

SHANGHAI LAND (GROUP) CO., LTD.

**AUDIT REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2020



Shanghai Land (Group) Co., Ltd.
Audit Report and Financial Statements
(From January 1, 2020 to December 31, 2020)

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Audit Report

PCPAR [2021] No.ZA22245

All shareholders of Shanghai Land (Group) Co., Ltd.,

I. Opinion

We have audited the financial statements of Shanghai Land (Group) Co., Ltd. (hereinafter referred to as "the Company"), which comprise the consolidated balance sheet and the balance sheet of the parent company as at December 31, 2020, the consolidated income statement and the income statement of the parent company, the consolidated statement of cash flows and the statement of cash flows of the parent company, the consolidated statement of changes in owner's equity and the statement of changes in owner's equity of the parent company and notes to the financial statements for the year then ended.

In our opinion, the financial statements attached are prepared, in all material respects, in accordance with the Accounting Standards for Business Enterprises, and present fairly the consolidated financial positions and the Company's financial positions as at December 31, 2020 and the consolidated operating results and cash flows and the Company's operating results and cash flows for the year then ended.

II. Basis for Our Opinion

We conducted our audit in accordance with Auditing Standards for Certified Public Accountants in China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this audit report. According to the Code of Ethics for Chinese certified public accountant, we are independent of the Company, and we have fulfilled other responsibilities in the aspect of code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Company's management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, the management is responsible for assessing the Company's going-concern ability, disclosing the matters related to going concern (if applicable) and using the going-concern assumption unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

IV. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are generally considered material if separate or aggregated misstatements are reasonably expected to possibly influence the economic decisions made by the users of financial statements on the basis of these financial statements.

During the process of an audit conducted in accordance with audit standards, we exercise professional judgment and maintain professional skepticism. Meanwhile, we also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Understand the internal control relevant to the audit 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 internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting. Meanwhile, based on the audit evidence obtained, we come to a conclusion on whether a material uncertainty exists in events or conditions that may cause significant doubt on the Company's going-concern ability. If we conclude that a material uncertainty exists, we are required to, in our auditors' report, draw attention of the users of statements to the related disclosures in the financial statements; if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



立信会计师事务所(特殊普通合伙)
BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO CHINA Shu Lun Pan
Certified Public Accountants LLP



Certified Public Accountant of China:
Han Pin



Certified Public Accountant of China:
Ding Hui



Shanghai, China

April 26, 2021

This auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. In case the English version does not conform to the Chinese version, the Chinese version shall prevail.

Shanghai Land (Group) Co., Ltd.
Consolidated Balance Sheet
As at December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Line	Balance as at December 31, 2020	Balance as at December 31, 2019
Current assets:	1	--	--
Monetary funds	2	49,089,001,866.98	37,655,565,526.14
ΔBalances with clearing companies	3		
ΔLoans to banks and other financial institutions	4		
☆Financial assets held for trading	5	319,964,320.97	428,876,118.74
Financial assets measured at fair value through current profit or loss	6	545,384.12	583,544.14
Derivative financial assets	7		
Notes receivable	8	208,205,131.83	220,490,156.08
Accounts receivable	9	1,729,834,240.68	1,751,552,838.31
☆Receivable financing	10	410,816,440.73	349,522,984.45
Advances to suppliers	11	1,395,518,501.87	2,144,179,569.08
ΔPremiums receivable	12		
ΔReinsurance accounts receivable	13		
ΔReinsurance reserves receivable	14		
Other receivables	15	5,302,708,658.04	6,480,998,319.13
Including: Dividends receivable	16	73,143,799.55	168,090,168.51
ΔFinancial assets purchased under resale agreements	17		
Inventories	18	138,623,058,707.08	114,282,128,557.37
Including: raw materials	19	401,948,670.18	394,174,121.00
Stock commodities (finished goods)	20	19,098,602,218.84	13,066,703,042.03
☆Contract assets	21	19,409,993.76	
Assets held for sale	22	943,142,145.87	24,228,757.70
Non-current assets maturing within one year	23		
Other current assets	24	2,094,100,253.28	11,742,135,963.82
Total current assets	25	200,136,305,645.21	175,080,262,334.96
Non-current assets:	26	--	--
ΔLoans and advances to customers	27	171,632,133.90	209,975,313.89
☆Claim investments	28		
Available-for-sale financial assets	29	21,247,036,574.39	25,721,170,341.47
☆Other claim investment	30		
Held-to-maturity investments	31	140,000,000.00	90,000,000.00
Long-term receivables	32	2,112,226,074.23	1,496,298,517.43
Long-term equity investments	33	28,180,719,648.72	23,335,230,354.49
☆Investment in other equity instruments	34		
☆Other non-current financial assets	35	38,832,794.59	19,671,863.76
Investment properties	36	20,634,138,029.22	19,084,702,778.00
Fixed assets	37	18,781,024,474.02	9,564,471,745.19
Including: original value of fixed assets	38	25,305,809,824.25	15,497,272,173.53
Accumulated depreciation	39	6,190,126,755.47	5,550,513,391.57
Provision for fixed asset impairment	40	338,706,092.23	386,328,462.02
Construction in progress	41	18,800,421,569.83	24,508,907,967.19
Productive biological assets	42		
Oil and gas assets	43		
☆Right-of-use asset	44		
Intangible assets	45	3,102,468,896.00	3,156,847,561.65
Development expenses	46	2,199,205.77	2,426,686.09

