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FOSUN 复星
FOSUN INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 0656)

CONTINUING CONNECTED TRANSACTIONS

**FRAMEWORK AGREEMENT IN RELATION TO
PROVISION OF GUARANTEES**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

 **Baron Capital Limited**

A letter from the Board is set out on pages 3 to 6 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 7 and 8 of this circular. A letter from Baron Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 9 to 17 of this circular.

18 July 2008

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
1. Introduction	3
2. Framework Agreement	4
3. Annual Caps for the Guarantees	4
4. Reasons for entering into of the Framework Agreement	5
5. Listing Rules implications	5
6. General information on the parties	6
7. Recommendations	6
8. Additional information	6
Letter from the Independent Board Committee	7
Letter from Baron Capital	9
Appendix — General Information	18

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules;
“Baron Capital”	Baron Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, appointed as the independent financial adviser to the Independent Board Committee;
“Board”	the board of Directors;
“Company”	復星國際有限公司 (Fosun International Limited), a limited liability company incorporated in Hong Kong on 24 December 2004 with its shares listed and traded on the main board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholder”	controlling shareholder of the Company;
“Director(s)”	the director(s) of the Company;
“Forte”	復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.), a limited liability company established in the PRC and a subsidiary of the Company;
“Fosun Pharma”	上海復星醫藥(集團)股份有限公司 (Shanghai Fosun Pharmaceuticals (Group) Company Limited), a limited liability company established in the PRC and a subsidiary of the Company, and its subsidiaries;
“Framework Agreement”	the guarantee framework agreement entered into between the Company and Fosun Pharma on 30 June 2008;
“Group”	the Company and its subsidiaries from time to time;
“Guarantees”	the guarantees to be given by the Company in respect of bank loans borrowed and debenture to be issued by Fosun Pharma pursuant to the Framework Agreement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, which has been appointed by the Board to advise Independent Shareholders on the Framework Agreement and the Annual Caps;
“Independent Shareholder”	has the meaning as ascribed to it under the Listing Rules;
“Latest Practicable Date”	14 July 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Term”	the period commencing from the date of the Framework Agreement ending 31 December 2010.

LETTER FROM THE BOARD

FOSUN 复星

FOSUN INTERNATIONAL LIMITED

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

(Stock Code: 0656)

Executive Directors:

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

Registered Office:

Room 808, ICBC Tower
3 Garden Road
Central
Hong Kong

Non-executive Director:

Mr. Liu Benren

Independent Non-executive Directors:

Dr. Chen Kaixian
Mr. Zhang Shengman
Mr. Andrew Y. Yan

18 July 2008

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

**FRAMEWORK AGREEMENT IN RELATION TO
PROVISION OF GUARANTEES**

1. INTRODUCTION

Reference is made to the Company's announcement dated 30 June 2008 in relation to the continuing connected transactions between the Company and Fosun Pharma. The Company and Fosun Pharma, a subsidiary of the Company, entered into a Framework Agreement, pursuant to which the Company agreed to provide Guarantees, or through its subsidiaries to provide Guarantees, during the Term to Fosun Pharma for bank loans to be borrowed or debenture to be issued by Fosun Pharma.

LETTER FROM THE BOARD

Under the Listing Rules, the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company.

The Independent Board Committee comprising all the independent non-executive Directors has been established to consider the terms of the Framework Agreement and the Annual Caps. Baron Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders of the Company as to whether the terms of the Framework Agreement and the Annual Caps are fair and reasonable and whether the Framework Agreement and the Annual Caps are in the interests of the Company and its Shareholders as a whole.

The purpose of this circular is to provide you with (i) the particulars of the Framework Agreement and the Annual Caps; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from Baron Capital to the Independent Board Committee and the Independent Shareholders of the Company; and (iv) other information as required under the Listing Rules.

2. FRAMEWORK AGREEMENT

Date:	30 June 2008
Parties:	The Company (as guarantor) Fosun Pharma (as borrower)
Nature of the transactions:	Provision of Guarantees by the Company, or through its subsidiaries (other than Fosun Pharma), for Fosun Pharma for the bank loans to be borrowed or debenture to be issued by Fosun Pharma.
Commission:	Nil
Term:	The period commencing from the date of the Framework Agreement ending 31 December 2010.

