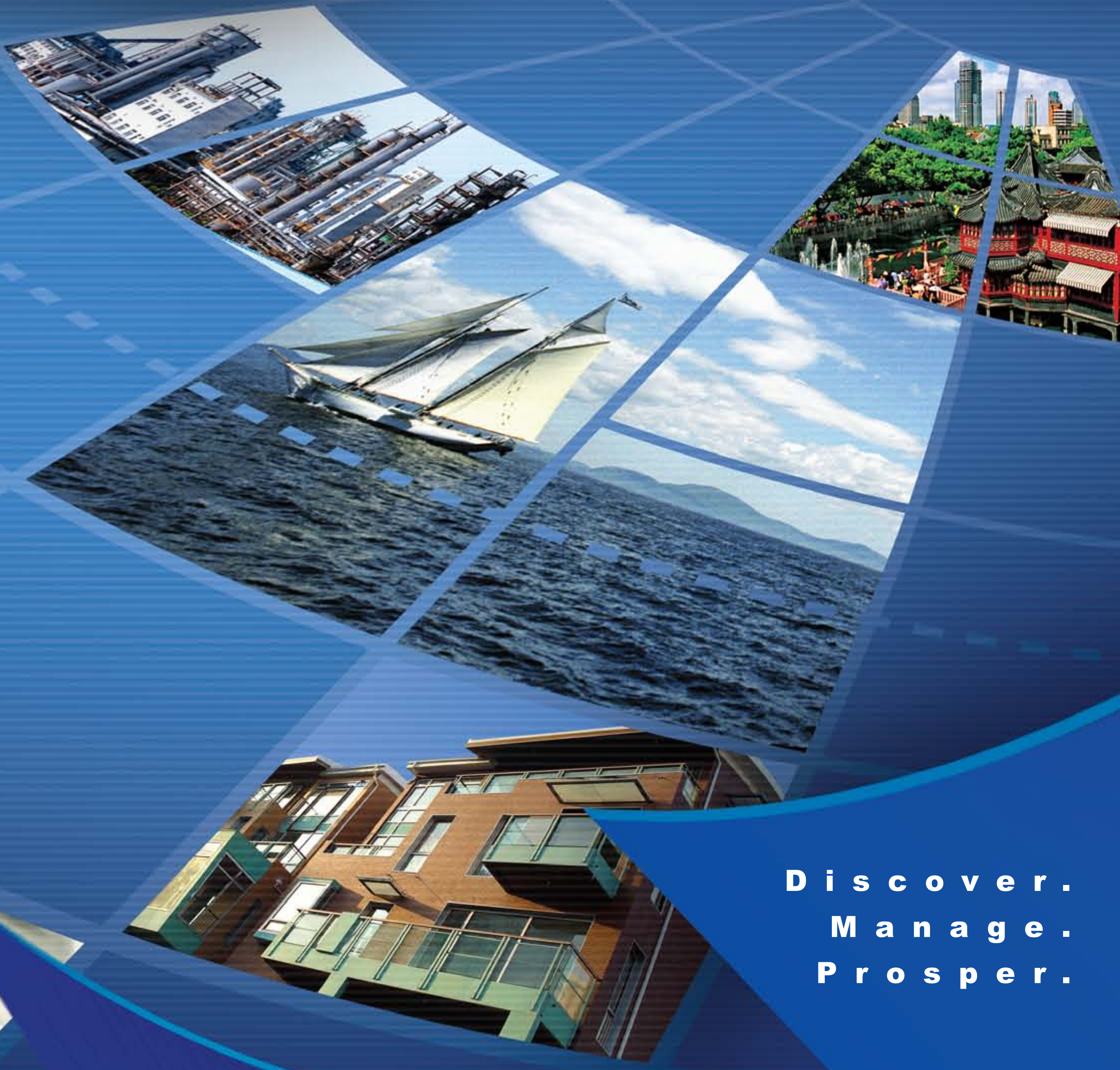
ANNUAL REPORT 2007

Stock Code : 0656

FOSUN 复星

Fosun International Limited

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



Discover.
Manage.
Prosper.

Contents

Discover • Manage • Prosper

The Group is one of the largest privately-owned conglomerates in China. Led by a group of young and ambitious entrepreneurs, the Group built a successful track record of achieving strong earnings growth and maintaining return on equity at a relatively high level over the past 15 years.

With profound knowledge and cumulative experience of the Chinese domestic market, the Group is well positioned to capitalise on China's growth. Today, the Company has grown into an enterprise with market capitalisation of over ten billion Hong Kong dollars, made up of six core businesses: pharmaceuticals, property development, steel, mining, retail and financial services, each of which includes several units aligned for growth. In 2007, the six segments altogether generated revenue of RMB32 billion and net profit of RMB3.4 billion, up 32.1% and 206.1%, compared with 2006, respectively.

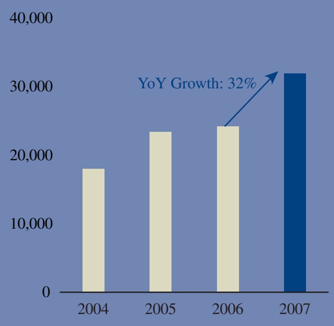
The Group is committed to continuously driving superior growth, margins, and returns for our investors, by leveraging our operational expertise to connect quality capital base with optimal investment; by looking for investment opportunities to complement, solidify and enhance its existing businesses; and by further improving operating efficiency to increase its competitiveness.

Financial Highlights

In RMB million	**For the Year ended 31 December** **2007**	 2006 (restated)
Revenue	**31,977.1***	24,199.1*
Contribution of each segment to revenue		
Pharmaceuticals	**3,631.6**	4,000.9
Property development	**3,976.6**	2,504.5
Steel	**23,972.1**	17,675.7
Mining	**743.5**	31.6
Net profit attributable to equity holders of the parent	**3,354.3**	1,095.8
Contribution of each segment to the net profit attributable to equity holders of the parent		
Pharmaceuticals	**164.5**	-101.7
Property development	**383.8**	272.7
Steel	**1,845.1**	591.6
Mining	**592.9**	318.1
Retail, financial services and others (including unallocated expenses)	**368.0**	15.1
Earnings per share *(in RMB)*	**0.59**	0.22
Dividend per share *(in HKD)*	**0.17**	—

* Inter-segment sales amounting to RMB346.7 million and RMB13.6 million have been eliminated in the revenue for the years 2007 and 2006, respectively.

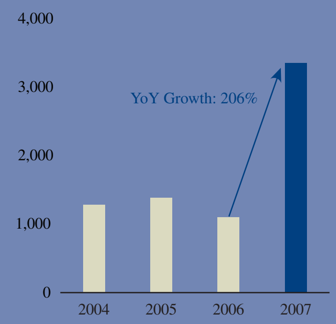
Revenue
(RMB million)



EBITDA
(RMB million)

EBIT
(RMB million)

Net Profit
(RMB million)




Power

Business Overview

With operations based in China, Fosun International has an excellent insight into the domestic market. The Company is principally engaged in businesses including pharmaceuticals, property development, steel and mining. It has significant investments in the retail industry and financial services as well as a series of strategic investments.

PHARMACEUTICALS

The Group operates its pharmaceuticals business through Fosun Pharma. With respect to the Company's pharmaceutical manufacturing business, Fosun Pharma's products have leading positions in therapeutic areas such as gynaecological diseases, hepatic diseases, diabetes and malaria. With respect to the Company's pharmaceutical distribution business, its associate, Sinopharm Holding, operates the largest national wholesale network. With respect to the Company's pharmaceutical retail business, the Company has established a leading market position in major cities such as Shanghai and Beijing.

PROPERTY DEVELOPMENT

The Group operates its property development business through Forte. Apart from Shanghai, Forte has property development operations in other major cities across China, including Beijing, Tianjin, Nanjing, Chongqing, Wuhan, Wuxi, Hangzhou and Xi'an.

STEEL

The Group operates its steel business principally through Nanjing Steel United which has an annual production capacity of approximately 6 million tonnes. The Company has also increased its investment in steel business through investing in steel companies including Jianlong Group and Ningbo Steel.

MINING

We have invested in Hainan Mining, Jin'an Mining and Huaxia Mining, which are engaged in iron ore mining. Hainan Mining has the largest rich iron ore mine in China. Shanjiaowulin, in which we have also invested, has a new coal mine mainly engaging in "coal-coke-chemical" operations. Moreover, Zhaojin Mining, which is engaged in gold mining, is our major investment.

RETAIL, FINANCIAL SERVICES INDUSTRIES AND STRATEGIC INVESTMENTS

The Group's interests in Yuyuan account for a significant portion of its retail business. Other significant investments include Tebon Securities and Yong'an Insurance, both of which are engaged in financial services. Relying on excellent capabilities in investment and execution, we have accomplished a series of strategic investments.

Chairman's Statement

Discover • Manage • Prosper

FOSUN 复星

Guo Guangchang
Chairman

As one of the largest privately-owned conglomerates in China, the Group has maintained rapid growth of its operating results in 2007. Its net profit attributable to equity holders of the parent amounted to RMB3,354.3 million, representing an increase of 206.1% as compared to 2006.

DIVIDEND

Given the remarkable results and sufficient financial resources of the Group, and taking further development of the Group into account, the Board has recommended the payment of a final dividend of HKD0.17 per ordinary share, with the total proposed dividend accounting for 30.5% of the net profits attributable to equity holders of the parent for 2007. 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 2008 to shareholders whose names appear on the register of members of the Company on 17 June 2008.

ANNUAL REVIEW

In 2007, the Group recorded the best results since its establishment. Most of its core business segments, namely pharmaceuticals, property development, steel, mining, retail business, financial services and strategic investments, achieved significant growth. In particular, the performance of some companies was outstanding. Profit contribution from its pharmaceuticals segment, property development segment, steel segment, mining segment, as well as retail, financial services and others segment was RMB164.5 million, RMB383.8 million, RMB1,845.1 million, RMB592.9 million and RMB368.0 million respectively.

During the Reporting Period, the Group continued to explore and capture opportunities of high growth potential in China. It has been encouraging its portfolio companies in different segments to participate in industry consolidation to strengthen their market positions. The Group increased its investment in mining and gradually built up a mining segment. The Group also increased investments in financial services by insurance and futures, and a number of strategic investment projects. The abovementioned investments have laid a strong foundation for the Group's future growth.

The Group has continued to build a multi-channel financing platform to connect high quality capital with optimal investment and significantly improve diversity and reliability of our capital sources and enhance the rationality of our financing cost and structure. Fosun International successfully raised gross proceeds of HKD13,268.1 million by listing on the Main Board of the Hong Kong Stock Exchange on 16 July 2007. In addition, the Group made breakthrough progress in long term debt financing, overseas financing, the structure of bank borrowings and new debt-financing products. The multi-channel financing system optimised our debt structure. On one hand, the Group was better equipped to minimise and mitigate risks and improve the return of our shareholders. On the other hand, the Group enhanced its ability to seize investment opportunities.

FUTURE PROSPECTS

In 2008, with a slowing US economy weighed down by the subprime mortgage crisis, as well as simultaneous strengthening of the global inflationary trend, the RMB will quicken its pace of appreciation while the PRC government will continue to adopt a stringent monetary policy. The Group will face greater operational challenges as well as more opportunities.

However, in the mid to long term, the Group is confident in China's continuous, rapid growth, and is equally confident in the growth of its chosen core businesses. The Group will continue to select and invest in industries that will benefit from China's growth, one that is rooted in its tremendous consumption, investment and demands related to trends in China's urbanisation and industrialisation.

As such, the Group will continue to explore high growth investment opportunities in China. It will be actively involved in the integration of China's iron and steel industry. It will also increase its investment in resources related industries, particularly iron ore mine and coking coal projects which are closely related to the iron and steel industry. The Group will continue to increase its investments in the financial services area, continue to develop the Tebon Securities business and look for investment opportunities in industries including insurance, fund management companies, city commercial banks, trusts and futures. The Group will continue to invest in various strategic investment projects to earn additional high returns for the Group.

The Group will continue to optimise management capabilities and enhance corporate value and competitive advantages. Property development, pharmaceuticals and investment in the retail sector will each leverage their respective public listing companies as a platform to realise high growth potential.

The Group will continue to establish multi-channel financing platforms to secure access to high quality capital of domestic and overseas markets. With its three core values and competitive advantages, the Group will strive for higher growth while maintaining its low risk profile, regardless of any changes in the external environment.

INVESTOR RELATIONS

The Group very much values its relationship with investors and aims to maximise the value of the Company and the benefit of its shareholders. We continue to improve the investors' understanding and recognition of the Group's business by establishing effective and timely communication between investors and the Group's management through a number of channels such as media, internet and roadshows. The Group adhered to corporate governance practices to promptly reply to the questions raised by investors and continuously enhanced the transparency of the Group's operations and management.

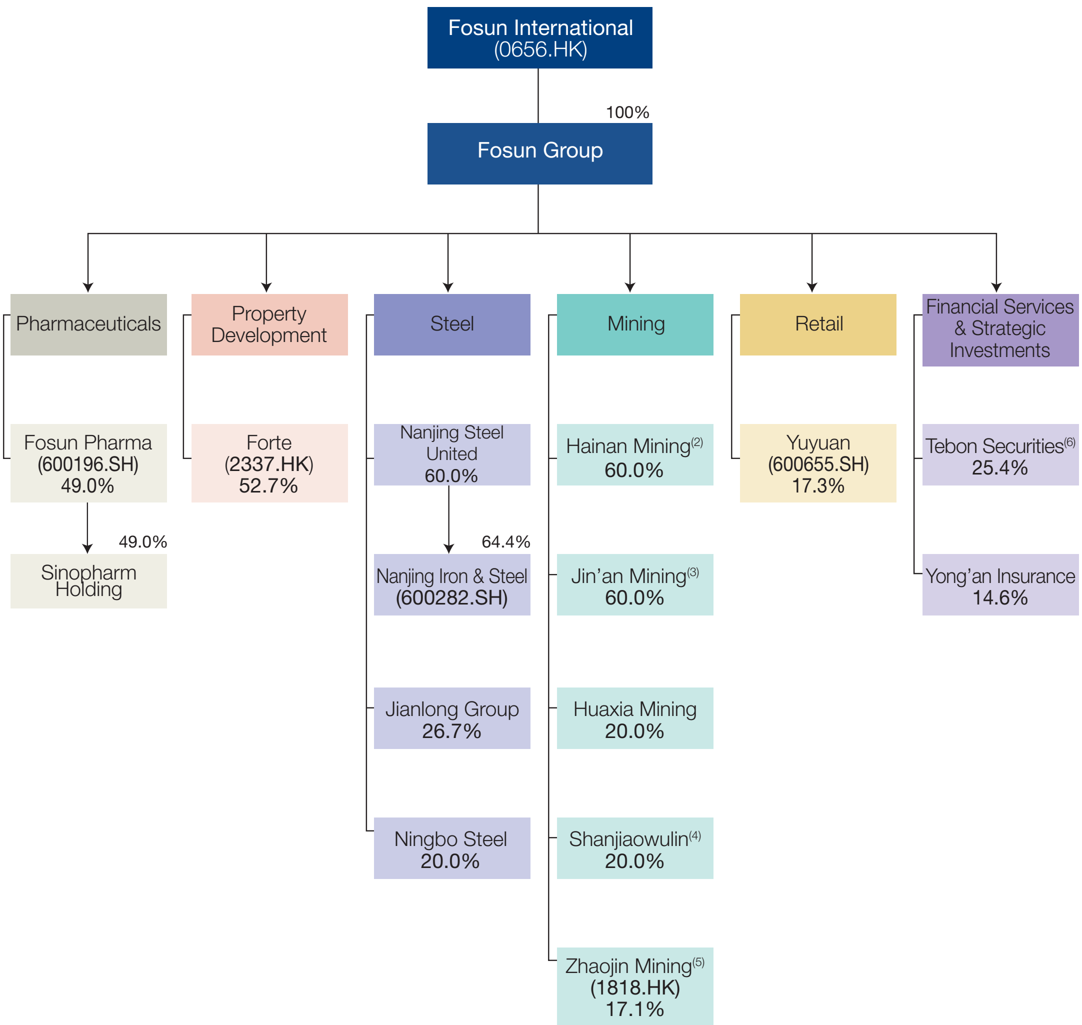
APPRECIATIONS

The Group's continuous development benefited from, on one hand, the robust economic growth of China and on the other hand, the efforts of all our staff, particularly our team of entrepreneurs comprising businessmen, professional investors and finance experts from various sectors at different levels. They have been and will be of utmost importance for the Group's development. We would like to acknowledge the support from all parties involved. The Group endeavours 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 capitalise every chance to maximise the shareholders' benefit. 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 of the Group who have performed outstandingly.

Guo Guangchang
Chairman

Shanghai, PRC
25 March 2008

Corporate Structure[1]



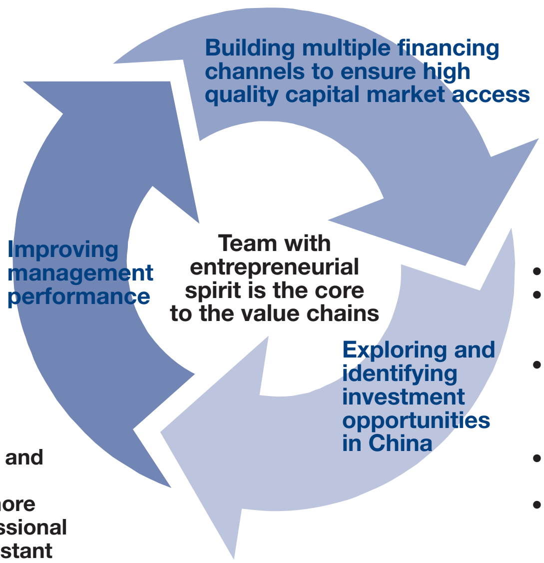
Notes:

(1) Shareholding percentages represent voting rights, which are equity interests over which the Group has voting or investment control whether directly or indirectly, as at 31 December 2007.
(2) The Group invested in Hainan Mining on 15 August 2007.
(3) Nanjing Steel United owns 100% equity interest of Jin'an Mining. Thereby, the Group has 60% effective shareholding of Jin'an Mining.
(4) The Group acquired 20% equity interest from Shanjiaowulin in October 2007.
(5) The Group directly owns 14.5% equity interest in Zhaojin Mining and indirectly holds 15.3% equity interest in Zhaojin Mining through Yuyuan.
(6) The Group directly owns 19.7% equity interest in Tebon Securities and indirectly holds 32.7% equity interest of Tebon Securities through Yuyuan.

Business Review

During the Reporting Period, the Group continued to strengthen its three core values, which is to make continous management improvements to grow corporate value and enhance competitive advantages; to make continous efforts to identify and seize investment opportunities; and to construct and secure multiple financing channels to ensure access to high quality capital. The results of the core business segments of the Group, namely pharmaceuticals, property development, steel, mining, investment in retail business, financial services and strategic investments experienced significant growth in 2007.

- Optimised allocation of equity and debt financing;
- Construction of multiple financing channels (domestic/overseas, banking/trust/leases);
- Commitment to transparency and compliance;
- Sustainable high growth and return



- Constant cost reduction;
- Constant cost effective innovation;
- Commitment to brand development and differentiation strategy;
- Replication of core values and expansion of scale;
- Unremitting pursuit of a more comprehensive and professional management team by constant improvement;

- Benefit from China's growth;
- Focus on industries with higher-than-average growth rate;
- Strict screening standards of enterprises in terms of team, scale, growth, continuity of leadership and return rate;
- Identification of the best timing to invest and to exit;
- Cost reduction and "Win-win" partnership development by creation of added value;

Our Unique "Discover • Manage • Prosper " Culture Unites Entrepreneurs

Consolidating Group Resources to Serve the Value Chain

1. CONTINUOUSLY OPTIMISE MANAGEMENT AND ENHANCE CORE COMPETITIVENESS

1.1. Pharmaceuticals

The Group is engaged in the pharmaceuticals business through its subsidiary Fosun Pharma (600196.SH), a company listed on the Shanghai Stock Exchange. The major business areas of the Group's pharmaceuticals segment include manufacturing, research and development, distribution and retail of pharmaceuticals.

During the Reporting Period, the pharmaceuticals segment recorded revenue of RMB3,631.6 million. Profit for the year was RMB408.0 million, a robust increase compared to RMB 0.5 million in 2006. Contribution of this segment to the net profit attributable to equity holders of the parent was RMB164.5 million, accounting for 4.9% of the total net profits attributable to equity holders of the parent for the same period.

The improved performance of the pharmaceuticals segment was attributable to:

(1) growth of innovation-led manufacturing of relatively higher gross margin products;

(2) improved efficiency of the distribution network for pharmaceuticals; and

(3) increase in investment returns.

Manufacturing and research and development of pharmaceuticals:
Fosun Pharma further strengthened its operating teams specialising in therapeutic areas including malaria, diabetes, gynaecological diseases and hepatic diseases. Key products such as Artesunate, insulin, Huahong tablets, Atomolan and amino acid continued to maintain leading positions in their niche markets.

Fosun Pharma continued to improve the facilities of the state-level technology centre with a total investment of RMB136.0 million.

Distribution and retail of pharmaceuticals:
During the Reporting Period, Sinopharm Holding, a major associate of the Group, recorded growth in its business and remained the top distributor of pharmaceuticals in China.

The retail business of pharmaceuticals maintained its growth momentum. Pharmacies under the brands of Jinxiang Pharmacy, Fosun Pharmacy and Guoda Pharmacy, owned by Fosun Pharma and Sinopharm Holding maintained their leading positions in terms of brand reputation and profitability in their respective regional markets.

1.2. Property Development

The Group is engaged in the property development business through its subsidiary, Forte (2337.HK), a company listed on the Stock Exchange. In 2007, the property development segment maintained growth and recorded revenue of RMB3,976.6 million, representing an increase of 58.8% over the corresponding period of last year, and profit for the year of RMB761.0 million, representing an increase of 52.7% over the corresponding period of last year. Contribution of this segment to the net profit attributable to equity holders of the parent was RMB383.8 million, accounting for 11.4% of the total net profits attributable to equity holders of the parent for the same period.

The improved performance of the property development segment was attributable to:

(1) 12 % increase in total GFA booked of the projects in consolidated earnings as compared with the previous year;

(2) increase in selling price of property booked as compared with the previous year; and

(3) gain from disposal of certain equity interests.

Major achievements of the property development segment are as follows:

Project Development

Forte had a total of 40 projects under different development stages (including projects undertaken by joint ventures of Forte), with an aggregate GFA of approximately 2,530,402 sq.m., of which the aggregate GFA attributable to the equity interests of Forte was approximately 1,695,641 sq.m..

Land Bank

Forte increased its land bank through land auction and acquisitions of equity interests of project companies. As at 31 December 2007, the planned aggregate GFA of Forte's land bank amounted to approximately 9,500,000 sq.m. (the planned aggregate GFA attributable to the equity interests of Forte was approximately 5,860,000 sq.m.), which was sufficient for development over the next four to five years and laid solid foundations for the Group's long-term rapid development.

Property Sales

During the Reporting Period, Forte had sold properties with GFA of approximately 781,090 sq.m., of which approximately 543,289 sq.m. was attributable to the equity interests of Forte, representing an increase of approximately 30.1% over the corresponding period of last year. Forte actively engaged in property development in ten cities in China. During the Reporting Period, properties were launched for sale in eight cities, namely Shanghai, Beijing, Tianjin, Chongqing, Nanjing, Wuxi, Wuhan and Hangzhou.