Item	Line	Balance as at December 31, 2020	Balance as at December 31, 2019
Goodwill	47	22,059,941.15	22,059,941.15
Long-term deferred expenses	48	259,857,096.72	326,764,977.59
Deferred tax assets	49	4,117,484,853.57	4,112,734,113.62
Other non-current assets	50	12,983,546,753.79	13,402,514,885.12
Including: special reserve materials	51		
Total non-current assets	52	130,593,648,045.90	125,053,777,046.64
Total assets	53	330,729,953,691.11	300,134,039,381.60

Remarks: Items marked with * in the statements are for consolidated financial statements purpose only; items marked with Δ are for financial companies purpose only; items marked with # are for foreign-funded companies purpose only; and items marked with ☆ are only used for enterprises adopting new revenue/standards for financial instruments.

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative: Chief Accountant: Chief Finance Officer: Completed by:

Shanghai Land (Group) Co., Ltd.
Consolidated Balance Sheet (Continued)
As at December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Line	Balance as at December 31, 2020	Balance as at December 31, 2019
Current liabilities:	54	--	--
Short-term borrowings	55	7,149,527,493.19	4,691,499,828.29
ΔBorrowings from central bank	56		
ΔLoans from banks and other financial institutions	57		
☆Held-for-trading financial liabilities	58		
Financial liabilities measured at fair value through current profit or loss	59		
Derivative financial liabilities	60		
Notes payable	61	467,787,400.07	493,721,030.52
Accounts payable	62	9,445,868,678.73	9,402,920,792.84
Advances from customers	63	10,371,160,621.31	17,049,177,497.81
☆Contract liabilities	64	5,668,863,769.54	
ΔFinancial assets sold under repurchase agreements	65		
ΔAbsorption of deposits and interbank deposit	66		
Receivings from vicariously traded securities	67		
ΔReceivings from vicariously sold securities	68		
Employee remuneration payable	69	695,155,262.68	652,203,307.77
Including: accrued payroll	70	389,409,468.41	334,498,313.39
Welfare payable	71	261,309,869.95	272,287,362.24
Including: employee bonus and welfare fund	72	256,421,982.18	267,709,802.78
Taxes and surcharges payable	73	13,117,612,648.23	11,401,952,906.03
Including: taxes payable	74	12,664,096,159.55	11,291,302,671.34
Other payables	75	14,664,541,871.14	12,921,081,128.83
Including: Dividends payable	76	551,577,360.70	247,114,519.77
ΔHandling charges and commissions payable	77		
ΔReinsurance accounts payable	78		
Liabilities held for sale	79		
Non-current liabilities maturing within one year	80	20,673,703,087.61	10,333,572,470.43
Other current liabilities	81	9,128,622,761.48	4,549,226,908.25
Total current liabilities	82	91,382,843,593.98	71,495,355,870.77
Non-current liabilities:	83	--	--
ΔReserves for insurance contracts	84		
Long-term borrowings	85	37,011,487,324.38	36,754,376,659.31
Bonds payable	86	25,062,355,801.42	22,356,363,093.32
Including: preferred shares	87		
Perpetual bond	88		
☆Lease liabilities	89		
Long-term payables	90	37,847,072,747.17	45,097,682,851.71
Long-term salary payable	91		
Estimated liabilities	92	123,097,250.19	112,944,710.19
Deferred income	93	17,572,004,793.33	4,872,484,338.43
Deferred tax liabilities	94	3,029,046,905.97	3,631,640,178.41
Other non-current liabilities	95	4,407,660,967.36	10,088,085,730.85
Including: special reserve fund	96		
Total non-current liabilities	97	125,052,725,789.82	122,913,577,562.22
Total liabilities	98	216,435,569,383.80	194,408,933,432.99