3. ANNUAL CAPS FOR THE GUARANTEES

The Company proposes that the annual caps (the “**Annual Caps**”) for the transactions under the Framework Agreement be as follows:

	Proposed Annual Caps for the financial year ending 31 December		
	2008	2009	2010
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
Amount	3,500	4,200	5,000

LETTER FROM THE BOARD

The Annual Caps were determined by the Board after taking into consideration of the following factors:

- a) increase in future capital needs of Fosun Pharma to expand its pharmaceutical business, increase in expenditure for the research and development of new pharmaceutical products and development of pharmaceutical manufacturing business; and
- b) the anticipated financial position of Fosun Pharma in 2008, 2009 and 2010.

The amount of Guarantees given by the Group to Fosun Pharma for the three years ended 31 December 2005, 2006 and 2007 amounted to approximately RMB860 million, RMB1,547 million and RMB1,930 million, respectively.

4. REASONS FOR ENTERING INTO OF THE FRAMEWORK AGREEMENT

By entering into of the Framework Agreement, Fosun Pharma will benefit by securing a reliable source of bank loans and issuance of debenture as funds for (i) working capital; and (ii) expansion of businesses of Fosun Pharma. Fosun Pharma is an integral part of the Group and the Group can be benefited from the development of Fosun Pharma. Furthermore, expansions and investments in pharmaceuticals industries are in compliance with the Group's future plans.

The Directors (excluding the independent non-executive Directors who will opine on the Framework Agreement and Annual Caps after taking into account the advice to be given by the independent financial adviser) are of the opinion that the Framework Agreement was entered into on normal commercial terms and that the terms of the Framework Agreement are fair and reasonable and in the interests of the Shareholders as a whole and the proposed Annual Caps are fair and reasonable.

5. LISTING RULES IMPLICATIONS

As Fosun Pharma is holding 10.6% equity interest in Forte, a non-wholly owned subsidiary of the Company, it is a substantial shareholder of a subsidiary of the Company. Fosun Pharma is a connected person of the Company under the Listing Rules. The transactions contemplated under Framework Agreement constitute continuing connected transactions under the Listing Rules.

As one or more of the applicable percentage ratios exceed 2.5%, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. As no Shareholder has a material interest in the Framework Agreement and the transactions contemplated thereunder which is different from other Shareholders, no Shareholder is required to abstain from voting. Fosun Holdings Limited, the Controlling Shareholder holding 4,987,008,500 Shares (representing approximately 77.66% of the total issued Shares as at the Latest Practicable Date), has given its written consent for the Framework Agreement. The Company has made an application to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the requirement to hold a physical general meeting to approve the Framework Agreement and the Annual Caps pursuant to Rule 14A.43 of the Listing Rules.

LETTER FROM THE BOARD

6. GENERAL INFORMATION ON THE PARTIES

The principal businesses of the Company include: (i) pharmaceuticals; (ii) property development; (iii) steel; (iv) mining; (v) investments in retail business; (vi) financial services and strategic investments, which operate through Shanghai Fosun High Technology (Group) Co. Ltd., a wholly owned subsidiary of the Company.

The principal activities of Fosun Pharma are manufacturing, research and development, wholesaling and retailing of pharmaceutical products. Fosun Pharma is a subsidiary of the Company in which the Company holds 49.03% equity interest.

7. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders of the Company on the Framework Agreement and the Annual Caps; and (ii) the letter from Baron Capital set out in this circular which contains its recommendations to the Independent Board Committee and Independent Shareholders of the Company in relation to the Framework Agreement and the Annual Caps.

The Directors (excluding the independent non-executive Directors whose opinion is included in the letter from the Independent Board Committee set out on pages 7 and 8 of this circular) are of the view that the Framework Agreement and the Annual Caps have been entered into on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

8. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix of this circular.

