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>

# Glossary

## FORMULAE

EBITDA	=	profit for the year + tax + interest expenses + depreciation and amortisation
EBIT	=	profit for the year + tax + interest expenses
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
Capital employed	=	equity attributable to equity holders of the parent + total debt

## ABBREVIATIONS

Articles of Association	the current articles of association of the Company with the latest amendments made on 17 June 2008
Board	the board of directors of the Company
Company	Fosun International Limited
CG Code	the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules
Director(s)	the director(s) of the Company
Focus Media	Focus Media Holding Limited
Forte	Shanghai Forte Land Co., Ltd.
Fosun Group	Shanghai Fosun High Technology (Group) Co., Ltd.
Fosun Holdings	Fosun Holdings Limited
Fosun Industrial Investment	Shanghai Fosun Industrial Investment Co., Ltd.
Fosun International Holdings	Fosun International Holdings Ltd.
Fosun Pharma	Shanghai Fosun Pharmaceuticals (Group) Company Limited
GFA	gross floor area
Group	Fosun International Limited and its subsidiaries
Hainan Mining	Hainan Mining United Co., Ltd.
Hong Kong	the Hong Kong Special Administrative Region of China

HKD	Hong Kong dollars, the lawful currency of Hong Kong
Huaxia Mining	Beijing Huaxia Jianlong Mining Technology Co., Ltd.
Jianlong Group	Tangshan Jianlong Industrial Co., Ltd.
Jin'an Mining	Anhui Jin'an Mining Co., Ltd.
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
Nanjing Iron & Steel	Nanjing Iron & Steel Shareholding Co., Ltd.
Nanjing Steel United	Nanjing Iron & Steel United Co., Ltd.
Ningbo Steel	Ningbo Iron & Steel Co., Ltd.
PRC	the People's Republic of China
Reporting Period	year ended 31 December 2008
RMB	Renminbi, the lawful currency of the PRC
SFO	the Securities and Futures Ordinance
Shanjiaowulin	Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd.
Shares	shares of the Company
Sinopharm Holding	Sinopharm Holding Co., Ltd.
Stock Exchange	the Stock Exchange of Hong Kong Limited
Tebon Securities	Tebon Securities Co., Ltd.
USD	United States dollars, the lawful currency of the United States
Yong'an Insurance	Yong'an Insurance Co., Ltd.
Yuyuan	Shanghai Yuyuan Tourist Mart Co., Ltd.
Zhaojin Mining	Zhaojin Mining Industry Co., Ltd.
Zunyi Shiji	Zunyi County Shiji Nonferrous Metal Limited Liability Company

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