Item	Line	Balance as at December 31, 2020	Balance as at December 31, 2019
Owner's equity (or shareholders' equity):	99	--	--
Paid-in capital (or share capital)	100	30,000,000,000.00	30,000,000,000.00
Among others, State-owned capital	101	30,000,000,000.00	30,000,000,000.00
State-owned corporate capital	102		
Collective capital	103		
Private capital	104		
Foreign capital	105		
#Less: investment returned	106		
Net paid-in capital (or share capital)	107	30,000,000,000.00	30,000,000,000.00
Other equity instruments	108		
Including: preferred shares	109		
Perpetual bond	110		
Capital reserves	111	27,824,416,977.52	19,379,715,017.38
Less: treasury stock	112		
Other comprehensive income	113	4,047,363,288.72	7,868,119,290.53
Including: foreign currency translation differences	114		
Special reserve	115	10,864,515.68	9,916,426.63
Surplus reserves	116	2,735,692,463.87	2,419,669,655.16
Including: statutory reserve funds	117	2,735,692,463.87	2,419,669,655.16
Discretionary reserve funds	118		
#Reserve funds	119		
# Enterprise expansion funds	120		
# Profit capitalized on return of investments	121		
ΔGeneral risk reserve	122		
Undistributed profit	123	33,565,758,858.30	30,477,768,124.56
Total equity attributable to owners (shareholders) of the parent company	124	98,184,096,104.09	90,155,188,514.26
*Minority equity	125	16,110,288,203.22	15,569,917,434.35
Total owner's equity (or shareholders' equity)	126	114,294,384,307.31	105,725,105,948.61
Total liabilities and owner's (or shareholders') equity	127	330,729,953,691.11	300,134,039,381.60

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The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative: Chief Accountant: Chief Finance Officer: Completed by:

Shanghai Land (Group) Co., Ltd.
Consolidated Income Statement
For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Line	Year 2020	Year 2019
I. Total operating income	1	29,455,505,289.88	31,430,823,545.62
Including: operating income	2	29,455,505,289.88	31,430,823,545.62
ΔInterest income	3		
ΔPremiums earned	4		
ΔIncome from handling charges and commissions	5		
II. Total operating costs	6	25,725,879,963.66	26,802,424,968.48
Including: operating costs	7	18,351,153,527.37	17,981,591,782.94
ΔInterest expenses	8		
ΔHandling charge and commission expenses	9		
ΔSurrender value	10		
ΔNet amount of compensation payout	11		
ΔNet insurance liability reserves withdrawn	12		
ΔPolicy dividend payment	13		
ΔReinsurance costs	14		
Taxes and surcharges	15	2,265,363,711.70	3,993,855,703.26
Selling expenses	16	628,797,597.91	732,036,649.19
General and administrative expenses	17	2,007,256,007.71	2,024,647,037.72
Research & development expenses	18	223,890,240.99	213,620,133.76
Financial expenses	19	2,249,418,877.98	1,856,673,661.61
Including: interest expenses	20	2,872,780,390.73	2,654,634,228.57
Interest income	21	689,956,018.08	852,849,038.74
Net losses from foreign exchange ("-" for net gains)	22	10,274,760.63	8,101.46
Others	23		
Plus: other income	24	341,009,817.30	180,150,944.67
Investment income ("-" for losses)	25	2,497,531,901.37	6,256,808,549.27
Including: income from investment in associates and joint ventures	26	-49,832,733.18	273,701,229.60
Income from derecognition of financial asset measured at amortized cost	27		
ΔForeign exchange gains ("-" for losses)	28		
☆Net open hedging profit or loss ("-" for losses)	29		
Gains from changes in fair value ("-" for losses)	30	-12,539,448.51	68,661,788.96
☆Credit depreciation loss ("-" for losses)	31	-7,533,715.08	2,286,932.52
Asset depreciation loss ("-" for loss)	32	-140,031,625.94	-182,620,181.23
Gains from disposal of assets ("-" for losses)	33	108,490,842.49	19,187,986.05
III. Operating profit ("-" for loss)	34	6,516,553,097.85	10,972,874,597.38
Plus: non-operating income	35	243,653,546.72	203,245,754.66
Including: government subsidies	36	97,038,879.02	127,492,452.00
Less: non-operating expenses	37	134,496,252.11	150,122,093.05
IV. Total profits ("-" for total losses)	38	6,625,710,392.46	11,025,998,258.99
Less: income tax expenses	39	1,423,703,477.62	2,994,453,485.88
V. Net profit ("-" for net loss)	40	5,202,006,914.84	8,031,544,773.11
(I) Classified by ownership	41	--	--
Net profit attributable to owners of the parent company	42	4,125,716,706.90	6,457,480,541.43
*Minority interest income	43	1,076,290,207.94	1,574,064,231.68
(II) Classified by operating sustainability	44	--	--
Net profit from continued operation	45	5,202,006,914.84	8,031,544,773.11
Net profit from discontinued operation	46		

Item	Line	Year 2020	Year 2019
VI. Other comprehensive income, net of tax	47	-3,853,520,879.27	2,106,062,301.22
Other comprehensive income, net of tax attributable to owners of the parent company	48	-3,820,756,001.81	2,003,714,061.21
(I) Other comprehensive income that cannot be reclassified into profit or loss later	49	29,400.00	215,600.00
1. Changes in remeasurement of defined benefit plans	50		
2. Other comprehensive income that cannot be transferred into profit or loss under equity method	51	29,400.00	215,600.00
☆3. Changes in fair value of other equity instruments	52		
☆4. Changes in the fair value of enterprise credit risk	53		
5. Others	54		
(II) Other comprehensive income to be reclassified into profit or loss later	55	-3,820,785,401.81	2,003,498,461.21
1. Other comprehensive income that can be transferred into profit or loss under equity method	56	-21,264.11	13,172.46
☆2. Changes in fair value of other claim instruments	57		
3. Gains and losses from changes in fair value of available-for-sale financial assets	58	-3,819,461,311.33	2,543,193,306.11
☆4. Amount of financial assets reclassified into other comprehensive income	59		
5. Profit or loss arising from reclassification of held-to-maturity investments as available-for-sale financial assets	60		
☆6. Provision for impairment of other claim investments	61		
7. Reserve for cash flow hedging (the effective portion of cash flow hedging gains and losses)	62		
8. Translation differences of financial statements denominated in foreign currency	63	-1,302,826.37	311,620.58
9. Others	64		-540,019,637.94
*Other comprehensive income, net of tax, attributable to minority shareholders	65	-32,764,877.46	102,348,240.01
VII. Total comprehensive income	66	1,348,486,035.57	10,137,607,074.33
Total comprehensive income attributable to owners of the parent company	67	304,960,705.09	8,461,194,602.64
*Total comprehensive income attributable to minority shareholders	68	1,043,525,330.48	1,676,412,471.69
VIII. Earnings per share:	69	--	--
Basic earnings per share	70		
Diluted earnings per share	71		
Supplementary information 1: (Filled in by financial enterprises supervised by the municipal state-owned assets supervision and administration commission based on the audited data)	72	--	--
Operating income	73		
Plus: ΔInterest income	74		
ΔPremiums earned	75		
ΔNet income from handling charges and commissions	76		