Yours faithfully,
By Order of the Board
Guo Guangchang
Chairman

FOSUN 复星

FOSUN INTERNATIONAL LIMITED

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

(Stock Code: 0656)

18 July 2008

To the Independent Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

FRAMEWORK AGREEMENT IN RELATION TO PROVISION OF GUARANTEES

INTRODUCTION

We refer to the circular dated 18 July 2008 issued by the Company to the Shareholders, of which this letter forms part (the “**Circular**”). Terms used in this letter shall have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders of the Company in relation to the entering into of the Framework Agreement and the Annual Caps which constitute continuing connected transactions of the Company under the Listing Rules. In this connection, Baron Capital Limited has been appointed as an independent financial adviser to advise on whether the terms of the Framework Agreement and the Annual Caps are on normal commercial terms, fair and reasonable so far as the Independent Shareholders of the Company are concerned, and whether the Framework Agreement and the Annual Caps are in the interests of the Company and the Shareholders as a whole. Details of, and the reasons for, the entering into of the Framework Agreement and the Annual Caps are contained in the Letter from the Board set out on pages 3 to 6 of the Circular.

We acknowledge that the Company has submitted an application to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the requirement to hold a physical general meeting under Rule 14A.43 of the Listing Rules to approve the Framework Agreement and the Annual Caps on the bases that (i) to the best of the Directors’ knowledge, information and belief having made reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Framework Agreement and the Annual Caps; (ii) the Company has obtained a written approval from Fosun Holdings Limited, the holder of 4,987,008,500 Shares (representing approximately 77.66% of the total issued Share as at the Latest Practicable Date) for the entering into of the Framework Agreement and the Annual Caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATIONS

Having considered the terms of the Framework Agreement and the Annual Caps, and the advice and recommendation of Baron Capital Limited, in our opinion, the terms of the Framework Agreement and the Annual Caps are on normal commercial terms and fair and reasonable so far as the Independent Shareholders of the Company are concerned, and the entering into of the Framework Agreement and the Annual Caps are in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
Independent Board Committee

Dr. Chen Kaixian
*Independent Non-executive
Director*

Mr. Zhang Shengman
*Independent Non-executive
Director*

Mr. Andrew Y. Yan
*Independent Non-executive
Director*

LETTER FROM BARON CAPITAL

The following is the text of a letter received from Baron Capital setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions for inclusion in this circular.

Baron Capital Limited

4/F Aon China Building
29 Queen's Road Central
Hong Kong

18 July 2008

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT IN RELATION TO PROVISION OF GUARANTEES

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions, details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 18 July 2008 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined.

As disclosed in the announcement of the Company dated 30 June 2008, the Company and Fosun Pharma, a subsidiary of the Company, entered into of the Framework Agreement on 30 June 2008. Pursuant to the Framework Agreement, the Group has agreed to provide Guarantees during the Term to Fosun Pharma for bank loans to be borrowed or debenture to be issued by Fosun Pharma. The proposed Annual Caps for the transactions under the Framework Agreement are RMB3,500 million, RMB4,200 million and RMB5,000 million respectively for the year 2008, 2009 and 2010.

As Fosun Pharma is holding 10.6% equity interest in Forte, a non-wholly owned subsidiary of the Company, it is a substantial shareholder of a subsidiary of the Company. Pursuant to the Listing Rules, Fosun Pharma is a connected person of the Company. As one or more of the applicable percentage ratios exceed 2.5%, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company which are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

LETTER FROM BARON CAPITAL

The Stock Exchange has granted a waiver of the requirement of the Independent Shareholders' approval to the Framework Agreement be given by a majority vote at a general meeting of the Shareholders and accepted a written Independent Shareholders' approval pursuant to Rule 14A.43 of the Listing Rules as (i) no Shareholder of the Company has a material interest in the Framework Agreement and is required to abstain from voting if a general meeting of the Company is convened to approve the Framework Agreement and the transactions contemplated thereunder; and (ii) the Company has obtained a written Independent Shareholders' approval dated 30 June 2008 of Fosun Holdings Limited, which holds 4,987,008,500 Shares (representing 77.66% of the total issued Shares as at the Latest Practicable Date) giving the right to attend and vote at a general meeting to approve the Framework Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Dr. Chen Kaixian, Mr. Zhang Shengman and Mr. Andrew Y. Yan, has been formed to advise the Independent Shareholders in respect of the Framework Agreement and the Annual Caps. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to (i) whether the terms of the Framework Agreement and the Annual Caps are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned; and (ii) whether the entering into of the Framework Agreement and the Annual Caps are in the interest of the Company and the Independent Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and facts being provided, and the opinions and representations being expressed, to us by the Directors, the Company and its management. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reasons to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Company and the Directors, and have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statements of intention of the Company or its Directors as set out in the Circular will be implemented.