Property Booked

In 2007, total GFA booked amounted to 825,589 sq.m., and the GFA booked attributable to the equity interests of Forte amounted to 544,405 sq.m., representing an increase of approximately 9.6% over the corresponding period of last year.

GFA sold, but not yet booked amounted to 373,466 sq.m., of which the GFA not yet booked attributable to the equity interests amounted to 235,264 sq.m..

Sales Agency and Planning Business

During the Reporting Period, the total GFA sold by Shanghai Resources Property Consultancy Co., Ltd., a subsidiary of Forte, which were not developed by the Group amounted to approximately 430,586 sq.m., representing an increase of approximately 71% over the corresponding period of last year.

International Cooperation

Forte actively seeks cooperation with foreign investors. During the Reporting Period, there were four jointly-invested projects carried out in Shanghai, Wuxi and Tianjin.

1.3. Steel

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

Major companies	Attributable equity interests	Major products and services
Nanjing Steel United	60.0%	Medium and heavy plates, strips, and bars and wire rods
Jianlong Group	26.7%	Medium wide hot and cold strips, hot-rolled coils, and bars and wire rods
Ningbo Steel	20.0%*	Hot rolled coils, cold-rolled coils, and galvanised plates

* The Group owns 20% equity interest in Ningbo Steel through Nanjing Steel United (a subsidiary of the Group) and holds 30.5% equity interest in Ningbo Steel through Jianlong Group (an associate of the Group).

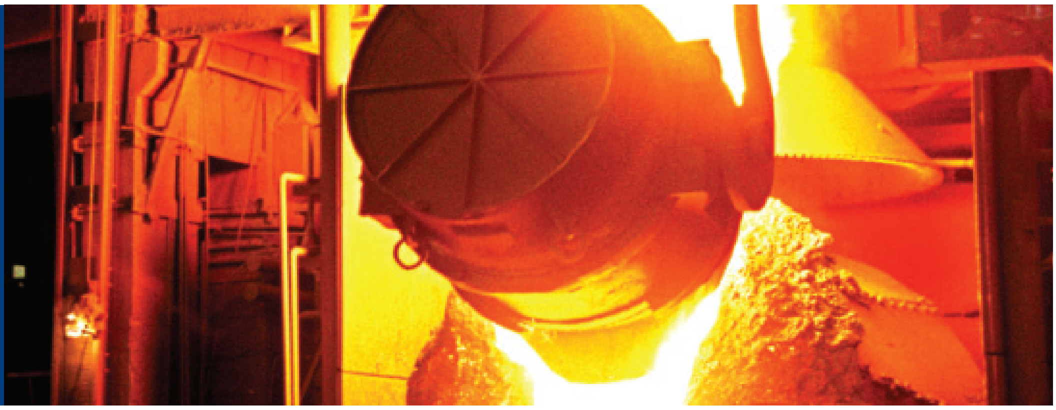
The consolidated revenues of the steel segment of the Group amounted to RMB23,972.1 million. Contribution of this segment to the net profit attributable to equity holders of the parent was RMB1,845.1 million, representing 55.0% of the total net profits attributable to equity holders of the parent for the same period.

Improved performance of the steel segment was attributable to:

(1) Increase in production volume: crude steel production volume of the Group reached 18.4 million tonnes in 2007 and the production volume attributable to the Group reached 4.9 million tonnes;

(2) Optimised product mix: Nanjing Steel United, a holding company of the Group, continued to optimise its product mix and improve its gross profit margin; and

(3) Rise in prices: steel prices remained at high level during the Reporting Period.



Nanjing Steel United

Nanjing Steel United is one of the largest producers of medium and heavy plates in China and an entity with integrated capabilities of production processes, including coking, sintering, iron and steel smelting and steel rolling. Nanjing Iron & Steel (600282.SH), a subsidiary of Nanjing Steel United, has been listed on the Shanghai Stock Exchange.

In 2007, Nanjing Steel United's production volume of steel products amounted to 5.4 million tonnes, representing an increase of 16% over the corresponding period of last year, among which, the production volume of the medium and heavy plates which have higher gross profit and are higher value-added (including plates for oil and natural gas pipelines, shipbuilding and other specialised plates) reached 2.7 million tonnes, representing an increase of 24% over the corresponding period in 2006.

Jianlong Group

Jianlong Group is one of the largest iron and steel producers in North and Northeast China. In 2007, the production volume of crude steel of Jianlong Group and its associates was 11.4 million tonnes. Most of the products are sold to downstream processing entities in North and Northeast China.

Ningbo Steel

Ningbo Steel is situated adjacent to Beilun Port and has logistics advantages. It commenced production in May 2007 with parts of its facilities still under construction. During the Reporting Period, Ningbo Steel's production of steel billets reached 1.0 million tonnes. Upon completion of construction, it is estimated that Ningbo Steel's production capacity will reach 4 million tonnes.

1.4. Mining

During the Reporting Period, contribution of the mining segment to the net profit attributable to equity holders of the parent was RMB592.9 million, accounting for 17.7% of the total net profits attributable to equity holders of the parent for the same period. The major companies in the mining segment include:

Major companies	Attributable equity interests	Major products and services
Hainan Mining	60.0%	Lump ore and refined ferrous powder
Jin'an Mining	60.0%	Refined ferrous powder
Huaxia Mining	20.0%	Refined ferrous powder
Shanjiaowulin	20.0%	Coke, methanol and raw coal
Zhaojin Mining (1818.HK)	17.1%*	Gold

* The Group directly owns 14.5% equity interest in Zhaojin Mining and indirectly holds 15.3% equity interest in Zhaojin Mining through Yuyuan (an associate of the Group).

Hainan Mining

In August 2007, the Group acquired 60% equity interest in Hainan Mining for RMB900.0 million. Hainan Mining has the largest rich iron ore mine in China with approximately 220 million tonnes of high grade iron ore reserves. It produced 3.1 million tonnes of lump ore and refined ferrous powder in 2007. Hainan Mining will act as the Company's investment platform for future investments in mining projects and develop into a leading enterprise in the global small-and-medium iron ore market by increasing its reserves and production scale.

Jin'an Mining

Jin'an Mining is a wholly-owned subsidiary of Nanjing Steel United in Caolou of Anhui Province. It has iron ore reserves of 86 million tonnes. It commenced production in 2007 with a production volume of 0.3 million tonnes of refined ferrous powder over the year.

Huaxia Mining

In April 2007, the Group acquired 20.0% equity interests in Huaxia Mining for RMB16.9 million. Huaxia Mining is a refined ferrous powder producer in Northern China with 930 million tonnes of iron ore reserves. In 2007, it produced 3.3 million tonnes of refined ferrous powder.

Shanjiaowulin

In November 2007, the Group acquired 20% equity interest in Shanjiaowulin for RMB268.9 million. Shanjiaowulin has a new mine with approximately 810 million tonnes of raw coal reserves, including coking coke. Shanjiaowulin will have an estimated annual production capacity of coke, raw coal and methanol of 3 million tonnes, 8 million tonnes and 0.2 million tonnes respectively upon reaching its designed production capacity.

Zhaojin Mining

Zhaojin Mining is a leading pure gold producer in China, with gold reserve of 150 tonnes. The total gold resources amount to approximately 211 tonnes. In 2007, gold production of Zhaojin Mining was 19,364 kg (approximately 622,567 ounces), representing an increase of 24% over the corresponding period of last year.

1.5. Investment in Retail Business

During the Reporting Period, contribution from investment in retail business to the net profit attributable to equity holders of the parent was RMB150.9 million, accounting for 4.5% of the total net profits attributable to equity holders of the parent for the same period.

The Group holds 17.3% equity interest in Yuyuan and is the single largest shareholder. Yuyuan specialises in gold and jewellery wholesale and retail as well as catering business. It is located in the renowned Yuyuan commercial and tourism district in Shanghai, enjoying unique geographical advantages.

In addition, Yuyuan is preparing for a major commercial property development project, laying a solid foundation for the further development of Yuyuan.

1.6. Investment in Financial Services and Strategic Investments

During the Reporting Period, contribution of the investment in financial services business to net profit attributable to equity holders of the parent was RMB96.6 million, accounting for 2.9% of the total net profits attributable to equity holders of the parent for the same period. The principal investees of the Group include:

Principal companies	Attributable equity interests	Principal services
Tebon Securities	25.4%(1)	Nationwide security dealer with full set of licences
Yong'an Insurance	14.6%(2)	General assets insurance

Notes:

(1) The Group directly owns 19.7% equity interest in Tebon Securities and holds 32.7% equity interest in Tebon Securities through Yuyuan.

(2) The Group directly owns 12.0% equity interest in Yong'an Insurance and holds 5.2% equity interest in Yong'an Insurance through Fosun Pharma upon regulatory authority's approval.

Tebon Securities

The significant growth in the net profit contribution from investment in financial services was due to remarkable progress recorded in the operating results of Tebon Securities.

In 2007, with its endeavour for "innovation and development", Tebon Securities has strived to meet its strategic goal of "becoming one of the competitive, active and distinguished security dealers with cost advantage and strong growth potential".

Yong'an Insurance

In December 2007, the Group acquired 286.0 million shares in Yong'an Insurance for RMB469.0 million. Yong'an Insurance was established in August 1996 pursuant to approval by the People's Bank of China as a joint stock company engaged in property insurance business. Yong'an Insurance was ranked seventh nationally, in terms of premiums received, among non-life insurance companies for three consecutive years.

Strategic Investments

Strategic investment is one of the major developments of the Group. It demonstrates the Group's ability to seize promising investment opportunities in the PRC.

From Fosun International's listing on 16 July 2007 until the end of 2007, the Group has invested RMB741.0 million in eight strategic investment projects. The companies which the Group has invested in are the leading players in their niche markets.

2. CONTINUOUSLY EXPLORE AND CAPTURE INVESTMENT OPPORTUNITIES

Mining segment is in place upon successive investments in the mining business:
In 2007, the Group's aggregate new investments in the mining sector amounted to RMB1,185.8 million, including the acquisition of 60% equity interest in Hainan Mining for RMB900.0 million; the acquisition of 20% equity interest in Huaxia Mining for RMB16.9 million; and the acquisition of 20% equity interest in Shanjiaowulin for RMB268.9 million.

Further investment in financial services and development of strategic investments:
The Group has newly invested more than RMB1,234.1 million in aggregate in respect of financial services and strategic investment projects in 2007.

Financial Service Licences:
The Group invested RMB469.0 million to acquire 286.0 million shares in Yong'an Insurance, the seventh largest non-life insurance company in the PRC in 2007. Tebon Securities invested RMB24.1 million to become the controlling shareholder of Wuyang Futures Company Limited (五洋期貨有限公司) and changed its name to Tebon Futures Company Limited (德邦期貨有限公司), which is applying for a financial futures settlement qualification.

Strategic Investments:
The Group and its major associates completed eight investment projects with aggregate capital injection of approximately RMB741.0 million.

Encourage portfolio companies in different segments to participate in industry integration to enhance market position:
Forte was involved in a series of projects and land acquisitions. Forte increased its land reserve to an aggregate GFA of 4,746,000 sq.m., of which 2,746,700 sq.m. was attributable to Forte.

Yuyuan paid RMB699.7 million to acquire equity interest in Friendship Holding from Fosun Pharma, thus enabling the integration of commercial resources under the Group.

3. THE DEVELOPMENT OF MULTI-CHANNEL FINANCING SYSTEM

In terms of equity financing, Fosun International raised gross proceeds of HKD13,268.1 million through its initial public offering in 2007.

In terms of debt financing, the Group acquired net borrowings of RMB2,731.6 million through financing with different financing products in Hong Kong and the Mainland of China.

Financial Review

PREFACE

The 2007 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 Group 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 and Consolidated Cash Flow Statement, are set out on pages 60 to 69 of this annual report. The accompanying notes to these financial statements are set out on pages 70 to 185 of this annual report.

On pages 58 to 59 is the report to shareholders from Fosun International's auditor, Ernst & Young of their independent audit on the Group'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.

NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net profit attributable to equity holders of the parent in 2007 was RMB3,354.3 million, an increase of 206.1% compared with RMB1,095.8 million in 2006; as compared with published profit forecast in the prospectus of the Company dated 29 June 2007, there was also a significant increase, primarily due to respective profit growth of each segment. Details of the reasons for the increase in profit regarding each segment are described below.

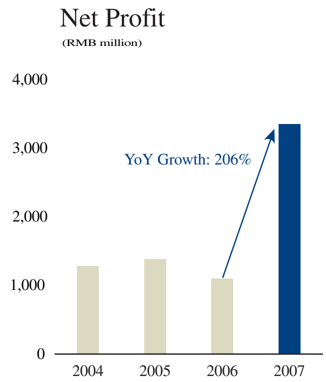
PROFIT CONTRIBUTION OF EACH BUSINESS SEGMENT

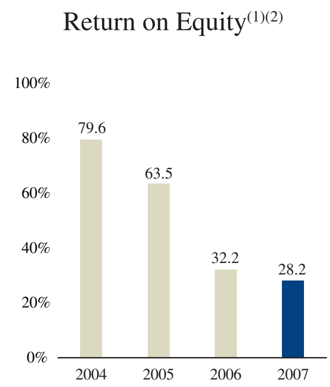
Comparison between the profit contribution of each business segment in 2007 and the corresponding figures in 2006 is as follows:

Unit: RMB million

	Actual		Change
	2007	2006	
Pharmaceuticals	**164.5**	(101.7)	266.2
Property development	**383.8**	272.7	111.1
Steel	**1,845.1**	591.6	1,253.5
Mining	**592.9**	318.1	274.8
Retail, financial services and others	**368.0**	15.1	352.9
Total	**3,354.3**	1,095.8	2,258.5

Pharmaceuticals: Profit contributed by the pharmaceuticals segment increased to a profit





Notes:
(1) Average weighted figure of Equity are used.
(2) Net profit and equity after minority interests used in the calculation of Return on Equity.

of RMB164.5 million in 2007 from a loss of RMB101.7 million in 2006. The significant increase was mainly due to the apparent growth in the manufacturing business of Fosun Pharma in 2007, the continuous and rapid growth in the business of its associate Sinopharm Holding and the considerable increase in the gain from other business subsequent to the disposal of shares of, amongst others, Friendship Holding. In 2006, share desegregation of one associate and three subsidiaries of certain associates of Fosun Pharma and the increase in fair value of convertible bonds of Fosun Pharma resulted in an increase in other operating expenses and a decrease in share of net profits of associates, thus contributing loss to the segment.

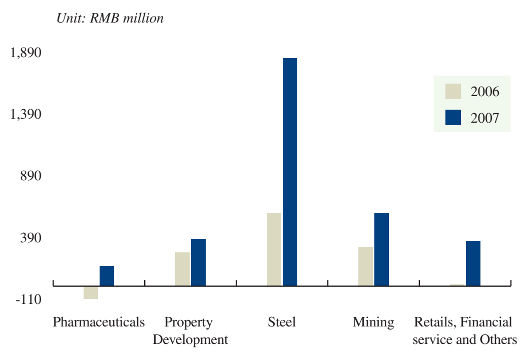
Property Development: Profit contributed by property development segment increased to RMB383.8 million in 2007 from RMB272.7 million in 2006. Such significant increase was primarily due to the increase in completed floor area of the consolidated projects of Forte in 2007 and the growth in selling prices of consolidated properties, resulting in the substantial growth in the profit of main business. In addition, in 2007, Forte disposed of partial shareholdings in some project companies, resulting in the increase in other income and gains.

Steel: Profit contributed by steel segment increased to RMB1,845.1 million in 2007 from RMB591.6 million in 2006. The significant increase in the profit contribution was due to the considerable growth in the profit contribution from a subsidiary, Nanjing Steel United. Since the fourth quarter of 2006, the steel market in China has recovered and the growth of steel price exceeded the increase in cost during the period. Meanwhile, the profitability of Nanjing Steel United was greatly improved as a result of the continuous optimisation of its product portfolio by increasing the proportion of higher value-added medium-heavy plate products, especially the specialised steel plates for oil and natural gas pipelines. Moreover, Nanjing Steel United adopted effective cost control policy to continuously minimise the impact of the increase in product cost resulting from the rising prices of the raw materials. Furthermore, Nanjing Steel United reduced its partial shareholding in its subsidiary, Nanjing Iron & Steel and disposed of its shares in, amongst others, Topsun Science and Technology Co., Ltd., which also brought forth its profit contribution.

Mining: Profit contributed by mining segment increased to RMB592.9 million in 2007 from RMB318.1 million in 2006. Such increase was mainly contributed by its new subsidiary, Hainan Mining, and its new associate, Huaxia Mining. In addition, enhancement in production capacity of Jin'an Mining and sustained high price of iron ore substantially added to net profit. Moreover, as price of gold remained elevated in 2007, net profit of Zhaojin Mining, which was an associate engaged in gold mining business, profited more than 30% over 2006. The Group recognised an increase in share of interests amounted to RMB287.8 million after the initial public offering of Zhaojin Mining in 2006. While in 2007, the Group recognised an excess over the cost of business combination in the amounts of RMB129.0 million arising from its acquisition of 20% equity interest in Huaxia Mining. Such decrease in other income and gains partially offset the growth of the operating profit of the mining business.

Retail, Financial Services and Others: Profit contributed by retail, financial services and other segments increased to RMB368.0 million in 2007 from RMB15.1 million in 2006. The profit contribution from retail and financial services segment, recorded a significant growth and those of others increased slightly. The increase in the profit contribution from retail segment was due to a faster growth in the core retail business of Yuyuan and the recognition of the gain from the share transfer of Miaoqian Square. The substantial growth in the profit contribution from financial services was due to a remarkable progress recorded in the operation results of Tebon Securities. The profit contribution from others in 2006 was mainly due to the completion of a follow-on public offering of a subsidiary, Forte, and as the offering price exceeded its book value, the Group subsequently recognised the gain on deemed disposal of interest in a subsidiary in the amount of RMB229.2 million. In addition, parts of the convertible bonds issued by the subsidiary, Fosun Pharma, were converted in 2006. The Group also recognised a gain of RMB178.2 million on such deemed disposal of interest in a subsidiary. In 2007, the Group recognised a gain in the amount of RMB180.1 million on disposal of partial interest in Yuyuan and an excess over the cost of business combination in the amount of RMB141.2 million arising from the acquisition of 60% equity interest in Hainan Mining. Additionally, interest income from freezing fund of the initial public offering of the Company, which amounted to RMB211.7 million and unused bank balances made a significant contribution to the interest income as well, however, such profit contribution was partly offset by the share issuing expenses of the Company.

The profit contributions from each business segment in 2007 and 2006 were compared as follows:



REVENUE

In 2007, total revenue of the Group was RMB31,977.1 million, an increase of 32.1% compared to the 2006 revenue of RMB24,199.1 million. The Group's growth of revenue in 2007 was mainly due to the respective increase of revenue in most of our business segments compared to 2006 results, the details are as follows:

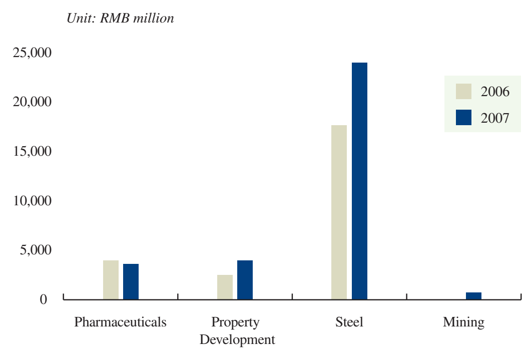
Pharmaceuticals: Revenue contributed by pharmaceuticals segment decreased to RMB3,631.6 million in 2007 from RMB4,000.9 million in 2006. The decrease was mainly due to the deconsolidation of a former subsidiary Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. which was no longer qualified as a subsidiary since 2007. If such factor was eliminated, there would be an increase in revenue.

Property Development: Revenue contributed by the property development segment in 2007 increased to RMB3,976.6 million from RMB2,504.5 million in 2006. The increase was mainly due to the increase in completion floor areas recorded in the consolidated projects over the corresponding figures in 2006 and the growth in the selling price of completed properties driven by the booming market.

Steel: Revenue contributed by the steel segment in 2007 increased to RMB23,972.1 million from RMB17,675.7 million in 2006. The significant increase in revenue was mainly due to the strong growth in revenue of Nanjing Steel United as a result of the general uprising price of the steel products that maintained at a relatively high level since the fourth quarter of 2006, and on the other hand, due to the enhancement of the production capacity and continuous optimisation of product portfolio by increasing the proportion of high value-added products, especially the medium and heavy plates.

Mining: Revenue contributed by the mining segment increased to RMB743.5 million in 2007 from RMB 31.6 million in 2006. The significant growth in revenue was due to the newly acquired subsidiary, Hainan Mining and the expansion of production capacity of Jin'an Mining as well as the high price of iron ores.

The comparison of revenue by segments between 2007 and 2006 is as follows:



Note: Inter-segment sales in the amounts of RMB13.6 million and RMB346.7 million were not eliminated for 2006 and 2007 respectively.

INTEREST EXPENSES

The interest expenses net of the capitalised amount of the Group increased from RMB967.7 million in 2006 to RMB1,254.4 million in 2007, which was mainly attributable to an increase in interest rate benchmark and loan amount. In 2007, the borrowing cost was between 2.13% and 9.84%, compared with 2.13% and 9.20% in 2006.

INCOME TAX

Income tax of the Group increased from RMB825.9 million in 2006 to RMB1,440.0 million in 2007. The increase of income tax was mainly attributable to the rise in the taxable profit of each business segment, especially steel business.

BASIC EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Basic earnings per share attributable to equity holders of the parent was RMB0.59 in 2007, representing an increase of 168.2% from RMB0.22 in 2006. The weighted average number of issued ordinary shares was 5,660.1 million shares for the year 2007 while the comparable number was 5,000 million shares for the year 2006. Despite the increase in the number of ordinary shares, the profit attributable to equity holders of the parent increased significantly, resulting in the growth of the earnings per share.

EQUITY PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

As at 31 December 2007, the equity per share attributable to the equity holders of the parent was RMB3.08 (the total number of issued ordinary shares was 6,437.5 million shares as at 31 December 2007), an increase of RMB2.28 compared with RMB0.80 (the total number of issued ordinary shares was 5,000.0 million shares as at 31 December 2006) as at 31 December 2006. The increase is primarily attributable to the net proceeds from initial public offering of the Company during the year and net profit attributable to equity holders of the parent for the year.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a proposed final dividend of HKD0.17 per ordinary share for the year ended 31 December 2007. Subject to the approval of the Company's equity holders at the Company's forthcoming annual general meeting to be held on 17 June 2008, the proposed final dividend will be paid to the Company's equity holders on or around 16 July 2008.

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 equipment, and development of investment property. 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 adjustment according to the changes in market conditions. In order to enhance the production capacity of steel segment and the optimisation of product mix, we have increased the investment in the steel segment. More efforts will be put to the mining segment with an aim to continuously strengthen its leading role in the industry. Details of capital expenditure of each segment are set out in note 5 to the financial statements.

As at 31 December 2007, the Group's capital commitment contracted but not provided for was RMB7,182.5 million, which is mainly committed for property development. Details of capital commitment are set out in note 45 to the financial statements.