Item	Line	Year 2020	Year 2019
Less: ΔInterest expenditure	77		
Plus: Gains from changes in fair value ("-" for losses)	78		
ΔInvestment income ("-" for losses)	79		
Including: income from investment in associates and joint ventures	80		
ΔForeign exchange gains ("-" for losses)	81		
ΔOther business income	82		
Supplementary Information II:	83	--	--
Investment income related to the primary business	84		
Profits from primary business	85		

Remarks: Items marked with * in the statements are for consolidated financial statements purpose only; items marked with Δare for financial companies purpose only; and items marked with ☆are only used for enterprises adopting new revenue/standards for financial instruments.

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative: Chief Accountant: Chief Finance Officer: Completed by:

Shanghai Land (Group) Co., Ltd.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Line	Year 2020	Year 2019
I. Cash flows from operating activities:	1	--	--
Cash received from sale of goods and rendering of services	2	30,088,400,546.38	32,019,172,221.53
ΔNet increase in deposits from customers and due from banks and other financial institutions	3		
ΔNet increase in borrowings from central bank	4		
ΔNet increase in loans from other financial institutions	5		
ΔPremiums received from original insurance contracts	6		
ΔNet cash received from reinsurance business	7		
ΔNet increase in deposits and investments from policyholders	8		
ΔNet increase in disposal of financial assets measured at fair value through current profit or loss	9		
ΔCash received from interest, handling charges and commissions	10		
ΔNet increase in loans from banks and other financial institutions	11		
ΔNet capital increase in repurchase business	12		
ΔNet cash received from vicariously traded securities	13		
Refunds of taxes and surcharges	14	126,670,392.87	14,770,004.32
Cash from other operating activities	15	8,527,535,452.74	4,329,882,755.78
Sub-total of cash inflows from operating activities	16	38,742,606,391.99	36,363,824,981.63
Cash paid for goods purchased and services received	17	24,649,346,888.54	31,398,432,905.00
ΔNet increase in loans and advances to customers	18		
ΔNet increase in deposits in the central bank, other banks and financial institutions	19		
ΔCash paid for original insurance contract claims	20		
ΔNet increase in loans to banks and other financial institutions	21		
ΔCash paid for interests, handling charges and commissions	22		
ΔCash paid for policy dividends	23		
Cash paid to and on behalf of employees	24	2,588,810,868.58	2,779,100,404.16
Cash paid for taxes and surcharges	25	5,058,966,602.78	7,277,633,083.13
Cash paid for other operating activities	26	5,269,815,778.43	2,740,864,867.87
Sub-total of cash outflows from operating activities	27	37,566,940,138.33	44,196,031,260.16
Net cash flows from operating activities	28	1,175,666,253.66	-7,832,206,278.53
II. Cash flows from investing activities:	29	--	--
Cash received from disposal of investments	30	2,437,270,714.35	8,878,426,531.00
Cash received from investment income	31	2,427,838,988.71	1,790,450,282.37
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	32	139,257,688.77	144,841,556.20
Net cash received from disposal of subsidiaries	33		183,811,058.66

