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**FOSUN 复星**  
**復星國際有限公司**  
**FOSUN INTERNATIONAL LIMITED**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 00656)**

**SUPPLEMENTAL ANNOUNCEMENT**  
**DISCLOSEABLE TRANSACTION**  
**IN RELATION TO THE DISPOSALS OF EQUITY INTERESTS**  
**IN FOUR TARGET COMPANIES**

Financial Advisor

**FOSUN INTERNATIONAL CAPITAL**  
**复星恒利资本**

Reference is made to the announcement of the Company dated 5 January 2023 in relation to the disposals of equity interests in four Target Companies (the “**First Announcement**”) and the announcement of the Company dated 28 March 2023 in relation to the Supplemental Agreement on the Disposals (the “**Second Announcement**”). Unless otherwise defined in this announcement, capitalized terms used herein shall have the same meanings as those defined in the First Announcement and the Second Announcement. This announcement is made to provide further details in relation to the Disposals.

**BASIS OF CONSIDERATION**

In addition to the factors disclosed in the First Announcement, the consideration of the Disposals (the “**Consideration**”) was arrived at after arm’s length negotiations and was determined with reference to the following primary factors:

**(i) Value of equity of Tianjin Jianlong to be disposed of by Fosun Industrial Development under the Disposals**

The Consideration of RMB6.7 billion was primarily determined with reference to the overall value of equity of 25.7033% equity interest in Tianjin Jianlong held by Fosun Industrial Development to be disposed of under the Disposals (the “**Tianjin Jianlong Disposal Interest**”) of approximately RMB6.6 billion.

The consideration of the First Stage Equity Transfers of RMB3.2 billion and the Second Stage Equity Transfer of RMB3.5 billion was mainly determined with reference to the value of equity of 20.7133% equity interest in Tianjin Jianlong of approximately RMB3.1 billion and the value of equity of 4.99% equity interest in Tianjin Jianlong of RMB3.5 billion (the “**Remaining Interest**”).

The abovementioned value of equity is calculated based on unaudited net asset value (the “**NAV**”) of Tianjin Jianlong as at 30 June 2022 x percentage of the equity interest in Tianjin Jianlong to be disposed of x respective price-to-book ratio (the “**PB Ratio**”):

	<b>Tianjin Jianlong Disposal Interest</b>	<b>First Stage Equity Transfers</b>	<b>Second Stage Equity Transfer</b>
Unaudited NAV as at 30 June 2022	RMB58,458.4 million		
Percentage of the equity interest in Tianjin Jianlong to be disposed of	25.7033%	20.7133%	4.99%
Respective PB Ratio	0.44 times	0.26 times	1.2 times
Value of equity	RMB6.6 billion	RMB3.1 billion	RMB3.5 billion

Based on the above formula, the PB Ratios of the First Stage Payment (the “**First Payment PB Ratio**”), the Second Stage Payment (the “**Second Payment PB Ratio**”) and the overall Consideration (the “**Overall PB Ratio**”) are approximately 0.26 times, 1.2 times and 0.44 times respectively. When assessing the reasonableness and fairness of the First Stage Payment, the Second Stage Payment and the overall Consideration, the Board has compared the First Payment PB Ratio, the Second Payment PB Ratio and the Overall PB Ratio with the PB Ratios of the comparable companies in the same industry (the “**Market PB Ratios**”). In determining the Market PB Ratios, the Company considers that the following comparable companies are

directly comparable to Tianjin Jianlong on the basis that: (i) they are engaged in principal business activities similar to Tianjin Jianlong, being production and sales of general and special steels excluding iron ore mining; and (ii) they are listed on the Main Board of the Hong Kong Stock Exchange. Set out below is the exhaustive list of the relevant comparable companies identified:

<b>Stock Code</b>	<b>Company Name</b>	<b>Net profit attributable to equity holders<sup>(1)</sup> (RMB million)</b>	<b>PB Ratio<sup>(2)</sup></b>
323.HK	Maanshan Iron & Steel Company Limited	5,332	0.41 times
347.HK	Angang Steel Company Limited	6,925	0.32 times
581.HK	China Oriental Group Company Limited	2,493	0.21 times
1053.HK	Chongqing Iron & Steel Company Limited	2,274	0.31 times

Notes:

(1) Source: Annual reports and interim reports of the relevant companies

(2) Source: Bloomberg as at 5 January 2023 (i.e. the date of the Equity Transfer Agreement)

The First Payment PB Ratio of approximately 0.26 times falls squarely within the range of the Market PB Ratios, whereby the Second Payment PB Ratio of approximately 1.2 times is significantly higher than the Market PB Ratios and the Overall PB Ratio of approximately 0.44 times is slightly higher than the Market PB Ratios. Despite the Second Stage Payment will be paid to Fosun Industrial Development in no more than 20 years, the Board is of the view that it is in the interest of the Company and its Shareholders as a whole to lock a significantly higher Second Payment PB Ratio at this point of time through the Equity Transfer Agreement and the Supplemental Agreement. As such, the Board is of the view that the Consideration is fair and reasonable and in the interest of the Company and its Shareholders as a whole. The Group has also sought advice from its financial advisor in respect of the above PB Ratio analysis. The financial advisor is of the view that the adoption of PB Ratio analysis as a valuation benchmarking tool is a common market practice for similar business in the steel industry.