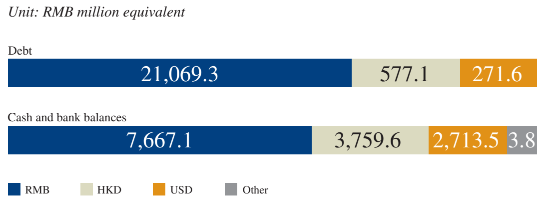
INDEBTEDNESS AND LIQUIDITY OF THE GROUP

As at 31December 2007, the total debt of the Group was RMB 21,918.0 million, a slight increase over last year. However, there was also significant increase in cash and bank balances, with a total balance of RMB14,144.0 million.

Unit: RMB Million

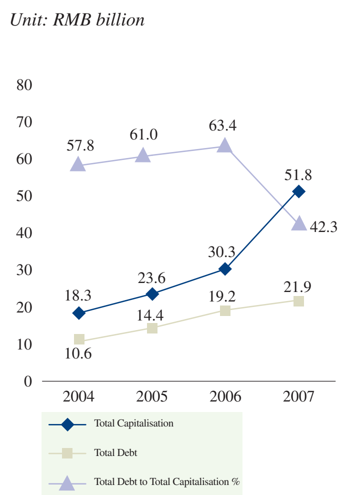
	2007	2006
Total debt	**21,918.0**	19,143.0
Cash and bank balances	**14,144.0**	5,062.7

The original denomination of the Group's debt as well as cash and bank balances by currencies, equivalent in RMB, as at 31 December 2007 is summarized as follows:



TOTAL DEBT TO TOTAL CAPITALISATION RATIO

As at 31 December 2007, the ratio of total debt to total capitalisation was 42.3% compared to 63.4% in 2006. The improvement in the ratio is primarily due to the gross proceeds in the amount of HKD13,268.1 million from initial public offering of the Company on 16 July 2007. Healthy debt ratios and abundant financial resources can reinforce the Group's ability to defend against risk exposure and provide supports to the Group to grasp investment opportunities.



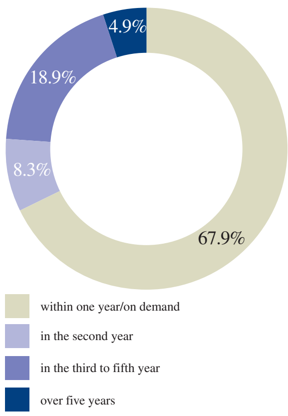
BASIS OF CALCULATING INTEREST RATE

To stablise interest expenses, the Group endeavoured to maintain appropriate borrowings at fixed interest rates and floating interest rates. As at 31 December 2007, 53.4% of the Group's total borrowing was calculated at a fixed rate.

THE MATURITY PROFILE OF OUTSTANDING BORROWINGS

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

Outstanding borrowings classified by year of maturity



ANALYSIS OF THE BORROWINGS OF THE GROUP

Unit: RMB million

	2007	2006
The Company	—	702.4
Pharmaceuticals	**2,289.4**	1,996.4
Property development	**5,586.4**	3,169.6
Steel	**10,839.7**	10,748.6
Mining	**160.5**	74.0
Retail, financial services and others	**3,042.0**	2,452.0
Total	**21,918.0**	19,143.0

AVAILABLE FACILITIES

Save for cash and bank deposit of RMB14,144.0 million, as at 31 December 2007, the Group had unutilised banking facilities of RMB10,105.8 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 capital needs of the Group. 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 2007, available banking facilities under these arrangements aggregated to RMB30,397.0 million. Among which RMB20,291.2 million was allocated to various projects.

FINANCING ACTIVITIES

Fosun International has successfully completed the initial public offering during the year with gross proceeds in the amount of HKD13,268.1 million. Meanwhile, the net borrowing was RMB2,731.6 million during the year.

CASH FLOW

In 2007, net cash inflow from operating activities was RMB1,137.8 million. Profit for the year was RMB6,948.1 million. However, inventory increased by RMB2,388.2 million, and prepayment, deposits and other receivables increased by RMB1,178.9 million. Besides, tax payment was RMB1,480.1 million and amounts due to related parties decreased by RMB937.4 million. All the above had been downward factors for net cash flow of operating activities during the year. The increase in inventory was mainly due to the increase of raw materials inventory in steel segment. The increase in prepayment, deposits and other receivables was mainly contributed by the prepayment from projects acquired by property development segment.

In 2007, net cash outflow to investing activities was RMB7,451.8 million. The cash was mainly used for purchasing properties, plants and facilities and new financial and strategic investment projects by the Group. Furthermore, the Group transformed partial cash into term deposits with original maturity of more than 3 months.

In 2007, net cash inflow from financing activities was RMB12,732.6 million. The cash was mainly contributed by the proceeds from issuance of shares of the Company and new bank and other borrowings, with some part offset by repayment of bank and other borrowings and interests payment of bank loans.

PLEDGED ASSET

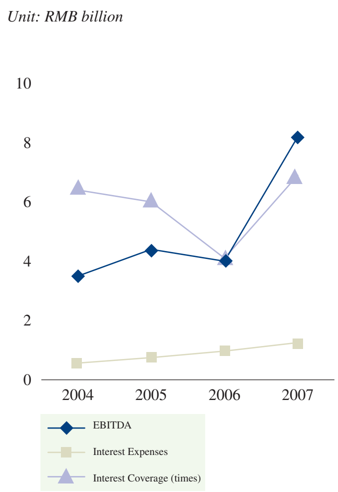
As at 31 December 2007, the Group has pledged assets of RMB8,584.9 million (2006: RMB8,761.5 million) in order to obtain bank borrowings. Details of the Group's pledged assets were set out in note 34 to the financial statements.

CONTINGENT LIABILITIES

The Group's contingent liabilities were RMB3,913.4 million as at 31 December 2007. Details of contingent liabilities were set out in note 46 to the financial statements.

INTEREST COVERAGE

In 2007, EBITDA divided by interest expense, was 6.5 times as compared with 4.0 times in 2006. This was due to the fact that EBITDA had increased by 107.3%, whereas the interest expense only increased by 29.6%.



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 currencies exposure

The Group conducts its business mainly in Renminbi which is also our functional and presentation currency. Most of our revenue is received in Renminbi, part of it is converted into foreign currencies for the purchase of imported raw materials. Renminbi is not freely convertible currency. 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 2007, 93.8% (approximately RMB62,799.8 million) of our total assets were located in Mainland China (2006: RMB43,614.1 million or 99.7%).

Interest rate exposure

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

Application of derivatives

The Group entered into interest rate swap contracts to hedge our risk exposure to floating interest rate. We do not apply derivative products for speculation. All derivatives are stated at fair value. All the swap contracts were terminated on 14 September 2007.

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.

Four-Year Statistics

THE PUBLISHED FOUR-YEAR STATISTICS

In RMB million

Year	2004 (restated)	2005 (restated)	2006 (restated)	**2007**
Total equity	7,747.1	9,203.4	11,140.9	**29,970.6**
Equity attributable to equity holders of the parent	1,463.1	2,825.1	3,982.7	**19,834.1**
Equity per share attributable to equity holders of the parent (in RMB)	0.29	0.57	0.80	**3.08**
Indebtedness				
Total debt	10,601.5	14,410.7	19,143.0	**21,918.0**
Total debt/Total capitalisation (%)	57.8%	61.0%	63.4%	**42.3%**
Interest coverage (times)	6.3	5.8	4.0	**6.5**
Capital employed	12,064.6	17,235.8	23,125.6	**41,752.1**
Cash and bank balances	4,158.2	5,001.8	5,062.7	**14,144.0**
Property, plant and equipment	11,454.7	12,648.9	14,459.9	**15,598.6**
Investment property	—	—	446.0	**456.0**
Property under development	4,075.8	7,487.3	7,509.9	**9,415.0**
Prepaid land lease payments	322.1	515.6	542.7	**908.4**
Mining rights	—	—	160.9	**546.5**
Interest in associates	4,075.2	4,281.9	5,461.8	**6,758.8**
Available-for-sale investments	367.1	319.3	291.2	**2,188.1**
Net profit attributable to equity holders of the parent	1,278.9	1,362.4	1,095.8	**3,354.3**
Earnings per share (in RMB)	0.26	0.27	0.22	**0.59**
Profit contribution by each segment				
Pharmaceuticals	75.9	67.2	(101.7)	**164.5**
Property development	171.7	277.2	272.7	**383.8**
Steel	529.8	387.9	591.6	**1,845.1**
Mining	6.5	26.3	318.1	**592.9**
Retail, financial services and others	495.0	603.8	15.1	**368.0**
EBITDA	3,532.0	4,373.0	3,946.0	**8,182.0**
Proposed dividend per share (in HKD)	—	—	—	**0.17**

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 in the Group's annual report for the year ended 31 December 2007.

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.

As the Company was listed on 16 July 2007, the Company was not a listed company during the period from 1 January 2007 to 15 July 2007. Nevertheless, as part of the preparations for listing, the Company has complied with the code provisions as set out in the CG Code, save for the deviation from code A.2.1 which is explained in the relevant paragraph in this annual 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 2007 comprises the following Directors:

Executive Directors:
Mr. Guo Guangchang *(Chairman)*
Mr. Liang Xinjun
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 Company's 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 2007 to the annual general meeting for the year 2008. 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 causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first 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:

Name of Directors	**Attendance/ Number of Meetings**
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	3/4
Mr. Zhang Shengman	4/4
Mr. Andrew Y. Yan	4/4

g) *Practices 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 Company's 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.

Mr Guo Guangchang currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

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

C. BOARD COMMITTEES

The Board has established two committees, namely, 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) 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.

As the Remuneration Committee was established on 17 September 2007, it did not hold any meetings during the Reporting Period.

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 recommendation 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 one meeting during the Reporting Period to review the financial results and reports, financial reporting and compliance procedures. All members of the Audit Committee attended such meeting.

The Company's annual results for the year ended 31 December 2007 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 2007.

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 "Report of the Auditors" on pages 58 to 59.

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 RMB4.5 million and RMB0 respectively.

G. INTERNAL CONTROLS

During the Reporting Period, the Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Company. The review has covered the financial, operational, compliance and risk management aspects of the Group.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders investments and Company's assets, and reviewing the effectiveness of such on an annual basis. During the Reporting Period, the Group has set up a Risk Control headquarters comprised of officers from legal and audit departments to strengthen the risk management of the Group.

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 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 uses its best 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, where information and updates on the Company's business developments and operations, financial information and other information are available for public access.

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 Company's Articles of Association. Details of rights to demand a poll are included in all circulars to shareholders and explained in the proceedings of meetings.

Poll results will be posted on the websites of the Company and of the Stock Exchange on the business day following the shareholder meeting at which voting is taken on a poll.


Gathering

Biographical Details of Directors and Senior Management

Executive Directors

Guo Guangchang

Guo Guangchang, aged 40, is an Executive Director, Chairman of the Board and Chief Executive Officer of the Company. Mr. Guo was a co-founder of the Group. Mr. Guo was Chairman and President of Fosun Group from its establishment in November 1994 to February 2007. Mr. Guo remains as Chairman of Fosun Group and was appointed as Chief Executive Officer of Fosun Group in March 2007. 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 as a policy consultant to Shanghai municipal government from 2001 to 2002. Since 2002, Mr. Guo had been vice chairman of Shanghai Federation of Industry and Commerce and became vice president in November 2007. Since 2004, Mr. Guo has been chairman of 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 of Outstanding Young Entrepreneur of Shanghai" in 1997 and "the Fifth Session of Shanghai's Ten Most Outstanding Youths" in 1998. In 2003, Mr. Guo was named as one of the "Ten Leaders in Future Economy of China" and "Ten New Private Entrepreneurs in 2003". In 2004, Mr. Guo was named as one of the "CCTV the 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 39, is an Executive Director, Vice Chairman of the Board and President 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 as Vice Chairman of Fosun Group and was appointed as President of Fosun Group in March 2007. Mr. Liang is a director of Nanjing Steel United, 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 China Young Entrepreneurs Association; executive vice chairman of China Science and Technology Private Entrepreneurs Association; executive vice president of Chamber of Metallurgy Industry of All-China Federation of Industry and Commerce; chairman of Taizhou Chamber of Commerce in Shanghai and executive vice chairman of Shanghai Fudan University Alumni Association. In October 2002, Mr. Liang was awarded "the First Session of 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 of 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". 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 38, is an Executive Director 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 has been President of Fosun Pharma since the establishment of its predecessor, Fosun Industries, in 1995 until October 2007. Since October 2007, Mr. Wang has been Chairman of Fosun Pharma. 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 Shanghai Biopharmaceutical Industry Association and vice chairman of China Pharmaceutical Industry Association. Mr. Wang was named "Top 10 Professional Manager in China Pharmaceutical Industry in 2004" and was awarded "The Forth Session of 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 in 1991 from Fudan University.

Ding Guoqi

Ding Guoqi, aged 38, is an Executive Director and Chief Financial Officer of the Company. 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 has been a director of Forte since September 2001 and is a non-executive director of Forte now. 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 in 1991 from Shanghai University of Finance and Economics.

Fan Wei

Fan Wei, aged 38, 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 is President of Forte since 1998 and an Executive Director of Forte now. Mr. Fan is vice chairman of Shanghai Real Estate Association, vice council chairman of the Institute of Real Estate Shanghai Academy of Social Sciences and chairman of 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 in 1991 from Fudan University.

Qin Xuetang

Qin Xuetang, aged 44, is an Executive Director and General Counsel of the Company. Mr. Qin is also a director of Nanjing Steel United. Mr. Qin has been a Director of Fosun Group since June 2004 and 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 Southwestern University of Political Science and Laws and was admitted to practice law in the PRC in 1990.

Wu Ping

Wu Ping, aged 43, is an Executive Director and Chief Administrative and Personnel Officer of the Company. 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 65, 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 was vice chairman of China Iron and Steel Industry Association, vice director of China Metals Association and vice chairman of China Quality Association.

Independent Non-Executive Director

Zhang Shengman

Zhang Shengman, aged 50, has been an Independent Non-Executive Director since December 2006. Mr. Zhang is vice chairman of Global Banking and chief operating officer of Citigroup's Corporate and Investment Banking, Asia Pacific. 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 of public administration in 1985 from University of the district of Columbia. Mr. Zhang completed the Harvard Advanced Management Program in 1997.

Independent Non-Executive Director

Chen Kaixian

Chen Kaixian, aged 62, has been an Independent Non-Executive Director since August 2005. Dr. Chen is a researcher and director of the Shanghai Pharmaceuticals Research Institute of the Chinese Academy of Science. Dr. Chen is also an academician of the Chinese Academy of Science. From 1985 to 1988, Dr. Chen conducted post-doctorate studies in the Paris Institute of Biology, Physics & Chemistry. Dr. Chen is a member of the State New Drug Research and Development Expert Commission, a member of the New Drug Research Expert Commission of the Chinese Academy of Science, and a chief scientist for the State Key Basic Research Development Plan. Dr. Chen is an expert of the Key Special Projects under the Tenth Five-year Plan of the Ministry of Science and Technology's "New Drugs and Modernisation of Chinese Medicine", vice chairman of the Shanghai Science and Technology Association and Chairman of the executive council of the China Society of Doctors in New Pharmaceuticals. Dr. Chen is also a member of the China Pharmaceuticals Association, the Shanghai Pharmaceuticals Association, and the Shanghai Molecular Science Research Academy. Dr. Chen is the editor of the China Pharmacology Journal, Journal of Physics & Chemistry, China Medical Industry Magazine, Molecular Science Journal, Pharmaceuticals Development and Pharmaceuticals Chemistry Magazine. Dr. Chen is an adjunct professor at Fudan University, China Science and Technology University, Zhejiang University, Shanghai Jiaotong University, Shanghai Medical University, China Pharmaceutical University and Second Military Medical University. 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 Shanghai Pharmaceutical Research Institute of the Chinese Academy of Science.

Independent Non-Executive Director

Andrew Y. Yan

Andrew Y. Yan, aged 50, has been an Independent Non-Executive Director since March 2007. Mr. Yan is also an independent non-executive director of Stone Group Holdings Limited and China Oilfield Services Limited, companies listed on the Stock Exchange. 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 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. He received a 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 46, 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 University of Maryland and an MBA degree in 1994 from Wharton Business School.

Fosun Pharma

Chen Qiyu, aged 35, is a Director and President of Fosun Pharma. Mr. Chen joined Fosun Pharma in 1994, worked as Manager at industry development department of Fosun Group, and Vice General Manager, Chief Financial Officer, Secretary to the Board and Excecutive Vice President 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 Shanghai Society of Genetics, vice president of Shanghai Licensed Pharmacist Association and vice president of Shanghai Pharmaceutical Industry Association. Mr. Chen received a bachelor's degree in genetic engineering in 1993 from Fudan University and an EMBA degree in 2005 from China Europe International Business School.

Forte

Wang Zhe, aged 37, is an Executive Director, Vice President and Chief Financial Officer of Forte. Mr. Wang joined Forte in August 2002, and was appointed as Executive Director of Forte in March 2008. Prior to joining Forte. Mr. Wang worked in Agricultural Bank of China and Shanghai Pudong Development Bank. Mr. Wang became a qualified economist in 1997. Mr. Wang received a bachelor's degree and a master's degree in international finance in 1992 and 1999 respectively, both from Fudan University.

Zhang Lin, aged 49, is Vice President of Forte. Mr. Zhang joined Forte in August 1998. Mr. Zhang worked as an architect in Shanghai Jingan Residential Company, the capital construction 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 in 1987 from Shanghai Tongji University.

Cao Zhidong, aged 37, is Vice President of Forte. Dr. Cao joined Forte in July 2002. Dr. Cao was a lecturer in the Institute of Construction and Kinetic Studies of Shanghai Jiaotong University. Dr. Cao was project director of the PRC national social security and insurance consultation project, deputy manager, group strategic management and human resources consultant of human resources department of Shanghai Xinhuangpu (Group) Company Limited. Dr. Cao was also human resources controller, director and supervisor of various subsidiary companies of that group. Dr. Cao received a doctorate degree in management in 2000 from Shanghai Jiaotong University.

Wang Ning, aged 40, is Vice President of Forte. Mr. Wang joined Forte in August 2001. Mr. Wang was manager of the financial 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 in 1990 from the Shanghai University of Finance and Economics.

Zhang Weigang, aged 50, is Vice President of Forte. Mr. Zhang joined Forte in January 2004. Mr. Zhang was secretary and deputy head of the office for Shanghai municipal committees, deputy head of the Meilong Town municipal 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 in 1984 from Shanghai Normal University.

Nanjing Steel United

Yang Siming, aged 54, 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 government's Department of Personnel in December 2002. Dr. Yang received a doctorate degree in management in June 2007 from the University of Nanjing.

Lü Peng, aged 46, is Vice 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 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 had been 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 Beijing University of Science and Technology. Mr. Lü also received a master's degree in steel and metallurgy in 1985 from Beijing University of Science and Technology.

Wang Jiafu, aged 42, is Chief Financial Officer of Nanjing Steel United. Mr. Wang joined Fosun Group in 1999 and worked as financial controller of Shanghai Fosun Zhaohui Pharmaceuticals Co., Ltd. from 1999 to 2001. Prior to joining Fosun Group, Mr. Wang worked as manager of the finance department in Shanghai Steel Tube Co., Ltd. from 1986 to 1999. Mr. Wang also worked as Chief Financial Officer of Jianlong Group from 2001 to 2003.

Company Secretary

Kam Mei Ha, Wendy, aged 40, 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 15 years of experience in the company secretarial industry.

Qualified Accountant

Tse Man Kit, Keith, aged 34, is the Qualified Accountant and Deputy Chief Financial Officer of the Company and responsible for the financial and management reporting of the Group, including internal control and policy review, audit and regulatory affairs. He has over 10 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.

Report of the Directors

The Board is pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Group at that date are set out in the financial statements on pages 60 to 185.

The Board has recommended the payment of a final dividend of HKD0.17 per ordinary share for the year ended 31 December 2007 to shareholders of the Company whose names appear on the Company's register of members on 17 June 2008. Subject to approval by the Company's shareholders at the annual general meeting to be held on 17 June 2008, the proposed final dividend is expected to be paid on or around 16 July 2008 to shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 June 2008, Tuesday, to 17 June 2008, Tuesday, 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 17 June 2008, 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, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 6 June 2008, Friday.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information for the last four financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out in the section entitled "Four-Year Statistics" in this annual report. The Company was listed on the main board of the Stock Exchange in July 2007 and currently there are only four years published results available.

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 over-allotment option in July 2007 amounted to HKD12,853.7 million. The proceeds of HKD5,181.1 million were applied during the Reporting Period in accordance with the proposed applications set out in the Company's listing prospectus in the following manner:

— approximately HKD4,213.6 million was used for repayment of bank loans;

— approximately HKD264.9 million was used for acquiring a coking coal company;

— approximately HKD702.6 million was used for acquisitions in the financial services industry and for other strategic investments.

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 42 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 34 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries or its jointly-controlled entity purchased, redeemed or sold any of the Company's listed securities 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 64 to 65 of this annual report and details of movements in the reserves of the Company during the Reporting Reriod are set out in note 37 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company's reserves available for distribution are set out in note 37(d) to the financial statements.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group made charitable contributions totalling RMB44.8 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 OPTIONS SCHEME

The Company adopted its Share Options 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 amount of accepting 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 AND QUALIFIED ACCOUNTANT

The Board appointed that Ms. Kam Mei Ha, Wendy ("Ms. Kam") as the Company Secretary of the Company with effect from 3 December 2007 and appointed Mr. Tse Man Kit, Keith ("Mr. Tse") as the Qualified Accountant of the Company with effect from 12 March 2008 to fill the vacancies resulted from the resignation of Mr. Law Siu Wo on 3 December 2007.

The biographical details of Ms. Kam and Mr. Tse are set out on pages 44 to 45 of this annual report.

DIRECTORS

The Directors during the Reporting Period were:

Executive Directors

Mr. Guo Guangchang *(Chairman)*
Mr. Liang Xinjun
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

According to articles 106 and 107 of the articles of association of the Company, Mr. Guo Guangchang, Mr. Ding Guoqi, Mr. Qin Xuetang and Mr. Wu Ping 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 40 to 45 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 2007 to the 2008 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 2007, 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 2007, 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 were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code had been notified to the Company and the Stock Exchange, were as follows:

(1) *Long positions in the shares, underlying shares and debentures of the Company*

Name of Director/chief executive	Number of shares	Type of interests	Approximate percentage of share in issue
Guo Guangchang	5,000,000,000[(1)]	Corporate	77.67%

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

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

Notes:

(1) Pursuant to Division 7 of Part XV of the SFO, the 5,000,000,000 shares of the Company are deemed corporate interests of Mr. Guo Guangchang by virtue of his 58% shareholding in Fosun International Holdings.

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, 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	Number of shares directly or indirectly held	Approximate percentage of issued share capacity (%)
Fosun Holdings	5,000,000,000	77.67%
Fosun International Holdings (1)	5,000,000,000(2)	77.67%

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 interest, respectively.

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

Save as disclosed herein so far as is known to the Directors, as at 31 December 2007, 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 SHAREHOLDER'S INTERESTS IN CONTRACT 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

During the Reporting Period, except otherwise disclosed in the listing prospectus of the Company, the Company did not have any new connected transactions which were subject to the requirements of the Listing Rules.