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company and the Directors, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and continue to be true, complete and accurate at the date of the Circular. We have not, however, carried out any independent verification of the information and representations provided to us nor have we conducted any form of independent in-depth investigation into the businesses and affairs, financial position or the future prospects of the Group.

LETTER FROM BARON CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Background of the Framework Agreement

Fosun Pharma was established in the PRC in 1998 and is principally engaged in manufacturing and sale of pharmaceutical products. Fosun Pharma continues to be accounted for as a subsidiary by virtue of the Company's control over the board of Fosun Pharma as well as its operating and financial policies. As at the Latest Practicable Date, the Company holds 49.03% equity interest in Fosun Pharma and is the single largest shareholder of Fosun Pharma, and there is no other single shareholder who owns more than 5% equity interest in Fosun Pharma.

The Company has been providing guarantees for bank facilities granted to Fosun Pharma since 1999 in order to facilitate its business operation and development. The Framework Agreement was entered into between the Company and Fosun Pharma on 30 June 2008. The amount of guarantees given by the Group to Fosun Pharma for the three years ended 31 December 2005, 2006 and 2007 amounted to approximately RMB860 million, RMB1,547 million and RMB1,930 million respectively.

With a view of increasing future capital needs of Fosun Pharma to expand its pharmaceutical business, the Group agreed to provide Guarantees to Fosun Pharma.

2. The Framework Agreement

Date:

30 June 2008.

Parties:

- 1) The Company (as guarantor); and
- 2) Fosun Pharma (as borrower).

Nature of the transactions:

Provision of Guarantees by the Company, or through its subsidiaries (other than Fosun Pharma), to Fosun Pharma for the bank loans to be borrowed or debenture to be issued by Fosun Pharma.

Commission:

Nil.

LETTER FROM BARON CAPITAL

Term:

The period commencing from the date of the Framework Agreement ending 31 December 2010.

Annual Caps for the Guarantees:

Pursuant to the Framework Agreement, the Annual Caps for the transactions under the Framework Agreement are RMB3,500 million, RMB4,200 million and RMB5,000 million in 2008, 2009 and 2010 respectively.

The Annual Caps were determined by the Board after taking into consideration of the following factors:

- (i) increase in future capital needs of Fosun Pharma to expand its pharmaceutical business; rising expenditure for the research and development of new pharmaceutical products and development of pharmaceutical manufacturing business; and
- (ii) the anticipated financial position of Fosun Pharma in 2008, 2009 and 2010.

3. Financial status of the Company and Fosun Pharma

In order to determine whether the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole, we have assessed the risks in association with the provision of Guarantees.

According to the management of the Company, the Company had reviewed the audited financial statements of Fosun Pharma for the two years ended 31 December 2007 and the unaudited management accounts of Fosun Pharma for the three months ended 31 March 2008. With respect to the previous bank borrowings of Fosun Pharma on which the Company has provided guarantees, the Company has not been requested by any bank to honour its guarantee obligations and repay the borrowings on behalf of Fosun Pharma. In order to assess the financial status of Fosun Pharma, we have carried out the following works including but not limited to:

- (i) reviewing the financial information of Fosun Pharma, including but not limited to its audited financial statements for the two years ended 31 December 2007 and its unaudited management accounts for the three months ended 31 March 2008; and
- (ii) discussing with the management of the Company concerning the strategic position and expansion plan of Fosun Pharma from 2008 to 2010.

LETTER FROM BARON CAPITAL

Set out below is the consolidated financial information of Fosun Pharma for the two years ended 31 December 2007:

	For the year ended 31 December 2007	For the year ended 31 December 2006
	<i>(audited)</i>	<i>(audited)</i>
	<i>RMB million</i>	<i>RMB million</i>
Revenue	3,693	4,082
Net profit	690	291
	As at 31 December 2007	As at 31 December 2006
Cash and bank balances	1,074	987
Net current assets	299	72
Net assets	4,316	3,607
Total debt	3,119	2,984
Total debt to capitalisation ratio	42.0%	45.3%

In 2007, Fosun Pharma recorded an audited consolidated revenue of approximately RMB3,693 million representing a decrease of approximately 9.5% from approximately RMB4,082 million in 2006. The decrease was mainly due to the deconsolidation of a former subsidiary of the Company, 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 of approximately 9.4%.