Item	Line	Year 2020	Year 2019
and other business units			
Cash received from other investing activities	34	5,165,898,771.40	1,557,874,696.45
Subtotal of cash inflows from investing activities	35	10,170,266,163.23	12,555,404,124.68
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	36	5,529,636,036.81	2,624,469,013.24
Cash paid for investments	37	8,977,438,645.09	14,992,065,659.24
ΔNet increase in pledge loans	38		
Net cash paid to acquire subsidiaries and other business units	39	4,600,000.00	
Cash paid for other investing activities	40	1,783,432,397.19	2,252,521,357.03
Sub-total of cash outflows from investing activities	41	16,295,107,079.09	19,869,056,029.51
Net cash flows from the investing activities	42	-6,124,840,915.86	-7,313,651,904.83
III. Cash flows from financing activities:	43	--	--
Cash received from investors	44	11,384,246,958.35	2,391,328,014.73
Including: cash received by subsidiaries from investments of minority shareholders	45	241,946,958.35	1,291,328,014.73
Cash received from borrowings	46	24,272,917,480.86	28,802,270,948.33
Cash received from other financing activities	47	5,390,118,131.65	288,523,542.62
Subtotal of cash inflows from financing activities	48	41,047,282,570.86	31,482,122,505.68
Cash paid for debt repayments	49	19,920,546,342.21	20,593,054,638.58
Cash paid for distribution of dividends and profits or payment of interests	50	5,512,839,741.93	5,328,837,769.26
Including: dividends and profit paid to minority shareholders by subsidiaries	51	573,313,944.66	634,939,115.98
Cash paid for other financing activities	52	282,377,620.51	900,732,696.21
Sub-total of cash outflows from financing activities	53	25,715,763,704.65	26,822,625,104.05
Net cash flows from financing activities	54	15,331,518,866.21	4,659,497,401.63
IV. Effect of fluctuation in exchange rate on cash and cash equivalents	55	-7,453,717.70	2,023,306.59
V. Net increase in cash and cash equivalents	56	10,374,890,486.31	-10,484,337,475.14
Plus: beginning balance of cash and cash equivalents	57	36,009,846,143.68	46,494,183,618.82
VI. Ending balance of cash and cash equivalents	58	46,384,736,629.99	36,009,846,143.68

Note: Items marked with Δ are only used for financial enterprises.

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative: Chief Accountant: Chief Finance Officer: Completed by:

Shanghai Land (Group) Co., Ltd.
Consolidated Statement of Changes in Owner's Equity
For the Year Ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

Line	Item	Equity attributable to owners of the parent company										Sub-total	Minority equity	Total owner's equity
		Paid-in capital (or share capital)	Preferred shares	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit			
		1	2	3	4	5	6	7	8	9	10	11	12	13
I	Balance as at December 31, 2019	30,000,000,000.00			19,379,715,017.38			7,868,119,290.53	9,916,426,632.41	669,655.16	30,477,768,124.56	90,155,185,514.26	15,569,917,434.35	105,725,105,048.61
II	Plus: changes in accounting policies													
III	Correction of accounting errors in prior periods													
IV	Others													
V	Balance as at January 1, 2020	30,000,000,000.00			19,379,715,017.38			7,868,119,290.53	9,916,426,632.41	669,655.16	30,477,768,124.56	90,155,185,514.26	15,569,917,434.35	105,725,105,048.61
VI	Changes in 2020 ("+" for increases)				8,444,701,960.14		-3,820,756,001.81	948,089.05	316,022,808.71		3,081,675,459.31	8,022,592,285.40	552,051,457.36	8,554,643,742.76
VII	Total comprehensive income						-3,820,756,001.81				4,125,716,706.90	304,960,705.09	1,043,525,330.48	1,348,486,035.57
VIII	(I) Capital contributed or reduced by owners				8,444,701,960.14							8,444,701,960.14	364,038,711.85	8,808,740,671.99
IX	1. Common stock contributed by owners													
X	2. Capital invested by holders of other equity instruments													
XI	3. Amounts of share-based payments recognized in owner's equity													
XII	4. Others				8,444,701,960.14							8,444,701,960.14	364,038,711.85	8,808,740,671.99
XIII	(II) Withdrawal and use of special reserves													
XIV	1. Withdrawal of special reserves													
XV	2. Use of special reserves													
XVI	(III) Profit distribution							948,089.05	316,022,808.71		-1,044,041,277.59	-727,070,399.83	-876,671,360.48	-1,603,741,740.31
XVII	1. Withdrawal of													