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 deed of non-competition undertaking has only taken effect from the listing date of the Company and therefore the independent non-executive Directors did not conduct such a review during the Reporting Period.

RELATED PARTY TRANSACTIONS

Related party transactions entered by the Group during the Reporting Period, which do not constitute connected transactions under the Listing Rules are disclosed in note 47 to the financial statements.

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 50 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 been in compliance with the CG Code except the deviation from Code A.2.1, details of which are set out on page 35 of the Corporate Governance 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 2007 annual results of the Group.

AUDITORS

The financial statements of the Group were audited by Ernst and Young. Ernst and 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
25 March 2008

Human Resources

As at 31 December 2007, the Group had a total of 27,544 employees, representing an increase of 5,127 employees when compared to Fosun International's listing in July 2007, which was mainly due to the establishment of Hainan Mining, a new subsidiary of the Group.

The Group regards talent as its most valuable asset. It has always been committed to "attracting and retaining talents by company growth and career development, nurturing and assessing its staff through work and performance". It puts human resources management as the first priority, and associates the personal development of our employees with our corporate development, which in turn align our corporate enhancement with the upgrading of employee's personal value.

The Group advocates equal employment opportunities. To ensure the salaries and benefits of our employees are fair and competitive and adequate for our development needs, the Group has taken the initiative to review the salary packages of our employees regularly and engaged professional consultant companies to carry out investigation into remuneration of each entity. To protect the safety and basic interests of our employees, the Group offers various kinds of benefits for them, including different kinds of insurance programmes as required by the laws and regulations and additional commercial health insurance to existing employees. Besides, it has established an internal emergency fund which aims to relieve employees' urgent financial needs. In the past year, there were no material change in the Group's human resources management policies or procedures.

The Group cultivates a corporate culture which encourages open communication and sharing of opinions between the employees and the management. As such, the email addresses of the Directors and the senior management of the Company are available to all employees. We encourage our employees, by various means, to propose valuable suggestions to the Company. We have set up an employees association as well as staff representative union for the gradual realisation of democratic management of employees.

The Group strives to provide a good working environment for our employees and offers different benefits to encourage the continuous learning and innovation of our employees. It provides internal and external training for the staff and subsidiaries in the pursuit of further education after work for personal advancement. The Company particularly sends our senior management to attend business management and related professional courses in renowned business institutes in China so as to enhance the overall quality and capability of our operational management. The Group has also proactively taken part in government education programmes to provide practical training and work opportunities for fresh university graduates.

The Group has actively sponsored and participated in different kinds of charity activities. Furthermore, with the aim of being a responsible corporate citizen, it has always been encouraging its employees to zealously participate in social activities in areas such as education, environment protection, culture, sports and art.

Services to the Community

The Group, as always, supports China's education, environmental protection, charitable activities and China Society for Promotion of the Guangcai Program. We have held a series of volunteer activities and assisted Shanghai 2007 Special Olympics World Summer Games. In 2007, the Group set up "Fosun Hainan Guangcai Education Rewarding Fund". In 2007, the Group has contributed over RMB44.8 million to support disaster areas, "Hope of Primary School", China Society for Promotion of the Guangcai Program and etc. The Group endeavours to achieve our corporate culture, which is "self improvement, team work, performance and contribution to society".


光彩事业教育奖励基
Fosun Corporation
Volunteer Team


Growth

Independent Auditors' Report

ERNST & YOUNG
安 永 會 計 師 事 務 所

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 60 to 185, which comprise the consolidated and company balance sheets as at 31 December 2007, 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 2007 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 and Young
Certified Public Accountants
Hong Kong

25 March 2008

Consolidated Income Statement

	Notes	2007 RMB'000	2006 RMB'000 (Restated)
REVENUE	*6*	**31,977,105**	24,199,054
Cost of sales		**(25,024,737)**	(20,097,613)
Gross profit		**6,952,368**	4,101,441
Other income and gains	*6*	**3,194,691**	1,387,726
Selling and distribution costs		**(1,039,606)**	(753,878)
Administrative expenses		**(1,344,500)**	(1,011,941)
Other expenses		**(471,469)**	(776,582)
Finance costs	*7*	**(1,423,975)**	(1,008,098)
Share of profits and losses of:			
Jointly-controlled entities	*20*	**5,631**	3,478
Associates		**1,074,964**	627,741
PROFIT BEFORE TAX	*8*	**6,948,104**	2,569,887
Tax	*10*	**(1,439,991)**	(825,942)
PROFIT FOR THE YEAR		**5,508,113**	1,743,945
Attributable to:			
Equity holders of the parent		**3,354,326**	1,095,801
Minority interests		**2,153,787**	648,144
		5,508,113	1,743,945
Dividends			
Proposed final	*11*	**1,022,219**	—
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic (RMB)	*12*	**0.59**	0.22

Consolidated Balance Sheet

	Notes	2007 RMB'000	2006 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**15,598,578**	14,459,848
Investment properties	*14*	**456,000**	446,000
Prepaid land lease payments	*15*	**908,376**	542,707
Mining rights	*16*	**546,469**	160,890
Intangible assets	*17*	**25,352**	18,817
Goodwill	*18*	**108,152**	181,128
Investments in jointly-controlled entities	*20*	**231,055**	95,572
Investments in associates	*21*	**6,758,794**	5,461,836
Available-for-sale investments	*22*	**2,188,057**	291,209
Properties under development	*23*	**6,009,593**	3,305,549
Loans receivable	*24*	**459,200**	—
Prepayments	*25*	**1,547,278**	111,742
Deferred tax assets	*26*	**283,426**	179,843
Total non-current assets		**35,120,330**	25,255,141
CURRENT ASSETS			
Cash and bank balances	*27*	**14,144,004**	5,062,687
Equity investments at fair value through profit or loss	*28*	**90,437**	2,339
Available-for-sale investments	*22*	**205,000**	—
Trade and notes receivables	*29*	**2,924,246**	2,374,055
Prepayments, deposits and other receivables	*30*	**3,320,208**	1,399,069
Inventories	*32*	**6,470,854**	4,127,850
Completed properties for sale		**746,538**	790,489
Properties under development	*23*	**3,405,440**	4,204,295
Due from related companies	*33*	**530,506**	527,884
Total current assets		**31,837,233**	18,488,668

	Notes	2007 RMB'000	2006 RMB'000 (Restated)
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*34*	**14,890,502**	11,322,555
Trade and notes payables	*35*	**4,486,157**	4,452,925
Accrued liabilities and other payables	*36*	**7,612,814**	5,714,064
Tax payable		**972,091**	446,912
Finance lease payables		**—**	238,077
Due to holding and ultimate holding companies	*33*	**—**	190,404
Due to related companies	*33*	**815,464**	1,671,151
Total current liabilities		**28,777,028**	24,036,088
NET CURRENT ASSETS/(LIABILITIES)		**3,060,205**	(5,547,420)
TOTAL ASSETS LESS CURRENT LIABILITIES		**38,180,535**	19,707,721
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*34*	**6,879,740**	7,675,838
Loans from related companies	*38*	**147,719**	144,573
Deferred income	*39*	**21,735**	10,377
Other long-term payables	*40*	**737,472**	402,559
Deferred tax liabilities	*26*	**423,244**	333,440
Total non-current liabilities		**8,209,910**	8,566,787
Net assets		**29,970,625**	11,140,934
EQUITY			
Equity attributable to equity holders of the parent:			
Issued capital	*42*	**622,962**	208
Reserves	*37*	**18,188,934**	3,982,455
Proposed final dividend	*11*	**1,022,219**	—
		19,834,115	3,982,663
Minority interests		**10,136,510**	7,158,271
Total equity		**29,970,625**	11,140,934

Guo Guangchang
Director

Ding Guoqi
Director

Balance Sheet

	Notes	2007 RMB'000	2006 RMB'000
NON-CURRENT ASSETS			
Office equipment	*13*	**181**	397
Interests in subsidiaries	*19*	**1,329,336**	1,093,000
Investment in an associate	*21*	**82,421**	82,421
Total non-current assets		**1,411,938**	1,175,818
CURRENT ASSETS			
Cash and bank balances	*27*	**3,682,368**	43,952
Equity investments at fair value through profit or loss	*28*	**82,106**	—
Prepayments, deposits and other receivables	*30*	**396**	85,373
Due from subsidiaries	*33*	**7,634,162**	—
Total current assets		**11,399,032**	129,325
CURRENT LIABILITIES			
Interest-bearing bank loans	*34*	**—**	312,191
Accrued liabilities and other payables	*36*	**35,766**	450
Tax payable		**4,586**	—
Due to the holding and the ultimate holding companies	*33*	**—**	190,404
Due to a subsidiary	*33*	**—**	15,516
Total current liabilities		**40,352**	518,561
NET CURRENT ASSETS/(LIABILITIES)		**11,358,680**	(389,236)
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,770,618**	786,582
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*34*	**—**	390,238
Net assets		**12,770,618**	396,344
EQUITY			
Issued capital	*42*	**622,962**	208
Reserves	*37*	**11,125,437**	396,136
Proposed final dividend	*11*	**1,022,219**	—
		12,770,618	396,344

Guo Guangchang
Director

Ding Guoqi
Director

Consolidated Statement of Changes in Equity

Group

	Attributable to equity holders of the parent								
	Issued capital	Capital reserves/ (Other deficits)	Statutory surplus reserve	Statutory public welfare fund	Retained earnings	Exchange fluctuation reserve	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note 37(a))	*(note 37(b))*	*(note 37(c))*					
At 1 January 2006	208	(469,687)	792,104	518,501	1,984,610	(608)	2,825,128	6,378,314	9,203,442
Exchange realignment and total income for the year recognised directly in equity	—	—	—	—	—	35,587	35,587	301	35,888
Profit for the year	—	—	—	—	1,095,801	—	1,095,801	648,144	1,743,945
Total income and expense for the year	—	—	—	—	1,095,801	35,587	1,131,388	648,445	1,779,833
Acquisition of subsidiaries *(note 41(a))*	—	—	—	—	—	—	—	80,672	80,672
Excess of cash considerations over interests in subsidiaries	—	—	—	—	—	—	—	(407,430)	(407,430)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(632,271)	(632,271)
Transfer from retained earnings	—	—	169,480	—	(169,480)	—	—	—	—
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	60,164	60,164
Disposal of partial interests in subsidiaries	—	—	—	—	—	—	—	(487,159)	(487,159)
Conversion of convertible bonds	—	—	—	—	—	—	—	738,403	738,403
Issue of shares	—	—	—	—	—	—	—	712,121	712,121
Transfer from statutory public welfare fund	—	—	518,501	(518,501)	—	—	—	—	—
Compensation arising from Land Appreciation Tax ("LAT") provision	—	—	—	—	—	—	—	37,630	37,630
Fair value adjustment on loans from related companies	—	26,147	—	—	—	—	26,147	29,382	55,529
At 31 December 2006	208	(443,540)	1,480,085	—	2,910,931	34,979	3,982,663	7,158,271	11,140,934

	Attributable to equity holders of the parent										
	Issued capital	Share premium	Capital Reserves/ (Other deficits)	Statutory surplus reserve	Available-for-sale investments revaluation reserve	Retained earnings	Exchange fluctuation reserve	Proposed final dividend	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 42)	*(note 42)*	*(note 37(a))*	*(note 37(b))*				*(note 11)*			
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	—	—	—	—	301,900	—	—	—	301,900	262,991	564,891
Tax effect of changes in fair value of available-for-sale investments	—	—	—	—	(47,656)	—	—	—	(47,656)	(40,434)	(88,090)
Total income 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)	—	3,422,985	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	—	—	—	—	—	—	—	—	—	(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 43)*	—	—	—	—	—	—	—	—	—	415,943	415,943
Disposal of subsidiaries *(note 41(b))*	—	—	—	—	—	—	—	—	—	(1,302)	(1,302)
Capitalisation of share premium account	483,656	(483,656)	—	—	—	—	—	—	—	—	—
Compensation arising from LAT provision	—	—	—	—	—	—	—	—	—	30,354	30,354
Deconsolidation of subsidiaries *(note 41(c))*	—	—	—	—	—	—	—	—	—	(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

Consolidated Cash Flow Statement

	Notes	2007 RMB'000	2006 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**6,948,104**	2,569,887
Adjustments for:			
Depreciation of items of property, plant and equipment	*8*	**1,531,988**	1,133,850
Amortisation of prepaid land lease payments	*15*	**19,589**	10,697
Amortisation of intangible assets	*17*	**11,264**	8,887
Amortisation of mining rights	*16*	**19,504**	1,298
Provision for impairment of items of property, plant and equipment	*13*	**10,845**	2,130
Provision for impairment of intangible assets	*17*	**—**	2,842
Provision for impairment of available-for-sale investments		**8,000**	6,530
Provision for impairment of goodwill		**96,750**	2,251
Net loss on disposal of items of property, plant and equipment		**43,280**	6,811
Net gain on disposal of available-for-sale investments	*6, 8*	**(153,433)**	(100)
Gain on disposal of equity investments at fair value through profit or loss		**(118,110)**	(23,462)
Net gain on disposal of subsidiaries	*41(b)*	**(38,958)**	(32,801)
Net gain on disposal of associates	*6, 8*	**(46,667)**	(41,528)
Gain on disposal of jointly-controlled entities	*6*	**(93,614)**	—
Gain on disposal of partial interests in subsidiaries	*6*	**(1,350,577)**	(3,289)
Gain on disposal of partial interest in associates	*6*	**(364,741)**	—
Gain on deemed disposal of interests in subsidiaries and associates	*6*	**—**	(728,410)
Loss on deemed disposal of interest in an associate	*8*	**—**	132,721
Loss on capital reform in subsidiaries and associates	*8*	**—**	329,906
(Reversal)/provision for impairment of receivables	*8*	**(11,509)**	17,900
Provision for inventories	*8*	**65,615**	17,449
Write-off of inventories	*8*	**14,200**	1,901
Interest expenses		**1,254,356**	967,747
Fair value adjustment on equity investments at fair value through profit or loss	*8*	**3,124**	—
Gain on termination of derivative investments	*6*	**(8,385)**	—
Dividends from equity investments at fair value through profit or loss	*6*	**(1,417)**	(704)
Fair value adjustment on derivative embedded in convertible bonds	*8*	**—**	81,263
Gain on redemption of convertible bonds	*6*	**—**	(975)
Fair value gains on investment properties	*14*	**(10,000)**	(130,651)
Interest income	*6*	**(522,299)**	(119,379)
Dividends from available-for-sale investments	*6*	**(42,635)**	(1,136)
Share of profits and losses of associates		**(1,074,964)**	(627,741)
Subtotal carried forward		**6,189,310**	3,583,894

	Notes	2007 RMB'000	2006 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Subtotal brought forward		**6,189,310**	3,583,894
Share of profits and losses of jointly-controlled entities	*20*	**(5,631)**	(3,478)
Excess over the cost of business combinations realised as income	*41(a)*	**(141,187)**	(1,923)
Excess of the share of net assets over the cost of acquisitions of additional equity interests in subsidiaries realised as income	*6*	**—**	(30,054)
Share issue expenses		**78,292**	—
Provision for indemnity of LAT	*8*	**30,354**	37,630
CASH INFLOW BEFORE WORKING CAPITAL CHANGES		**6,151,138**	3,586,069
Increase in properties under development		**(10,564)**	(277,880)
Decrease/(increase) in properties held for sale		**5,938**	(254,278)
Increase in trade and notes receivables		**(440,494)**	(1,169,381)
Increase in prepayments, deposits and other receivables		**(1,178,895)**	(223,646)
Increase in inventories		**(2,388,164)**	(817,552)
Decrease in amounts due from related companies		**37,471**	580,112
Increase/(decrease) in trade and notes payables		**186,797**	(1,984,716)
Increase in accrued liabilities and other payables		**1,705,453**	372,749
Increase in deferred income		**11,358**	10,377
Decrease in other long-term payables		**(63,964)**	(60,066)
(Decrease)/increase in amounts due to shareholders		**(190,404)**	14,936
(Decrease)/increase in amounts due to related companies		**(937,371)**	266,980
CASH INFLOW FROM OPERATIONS		**2,888,299**	43,704
Interest paid		**(270,361)**	(192,536)
Income tax paid		**(1,480,109)**	(472,315)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**1,137,829**	(621,147)

	Notes	2007 RMB'000	2006 RMB'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(3,079,686)**	(2,173,336)
Increase of prepaid land lease payments		**(354,128)**	(29,985)
Purchase of intangible assets		**(21,558)**	(10,874)
Purchase of available-for-sale investments		**(1,298,724)**	(3,383)
Purchase of equity investments at fair value through profit or loss		**(339,990)**	(6,173)
Purchase of minority interests		**(89,282)**	(460,238)
Proceeds from disposal of equity investments at fair value through profit or loss		**171,107**	27,667
Proceeds from disposal of available-for-sale investments		**175,402**	25,058
Proceeds from disposal of items of property, plant and equipment		**207,911**	81,131
Proceeds from disposal of prepaid land lease payments		**12,463**	1,910
Proceeds from disposal of intangible assets		**1,070**	1,631
Proceeds from disposal of partial interests in subsidiaries	*43*	**1,534,520**	64,931
Acquisition of subsidiaries	*41(a)*	**(564,461)**	(16,353)
Acquisition of associates		**(430,729)**	(734,071)
Acquisition of jointly-controlled entities		**(158,396)**	(69,639)
Disposal of subsidiaries	*41(b)*	**126,276**	15,687
Disposal of associates		**589,107**	107,576
Disposal of jointly-controlled entities		**75,000**	—
Deconsolidation of subsidiaries	*41(c)*	**(119,672)**	—
Dividends received from available-for-sale investments		**42,635**	1,136
Shareholder loans provided to related companies		**(459,200)**	—
Dividends received from equity investments at fair value through profit or loss		**1,417**	704
Increase in pledged bank balances and time deposits with original maturity of more than three months		**(2,662,665)**	(224,342)
Dividends received from associates		**107,891**	255,849
Payments pursuant to capital reform in subsidiaries		**—**	(281,650)
Interest received		**522,299**	119,379
Prepayments for the purchase of mining and exploration rights and proposed acquisitions of equity interests in companies		**(1,440,378)**	(111,742)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(7,451,771)**	(3,419,127)

	Notes	2007 RMB'000	2006 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		**12,838,700**	—
Share issue expenses		**(508,525)**	—
Investment from minority shareholders		**23,400**	712,121
New bank and other borrowings		**20,767,777**	20,040,506
New loans from related companies		**—**	144,573
Repayments of bank and other borrowings		**(18,677,062)**	(15,396,151)
Dividends paid to minority interests		**(468,730)**	(632,271)
Interest paid		**(1,242,966)**	(988,854)
Payment for redemption of convertible bonds		**—**	(2,552)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**12,732,594**	3,877,372
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**6,418,652**	(162,902)
Cash and cash equivalents at beginning of year		**3,605,466**	3,768,368
CASH AND CASH EQUIVALENTS AT END OF YEAR		**10,024,118**	3,605,466
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:			
CASH AND BANK BALANCES (EXCLUDING PLEDGED BANK BALANCES AND DEPOSITS WITH ORIGINAL MATURITY OF MORE THAN THREE MONTHS)	*27*	**10,024,118**	3,605,466

Notes to Financial Statements

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 Group is principally engaged in the 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. These financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. 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 significant intercompany transactions and balances within the Group are eliminated on consolidation.

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.

2.1 BASIS OF PRESENTATION (continued)

Basis of consolidation (continued)

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 CHANGE IN ACCOUNTING POLICY

During the year, the Group changed its accounting policy for reporting investments in jointly-controlled entities in the financial statements from "proportionate consolidation" to the "equity method" of accounting. The Company is an investment holding company and all its major subsidiaries are located in the Mainland of China. Most of the Group's subsidiaries prepare their statutory financial statements in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF") of the PRC in 2006, and other related regulations issued by the MOF (collectively the "New PRC GAAP"), effective for accounting periods beginning on or after 1 January 2007. In line with the requirement of the New PRC GAAP, those subsidiaries changed their accounting policies for jointly-controlled entities from "proportionate consolidation" to "equity method". For workload and efficiency reasons, the Group changed its accounting policy of accounting of jointly-controlled entities to align with the change in accounting policy effected by its subsidiaries in the PRC.

This change in accounting policy has no impact on the opening retained earnings and the profit during the year.

2.2 CHANGE IN ACCOUNTING POLICY (continued)

In accordance with HKAS 8, this change in accounting policy has been accounted for retrospectively, and certain comparative figures in the consolidated balance sheet as at 31 December 2006 and the consolidated income statement for the year ended 31 December 2006 have been restated.

The effect of this change in accounting policy is tabulated below.

(a) Effect on the consolidated balance sheet as at 31 December 2006.

	Decrease RMB'000
Current assets	(6,993)
Non-current assets	(308,070)
Total assets	(315,063)
Current liabilities	(269,749)
Non-current liabilities	(45,314)
Total liabilities	(315,063)
Equity	—

(b) Effect on the consolidated income statement for the year ended 31 December 2006.

	Increase/ (Decrease) RMB'000
Revenue	(33,954)
Cost of sales	(26,258)
Other income and gains	(3,306)
Selling and distribution costs	(5,514)
Share of profits and losses of jointly-controlled entities	3,478
Tax	(2,010)

2.3 ADOPTION OF NEW AND REVISED HKFRSs

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

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new and revised standards and interpretation does not have any significant impact on the accounting policies of the Group and the method of computation in the financial statements.

The principal effects of adopting these new and revised HKFRSs changes in accounting policies are as follows:

(a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements — Capital disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 49 to the financial statements.

(c) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.4 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 8	Operating Segments[1]
HKAS 1 (revised)	Presentation of Financial Statements[1]
HKAS 23 (revised)	Borrowing Costs[1]
HK(IFRIC)-Int 11	HKFRS-2 Group and Treasure Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2008

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 segment 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.

HKAS 1 has been revised to enhance the usefulness of information presented in the financial statements. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions of owners, with non-owner changes in equity presented as a single line. Entities will need to consider whether to present the statement of comprehensive income as a single statement or two statements. This may also impact the information disclosed in other announcements by the entity, such as press releases.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

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

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or reduction in the future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirements exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK (IFRIC)-Int13 and HK (IFRIC)-Int14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that 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 sales 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.

(b) Sale of completed properties

Revenue from 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 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.

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 these 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 the Mainland of 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 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 items 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 foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

The functional currencies of certain overseas entities within the Group are currencies other than RMB. 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. Where 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.

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 interest 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 substantially enacted at the balance sheet date.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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	15–40 years
Plant and machinery	8–15 years
Office equipment	5 years
Motor vehicles	5 years
Mining infrastructure	18 years
Leasehold improvements	The shorter of the lease terms and 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 each balance sheet date.

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 period 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 period 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.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and is 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, financial assets, deferred tax assets and goodwill), 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 post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The impairment loss is charged to the consolidated income statement in the period in which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill (continued)

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 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 impairment loss is credited to the consolidated income statement in the period in which it arises.

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.