In 2007, Fosun Pharma recorded an audited consolidated net profit of approximately RMB690 million, representing an increase of approximately 137.1% from approximately RMB291 million in 2006. The increase was due to the growth in the manufacturing business of Fosun Pharma, and the continuously rapid growth in the distribution business of Fosun Pharma's associate, Sinopharm Medicine Holding Co., Ltd. ("Sinopharm"), in 2007.

We have also reviewed the 2008 first quarter unaudited financial statements and noted that Fosun Pharma recorded a consolidated net profit of approximately RMB226 million, representing an increase of approximately 153.9% from approximately RMB89 million in the corresponding period of 2007.

With a view of continuously rapid growth, Fosun Pharma considers that it is appropriate to further strengthen its production capacities, improve research and development abilities and expand the distribution network to maintain its competitive advantage in the market and sustain the growth momentum.

LETTER FROM BARON CAPITAL

As at the Latest Practicable Date, the Company is the single largest shareholder of Fosun Pharma, accounting for 49.03% equity interest of Fosun Pharma and there is no other single shareholder who holds more than 5% equity interest in Fosun Pharma. The provision of Guarantees by the Group will be considered as the most simple and effective way to tackle the fund source for business development of Fosun Pharma since the issuance of debentures or equity by Fosun Pharma involves issuance costs and it might be affected by the sentiment of capital market. Under current financial market condition, it is an obstruction of fund raising through the aforesaid methods, thus bank loans may be a more feasible source for capture the funding purpose. The provision of Guarantees, therefore, serves the best interest for both of the Shareholders and Fosun Pharma.

Although the total debt of Fosun Pharma increased from 2006 to 2007, which pushed up the gearing ratio, the net assets have also increased which neutralizes the effect of the increase in total debt. The total debt to capitalization ratio, as a result, was stabilized at between 42.0% and 45.3% in 2006 and 2007 respectively. According to the 2008 first quarter unaudited financial statements, the total debt to capitalization ratio decreased slightly to 41.0% as at 31 March 2008. In deliberation of lowering the leverage for managing the solvency under any circumstances, Fosun Pharma sets to maintain the gearing ratio between 40% and 60% so as to ensure Fosun Pharma to maintain a reasonable debt level.

The Company and Fosun Pharma had cash position of RMB14.14 billion and RMB1,074 million as at 31 December 2007 respectively. The strong cash position will be of benefit to business operation of Fosun Pharma.

After taking into account the financial status of Fosun Pharma and available financial resources of the Company, the Company should have sufficient financial resources to settle the liability (if any) arisen from the Framework Agreement.

In addition, as a monitoring measure, the Directors indicated that the Company will review the financial information of Fosun Pharma and discuss with its management periodically so as to closely monitor and assess the risk that may arise from the Guarantees. As such, we consider that such procedures would enable the Company to assess the financial status of Fosun Pharma from time to time.

4. Reasons for entering into of the Framework Agreement

By entering into of the Framework Agreement, Fosun Pharma can benefit from securing a reliable source of bank loans and issuance of debentures as funds for the working capital and expansion of businesses of Fosun Pharma.

As advised by the management, Fosun Pharma considers that the Group's provision of Guarantees for bank loans and facilities granted to Fosun Pharma will be utilized for (a) expanding its pharmaceutical business with a maximum amount of approximately RMB1.0 billion, RMB1.3 billion and RMB1.6 billion in 2008, 2009 and 2010 respectively; (b) the expenditure for the research

LETTER FROM BARON CAPITAL

and development of new pharmaceutical products with a maximum amount of approximately RMB0.5 billion, RMB0.5 billion and RMB0.5 billion in 2008, 2009 and 2010 respectively; and (c) the development of pharmaceutical manufacturing business with a maximum amount of approximately RMB2 billion, RMB2.4 billion and RMB2.9 billion in 2008, 2009 and 2010 respectively.