**(ii) Time value of money**

Having considered that the Second Stage Payment will be paid to Fosun Industrial Development in no more than 20 years, the Group has also taken into account the time value of money when assessing the reasonableness and fairness of the Consideration.

The net present value of the Second Stage Payment (the “**Net Present Value of Second Payment**”) is calculated with reference to (i) the cash inflow to be received by the Group each year during the 20-year period for the receipt of the Second Stage Payment by Fosun Industrial Development which is subject to certain adjustments and (ii) the discount rate which is determined after considering the actual interest rate of Tianjin Jianlong with reference to its credit rating, the difference in the yield rates of the Chinese enterprise bonds of equivalent credit rating with relevant terms and fluctuation of the loan prime rate in 2022. The auditor of the Company has reviewed the calculation of the net present value of the total cash inflow in respect of the Disposals, being the aggregate of the First Stage Payment, the dividends to be received from the Target Companies and the Net Present Value of Second Payment (the “**Net Present Value of Total Cash Inflow**”) and is of the view that such calculation complies with the relevant accounting principles.

Taking into account of the time value of money, the Second Payment PB Ratio (the “**PB Ratio of the Net Present Value of Second Payment**”) is calculated in accordance with the following formula:

Net Present Value of Second Payment / Unaudited NAV of Tianjin Jianlong as at 30 June 2022  
x Remaining Interest

$$\begin{aligned} &= \text{RMB1.8 billion} / (\text{RMB58,458.4 million} \times 4.99\%) \\ &= 0.6 \end{aligned}$$

Given that the PB Ratio of the Net Present Value of Second Payment of approximately 0.6 is still well above the Market PB Ratios ranging from 0.21 to 0.41 and the First Payment PB Ratio of approximately 0.26, the Board is of the view that the Second Stage Payment is fair and reasonable even upon considering its time value. Hence, the Company considers that the Second Payment Arrangement remains to be in the interest of the Company and its Shareholders as a whole.

## **SECOND STAGE PAYMENT**

As disclosed in the Second Announcement, the Second Stage Payment is divided into the Equity Transfer Payment of RMB0.75 billion and the Tianjin Jianlong Dividends of RMB2.75 billion. In the event that Tianjin Jianlong is unable or not required to distribute the Tianjin Jianlong Dividends in full during the period of 20 years in accordance with the Contingent Second Payment Arrangement (e.g. the annual audit report of Tianjin Jianlong shows a loss in the net profit attributable to owners of the parent each year during the 20-year period), Fosun Industrial Development is nonetheless entitled to recover the outstanding Second Stage Payment in cash from Camdragon Heavy Industry.

## **TIANJIN JIANLONG DIVIDENDS**

As disclosed in the Second Announcement, subject to compliance with the relevant laws and regulations, Tianjin Jianlong intends to pay a total of RMB2.75 billion to Fosun Industrial Development by way of dividends in no more than 20 years. The Tianjin Jianlong Dividends comprises (i) special dividend and (ii) entitled dividend corresponding to the Remaining Interest prior to the completion of the Second Stage Equity Transfer.

Given that it is impracticable to accurately predict the amount of entitled dividend corresponding to the Remaining Interest in the following 20 years due to the uncertainty in the future performance of Tianjin Jianlong, when assessing the fairness and reasonableness of the Second Stage Payment, the Board has adopted an overall approach to consider the total dividends, being the special dividends and the entitled dividends, to be received from Tianjin Jianlong as a whole. Considering the above and that the Second Payment PB Ratio is higher than the Market PB Ratios, the Directors consider that the Second Payment Arrangement to be in the interest of the Company and its Shareholders as a whole.

## **FINANCIAL IMPLICATIONS OF THE DISPOSALS**

According to the relevant accounting principles, the Company has compared the entire carrying amount of its investment in the Target Companies of approximately RMB7.5 billion with the recoverable amount of approximately RMB5.6 billion, where the recoverable amount is equivalent to the Net Present Value of Total Cash Inflow to determine the loss from the Disposals. Given that the Disposals is an adjusting event after the year ended 31 December 2022, the Company has recognized an impairment loss on assets of approximately RMB1.9 billion in its financial statements for the year ended 31 December 2022 published in the 2022 annual report of the

Company pursuant to the relevant accounting standard (the “**Adjustment**”). After the Adjustment, as the carrying amount of the investment in the Target Companies equals to the Net Present Value of Total Cash Inflow, the Company will not recognize loss from the Disposals in its financial statements for the year ended 31 December 2023.

By Order of the Board  
**Fosun International Limited**  
**Guo Guangchang**  
*Chairman*

12 May 2023

*As at the date of this announcement, the executive directors of the Company are Mr. Guo Guangchang, Mr. Wang Qunbin, Mr. Chen Qiyu, Mr. Xu Xiaoliang, Mr. Gong Ping, Mr. Huang Zhen and Mr. Pan Donghui; the non-executive directors are Mr. Yu Qingfei, Mr. Li Shupeí and Mr. Li Fuhua; and the independent non-executive directors are Mr. Zhang Shengman, Mr. Zhang Huaqiao, Mr. David T. Zhang, Dr. Lee Kai-Fu and Ms. Tsang King Suen Katherine.*