Exploration rights and assets

Exploration rights and assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to evaluating commercial and technical feasibility of extracting a mineral resource, and amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration rights are amortised over the term of rights. Equipments used in exploration is depreciated over its useful life, or, if dedicated to a particular exploration project, over the life of the project, whichever is shorter. Amortisation and depreciation is included, in the first instance, in exploration rights and assets.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to obtaining legal rights to explore an area is charged to the consolidated income in the period in which it arises.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to mining rights and amortised on the units of production ("UOP") method based on the proven and probable mineral reserves. Exploration and evaluation assets are written off to the consolidated income statement if the exploration property is abandoned.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and liabilities and contingent liabilities assumes 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 identifiable asset on the consolidated balance sheet.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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 acquiree's 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.

Associates

An associate is an entity in which the Group has a long-term interest of the equity voting rights and over which it is in a position to exercise significant influence.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

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 loss. 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 interest 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.

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. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest 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.

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

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 operating and financial policies.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries (continued)

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 acquiree's net asset acquired as at the date of acquisition, and is treated as goodwill/ excess over the cost of business combinations. The assets and liabilities of the subsidiary are not remeasured to reflect their fair values at the date of the transaction.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables or 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 derivatives 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. 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.

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.

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 two 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 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Fair value

The fair vale 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 arms' length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

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 carried at amortised cost has been incurred, the amount of 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 and all collateral has been realised or has been transferred to the Group.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 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. 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.

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 assets 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 borrowings)

Financial liabilities including trade and other payables, an amount due to the ultimate holding company and interest-bearing loans and 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.

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 and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of 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.

Derecognition of financial liabilities

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities (continued)

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 the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

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 determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

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 that have either been pre-sold or are intended for sale within twelve months after the balance sheet date are classified as current assets.

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.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, comprised direct materials, direct labour and an appropriate proportion of overheads.

Net realisable value is the estimated selling prices in the ordinary course of business 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.

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 the 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible bonds

Convertible bonds are bifurcated into a debt component and an embedded derivative component.

The debt component is initially recognised at fair value, determined by discounting the future contractual cash flows at the prevailing market interest rate for a similar non-convertible borrowing. The debt component is subsequently measured at amortised cost using the effective interest method until the extinguished on conversion or redemption.

The embedded derivative is initially recognised at fair value determined with reference to the net proceeds from the issuance of the convertible bonds and the fair value of debt component at initial recognition and presented as part of derivative financial statements. The embedded derivative is subsequently measured at fair value, taking into account the fair value of convertible bonds and amortised cost of the debt component. Changes in fair value of the embedded derivative component in the convertible bonds are charged or credited to the consolidated income statement, net of income tax effects, for the period.

Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the consolidated income statement.

Retirement benefits

The Group did not provide post employment benefits, other than (i) defined contribution pension schemes and (ii) other employee benefits to qualified former 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits (continued)

(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 benefits funds on a monthly basis to these Qualified SOE Employees until they reach statutory retirement age as stipulated by 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 State Regulations; and

(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 State Regulations. These Qualified SOE Employees are not entitled to early retirement benefits upon reaching statutory retirement age.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits (continued)

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

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 received 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 administrated by government agency are charged to the consolidated income statement as and when they incurred.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mandatory Provident Fund retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits 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) directly, or indirectly through one or more intermediaries, the party (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 material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

(i) Operating lease commitments — the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined 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.

If an item of inventories becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in consolidated income statement under HKAS 40.

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.

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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(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 unit 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 cash-generating unit could change significantly should the cash-generating units fail to sustain the estimated growth. The carrying amounts of goodwill at 31 December 2007 was RMB108,152,000 (2006: RMB181,128,000).

(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. As 31 December 2007, impairment losses in the amount of RMB8,000,000 (2006: RMB6,530,000) have been recognised for available-for-sale assets. The carrying amount of available-for-sale assets was RMB2,393,057,000 (2006: RMB291,209,000).

(iv) Estimation of fair value of investment properties

As described in note 14 to the financial statements, investment properties were revalued on 31 December 2007 on an open market value, 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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

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 2007 was RMB456,000,000 (2006: RMB446,000,000).

(v) Provision for bad debts of loans and advances

The Group reviews the recoverability and ageing of loans and advances 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 advances, 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 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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(vi) Estimation of rehabilitation cost provision (continued)

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.

(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

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

4. PARTICULARS OF 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 2007 are set out below.

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Subsidiaries						
上海復星高科技（集團）有限公司 (Shanghai Fosun High Technology (Group) Co., Ltd.)	PRC 21 November 1994	200,000	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
Steel segment						
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	936,000	—	64.4%	38.6%	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

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

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Steel segment (continued)						
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
Pharmaceutical segment						
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

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

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Pharmaceutical segment (continued)						
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
Property development segment						
復地（集團）股份有限公司 (Shanghai Forte Land Co., Ltd.)	PRC 13 August 1998	505,861	—	58.1%	52.7%	Property development
Mining segment						
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 Co., Ltd.)	PRC 24 July 2006	100,000	—	100.0%	60.0%	Mining and ore processing
Associates						
國藥控股有限公司 (Sinopharm Medicine Holding Co., Ltd.)	PRC 8 January 2003	1,637,037	—	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	465,333	—	17.3%	17.3%	Retail

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

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/paid-up capital RMB'000	Attributable equity interest of the Company Direct	Indirect	Effective	Principal activities
Associates (continued)						
招金礦業股份有限公司@ (Zhaojin Mining Industry Co., Ltd.)	PRC 16 April 2004	728,715	—	14.5%	14.5%	Mining and refining of gold ore
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	818,000	—	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	100,000	—	20.0%	20.0%	Mining and refining of steel ores

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

Name of company	Place and date of incorporation/ registration and operation	Nominal value of registered/paid-up capital RMB'000	Attributable equity interest of the Company			Principal activities
			Direct	Indirect	Effective	
Jointly-controlled entities						
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%	23.7%	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%	26.4%	Property development
陝西省建秦房地產開發有限公司 (Shaanxi Jianqin Real Estate Development Co., Ltd.)	PRC 22 September 1992	130,000	—	50.0%	26.4%	Property development

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

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 2007 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% as at 31 December 2007.

@ The Group's interests in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the Board of Directors and participation in the policy-making process, although the Group's equity interest in these associates is lower than 20% as at 31 December 2007.

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 the PRC, and over 90% of the Group's assets are located in the PRC.

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

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

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

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

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

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

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2007

	Pharmaceutical 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
Inter-segment sales	—	2,027	—	344,765	—	(346,792)	—
Other income and gains	335,505	528,929	1,274,004	53,196	452,282	(15,576)	2,628,340
Total	3,967,154	4,505,576	25,246,089	796,712	452,282	(362,368)	34,605,445
Segment results	365,059	1,282,486	4,479,835	417,348	327,550	—	6,872,278
Interest and dividend income	23,864	8,447	117,077	27,563	389,400	—	566,351
Unallocated expenses	—	—	—	—	—	—	(147,145)
Finance costs	(137,169)	(15,140)	(826,397)	(23,602)	(421,667)	—	(1,423,975)
Share of profits and losses of jointly-controlled entities	225	5,406	—	—	—	—	5,631
Share of profits and losses of associates	217,417	31,270	221,330	357,014	247,933	—	1,074,964
Profit before tax	469,396	1,312,469	3,991,845	778,323	543,216	—	6,948,104
Tax	(61,412)	(551,487)	(775,035)	(24,010)	(28,047)	—	(1,439,991)
Profit for the year	407,984	760,982	3,216,810	754,313	515,169	—	5,508,113
Segment assets	4,586,395	17,778,230	25,202,744	3,774,173	12,061,089	(3,434,917)	59,967,714
Investments in jointly-controlled entities	3,725	227,330	—	—	—	—	231,055
Investments in associates	2,194,706	317,319	2,279,825	890,143	1,076,801	—	6,758,794
Total assets	6,784,826	18,322,879	27,482,569	4,664,316	13,137,890	(3,434,917)	66,957,563
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 loss recognised	84,384	3,683	7,445	12,083	8,000	—	115,595
Other non-cash expenses	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

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2006

	Pharmaceutical RMB'000 (Restated)	Property development RMB'000 (Restated)	Steel RMB'000 (Restated)	Mining RMB'000 (Restated)	Others RMB'000 (Restated)	Eliminations RMB'000 (Restated)	Total RMB'000 (Restated)
Segment revenue:							
Sales to external customers	4,000,932	2,504,544	17,675,721	17,857	—	—	24,199,054
Inter-segment sales	—	—	—	13,729	—	(13,729)	—
Other income and gains	164,115	194,463	189,497	287,794	448,071	(17,433)	1,266,507
Total	4,165,047	2,699,007	17,865,218	319,380	448,071	(31,162)	25,465,561
Segment results	87,220	846,373	1,616,717	289,702	359,802	—	3,199,814
Interest and dividend income	15,298	7,648	71,064	12	38,693	(11,496)	121,219
Unallocated expenses	—	—	—	—	—	—	(44,361)
Loss on capital reform	(15,037)	—	(122,922)	—	(191,947)	—	(329,906)
Finance costs	(111,123)	(11,492)	(673,746)	(1,813)	(221,420)	11,496	(1,008,098)
Share of profits and losses of jointly-controlled entities	(707)	4,185	—	—	—	—	3,478
Share of profits and losses of associates	79,972	112,884	291,461	30,276	113,148	—	627,741
Profit before tax	55,623	959,598	1,182,574	318,177	98,276	—	2,569,887
Tax	(55,117)	(461,212)	(270,757)	—	(38,856)	—	(825,942)
Profit for the year	506	498,386	911,817	318,177	59,420	—	1,743,945
Segment assets	3,949,214	11,193,943	22,288,554	414,277	1,744,956	(1,404,543)	38,186,401
Investments in jointly-controlled entities	3,500	92,072	—	—	—	—	95,572
Investments in associates	2,109,167	193,688	2,071,400	495,793	620,508	(28,720)	5,461,836
Total assets	6,061,881	11,479,703	24,359,954	910,070	2,365,464	(1,433,263)	43,743,809
Segment and total liabilities	2,968,502	6,599,294	17,932,408	253,050	6,254,164	(1,404,543)	32,602,875
Other segment information:							
Depreciation and amortisation	134,745	7,833	1,005,592	4,112	2,450	—	1,154,732
Impairment loss	7,238	—	6,515	—	—	—	13,753
Other non-cash expenses	19,720	—	15,629	—	—	—	35,349
Research and development costs	34,274	—	44,643	—	—	—	78,917
Fair value loss on derivative embedded in convertible bond	81,263	—	—	—	—	—	81,263
Fair value gains on value adjustment of investment properties	—	(130,651)	—	—	—	—	(130,651)
Capital expenditure	250,978	74,056	2,528,505	159,791	41,846	—	3,055,176

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:

	2007 **RMB'000**	2006 RMB'000 (Restated)
Revenue		
Sale of goods:		
Properties	**4,022,390**	2,542,047
Pharmaceutical products	**3,610,898**	4,013,230
Iron and steel products	**24,115,805**	17,776,409
Iron concentrates	**507,611**	17,857
	32,256,704	24,349,543
Rendering of services:		
Property agency	**160,034**	97,514
Construction supervisory	**4,779**	922
Property sales planning and advertising	**9,847**	7,754
Others	**60,165**	8,998
	32,491,529	24,464,731
Less: Government surcharges	**(514,424)**	(265,677)
	31,977,105	24,199,054
Other income		
Interest income	**522,299**	119,379
Dividends from available-for-sale investments	**42,635**	1,136
Dividends from equity investments at fair value through profit or loss	**1,417**	704
Gross rental income	**35,036**	16,390
Sale of scrap materials	**41,059**	12,452
Government grants	**90,358**	157,969
Compensation income	**—**	5,529
Consultancy income	**31,151**	2,917
Excess over the cost of business combinations realised as income *(note 41(a))*	**141,187**	1,923
Excess of the share of net assets over the cost of acquisition of additional equity interest in subsidiaries realised as income	**—**	30,054
Others	**26,235**	40,770
	931,377	389,223

6. REVENUE, OTHER INCOME AND GAINS (continued)

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

	2007	2006
	RMB'000	RMB'000
		(Restated)
Gains		
Gain on disposal of subsidiaries *(note 41(b))*	**41,656**	32,801
Gain on disposal of partial interests in subsidiaries *(note 43)*	**1,350,577**	3,289
Gain on disposal of associates	**46,667**	51,666
Gain on disposal of jointly controlled entities	**93,614**	—
Gain on disposal of partial interests in associates *(note 21)*	**364,741**	—
Gain on disposal of items of property, plant and equipment	**9,504**	9,852
Gain on disposal of available-for-sale investments	**153,433**	1,169
Gain on disposal of equity investments at fair value through profit or loss	**118,110**	23,462
Exchange gains	**66,627**	16,228
Gain on deemed disposal of interests in subsidiaries and associates	**—**	728,410
Gain on fair value adjustment of investment properties *(note 14)*	**10,000**	130,651
Gain on termination of derivative investment	**8,385**	—
Gain on redemption of convertible bonds	**—**	975
	2,263,314	998,503
Other income and gains	**3,194,691**	1,387,726
Total revenue, other income and gains	**35,171,796**	25,586,780

Notes to Financial Statements

7. FINANCE COSTS

	2007 RMB'000	2006 RMB'000 (Restated)
Interest on bank and other borrowings wholly repayable within five years	**1,337,808**	1,059,768
Interest on bank and other borrowings not wholly repayable within five years	**72,060**	26,771
Incremental interest on other long term payables	**12,936**	—
Interest on debt component of convertible bonds	**—**	17,696
	1,422,804	1,104,235
Less: Interest capitalised, in respect of bank and other borrowings *(notes 13 and 23)*	**(275,512)**	(209,126)
Interest expenses, net	**1,147,292**	895,109
Interest on discounted bills	**96,036**	53,732
Interest on finance leases	**11,028**	18,906
Bank charges and other financial costs	**18,346**	17,828
Bank loan guarantee fees	**—**	14,195
Exchange losses	**151,273**	8,328
Total finance costs	**1,423,975**	1,008,098

8. PROFIT BEFORE TAX

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

	2007 RMB'000	2006 RMB'000 (Restated)
Cost of sales	**25,024,737**	20,097,613
Staff costs (including Directors' emoluments as set out in *note 9*):		
Wages and salaries	**1,255,637**	1,010,216
Accommodation benefits:		
Defined contribution fund	**85,705**	82,977
Retirement costs:		
Defined contribution fund	**189,378**	126,222
Total staff costs	**1,530,720**	1,219,415

8. PROFIT BEFORE TAX (continued)

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

	2007 **RMB'000**	2006 RMB'000 (Restated)
Research and development costs	**78,507**	78,917
Auditors' remuneration	**14,450**	7,650
Inventories written off	**14,200**	1,901
Depreciation of items of property, plant and equipment	**1,531,988**	1,133,850
Amortisation of prepaid land lease payments *(note 15)*	**19,589**	10,697
Amortisation of mining rights *(note 16)*	**19,504**	1,298
Amortisation of intangible assets *(note 17)*	**11,264**	8,887
(Reversal)/provision for impairment of receivables	**(11,509)**	17,900
Provision for inventories	**65,615**	17,449
Provision for impairment of items of property, plant and equipment *(note 13)*	**10,845**	2,130
Provision for impairment of available-for-sale investments	**8,000**	6,530
Provision for impairment of goodwill	**96,750**	2,251
Provision for impairment of intangible assets	**—**	2,842
Operating lease rentals	**48,850**	45,616
Loss on capital reform of subsidiaries and associates	**—**	329,906
Loss on disposal of subsidiaries *(note 41(b))*	**2,698**	—
Loss on disposal of associates	**—**	10,138
Loss on disposal of available-for-sale investments	**—**	1,069
Loss on deemed disposal of an interest in an associate	**—**	132,721
Loss on disposal of items of property, plant and equipment	**52,784**	16,663
Provision for indemnity of LAT *(note 10)*	**30,354**	37,630
Fair value adjustment on equity investment at fair value through profit or loss	**3,124**	—
Fair value adjustment on derivative embedded in convertible bonds	**—**	81,263

9. DIRECTORS' EMOLUMENTS

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

	2007	2006
	RMB'000	RMB'000
Fees	**1,418**	—
Basic salaries and other benefits	**7,685**	4,956
Pension contributions	**133**	121
	9,236	5,077

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:

	2007	2006
	RMB'000	RMB'000
Andrew Y Yan	**389**	—
Chen Kaixian	**400**	—
Zhang Shengman	**389**	—
	1,178	—

There were no other emoluments payable to the independent non-executive Directors during the year (2006: 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
Year ended 31 December 2007				
Executive Directors:				
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 Xuetang	**—**	**953**	**19**	**972**
Wu Ping	**—**	**1,013**	**19**	**1,032**
	—	**7,685**	**133**	**7,818**
Non-executive Director:				
Liu Benren	**240**	**—**	**—**	**240**
	240	**7,685**	**133**	**8,058**
Year ended 31 December 2006				
Executive Directors:				
Guo Guangchang	—	840	18	858
Liang Xinjun	—	840	18	858
Wang Qunbin	—	840	17	857
Fan Wei	—	840	17	857
Ding Guoqi	—	600	17	617
Qin Xuetang	—	600	17	617
Wu Ping	—	396	17	413
	—	4,956	121	5,077

9. DIRECTORS' EMOLUMENTS (continued)

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

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 2006 and 2007. Information relating to their emoluments is disclosed above.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The provision for the Mainland of China current income tax is based on a statutory rate of 33% of the assessable profit of the Group as determined in accordance with the relevant income tax rules and regulations of the Mainland of China for the year ended 31 December 2007, except for certain subsidiaries of the Group in the Mainland of China, which are exempted or taxed at preferential rates of 12% to 27%.

The major components of income tax expenses for the years ended 31 December 2007 and 2006 are as follows:

	2007 **RMB'000**	2006 RMB'000 (Restated)
Group:		
Current — Hong Kong	**11,893**	—
Current — the Mainland of China		
— Income tax in the Mainland of China for the year	**1,330,851**	587,458
— LAT in the Mainland of China for the year	**317,335**	248,190
Deferred tax *(note 26)*	**(220,088)**	(9,706)
Income tax expenses for the year	**1,439,991**	825,942

10. TAX (continued)

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

Group — 2007

	Hong Kong RMB'000	The Mainland of 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 an 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 the PRC	—	(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 26)*	—	(89,842)	(89,842)
Tax effect of prepaid LAT	—	(14,878)	(14,878)
Tax effect of LAT indemnity *(note 26)*	—	8,845	8,845
Income tax expenses	11,893	1,428,098	1,439,991

10. TAX (continued)

Group — 2006

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000 (Restated)
Profit before tax excluding share of profits and losses of jointly — controlled entities and associates	(76,827)	2,015,495	1,938,668
Tax at an applicable tax rate	(13,445)	665,113	651,668
Lower tax rate for specific entities	—	(66,663)	(66,663)
Tax effect of:			
Income not subject to tax	—	(240,027)	(240,027)
Expenses not deductible for tax	—	217,881	217,881
Income tax deduction for use of manufacturing equipment made in the PRC	—	(62,897)	(62,897)
Tax losses not recognised	13,445	115,028	128,473
Tax losses utilised	—	(5,349)	(5,349)
Overprovision in prior years	—	(2,289)	(2,289)
Subtotal	—	620,797	620,797
Additional LAT provision for the year		234,588	234,588
Prepaid LAT for the year	—	13,602	13,602
Deferred tax effect of additional LAT provision (*note 26*)	—	(77,414)	(77,414)
Tax effect of prepaid LAT	—	(4,487)	(4,487)
Tax effect of LAT indemnity *(note 26)*	—	38,856	38,856
Income tax expenses	—	825,942	825,942

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

10. TAX (continued)

For the year ended 31 December 2007, based on the latest understanding of the LAT regulations from the tax authorities, the Group provided the additional LAT of RMB272,248,000 (2006: RMB234,588,000) in respect of the properties sold in 2007 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

In 2004, Shanghai Fosun High Technology (Group) Co., Ltd. (the "Fosun Group") and Shanghai Forte Land Co., Ltd. ("Forte") entered into a deed of tax indemnity whereby the Fosun Group has undertaken to indemnify Forte in respect of the LAT payable attributable to Forte and its subsidiaries ("Forte Group") in excess of the prepaid LAT based on 1% to 3% of sales proceeds, after netting off potential income tax savings, in consequence of the disposal of the properties owned by Forte as at 30 November 2003. As at 31 December 2007, the LAT indemnity to Forte after netting off potential income tax savings amounted to RMB190,808,000 (2006: RMB117,746,000), and the deferred tax liability arising thereon after taking into account the effect of change in tax rate, amounted to RMB47,701,000 (2006: RMB38,856,000) as set out in note 26 to the financial statements. The Group's share of losses arising from the LAT indemnity amounted to RMB30,354,000 (2006: RMB37,630,000) as set out in note 8 to the financial statements.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New CIT Law") was approved and will become effective on 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 will decrease from 33% to 25%. This reduction in the income tax rate will directly reduce the Group's effective tax rate prospectively from 2008. According to HKAS 12, deferred tax assets and deferred tax 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. Therefore, the tax rate of 25% is adopted in the calculation of deferred tax which is expected to be recovered after 1 January 2008. The quantitive effect to the consolidated income statement of the tax rate change amounted to RMB35,114,000 as set out in note 26 to the financial statements.

Under the New CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the Mainland of China effective from 1 January 2008. Pursuant to the Double Tax Arrangement between the Mainland of China and Hong Kong, the applicable withholding tax rate is 5% for the dividends declared to the Company from its investees incorporated in the Mainland of China effective from 1 January 2008. On 22 February 2008, (Caishui [2008] No.1) was promulgated by the MOF and State Administration of Taxation of the PRC to specify that dividends declared and remitted out of the Mainland of China from the retained earnings of the PRC investees as at 31 December 2007 are exempted from withholding tax. Such dividends are determined based on the distributable profits as reflected in the investees' PRC statutory financial statements which are prepared in accordance with the applicable PRC accounting standards and regulations.

11. DIVIDENDS

	2007 RMB'000	2006 RMB'000
Proposed final — HKD0.17 per ordinary share	**1,022,219**	—

On 25 March 2008, the Board of Directors of the Company resolved to propose a final dividend for the year ended 31 December 2007 of HKD0.17 per ordinary share, subject to the approval of the forthcoming annual general meeting of the Company. Further, according to the same board resolution, the exact amount of the aggregate final dividend payable to the shareholders of the Company is also to be adjusted for any subsequent repurchase of ordinary shares up to the date of entitlement as set forth in the forthcoming annual general meeting of the Company.

For the purpose of preparing the financial statements and with reference to above board resolution, the Company has provided an aggregate final dividend of HKD1,091,671,000 (equivalent to RMB1,022,219,000), based on the Company's total outstanding shares of 6,421,594,500 after giving effect to the repurchase of 15,905,500 shares subsequent to the balance sheet date as set out in the note 50(a) to the financial statements.

12. EARNINGS PER SHARE

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

	2007	2006
Profit attributable to equity holders of the parent (RMB thousands)	**3,354,326**	1,095,801
Weighted average number of ordinary shares in issue (thousands)	**5,660,103**	5,000,000
Earnings per share (RMB)	**0.59**	0.22

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2006 is the pro forma issued share capital of the Company of 5,000,000,000 shares, comprising: (i) the subdivision issue of 1,800,000 ordinary shares; and (ii) the capitalisation issue of 4,998,000,000 ordinary shares as referred to in notes 42(i) and 42(iii) to the financial statements respectively.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2007 includes the weighted average of 660,103,000 shares issued upon the listing of the Company's shares on the Hong Kong Stock Exchange on 16 July 2007 and the exercise of over-allotment option on 19 July 2007 as referred to the notes 42(iv) and 42(v) to the financial statements, respectively, in addition to the aforementioned 5,000,000,000 ordinary shares.