In assessing the reasonableness of the basis of proposed Annual Caps, we have reviewed all information made available to us by the Company and conducted thorough discussion with the management. We noted that the Annual Caps are formulated after taking into account both working capital needs for current level of business activities and capital requirements for future expansion.

As advised by the management, bank loans of approximately RMB2,100 million were obtained to finance Fosun Pharma's operation in 2007. We share the view with management that the increase in borrowing for existing business working capital requirements will be kept pace with the earnings growth with reference to Fosun Pharma's latest published financial statements.

Regarding the capital requirements for future expansion, we have discussed and evaluated the funding needs of different strategic plans in respect of expansion of distribution network, increase in expenditure in research and development for new drugs and development of pharmaceutical manufacturing business. We have also reviewed past transaction information of similar nature, signed agreements, if any, together with other Fosun Pharma's publicly available disclosures.

Taking into consideration of the factors aforesaid, we are of the view that the proposed Annual Caps are determined with reasonable ground for the future development of Fosun Pharma.

Since Fosun Pharma is an integral part of the Group, the Group can also be benefited from the development of Fosun Pharma. As such, the Directors are of the view that the terms of the Framework Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole.

5. Financial effects of the Framework Agreement

The provision of Guarantees will not have any direct impact on the liquidity position of the Company but will constitute a contingent obligation of the Company. In the event that Fosun Pharma fails to meet its obligation to repay the relevant bank loans and facilities granted, the Company shall, by virtue of the provision of the Guarantees, assume the obligation thereof.

The Company recorded audited consolidated net assets of approximately RMB30.0 billion as at 31 December 2007. In the event that the entire amount of the Guarantees are called upon, the Company will have to bear in full the liabilities relating to the Guarantees granted up to RMB5 billion, representing approximately 16.7% of the Company's audited consolidated net assets as at 31 December 2007.

Accordingly, the Shareholders should note that any default of payment by Fosun Pharma on the relevant bank loan and facilities granted would have an adverse impact on the liquidity position of the Company if the provision of the Guarantees continues. However, the aforesaid impact may vary based on different maturities of the loans as stipulated under each of the loan agreements entered or will be entered into between Fosun Pharma and the banks.

LETTER FROM BARON CAPITAL

RECOMMENDATIONS

While the liquidity position of the Company may be adversely affected in case of default of payment by Fosun Pharma on the relevant bank loans and facilities granted, having considered the principal factors and reasons and Directors' representations as discussed above, our recommendations are summarized below:

- (i) the assessment on the financial status of Fosun Pharma based on the audited financial statements for the two years ended 31 December 2007 and its unaudited management accounts for the three months ended 31 March 2008;
- (ii) Fosun Pharma's earning capability and its significant growth in the manufacturing business in 2007 and the continuously rapid growth in the distribution business of Sinopharm;
- (iii) the provision of the Guarantees does not involve any cash outflow of the Company unless the Guarantees are enforced by the banks;
- (iv) the relevant bank loans and facilities granted will facilitate Fosun Pharma's business expansions which benefit the Group as a whole;
- (v) the total debt to capitalization ratio will be set between 40% and 60%, which enables Fosun Pharma to maintain a reasonable debt level so that, in any event, lowering its leverage for managing the solvency;
- (vi) Fosun Pharma is owned as to 49.03% by the Company as at the Latest Practicable Date and the use of the facilities is under the supervision of the Company. Fosun Pharma continues to be accounted for as a subsidiary by virtue of the Company's control over the board of Fosun Pharma as well as its operating and financial policies;
- (vii) the aggregate amount of the unaudited consolidated current assets, long term equity investment and available for sale financial assets of Fosun Pharma was approximately RMB5.88 billion as at 31 March 2008. The assets can be readily converted into cash to cover the liabilities relating to the Guarantees granted up to RMB5 billion. The Directors are, therefore, confident that Fosun Pharma will be able to fulfill its payment obligations when the relevant banking facilities fall due; and
- (viii) to the best of our knowledge and have been confirmed by the Directors that this is a common practice of provision of bank guarantees to the subsidiaries by major shareholders in the PRC.

LETTER FROM BARON CAPITAL

We are of the opinion that (i) the terms of the Framework Agreement and the Annual Caps are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned; and (ii) the entering into of the Framework Agreement and the Annual Caps are in the interests of the Company and the Independent Shareholders as a whole. Therefore, we recommend the Independent Shareholders, and also recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the Framework Agreement and the Annual Caps.