No diluted earnings per share amount is presented for the year ended 31 December 2006 and 2007, as no diluting events existed during these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Leasehold improvements	Mining infrastructure	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At 1 January 2006	4,505,884	7,039,052	101,191	199,436	17,077	—	2,751,290	14,613,930
Additions	74,758	92,164	26,799	24,386	7,749	—	2,788,461	3,014,317
Transferred from construction in progress	1,803,221	2,291,537	748	2,538	—	78,278	(4,176,322)	—
Acquisition of subsidiaries *(note 41(a))*	6,287	37,476	—	88	—	—	9,827	53,678
Disposal of subsidiaries *(note 41(b))*	(43,629)	(3,074)	(103)	(582)	—	—	—	(47,388)
Disposals	(63,989)	(59,339)	(4,653)	(8,547)	(1,437)	—	(35,385)	(173,350)
Reclassification	377	16,937	(17,291)	354	(377)	—	—	—
At 31 December 2006 and 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 41(a))*	318,623	96,284	37,255	40,003	—	—	377,547	869,712
Disposal of subsidiaries *(note 41(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 *(note 41(c))*	(136,666)	(79,281)	(26,881)	(12,858)	(14,026)	—	(203)	(269,915)
At 31 December 2007	6,933,068	10,290,188	146,615	280,266	4,868	213,587	1,863,983	19,732,575

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
Accumulated depreciation:								
At 1 January 2006	400,902	1,445,685	42,617	64,777	4,711	—	—	1,958,692
Charge for the year	243,832	839,302	20,871	20,986	8,484	461	—	1,133,936
Disposal of subsidiaries *(note 41(b))*	(11,193)	(2,767)	(18)	(382)	—	—	—	(14,360)
Disposals	(29,933)	(42,950)	(1,732)	(6,737)	(1,337)	—	—	(82,689)
Reclassification	176	10,273	(10,059)	(214)	(176)	—	—	—
At 31 December 2006 and 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 41(b))*	(408)	(4,909)	(345)	(318)	—	—	—	(5,980)
Disposals	(29,390)	(254,961)	(14,044)	(6,511)	(3,174)	—	—	(308,080)
Deconsolidation of subsidiaries *(note 41(c))*	(31,275)	(41,003)	(6,216)	(7,575)	(8,087)	—	—	(94,156)
At 31 December 2007	886,620	3,066,332	66,044	97,735	1,688	2,686	—	4,121,105
Impairment loss:								
At 1 January 2006	—	6,341	—	8	—	—	—	6,349
Charge for the year	—	2,130	—	—	—	—	—	2,130
Disposals	—	(2,718)	—	(1)	—	—	—	(2,719)
At 31 December 2006 and 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 41(b))*	(116)	(2,078)	—	(43)	—	—	—	(2,237)
Disposals	—	(1,476)	—	—	—	—	—	(1,476)
At 31 December 2007	4,398	6,006	17	2,396	—	—	75	12,892
Net book value:								
At 31 December 2007	6,042,050	7,217,850	80,554	180,135	3,180	210,901	1,863,908	15,598,578
At 31 December 2006	5,679,125	7,159,457	55,012	139,236	11,330	77,817	1,337,871	14,459,848

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 34)*:

	2007	2006
	RMB'000	RMB'000
Buildings	**238,873**	157,839
Plant and machinery	**1,571,715**	1,848,839
	1,810,588	2,006,678

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

	2007	2006
	RMB'000	RMB'000
Interest expense capitalised	**124**	16,259

(3) As at 31 December 2007, the Group is in the process of applying for property certificates for plant and office buildings, with a net book value of approximately RMB438,248,000 (2006: RMB1,088,179,000),

Company

	Office equipment
	RMB'000
Cost:	
At 1 January 2006	762
Additions	18
At 31 December 2006 and 1 January 2007	780
Additions	46
Disposals	(53)
At 31 December 2007	773

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company (continued)

	Office equipment RMB'000
Accumulated depreciation:	
At 1 January 2006	127
Charge for the year	256
At 31 December 2006 and 1 January 2007	383
Charge for the year	235
Disposals	(26)
At 31 December 2007	592
Net book value:	
At 31 December 2007	181
At 31 December 2006	397

14. INVESTMENT PROPERTIES

	2007 **RMB'000**	2006 RMB'000
Carrying amount at 1 January	**446,000**	—
Transfer from properties under development	—	315,349
Gain from a fair value adjustment *(note 6)*	**10,000**	130,651
Carrying amount at 31 December	**456,000**	446,000

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

The Group's investment properties were revalued on 31 December 2007 to the value of RMB456,000,000 by Sallmanns Corporate Valuation and Consultancy, 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.

14. INVESTMENT PROPERTIES (continued)

At 31 December 2007, the Group's investment properties with a net carrying amount of approximately RMB456,000,000 (2006: RMB446,000,000) were pledged to a bank for interest-bearing bank loans amounting to RMB200,000,000 (2006: RMB120,000,000), as set out in note 34 to the financial statements.

15. PREPAID LAND LEASE PAYMENTS

	2007	2006
	RMB'000	RMB'000
At cost:		
At beginning of year	**571,800**	533,976
Additions during the year	**354,128**	29,985
Acquisition of subsidiaries *(note 41(a))*	**71,931**	9,749
Deconsolidation of subsidiaries	**(30,931)**	—
Disposals	**(15,753)**	(1,910)
At end of year	**951,175**	571,800
Accumulated amortisation:		
At beginning of year	**29,093**	18,396
Amortisation for the year	**19,589**	10,697
Deconsolidation of subsidiaries	**(2,593)**	—
Disposals	**(3,290)**	—
At end of year	**42,799**	29,093
Net book value:		
At end of year	**908,376**	542,707
At beginning of year	**542,707**	515,580
Net book value pledged *(note 34)*	**12,231**	56,252

The leasehold land is held under a long-term lease and is situated in the PRC.

As at 31 December 2007, the Group is in the process of applying for the land use certificates, with a net book value of approximately RMB8,335,000 (2006: RMB9,318,000).

16. MINING RIGHTS

	2007 RMB'000	2006 RMB'000
Cost:		
At beginning of year	**162,188**	162,188
Acquisition of a subsidiary *(note 41(a))*	**405,083**	—
At end of year	**567,271**	162,188
Accumulated amortisation:		
At beginning of year	**1,298**	—
Amortisation for the year	**19,504**	1,298
At end of year	**20,802**	1,298
Net book value:		
At end of year	**546,469**	160,890
At beginning of year	**160,890**	162,188
Net book value pledged as security for bank loans *(note 34)*	**156,995**	160,890

17. INTANGIBLE ASSETS

	Patents and licenses RMB'000	Technical know-how RMB'000	Others RMB'000	Total RMB'000
Cost:				
At 1 January 2006	3,830	36,452	3,504	43,786
Additions	—	10,663	211	10,874
Disposals	—	(2,453)	(78)	(2,531)
At 31 December 2006 and 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	688	20,133	19,767	40,588
Accumulated amortisation:				
At 1 January 2006	1,306	19,942	1,235	22,483
Provided during the year	71	7,868	948	8,887
Disposals	—	(900)	—	(900)
At 31 December 2006 and 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	97	7,690	7,449	15,236
Impairment loss:				
At 1 January 2006	—	—	—	—
Charged for the year	—	2,842	—	2,842
At 31 December 2006 and 1 January 2007	—	2,842	—	2,842
Disposals	—	(2,842)	—	(2,842)
At 31 December 2007	—	—	—	—
Net book value:				
At 31 December 2007	591	12,443	12,318	25,352
At 31 December 2006	2,453	14,910	1,454	18,817

18. GOODWILL

	2007 RMB'000	2006 RMB'000
At cost:		
At beginning of year	**226,201**	223,068
Acquisition of a subsidiary *(note 41(a))*	**1,383**	—
Acquisition of additional interests in a subsidiary	**28,301**	3,133
Disposal of subsidiaries *(note 41(b))*	**(2,942)**	—
Deconsolidation of subsidiaries *(note 41(c))*	**(2,968)**	—
	249,975	226,201
Accumulated impairment	**(141,823)**	(45,073)
At end of year	**108,152**	181,128

Impairment testing of goodwill

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

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

18. GOODWILL (continued)

Impairment testing of goodwill (continued)

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

	Manufacture and sale of iron and steel products RMB'000	Property development RMB'000	Manufacture and sale of pharmaceutical products RMB'000	Others RMB'000	Total RMB'000
Carrying amount of goodwill					
2007	—	27,422	51,109	29,621	108,152
2006	7,445	32,664	139,699	1,320	181,128

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 10% to 11% (2006: 10%–11%). Cash flows beyond the five-year period are extrapolated using the estimated growth rate. The growth rate does not exceed the projected long-term average growth rate for the steel, property development and pharmaceutical industries in the PRC.

Key assumptions were used in the value in use calculation of the CGUs for 31 December 2006 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 margin based on past performance and its expectations for market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the respective industries.

Raw materials price inflation — Management has considered the possibility of increases in raw material price inflation which range from 6% to 8%.

19. INTEREST IN SUBSIDIARIES

Company

	Note	**2007** **RMB'000**	2006 RMB'000
Unlisted shares, at cost	*(1)*	**1,093,000**	1,093,000
Shares listed in Hong Kong, at cost	*(2)*	**49,216**	—
Loan to a subsidiary	*(3)*	**187,120**	—
		1,329,336	1,093,000
Market value of listed shares		**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 0.43% 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 a subsidiary. The carrying amounts of these amounts due from a subsidiary approximate to their fair values.

At 31 December 2007, the Group's partial interests in Forte were pledged to certain banks as security for bank loans granted to the Group (note 34).

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Group

	2007 **RMB'000**	2006 RMB'000
Share of net assets	**231,055**	95,572

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The Group's amounts due from jointly-controlled entities and amounts due to jointly-controlled entities are disclosed in note 33 to the financial statements.

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

	2007	2006
	RMB'000	RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**314,226**	131,107
Non-current assets	**423,605**	406,122
Current liabilities	**(328,324)**	(400,265)
Non-current liabilities	**(178,452)**	(41,392)
Net assets	**231,055**	95,572
Share of the jointly-controlled entities' results:		
Revenue	**111,964**	33,954
Other income	**360**	3,306
	112,324	37,260
Total expenses	**(104,305)**	(31,772)
Tax	**(2,388)**	(2,010)
Profit after tax	**5,631**	3,478

On 10 July 2007, Shanghai Forte Investment Management Co., Ltd. ("Forte Investment"), a wholly-owned subsidiary, entered into an equity transfer agreement with Beijing Yinxin Investment Co., Ltd. ("Beijing Yinxin") and other independent third party shareholders in respect of the acquisition of a 50% equity interest in Shaanxi Jianqin Real Estate Development Co., Ltd. ("Shaanxi Jianqin") for a cash consideration of RMB15,000,000.

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Subsequent to its business re-registration and the completion of the transfer effective on 7 November 2007, Shaanxi Jianqin became a jointly-controlled entity of the Group. Pursuant to an equity joint venture agreement (the "EJV Agreement") and a project co-operation agreement dated 3 September 2007 entered into among the Group, Beijing Yinxin and Shaanxi Jianqin (the "Parties"):

(i) Forte Investment is required to provide an interest-free shareholder loan ("Shareholder Loan") of RMB290,000,000 to Shaanxi Jianqin during the co-operative joint venture term. The Shareholder Loan is unsecured and repayable on demand. As at 31 December 2007, the Group has advanced RMB150,000,000 of the Shareholder Loan to Shaanxi Jianqin as set out in note 24(b) to the financial statements. The remaining loan commitment not paid amounting to RMB140,000,000 is set out in note 45 to the financial statements.

(ii) Shaanxi Jianqin's distributable profit after offsetting accumulated losses and profit appropriation to reserve funds should be distributed in the following manner:

   (a) Beijing Yinxin will receive a total preferential dividend of RMB290,000,000; and

   (b) all remaining undistributable profit shall be distributed equally to Forte Investment and Beijing Yinxin based on the proportion of the 50% equity interest held by each.

21. INVESTMENTS IN ASSOCIATES

Group

	2007	2006
	RMB'000	RMB'000
Share of net assets	**6,465,296**	5,163,159
Goodwill on acquisitions	**294,383**	299,562
	6,759,679	5,462,721
Provision for impairment	**(885)**	(885)
	6,758,794	5,461,836

Company

	2007	2006
	RMB'000	RMB'000
Unlisted shares, at cost	**82,421**	82,421

The Company's interest in an associate represents a 26.67% (2006: 26.67%) interest in Janeboat Holdings Ltd., a company incorporated in the British Virgin Islands.

21. INVESTMENTS IN ASSOCIATES (continued)

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

	2007 RMB'000	2006 RMB'000
Assets	**99,569,378**	79,608,932
Liabilities	**(67,199,399)**	(50,574,474)
Revenues	**77,830,501**	51,623,558
Profit	**4,835,500**	2,912,713

At 31 December 2006, the Group's interests in Tangshan Jianlong Industrial Co., Ltd. ("Tangshan Jianlong") were pledged to certain banks as security for bank loans granted to the Group (note 34 to the financial statements).

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

(i) On 1 April 2007, Shanghai Fosun Industrial Technology Development Co., Ltd. ("Fosun Development"), a wholly-owned subsidiary of the Group, acquired a 20% equity interest in Beijing Huaxia Mining Technology Co., Ltd. ("Huaxia Mining") from Shanghai Junneng Industrial Co., Ltd., for a consideration of RMB16,887,000. An excess of the share of the fair value of the net assets over the cost of investment in Huaxia Mining arising from the acquisition amounting to approximately RMB129,047,000 was included as income in the determination of the Group's share of the associate's profits and losses during the year. In the opinion of the Directors, the acquisition was not carried out on an arm's length and was based on the negotiation between both parties with a view to simplify the group structure.

(ii) On 1 November 2007, Shanghai Fosun Industrial Investment Co., Ltd., a wholly-owned subsidiary of the Group, acquired a 20% equity interest in Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd. from Shanxi Wulin Coking Coal Co., Ltd, for a consideration of RMB268,900,000.

(iii) On 27 November 2007, Fosun Pharma disposed of its 25% equity interest in Shanghai Friendship Fosun (Holding) Co., Ltd. to an associate of the Group, Shanghai Yuyuan Tourist Mart Co., Ltd. ("Yuyuan"), for a consideration of RMB364,562,000, of which RMB114,053,000 is still outstanding as at 31 December 2007. The book value of the net assets disposed of amounted to RMB141,107,000. The gains from the disposal amounting to RMB184,597,000, after giving effect to the elimination of the unrealised gain of RMB38,858,000, was credited to other gains as set out in the note 6 to the financial statements.

21. INVESTMENTS IN ASSOCIATES (continued)

(iv) On 31 August 2007 and 29 September 2007, the Group had aggregately disposed of 5,976,675 tradable shares in Yuyuan, an associate listed on the Shanghai Stock Exchange, for an aggregate cash consideration of RMB203,189,000. The book value of the net assets disposed of amounted to RMB23,045,000. The difference between the total consideration and the book value of the net assets disposed of amounting to RMB180,144,000 was credited to other gains as set out in the note 6 to the financial statements.

22. AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
	RMB'000	RMB'000
At fair value:		
Listed equity and debt investments	**1,011,684**	27,073
At cost:		
Unlisted investment funds	**205,000**	—
Unlisted equity and debt investments	**1,196,495**	277,866
	2,413,179	304,939
Provision for impairment	**(20,122)**	(13,730)
	2,393,057	291,209
Portion classified as current assets	**(205,000)**	—
	2,188,057	291,209

During the year, the changes in fair value amounting to RMB476,801,000 (2006: Nil), after netting off the tax effect, was debited against equity directly.

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 equity and debt 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.

23. PROPERTIES UNDER DEVELOPMENT

	2007	2006
	RMB'000	RMB'000
		(Restated)
Land costs	**6,999,910**	4,924,685
Construction costs	**1,946,381**	2,299,362
Capitalised financial costs	**468,742**	285,797
	9,415,033	7,509,844
Portion classified as current assets	**(3,405,440)**	(4,204,295)
	6,009,593	3,305,549

The balance pledged to banks to secure bank loans and other borrowings:

	2007	2006
	RMB'000	RMB'000
		(Restated)
Net book value pledged *(note 34)*	**3,550,027**	4,147,804
Additions to properties under development include:		
Interest expense capitalised *(note 7)* in respect of bank and other borrowings	**275,388**	192,867

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

24. LOANS RECEIVABLE

		2007	2006
	Note	**RMB'000**	RMB'000
Loans receivable from			
— an associate	*(a)*	**89,200**	—
— a jointly controlled entity	*(b)*	**370,000**	—
		459,200	**—**

24. LOANS RECEIVABLE (continued)

(a) On 30 July 2007, the Forte Group entered into an equity transfer agreement with Changchun Zhaoji Real Estate Development Co., Ltd. ("Changchun Zhaoji"), a newly acquired associate, pursuant to which the Forte Group will provide an interest-free shareholder loan amounting to RMB125,000,000 to Changchun Zhaoji. The shareholder loan is unsecured and does not have fixed terms of repayment. In the opinion of the Directors of the Company, the amount will not be repayable in the next twelve months, and accordingly, it is shown as non-current. As at 31 December 2007, the Forte Group has advanced RMB89,200,000 to Changchun Zhaoji.

(b) In addition to the Shareholder Loan of RMB150,000,000 provided as set out in note 20(i) to the financial statements, the Forte Group also agreed to provide an entrusted bank loan of RMB220,000,000 to Shaanxi Jianqin to support its property development. This loan is unsecured, bears interest at 9.711% per annum and is repayable on 20 November 2009.

The carrying amounts of these loans receivable approximate their fair values as at 31 December 2007.

25. PREPAYMENTS

	Note	**2007** **RMB'000**	2006 RMB'000
Prepayment for mining and exploration rights	*(1)*	**100,000**	—
Prepayment for investments	*(2)*	**1,447,278**	111,742
		1,547,278	111,742

(1) In September 2007, Hainan Mining United Co., Ltd. ("Hainan Mining"), a subsidiary of the Group, entered into an agreement with Hainan Iron and Steel Co., Ltd. ("Hainan Iron and Steel"), the minority shareholder of Hainan Mining, in respect of the acquisition of the mining and exploration rights for a total consideration of RMB360,000,000.

As at 31 December 2007, Hainan Mining has advanced RMB100,000,000 of the consideration and was in the process of applying to change the relevant certificate of exploration and mining rights. The remaining capital commitment not paid as at 31 December 2007 amounting to RMB260,000,000 is set out in note 45 to the financial statements.

25. PREPAYMENTS (continued)

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

(a) *Prepayment for the proposed acquisition of equity interests in Hainan Wuzhishan Group Co., Ltd.*

On 30 November 2007, the Group entered into a series of cooperative agreements with Hainan Wuzhishan Import and Export Co., Ltd. and several individual shareholders (collectively referring to the "Original Shareholders") of Hainan Wuzhishan Group Co., Ltd. ("Hainan Wuzhishan") in respect of a joint venture forestry business in Hainan Province, pursuant to which (i) the Group agreed to inject an aggregate amount of RMB180,000,000 by way of contribution to the registered capital of Hainan Wuzhishan, and (ii) the Group agreed to acquire a partial equity interest from the Original Shareholders for a total consideration of RMB84,000,000 payable by instalments.

Pursuant to the agreement, the Group will own a 40% interest in Hainan Wuzhishan upon the completion of the investment. As at 31 December 2007, the Group had paid a first instalment of RMB20,000,000. The remaining instalment amounting to RMB244,000,000 is included in capital commitments as set out in note 45 to the financial statements.

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

On 28 December 2006, 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 Development Co., Ltd. ("Beijing Hehua"), for a joint venture to operate JW Marriott Centre in Beijing, pursuant to which (i) 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) Forte Group conditionally agreed to provide additional investment of RMB387,000,000 by way of a shareholder loan; and (iii) Forte Group and Home Value would 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 Forte Group and Beijing Hehua in December 2006, the shareholder loan as set out in (ii) & (iii) is unsecured, interest free, repayable on demand and would not exceed RMB1,000,000,000.

As at 31 December 2007, Forte Group has advanced RMB851,400,000 (2006: RMB106,900,000) to Beijing Hehua, including the capital injection of RMB60,000,000 as set out in (i).

25. PREPAYMENTS (continued)

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

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

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

As at 31 December 2007, Forte Group has advanced RMB575,878,000 to Shanghai Vanke. The remaining capital commitment as at 31 December 2007 amounting to RMB396,398,000 is summarised in note 45 to the financial statements.

26. DEFERRED TAX

Deferred tax assets

	Losses available for offset against future taxable profit RMB'000	Accruals & provisions RMB'000	Post-employment benefits RMB'000	Repairs and maintenance RMB'000	Additional LAT provisions RMB'000	Others RMB'000	Total RMB'000 (Restated)
At 1 January 2006	16,055	13,088	4,906	24,833	—	30,753	89,635
Deferred tax credited/ (charged) during the year	(4,628)	34,529	5,049	(13,003)	77,414	(7,675)	91,686
Disposal of partial equity interests in a subsidiary	(1,478)	—	—	—	—	—	(1,478)
Gross deferred tax assets at 31 December 2006 and 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 41(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	36,082	48,405	8,875	3,327	167,256	19,481	283,426

26. DEFERRED TAX (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	Total RMB'000 (Restated)
At 1 January 2006	249,697	—	—	—	1,763	251,460
Deferred tax charged/(credited) to the consolidated income statement during the year	(490)	—	43,115	38,856	499	81,980
Gross deferred tax liabilities at 31 December 2006 and 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 reserve during the year	—	113,865	—	—	—	113,865
Acquisition of subsidiaries *(note 41(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)
Gross deferred tax liabilities at 31 December 2007	243,968	88,090	37,010	47,701	6,475	423,244

27. CASH AND BANK BALANCES

Group

	Notes	**2007** **RMB'000**	2006 RMB'000 (Restated)
Cash on hand		**7,582**	4,575
Cash at banks, unrestricted		**10,016,536**	3,600,891
Cash and cash equivalents		**10,024,118**	3,605,466
Pledged bank balances	*(1)*	**664,164**	687,075
Time deposits with original maturity of more than three months	*(2)*	**3,455,722**	770,146
		14,144,004	5,062,687

Notes:

	2007 **RMB'000**	2006 RMB'000
(1) Pledged bank balances to secure notes payable	**629,845**	664,294
(2) Time deposits with original maturity of more than three months pledged to banks to secure bank loans *(note 34)*	**1,841,642**	166,099

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

Company

	2007 **RMB'000**	2006 RMB'000
Cash on hand	**—**	177
Cash at banks, unrestricted	**2,952,516**	43,775
Cash and cash equivalents	**2,952,516**	43,952
Time deposits with original maturity of more than three months	**729,852**	—
	3,682,368	43,952

28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2007 RMB'000	2006 RMB'000
Equity investments:		
At fair value through profit or loss (listed)	**90,437**	—
At fair value through profit or loss (unlisted)	**—**	2,339
	90,437	2,339

Company

	2007 RMB'000	2006 RMB'000
Equity investments:		
At fair value through profit or loss (listed)	**82,106**	—

The above equity investments at 31 December 2006 and 2007 were classified as held for trading.

29. TRADE AND NOTES RECEIVABLES

	2007 RMB'000	2006 RMB'000 (Restated)
Trade receivables	**1,454,074**	1,189,149
Notes receivable	**1,470,172**	1,184,906
	2,924,246	2,374,055

29. TRADE AND NOTES RECEIVABLES (continued)

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

	2007 RMB'000	2006 RMB'000 (Restated)
Outstanding balances with ages:		
Within 90 days	**1,129,012**	985,346
91–180 days	**159,254**	148,910
181–365 days	**150,071**	41,895
1–2 years	**25,988**	32,373
2–3 years	**10,003**	13,392
Over 3 years	**109,108**	35,130
	1,583,436	1,257,046
Less: Provision for impairment of trade receivables	**(129,362)**	(67,897)
	1,454,074	1,189,149

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

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

Group

	2007 RMB'000	2006 RMB'000
At 1 January	**67,897**	65,448
Impairment losses recognised	**—**	2,449
Amount written off as uncollectible	**(3,321)**	—
Impairment losses reversed	**(4,520)**	—
Acquisition of subsidiary	**81,517**	—
Disposal of subsidiary	**(12,211)**	—
	129,362	67,897

29. TRADE AND NOTES RECEIVABLES (continued)

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

	Group	
	2007	2006
	RMB'000	RMB'000
		(Restated)
Neither past due nor impaired	**332,861**	333,724
Within 90 days	**831,769**	663,160
91–180 days	**174,857**	149,946
Over 180 days	**109,886**	42,319
	1,449,373	1,189,149

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.

The Group has pledged notes receivables of approximately RMB435,224,000 (2006: Nil) to secure bank loans.

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

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

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2007 RMB'000	2006 RMB'000 (Restated)
Prepayments consist of:		
Prepayments for purchase of raw materials of steel	**1,044,728**	654,047
Prepayments for purchase of pharmaceutical materials	**60,234**	84,280
Prepayments for purchase of construction materials	**762,924**	223,905
Prepayments for purchase of equipment and others	**344,399**	96,811
Deposits	**36,994**	31,086
Other receivables consist of:		
Amounts due from Directors *(note 31)*	**—**	2,942
Loans to third parties	**44,717**	5,227
Income tax recoverable	**345,212**	63,993
Others	**681,000**	236,778
	3,320,208	1,399,069

Company

	2007 RMB'000	2006 RMB'000 (Restated)
Prepayments	**—**	84,952
Deposits	**396**	421
	396	85,373

The carrying amounts of prepayments, deposits and other receivables approximate their fair value.

Notes to Financial Statements

31. AMOUNTS DUE FROM DIRECTORS

Amounts due from Directors, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, is as follows:

Group

Name	**31 December 2007 RMB'000**	**Maximum amount outstanding during the year RMB'000**	**1 January 2007 RMB'000**
Guo Guangchang	—	**2,339**	**2,339**
Liang Xinjun	—	**274**	**274**
Wang Qunbin	—	**16**	**16**
Fan Wei	—	**47**	**47**
Ding Guoqi	—	**240**	**240**
Qin Xuetang	—	**10**	**10**
Wu Ping	—	**16**	**16**
	—	**2,942**	**2,942**

Name	31 December 2006 RMB'000	Maximum amount outstanding during the year RMB'000	1 January 2006 RMB'000
Guo Guangchang	2,339	3,776	1,816
Liang Xinjun	274	523	215
Wang Qunbin	16	16	16
Fan Wei	47	47	47
Ding Guoqi	240	248	—
Qin Xuetang	10	85	10
Wu Ping	16	32	—
	2,942	4,727	2,104

The balances mainly arise from temporary advances made to the Directors for business purposes, which are unsecured, interest free and repayable on demand. The carrying amounts of the amount due from Directors approximate their fair values.

32. INVENTORIES

	2007 RMB'000	2006 RMB'000
Raw materials	**4,065,868**	1,963,988
Work in progress	**678,801**	636,907
Finished goods	**1,079,407**	814,295
Spare parts and consumables	**733,408**	744,055
	6,557,484	4,159,245
Less: Provision for inventories	**(86,630)**	(31,395)
	6,470,854	4,127,850
Net book value of inventory pledged as security for bank loans *(note 34)*	**45,000**	—

33. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

Group

	Notes	2007 RMB'000	2006 RMB'000 (Restated)
Due from related companies:			
Due from associates	*(i)*	**169,227**	240,329
Due from jointly-controlled entities	*(ii)*	**356,612**	282,925
Due from minority shareholders of subsidiaries	*(ii)*	**4,667**	4,630
		530,506	527,884

Company

	Notes	2007 RMB'000	2006 RMB'000 (Restated)
Due from subsidiaries	*(ii)*	**7,634,162**	—

Notes:

(i) Balances due from associates represent:

(1) An amount of RMB138,391,000 (2006: RMB107,300,000) at 31 December 2007, 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) Balances due from subsidiaries, jointly-controlled entities and minority shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

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

Group

	Notes	**2007 RMB'000**	2006 RMB'000 (Restated)
Due to holding and ultimate holding companies	*(iii)*	**—**	190,404
Due to related companies:			
Due to associates	*(iv)*	**523,036**	352,380
Due to fellow subsidiaries	*(v)*	**—**	1,309,048
Due to minority shareholders of subsidiaries	*(vi)*	**95,341**	9,723
Due to jointly-controlled entities	*(vii)*	**197,087**	—
		815,464	1,671,151

Company

		2007 RMB'000	2006 RMB'000 (Restated)
Due to the holding and ultimate holding companies		**—**	190,404
Due to a subsidiary		**—**	15,516

Notes:

(iii) Balances due to shareholders were unsecured, interest-free and repaid during the year.

(iv) Balances due to associates include the amount of RMB512,198,000 (2006: RMB336,865,000) at 31 December 2007, 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) Balances due to fellow subsidiaries were unsecured, interest-free and repaid during the year.

(vi) Balances due to minority shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

(vii) Balances due to jointly-controlled entities are unsecured, interest-free and repayable on demand.

The carrying amounts of the balances due from/to shareholders, subsidiaries and related companies are approximate to their fair values.

The nature of the transactions with shareholders, subsidiaries and related companies are disclosed in the note 47 to the financial statements.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Notes	**2007 RMB'000**	2006 RMB'000 (Restated)
Bank loans:	*(1)*		
Guaranteed		**910,732**	5,054,313
Secured		**8,776,822**	7,574,230
Unsecured		**10,079,117**	5,343,875
		19,766,671	17,972,418
Other borrowings:	*(2)*		
Secured		**—**	200,000
Unsecured		**2,003,571**	825,975
Total		**21,770,242**	18,998,393
Repayable:			
Within one year		**14,890,502**	11,322,555
In the second year		**1,827,701**	3,344,325
In the third to fifth years, inclusive		**3,984,539**	2,730,810
Over five years		**1,067,500**	1,600,703
		21,770,242	18,998,393
Portion classified as current liabilities		**(14,890,502)**	(11,322,555)
Long term portion		**6,879,740**	7,675,838

Notes:

(1) Bank loans

	2007 RMB'000	2006 RMB'000 (Restated)
Guaranteed by:		
Related parties	**910,732**	4,758,253
Third parties	**—**	296,060
	910,732	5,054,313

Notes to Financial Statements

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Group (continued)

Notes: (continued)

(1) Bank loans (continued)

	2007 RMB'000	2006 RMB'000 (Restated)
Secured by:		
Buildings *(note 13)*	**238,873**	157,839
Plant and machinery *(note 13)*	**1,571,715**	1,848,839
Investment properties *(note 14)*	**456,000**	446,000
Prepaid land lease payments *(note 15)*	**12,231**	56,252
Mining rights *(note 16)*	**156,995**	160,890
Inventories *(note 32)*	**45,000**	—
Time deposits with original maturity of more than three months *(note 27)*	**1,841,642**	166,099
Interest in a subsidiary	**277,230**	737,437
Interests in associates	**—**	1,243,738
Notes receivable *(note 29)*	**435,224**	—
Properties under development *(note 23)*	**3,550,027**	3,944,409
	8,584,937	8,761,503
The bank loans bear interest at rates per annum in the range of	**4.05% to 8.96%**	2.13% to 7.90%

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Group (continued)

Notes: (continued)

(2) Other borrowings

	2007 RMB'000	2006 RMB'000
Borrowings from third parties	**2,003,571**	1,025,975
Secured by:		
Properties under development *(note 23)*	**—**	203,395
The other borrowings bear interest at rates per annum in the range of	**2.13% to 9.84%**	3.13% to 9.20%

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 2007 with a carrying amount of RMB6,879,740,000 is RMB6,735,816,000.

Company

	2007 RMB'000	2006 RMB'000
Secured bank loan, repayable:		
Within one year	—	312,191
In the second year	—	390,238
	—	702,429
Portion classified as current liabilities	—	(312,191)
Long term portion	—	390,238

The Company fully repaid the transferable term loan facility (the "Loan Facility") granted to the Company pursuant to a facility agreement dated 8 August 2005 entered into between the Company as borrower, Industrial and Commercial Bank of China (Asia) Limited ("ICBC") as arranger, agent, security agent and security trustee, and ICBC and Agricultural Bank of China, Hong Kong Branch as original lenders, by using a portion of the proceeds from its initial public offering.

35. TRADE AND NOTES PAYABLES

	2007	2006
	RMB'000	RMB'000
		(Restated)
Trade payables	**3,326,879**	2,952,043
Notes payable	**1,159,278**	1,500,882
	4,486,157	4,452,925

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

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

	2007	2006
	RMB'000	RMB'000
		(Restated)
Outstanding balances with ages:		
Within 90 days	**1,990,063**	2,051,514
91–180 days	**676,200**	432,215
181–365 days	**383,744**	196,579
1–2 years	**188,341**	194,797
2–3 years	**52,563**	36,545
Over 3 years	**35,968**	40,393
	3,326,879	2,952,043

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
Pharmaceutical segment	0 to 360 days
Property development segment	180 to 360 days

36. ACCRUED LIABILITIES AND OTHER PAYABLES

Group

	2007	2006
	RMB'000	RMB'000
Advances from customers	**5,391,946**	2,967,891
Payables related to:		
Purchases of property, plant and equipment	**778,227**	1,607,427
Deposits received	**94,485**	98,239
Payroll	**248,611**	242,314
Business tax	**43,977**	54,360
Staff relocation fund	**8,345**	21,690
Accrued interest expenses	**26,308**	14,918
Value-added tax	**159,358**	66,737
Accrued utilities	**82,059**	113,711
Housing allowance	**11,214**	5,811
Others	**768,284**	520,966
	7,612,814	5,714,064

Company

	2007	2006
	RMB'000	RMB'000
Other payables	**35,766**	450

The carrying amounts of accrued liabilities and other payables approximate to their fair value.

37. RESERVES

Group

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

Company

	Issued capital	Share premium	Exchange fluctuation reserve	Retained earnings	Proposed final dividend	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 42)	*(note 42)*			*(note 11)*	
At 1 January 2006	208	—	—	(24,310)	—	(24,102)
Exchange realignment	—	—	35,360	—	—	35,360
Profit for the year	—	—	—	385,086	—	385,086
At 31 December 2006 and 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	**622,962**	**11,785,713**	**(333,745)**	**(326,531)**	**1,022,219**	**12,770,618**

37. RESERVES (continued)

(a) Capital reserve/(other deficits)

The opening balance of other deficits as at 1 January 2006 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.

Other movements of the Group's capital reserves for the current and prior year are presented in the consolidated statement of changes in equity.

(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 the Mainland of China (the "PRC Subsidiaries"), such 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) Statutory public welfare fund (the "PWF")

In accordance with the Company Law of the PRC prior to 1 January 2006 and the respective articles of association of the PRC Subsidiaries, the PRC Subsidiaries were required to transfer 5% to 10% of their profits after tax, as determined in accordance with the applicable PRC accounting standards and regulations, to the PWF which was a non-distributable reserve other than in the event of liquidation of the PRC Subsidiaries. The PWF must be used for capital expenditure on staff welfare facilities and these facilities remain the properties of the PRC Subsidiaries.

According to the revised Company Law of the PRC effective 1 January 2006, the PRC Subsidiaries are not required to make appropriation to the PWF since then. The balance of the PWF as at 31 December 2005 was transferred to the SSR.

37. RESERVES (continued)

(d) 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 and PWF as set out above.

Subsequent to 31 December 2007, Fosun Group, a wholly owned subsidiary of the Company, proposed final dividends totalling RMB700,000,000 to the Company.

As at 31 December 2007, the accumulated losses of the Company was approximately RMB326,531,000, after taking into account the proposed final dividends of RMB1,022,219,000. 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.

38. LOANS FROM RELATED COMPANIES

		Carrying amounts		Fair values	
		2007	2006	**2007**	2006
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
			(Restated)		(Restated)
Loans from					
— a jointly-controlled entity	*(a)*	**71,026**	66,672	**72,089**	65,640
— a minority shareholder of a subsidiary	*(b)*	**76,693**	77,901	**61,915**	77,877
Wholly repayable in the third to fifth years, inclusive		**147,719**	144,573	**134,004**	143,517

38. LOANS FROM RELATED COMPANIES (continued)

The fair value of the long-term loans is calculated by discounting the expected future cash flows at 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 was estimated with reference to the prevailing interest rate of a loan with the same repayment period published by the People's Bank of China of 6.84%, and amounted to RMB63,649,000. The difference between the portion of the amount of the loan payable attributable to the equity holders of the parent and its fair value at the date of inception amounting to RMB7,675,000 was credited to the investment in the jointly-controlled entities. 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 US$12,798,000 (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 was estimated with reference to the prevailing interest rate of a loan with the similar repayment period published by the People's Bank of China of 6.48%, and amounted to RMB77,570,000. The difference between the portion of the amount of the loan payable attributable to the equity holders of the parent and its fair value as at the date of inception amounting to RMB8,688,000 was credited to capital reserves. Subsequent to its initial recognition, the financial liability is measured using the effective interest method.

39. DEFERRED INCOME

Deferred income represents government grants received.

	2007 **RMB'000**	2006 RMB'000
Special purpose fund for technology improvement	**21,735**	10,377

40. OTHER LONG-TERM PAYABLES

	2007	2006
	RMB'000	RMB'000
Payables for rehabilitation:		
At beginning of year	**—**	—
Acquisition of mining operations	**51,114**	—
Interest increment	**1,134**	—
Payments made	**(12,200)**	—
At end of year	**40,048**	—
Payables for retirement benefits:		
At beginning of year	**402,559**	462,625
Acquisition of Former SOEs	**368,352**	—
Interest increment	**11,802**	—
Payments made	**(70,795)**	(60,066)
Deconsolidation of subsidiaries *(note 41(c))*	**(14,494)**	—
At end of year	**697,424**	402,559
Total	**737,472**	402,559

Payables for rehabilitation are in relation to the costs of the Group's obligations for land reclamation. These costs are expected to be incurred on mine closure, which, based on current mineral reserve estimates, ranges from 8 to 20 years.

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.

Upon acquisition of a 60% interest in the Hainan Mining, a Former SOEs, by the Group on 1 September 2007, the Group took over the liabilities, which are primarily repayable over twelve months, amounting to RMB368,352,000 from the former parent company of Hainan Mining, which is a State-owned enterprise, in respect of the retirement benefits of the Qualified SOE Employees and Qualified Retirees.

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

41. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Acquisition of subsidiaries

	2007 **RMB'000**	2006 RMB'000
Property, plant and equipment *(note 13)*	**869,712**	53,678
Prepaid land lease payments *(note 15)*	**71,931**	9,749
Mining rights *(note 16)*	**405,083**	—
Interests in associates	**36,449**	—
Available-for-sale investments	**5,873**	—
Deferred tax assets *(note 26)*	**2,737**	—
Properties under development	**1,705,051**	—
Cash and bank balances	**980,986**	61,857
Equity investments at fair value through profit or loss	**844**	300
Trade and notes receivables	**242,299**	36,331
Prepayments, deposits and other receivables	**247,359**	22,947
Inventories	**157,140**	36,549
Interest-bearing bank and other borrowings	**(170,000)**	(34,500)
Trade and notes payables	**(22,652)**	(3,551)
Accrued liabilities and other payables	**(1,332,726)**	(18,757)
Tax payable	**—**	(3,798)
Due to related companies	**(106,517)**	—
Deferred tax liabilities *(note 26)*	**(120,956)**	—
Other long-term payables	**(413,371)**	—
Minority interests	**(813,701)**	(80,672)
	1,745,541	80,133
Goodwill on acquisition *(note 18)*	**1,383**	—
Excess over the cost of business combinations *(note 6)*	**(141,187)**	(1,923)
	1,605,737	78,210
Satisfied by:		
Cash	**1,545,447**	78,210
Cash consideration unpaid	**60,290**	—
	1,605,737	78,210

41. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS (continued)

(a) Acquisition of subsidiaries (continued)

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

	2007	2006
	RMB'000	RMB'000
Cash consideration	**(1,545,447)**	(78,210)
Cash and bank balances acquired	**980,986**	61,857
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	**(564,461)**	(16,353)

On 1 September 2007, the Group acquired a 60% equity interest in Hainan Mining through two wholly-owned subsidiaries at a total cash consideration of RMB900,000,000 for a joint venture with Hainan Iron and Steel, a shareholder owning a 40% equity interest in Hainan Mining, to develop the mining and ore processing business in the Hainan Province. An excess of the share of the fair value of the net assets over the cost of investment in Hainan Mining arising from the acquisition amounting to approximately RMB141,187,000 was recognised in the consolidated income statements as set out in the note 6 to the financial statements.

The effect of the acquisition on the financial results of the Group from the date of acquisition and on the financial position of the Group at the end of the respective year is as follows:

	2007	2006
	RMB'000	RMB'000
Financial results:		
Revenue	**453,637**	111,562
Profit for the year	**207,708**	6,261

41. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS (continued)

(b) Disposal of subsidiaries

	2007 **RMB'000**	2006 RMB'000
Property, plant and equipment *(note 13)*	**47,944**	33,028
Properties under development	**82,541**	—
Cash and bank balances	**1,519**	73
Trade and notes receivables	**10,472**	1,166
Prepayments, deposits and other receivables	**10,980**	96
Inventories	**4,151**	1
Trade and notes payables	**(4,712)**	(9)
Accrued liabilities and other payables	**(37,583)**	(34,322)
Tax payable	**(3)**	—
Due to related companies	**(24,833)**	—
	90,476	33
Minority interests	**(1,302)**	—
The remaining 5% equity investments	**(3,279)**	—
Goodwill impaired on disposal *(note 18)*	**2,942**	—
Net gain on disposal of subsidiaries *(notes 6 and 8)*	**38,958**	32,801
	127,795	32,834
Satisfied by:		
Cash	**127,795**	15,760
Other receivables	**—**	17,074
	127,795	32,834

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

	2007 **RMB'000**	2006 RMB'000
Cash consideration	**127,795**	15,760
Cash and bank balances disposed of	**(1,519)**	(73)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**126,276**	15,687

41. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS (continued)

(c) Deconsolidation of subsidiaries

(1) Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. ("Beijing Jinxiang"), previously a subsidiary of the Group, became an associate effective 1 January 2007. The Group ceased to control Beijing Jinxiang since 1 January 2007, but continues to exercise significant influence over Beijing Jinxiang by way of representation on the Board of Directors and participation in the policy-making process since 1 January 2007. The consolidation of assets and liabilities of Beijing Jinxiang were ceased on 1 January 2007. The cost of initial investment together with the Group's share of post-acquisition profits in Beijing Jinxiang as at 1 January 2007 was recognised as the carrying amount of the investment in associates in accordance with HKAS 28.

(2) Guangxi Huahong Pharmaceuticals Joint Stock Co., Ltd. ("Guangxi Huahong"), previously a subsidiary of the Group, became an associate effective 1 December 2007. The Group ceased to control Guangxi Huahong since 1 December 2007, but continues to exercise significant influence over Guangxi Huahong by way of representation on the Board of Directors and participation in the policy-making process since 1 December 2007. The consolidation of assets and liabilities of Guangxi Huahong were ceased on 1 December 2007. The cost of initial investment together with the Group's share of post-acquisition profits in Guangxi Huahong as at 1 December 2007 was recognised as the carrying amount of the investment in associates in accordance with HKAS 28.

	2007 **RMB'000**	2006 RMB'000
Property, plant and equipment *(note 13)*	**175,759**	—
Prepaid land lease payments *(note 15)*	**28,338**	—
Intangible assets *(note 17)*	**2,689**	—
Goodwill *(note 18)*	**2,968**	—
Cash and bank balances	**119,672**	—
Trade and notes receivables	**133,639**	—
Prepayments deposits and other receivables	**123,347**	—
Inventories	**118,334**	—
Interest-bearing bank and other borrowings	**(102,158)**	—
Trade and notes payables	**(171,505)**	—
Accrued liabilities and other payables	**(131,358)**	—
Other long-term payables *(note 40)*	**(14,494)**	—
Minority Interests	**(150,682)**	—
	134,549	—
Recognised as investment in associates	**134,549**	—

41. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS (continued)

(c) Deconsolidation of subsidiaries (continued)

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

	2007	2006
	RMB'000	RMB'000
Cash and bank balances deconsolidated and net outflow of cash and cash equivalents in respect of the deconsolidation of subsidiaries	**(119,672)**	—

42. SHARE CAPITAL

	2007	2006
	RMB'000	RMB'000
Shares		
Authorised:		
100,000,000,000 (2006: 200,000) ordinary shares of HKD0.1 each (2006: HKD1 each)	**9,746,013**	208
Issued and fully paid:		
6,437,500,000 (2006: 200,000) ordinary shares of HKD0.1 each (2006: HKD1 each)	**622,962**	208

The following changes in the Company's authorised and issued share capital took place during the period from 1 January 2006 to 31 December 2007:

	Notes	**Number of ordinary shares**	**Nominal value of ordinary shares**
			RMB'000
Authorised:			
As at 1 January 2006 and 31 December 2006 (200,000 shares of HKD1 each)		200,000	208
Subdivision of each authorised share of HKD1 into ten shares of HKD0.1 each	*(i)*	1,800,000	—
Increase in authorised capital	*(ii)*	99,998,000,000	9,745,805
As at 31 December 2007		100,000,000,000	9,746,013

42. SHARE CAPITAL (continued)

	Notes	Number of ordinary shares	Nominal value of ordinary shares
			RMB'000
Issued and fully paid:			
As at 1 January 2006 and 31 December 2006 (200,000 shares of HKD1 each)		200,000	208
Subdivision of each authorised share of HKD1 into ten shares of HKD0.1 each	*(i)*	1,800,000	—
Capitalisation of share premium account	*(iii)*	4,998,000,000	483,656
Issue of new shares	*(iv)*	1,250,000,000	120,963
Issue of new shares	*(v)*	187,500,000	18,135
As at 31 December 2007		6,437,500,000	622,962

(i) Pursuant to a Directors' resolution of the Company passed on 19 June 2007, the authorised and issued share capital of the Company were subdivided into 2,000,000 ordinary shares of HKD0.1 each.

(ii) Pursuant to a Directors' resolution of the Company passed on 19 June 2007, the authorised share capital of the Company was increased from HKD200,000 to HKD10,000,000,000 by the creation of an additional 99,998,000,000 ordinary shares of HKD0.1 each, ranking pari passu in all respects with the existing shares of the Company.