Yours faithfully,
For and on behalf of
Baron Capital Limited
Rabo Leung
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS**(A) Directors' interests in securities**

As at the Latest Practicable Date, 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 for Securities Transactions by Directors of Listed Issuers 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	Nature of interests	Approximate percentage of share in issue
Guo Guangchang	4,987,008,500 ⁽¹⁾	Corporate	77.66%
Ding Guoqi	12,940,000	Individual	0.20%
Qin Xuetang	3,880,000	Individual	0.06%
Wu Ping	7,760,000	Individual	0.12%

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

Name of Director/ chief executive	Name of associated corporation	Number of Shares	Nature of interests	Approximate percentage of share in issue of the associated corporation
Guo Guangchang	Fosun Holdings Limited	1	Corporate	100.00%
	Fosun International Holdings Ltd.	29,000	Individual	58%
	Shanghai Fosun Pharmaceutical (Group) Company Limited	76,050	Individual	0.01%
Liang Xinjun	Fosun International Holdings Ltd.	11,000	Individual	22%
Wang Qunbin	Fosun International Holdings Ltd.	5,000	Individual	10%
	Shanghai Fosun Pharmaceutical (Group) Company Limited	76,050	Individual	0.01%
Fan Wei	Fosun International Holdings Ltd.	5,000	Individual	10%
Qin Xuetao	Shanghai Fosun Pharmaceutical (Group) Company Limited	76,050	Individual	0.01%

Note:

- (1) 4,987,008,500 shares are deemed corporate interests through Fosun Holdings Limited (“**Fosun Holdings**”) and Fosun International Holdings Ltd. (“**Fosun International Holdings**”) pursuant to Division 7 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or pursuant to section 352 of the SFO, to be entered in the register referred to therein; or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers had been notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the date of this circular.

(B) Substantial shareholders' interests in securities

As at the Latest Practicable Date, 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	4,987,008,500	77.66%
Fosun International Holdings ⁽¹⁾	4,987,008,500 ⁽²⁾	77.66%
Guo Guangchang ⁽³⁾	4,987,008,500	77.66%

Notes:

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

- (2) Fosun International Holdings is the beneficial owner of all the issued shares in Fosun Holdings and, therefore, Fosun International Holdings is deemed, or taken to be, interested in the shares owned by Fosun Holdings for the purposes of the SFO.
- (3) Such shares represent the deemed interest of Mr. Guo Guangchang by virtue of his 58.0% shareholding in Fosun International Holdings.
- (4) Mr. Guo Guangchang is the sole director of Fosun Holdings and Fosun International Holdings.

Save as disclosed herein so far as is known to the Directors, as at the Latest Practicable Date, no person (not being a Director of the Company) 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.

3. DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for a term of not more than three years, which can be terminated by either party by giving a prior written notice of three months to the other party.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the relevant employer within one year without payment of compensation other than statutory compensation).

4. INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in other business which competes or is likely to compete with the business of the Group.

5. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up.

6. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Baron Capital Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO.

Baron Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or references to its name in the form and context in which it appears.

Baron Capital does not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Since 31 December 2007 (being the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date, Baron Capital does not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other members of the Group was engaged in any litigation or arbitration of material importance and, as far as the Directors are aware, no litigation or claim of material importance is pending or threatened against the Company or any other members of the Group.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company up to and including 8 August 2008:

- (A) the Framework Agreement;
- (B) the letter from the Independent Board Committee, the text of which is set out on pages 7 and 8 of this circular;
- (C) the letter from Baron Capital, the text of which is set out on pages 9 to 17 of this circular;
- (D) the written consent from Baron Capital referred to in this Appendix.

9. MISCELLANEOUS

- (A) The registered office of the Company is situated at Room 808, ICBC Tower, 3 Garden Road, Central Hong Kong. The share registrar of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712-16 Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (B) The qualified accountant of the Company is Mr. Tse Man Kit, Keith, who is a member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

- (C) The company secretary of the Company is Ms. Kam Mei Ha, Wendy, who is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

- (D) The English text of this document shall prevail over the Chinese text in the case of inconsistency.