(iii) On 16 July 2007, pursuant to the written resolution of the sole shareholder of the Company passed on 19 June 2007, 4,998,000,000 ordinary shares of the Company were issued at par as fully paid to the shareholders whose names appeared on the register of members of the Company on 18 June 2007 in proportion to their then existing shareholdings in the Company. The amount was paid up in full by applying an amount of HKD 499,800,000 standing to the credit of the share premium account of the Company.

(iv) In connection with the Company's initial public offering, 1,250,000,000 new shares of HKD0.1 each were issued at a price of HKD9.23 per share for a total cash consideration, before expenses, of approximately HKD11,537,500,000 on 16 July 2007.

(v) In connection with the Company's initial public offering, an over-allotment option was granted to the Joint Global Coordinators (as defined in the Company's listing prospectus dated 29 June 2007 (the "Prospectus")) whereby the Joint Global Coordinators, on behalf of the International Purchasers (as defined in the Prospectus), have the right to request the Company to issue and allot up to an aggregate of 187,500,000 additional shares of HKD0.1 each to subscribers under the initial public offering. On 19 July 2007, the Joint Global Coordinators had exercised the over-allotment option and accordingly, 187,500,000 new shares of HKD0.1 each were issued by the Company at a price of HKD9.23 per share for a total cash consideration, before expenses, of approximately HKD1,730,625,000.

43. PARTIAL DISPOSALS OF SUBSIDIARIES WITHOUT LOSING CONTROL

The partial disposals of interests in subsidiaries are in respect of the following:

(1) During the period from 25 July 2007 to 28 December 2007 (both dates inclusive), the Group had disposed of 69,475,049 tradable shares in Nanjing Iron & Steel Shareholding Co., Ltd., a subsidiary listed on the Shanghai Stock Exchange, for an aggregate cash consideration of RMB1,302,520,000.

The book value of the net assets disposed of amounted to RMB307,150,000. The difference between the total consideration and the book value of the net assets disposed of amounting to RMB995,370,000 was credited to other gains as set out in note 6 to the financial statements.

(2) On 26 November 2007, Forte Group disposed of its 25% equity interest in Zhejiang Forte Property Development Co., Ltd. ("Zhejiang Forte"), a wholly-owned subsidiary, to a third party at an aggregate cash consideration of RMB464,000,000, of which RMB232,000,000 was still outstanding as at 31 December 2007.

The book value of the net assets disposed of amounted to RMB108,793,000. The difference between the total consideration and the book value of the net assets disposed of amounting to RMB355,207,000 was credited to other gains as set out in note 6 to the financial statements.

44. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties, as set out in note 14 to the financial statements, under operating lease arrangements, with leases negotiated for terms ranging from one to eight years.

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

	2007	2006
	RMB'000	RMB'000
Within one year	**7,273**	4,164
In the second to fifth years, inclusive	**10,527**	9,884
Over five years	**628**	475
	18,428	14,523

As lessee

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

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

Group

	2007	2006
	RMB'000	RMB'000
Within one year	**17,565**	18,029
In the second to fifth years, inclusive	**35,872**	16,297
Over five years	**137,736**	3,588
	191,173	37,914

44. OPERATING LEASE ARRANGEMENTS (continued)

As lessee (continued)

Company

	2007	2006
	RMB'000	RMB'000
Within one year	**522**	1,221
In the second to fifth years, inclusive	**—**	560
Over five years	**—**	—
	522	1,781

45. COMMITMENTS

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the balance sheet date:

	2007	2006
	RMB'000	RMB'000
Contracted, but not provided for:		
In respect of:		
Land and buildings	**22,000**	16,400
Plant and machinery	**326,059**	752,052
Properties under development	**5,719,065**	2,137,491
Intangible assets	**75,000**	—
Mining and exploration rights *(note 25)*	**260,000**	—
Investments *(notes 20 and 25)*	**780,398**	58,858
	7,182,522	2,964,801
Authorised, but not contracted for:		
In respect of:		
Plant and machinery	**—**	682,400
Land and buildings	**439**	—
Investments	**—**	340,100
	439	1,022,500

45. COMMITMENTS (continued)

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

	2007 RMB'000	2006 RMB'000
In respect of property, plant and equipment:		
Contracted, but not provided for	**18,170**	7,234

46. CONTINGENT LIABILITIES

The Group had the following contingent liabilities:

	2007 RMB'000	2006 RMB'000 (Restated)
Guaranteed bank loans of:		
Related parties	**1,331,041**	571,008
Third parties	**320,356**	876,700
	1,651,397	1,447,708
Qualified buyers' mortgage loans*	**2,261,983**	1,325,788
	3,913,380	2,773,496

* The Group provided guarantees of approximately RMB2,261,983,000 (2006: RMB1,325,788,000) 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 repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

47. 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**	**2007 RMB'000**	2006 RMB'000 (Restated)
Sales of goods			
Sinopharm Medicine Holding Co., Ltd. *(Notes 1 & 4)*	Sales of pharmaceutical products	**31,795**	35,059
Shanghai Lianhua Fosun Pharmaceutical Co., Ltd. *(Notes 1 & 4)*	Sales of pharmaceutical products	**30,576**	29,571
Beijing Yongan Fosun Pharmacy Co., Ltd. *(Notes 1 & 4)*	Sales of pharmaceutical products	**—**	200
Shanghai Pharmacy Holdings Co., Ltd. *(Notes 1 & 4)*	Sales of pharmaceutical products	**7,341**	5,049
Shanghai Huifeng Fosun Pharmacy Co., Ltd. *(Notes 1 & 4)*	Sales of pharmaceutical products	**5,271**	—
Suzhou Laishi Transfusion Equipment Co., Ltd. *(Notes 1 & 4)*	Sales of pharmaceutical products	**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	**5,671**	—
Guilin Pharmaceutical Works Australia Pty Ltd *(Notes 1 & 4)*	Sales of pharmaceutical products	**1,436**	—
Ningbo Iron & Steel Co., Ltd. *(Notes 1 & 4)*	Sales of iron and steel products	**11,889**	—
Total sales of goods		**98,009**	69,879

47. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transactions	2007 RMB'000	2006 RMB'000 (Restated)
Purchases of goods			
Sinopharm Medicine Holding Co., Ltd. *(Notes 1 & 4)*	Purchases of pharmaceutical products	**40,860**	49,567
Shanghai Leiyunshang (Northern area) Pharmaceutical Co., Ltd. *(Notes 1 & 4)*	Purchases of pharmaceutical products	**—**	2,683
Wuhan Zhonglian Pharmaceutical Co., Ltd. *(Notes 1 & 4)*	Purchases of pharmaceutical products	**1,349**	1,354
Shanghai Pharmacy Holdings Co., Ltd. *(Notes 1 & 4)*	Purchases of pharmaceutical products	**9,236**	5,903
Beijing Yongan Fosun Pharmaceutical Co., Ltd. *(Notes 1 & 4)*	Purchases of pharmaceutical products	**—**	1,797
Ningbo Iron & Steel Co., Ltd. *(Notes 1 & 4)*	Purchases of iron and steel products	**97,354**	—
Total purchases of goods		**148,799**	61,304

47. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transactions	2007 RMB'000	2006 RMB'000 (Restated)
Service income			
Beijing Spring Town Property Development Co., Ltd. *(Notes 1 & 5)*	Sales agency services provided to the related company	**—**	782
Tebon Securities Co., Ltd. *(Notes 1 & 5)*	Consulting income	**500**	62
Wuxi Forte Real Estate Development Co., Ltd. *(Notes 2 & 5)*	Sales agency services provided to the related company	**3,309**	3,990
Shanghai Fuxin Property Development Co., Ltd. *(Notes 1 & 5)*	Sales agency services provided to the related company	**3,500**	—
Total service income		**7,309**	4,834
Interest income			
Tangshan Jianlong Industrial Co., Ltd. *(Notes 1 & 7)*	Interest income	**—**	25,572
Shaanxi Jianqin Real Estate Development Co., Ltd. *(Notes 2 & 7)*	Interest income	**174**	—
Ningbo Iron & Steel Co., Ltd. *(Notes 1 & 7)*	Interest income	**45,779**	—
Total interest income		**45,953**	25,572
Interest expenses			
Nanjing Iron & Steel (Group) Co., Ltd. *(Notes 3 & 7)*	Interest expense	**11,028**	18,906
Total interest expenses		**11,028**	18,906

47. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transactions	2007 RMB'000	2006 RMB'000 (Restated)
Other expenses			
Shanghai Foreal Property Management Co., Ltd. *(Notes 1 & 6)*	Property management services provided by the related company	**7,507**	7,616
Shanghai Yuyuan Tourist Mart Co., Ltd. *(Notes 1 & 6)*	Management fees	**7,230**	7,230
Nanjing Xinwu Shipping Co., Ltd. *(Notes 1 & 6)*	Transportation fees	**71,136**	35,290
Nanjing Iron & Steel (Group) Co., Ltd. *(Notes 3 & 8)*	Guarantee fee paid	**—**	12,066
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)*	Operating lease in respect of office buildings leased from the related company	**14,371**	—
Shanghai Fosun Pingxin Investment Co., Ltd. *(Notes 1 & 6)*	Management fees	**900**	—
Total other expenses		**102,320**	62,202

47. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transactions	2007 RMB'000	2006 RMB'000 (Restated)
Interest-free loans from related companies and the underlying notional interest			
Yangzte Tianjin Limited Co., Ltd. *(Note 11)*	Loan provided by the related company	—	99,716
	Notional interest	**5,027**	331
Wuxi Forte Real Estate Development Co., Ltd. *(Note 2 & 10)*	Entrusted loan provided by the related company	—	93,000
	Notional interest	**4,354**	3,022
Guarantees of bank loans			
Nanjing Iron & Steel (Group) Co., Ltd. *(Notes 3 & 9)*	Bank loans guaranteed by the related company	**4,441,800**	5,734,018
Dahua (Group) Co., Ltd. *(Notes 3 & 9)*	Bank loans guaranteed by the related company	—	108,230
Ningbo Iron & Steel Co., Ltd. *(Notes 1 & 9)*	Guarantees granted for bank loans of the related company	**1,287,541**	533,508
Shanghai Guangxin Science & Technology Development Co., Ltd. *(Note 9)*	Bank loans guaranteed by the related company	—	1,782,000
Beijing Huafang Investment Management Co., Ltd. *(Note 9)*	Bank loans guaranteed by the related company	—	50,000
Nanjing Iron & Steel (Group) Co., Ltd. *(Notes 3 & 9)*	Bank bills guaranteed by related company	—	382,900
Shanghai Shanhai Enterprise (Group) Co., Ltd. *(Note 3)*	Bank loans guaranteed by the related company	—	80,000
Nanjing Xinwu Shipping Co., Ltd. *(Note 1)*	Guarantees granted for bank loans of the related company	**43,500**	—

47. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transactions	2007 RMB'000	2006 RMB'000 (Restated)
Loan from related company			
Shanghai Petrochemical Xindi Real Estate Co., Ltd. *(Notes 1 & 7)*	Entrusted loan provided by the related company	—	3,200
Loans to related companies			
Shaanxi Jianqin Real Estate Development Co., Ltd. *(Notes 2 & 7)*	Entrusted loan provided to the related company	**220,000**	—
Shaanxi Jianqin Real Estate Development Co., Ltd. *(Notes 2 & 7)*	Shareholder loan provided to the related company	**150,000**	—
Changchun Zhaoji Real Estate Development Co., Ltd. *(Notes 2 & 7)*	Shareholder loan provided to the related company	**89,200**	—
Total loans to related companies		**459,200**	—

Notes:

(1) They are associates of the Group.

(2) They are jointly-controlled entities of the Group.

(3) Nanjing Iron & Steel (Group) Co., Ltd. (the "Nanjing Group"), Dahua (Group) Co., Ltd., and Shanghai Shanhai Enterprise (Group) Co., Ltd. are minority shareholders of the subsidiaries of the Group.

(4) The Directors consider that 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, consulting 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.

47. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

(7) The Directors consider that the loans provided by/to the related companies are unsecured, repayable on demand, and applicable interest rates are determined in accordance with the prevailing market borrowing rates.

(8) The Directors consider that the guarantee fee was determined by reference to the prevailing market fee rate.

(9) The bank loans and bank bills were guaranteed by related companies free of charge. Guarantees were given by the Group for bank loans of related companies free of charge.

(10) 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 38 to the financial statements. The corresponding notional interest computed with reference to prevailing interest rate for the year ended 31 December 2007 amounted to approximately RMB4,354,000 (2006: RMB3,022,000).

(11) 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 38 to the financial statements. The corresponding notional interest computed with reference to prevailing interest rate for the year ended 31 December 2007 amounted to approximately RMB5,027,000 (2006: RMB331,000).

(12) During the year ended 31 December 2007, the Group effected the following transactions:

(i) On 31 August 2007, the Group disposed of its 100% equity interest in Xinjiang Xingta Mining Co., Ltd. to its associate, Zhaojin Mining Co., Ltd., for a consideration of RMB20,904,000 as agreed between both parties.

(ii) On 27 November 2007, Fosun Pharma disposed of its 25% equity interest in Shanghai Friendship Fosun (Holding) Co., Ltd. to an associate of the Group, Shanghai Yuyuan Tourist Mart Co., Ltd., for a consideration of RMB364,562,000 as agreed between both parties. The details of the transaction are set out in note 21 to the financial statements.

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

	2007	2006
	RMB'000	RMB'000
Basic salaries and other benefits	**9,103**	4,956
Pension contributions	**133**	121
Total compensation paid to key management personnel	**9,236**	5,077

48. FINANCIAL INSTRUMENTS BY CATEGORY

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

2007 Group

Financial assets

	Financial assets at fair value through profit or loss 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
Loans receivable	—	459,200	—	459,200
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 30)*	—	1,107,923	—	1,107,923
Due from related companies	—	530,506	—	530,506
	90,437	19,165,879	2,393,057	21,649,373

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	21,770,242
Loan from related companies	147,719
Trade and notes payables	4,486,157
Financial liabilities included in other payables and accruals *(note 36)*	2,220,868
Due to related companies	815,464
Other long term payables	737,472
	30,177,922

48. 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)

2006 Group

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	—	291,209	291,209
Cash and bank balances	—	5,062,687	—	5,062,687
Equity investments at fair value through profit or loss	2,339	—	—	2,339
Trade and notes receivables	—	2,374,055	—	2,374,055
Financial assets included in prepayments, deposits and other receivables *(note 30)*	—	340,026	—	340,026
Due from related companies	—	527,884	—	527,884
	2,339	8,304,652	291,209	8,598,200

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	18,998,393
Loan from related companies	144,573
Trade and notes payables	4,452,925
Financial liabilities included in other payables and accruals *(note 36)*	2,746,173
Finance lease payables	238,077
Due to shareholders	190,404
Due to related companies	1,671,151
Other long term payables	402,559
	28,844,255

48. 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	Loans and receivables	Total
	RMB'000	RMB'000	RMB'000
Interests in a subsidiary *(note 19)*	—	187,120	187,120
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	—	396	396
Due from related companies	—	7,634,162	7,634,162
	82,106	11,504,046	11,586,152

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals *(note 36)*	35,766

48. 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)

2006 Company

Financial assets

	Loans and receivables RMB'000
Cash and bank balances	43,952
Financial assets included in prepayments, deposits and other receivables	85,373
	129,325

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank loans	702,429
Financial liabilities included in other payables and accruals *(note 36)*	450
Due to the holding and the ultimate holding companies	190,404
Due to a subsidiary	15,516
	908,799

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, financial leases, other interest-bearing loans, 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 does not hold or issue derivative financial instruments either for hedging or for trading purposes except for the interest rate swap contract which was terminated in September 2007.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2.5 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 2007, approximately 53% (2006: 30%) 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 variable 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
2007	**25**	**(23,887)**
	(25)	**23,887**
2006	25	(26,999)
	(25)	26,999

49. 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 financing activities by investment holding units in currencies other than the units' functional currency.

The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currency as the Directors consider that the Group has no significant foreign currency risk.

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
2007		
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)**
2006		
If RMB weakens against United States dollar	5	(37,309)
If RMB strengthens against United States dollar	5	37,309
If RMB weakens against Hong Kong dollar	5	114
If RMB strengthens against Hong Kong dollar	5	(114)

49. 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 cash equivalents, available-for-sale financial assets, equity investments at fair value through profit and loss, amounts due from related companies, and other receivable, arises from the default of the counterparty, 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 29 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, finance leases and other interest-bearing loans. The Group's policy is that not more than 80% of borrowings should mature in any 12-month period. 74% of the Group's debts would mature in less than one year as at 31 December 2007 (2006: 71%) based on the carrying value of borrowings reflected in the financial statements.

49. 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 contracted undiscounted payment, was as follows:

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	>5 years RMB'000	Total RMB'000
Interest-bearing loans 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
Accrual liabilities and other payables	2,210,762	10,106	—	—	—	2,220,868
Other long term payables	—	—	—	737,472	—	737,472
	5,172,080	2,868,074	14,372,837	6,736,196	1,067,500	30,216,687

Group 2006

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	>5 years RMB'000	Total RMB'000
Interest-bearing loans and other borrowings	—	1,763,119	9,559,436	6,075,135	1,600,703	18,998,393
Loans from related companies	—	—	—	99,936	93,000	192,936
Trade and notes payables	2,272,901	1,623,823	556,201	—	—	4,452,925
Financial lease payables	—	—	238,077	—	—	238,077
Accrual liabilities and other payables	2,746,173	—	—	—	—	2,746,173
Due to shareholders	190,404	—	—	—	—	190,404
Due to related companies	1,671,151	—	—	—	—	1,671,151
Other long term payables	—	—	—	402,559	—	402,559
	6,880,629	3,386,942	10,353,714	6,577,630	1,693,703	28,892,618

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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	>5 years RMB'000	Total RMB'000
Accrual liabilities and other payables	**35,766**	**—**	**—**	**—**	**—**	**35,766**

Company 2006

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	>5 years RMB'000	Total RMB'000
Interest-bearing loans and other borrowings	—	—	312,191	390,238	—	702,429
Due to shareholders	190,404	—	—	—	—	190,404
Due to related companies	15,516	—	—	—	—	15,516
Accrual liabilities and other payables	450	—	—	—	—	450
	206,370	—	312,191	390,238	—	908,799

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 28 to the financial statements) and available-for-sale investments (note 22 to the financial statements) as at 31 December 2007. 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.

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.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

		Carrying amount of equity investments RMB'000	Increase/ decrease in profit before tax RMB'000	Increase/ decrease in equity RMB'000
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**	**—**
2006				
Investments listed in:				
Shenzhen	— Available-for-sale	150	—	8
Shanghai	— Available-for-sale	26,923	—	1,346

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 shareholder 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 during the years ended 31 December 2007 and 31 December 2006.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital 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. Capital includes equity attributable to the equity holders of the parent and minority interests. The gearing ratios at the balance sheet dates were as follows:

Group

	2007	2006
	RMB'000	RMB'000
Interest-bearing loans and other borrowings	**21,770,242**	18,998,393
Loans from related companies	**147,719**	144,573
Less: Cash and cash equivalents	**(10,024,118)**	(3,605,466)
Net debt	**11,893,843**	15,537,500
Total equity	**29,970,625**	11,140,934
Capital and net debt	**41,864,468**	26,678,434
Gearing ratio	**28%**	58%

50. SUBSEQUENT EVENTS

(a) Subsequent to the balance sheet date and up to the date when the financial statements are approved by the Board of Directors, the Company repurchased 15,905,500 of its own shares through the Hong Kong Stock Exchange for an aggregate consideration of approximately HKD84,485,000. The highest and lowest price per share paid by the Company for the purchase of its own shares during this period were HKD5.50 and HKD5.02, respectively. These repurchased shares were cancelled by the Company upon the repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares.

(b) Subsequent to the balance sheet date, there were significant falls in many major international stock markets, including those exchanges on which the Group's listed investments are traded. Further details of the market values of the Group's listed investments are included in notes 22 and 28 to the financial statements. The decline in the carrying amounts of the investments subsequent to the balance sheet date and up to the date of approval of these financial statements has not been reflected in these financial statements.

51. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified and restated to conform to the current year's presentation and the accounting treatment.

52. APPROVAL OF FINANCIAL STATEMENTS

The financial statements are approved and authorised for issue by the Board of Directors on 25 March 2008.

Corporate Information

Executive Directors
Guo Guangchang *(Chairman)*
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

Qualified Accountant
Tse Man Kit, Keith

Authorised Representatives
Qin Xuetang
Ding Guoqi

Legal Advisor as to Hong Kong Law
Herbert Smith

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

Auditor
Ernst & Young

Compliance Advisor
Shenyin Wanguo Capital (H.K.) Limited

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

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Principle Office
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Shanghai
China 200010

Share Registrar
Computershare Hong Kong Investor
Services Limited
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183 Queen's Road East
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Stock Code
00656

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

Glossary

FORMULAS

EBITDA	=	profit for the year + income tax + interest expenses – interest income + depreciation and amortisation – share of profits and losses of associates and jointly-controlled entities
EBIT	=	profit for the year + income tax + interest expenses – interest income – share of profits and losses of associates and jointly-controlled entities
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

the Company/Fosun International	Fosun International Limited
the Group	Fosun International Limited and its subsidiaries
the Board	the board of Directors
the Director(s)	the director(s) of the Company
Fosun Group	Shanghai Fosun High Technology (Group) Co., Ltd.
Fosun Holdings	Fosun Holdings Limited
Fosun International Holdings	Fosun International Holdings Limited
Fosun Pharma	Shanghai Fosun Pharmaceuticals (Group) Company Limited
Forte	Shanghai Forte Land Co., Ltd.
Nanjing Steel United	Nanjing Iron & Steel United Co., Ltd.
Nanjing Iron & Steel	Nanjing Iron & Steel Shareholding Co., Ltd.
Jianlong Group	Tangshan Jianlong Industrial Co., Ltd.
Ningbo Steel	Ningbo Iron & Steel Co., Ltd.
Hainan Mining	Hainan Mining United Co., Ltd.
Jin'an Mining	Anhui Jin-an Mining Co., Ltd.
Huaxia Mining	Beijing Huaxia Jianlong Mining Technology Co., Ltd.
Shanjiaowulin	Shanxi Coking Coal Group Wulin Coal Coke Development Co., Ltd.
Zhaojin Mining	Zhaojin Mining Industry Co., Ltd.
Yuyuan	Shanghai Yuyuan Tourist Mart Co., Ltd.
Tebon Securities	Tebon Securities Co., Ltd.
Yong'an Insurance	Yong'an Insurance Co., Ltd.
Sinopharm Holding	Sinopharm Medicine Holding Co., Ltd.
Friendship Holding	Shanghai Friendship Fosun (Holding) Co., Ltd.
the Stock Exchange	the Stock Exchange of Hong Kong Limited
the Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
the CG Code	the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules
the Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
the Scheme	the Share Option Scheme adopted by the Company on 19 June 2007
the SFO	the Securities and Futures Ordinance
the Reporting Period	the year ended 31 December 2007
GFA	gross floor area
PRC	the People's Republic of China
RMB	Renminbi, the lawful currency of the PRC
HKD	Hong Kong dollars, the lawful currency of Hong Kong
USD	United States dollars, the lawful currency of the United States