Item	Line	Equity attributable to owners of the parent company											*Minority equity	Total owner's equity	
		Paid-in capital (or share capital)	Other equity instruments Preferred shares	Perpetual bond	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit			Others
surplus reserve including statutory reserve funds	18									316,022,808.71	-316,022,808.71				
Discretionary reserve funds	19														
Reserve funds	20														
Enterprise expansion funds	21														
Profit capitalized on return of investments	22														
2.2. Withdrawal of general risk reserves	23														
3. Profit distributed to owners (or shareholders)	24														
4. Others	25							948,089.05			-727,654,845.00	-876,671,360.48	-1,604,326,205.48	584,465.17	
(V) Internal carry-forward of owner's equity	26														
1. Conversion of capital reserves into paid-in capital (or share capital)	27														
2. Conversion of surplus reserves into paid-in capital (or share capital)	28														
3. Surplus reserves offsetting losses	29														
4. Forwarding of retained gains from changes in reinsurance of defined benefit plans	30														
5. Transfer of other comprehensive income into retained earnings	31														
6. Others	32														
IV Balance as at December 31, 2020	33	30,000,000,000.00				27,824,416,977.52		4,047,365,288.72	10,864,515,682.73	735,692,463.87	33,565,758,658.30		58,184,006,104,051.6	114,294,384,307.31	

Remarks: Items marked with Δ are for financial companies purpose only; items marked with # are for foreign-funded companies purpose only; and items marked with \star are used for enterprises adopting new standards for financial instruments.

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Completed by:

(Amounts are expressed in RMB unless otherwise stated)

Statements Page 13

Item	Line	Year 2019													
		Equity attributable to owners of the parent company													
		Paid-in capital (or share capital)	Preferred shares	Other equity instruments	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Actuarial risk reserve	Undistributed profit	Others	Sub-total	*Minority equity	Total owner's equity
gains from changes in measurement of defined benefit plans															
4.5. Transfer of other comprehensive income into retained earnings	31														
6. Others	32														
IV. Balance as at December 31, 2019	33	30,000,000.00			19,579,715,017.38		7,868,119,250.53	9,516,426.63	2,419,669,655.16		30,477,768,124.56		90,155,188,314.26	15,569,917,434.35	105,725,105,948.61

Remarks: Items marked with Δ are for financial companies purpose only; items marked with # are for foreign-funded companies purpose only; and items marked with ☆ are used for enterprises adopting new standards for financial instruments.

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Completed by:

Shanghai Land (Group) Co., Ltd.

Balance Sheet

As at December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Line	Balance as at December 31, 2020	Balance as at January 1, 2020
Current assets:	1	--	--
Monetary funds	2	18,504,187,322.98	6,152,514,098.81
ΔBalances with clearing companies	3		
ΔLoans to banks and other financial institutions	4		
☆Financial assets held for trading	5		
Financial assets measured at fair value through current profit or loss	6		
Derivative financial assets	7		
Notes receivable	8		
Accounts receivable	9	127,267,768.72	3,895,002.60
☆Receivable financing	10		
Advances to suppliers	11	505,743,981.59	258,065,424.97
ΔPremiums receivable	12		
ΔReinsurance accounts receivable	13		
ΔReinsurance reserves receivable	14		
Other receivables	15	5,766,692,409.13	7,472,783,196.51
Including: Dividends receivable	16	62,268,284.50	149,948,589.65
ΔFinancial assets purchased under resale agreements	17		
Inventories	18	7,125,659,622.79	7,914,637,003.01
Including: raw materials	19		
Stock commodities (finished goods)	20	434,578,055.81	1,048,952,894.60
☆Contract assets	21		
Assets held for sale	22		
Non-current assets maturing within one year	23	1,714,140,000.00	898,000,000.00
Other current assets	24	42,463,528,327.08	33,714,095,808.67
Total current assets	25	76,207,219,432.29	56,413,990,534.57
Non-current assets:	26	--	--
ΔLoans and advances to customers	27		
☆Claim investments	28		
Available-for-sale financial assets	29	18,959,738,008.51	22,837,920,932.37
☆Other claim investment	30		
Held-to-maturity investments	31	140,000,000.00	90,000,000.00
Long-term receivables	32		
Long-term equity investments	33	59,591,321,485.64	50,116,535,128.75
☆Investment in other equity instruments	34		
☆Other non-current financial assets	35		
Investment properties	36	2,780,543,284.46	2,832,565,648.02
Fixed assets	37	3,081,126,461.63	2,518,362,624.38
Including: original value of fixed assets	38	3,905,967,104.30	3,253,278,653.38
Accumulated depreciation	39	828,850,527.30	738,925,913.63
Provision for fixed asset impairment	40		
Construction in progress	41	1,957,922,550.80	276,387,704.70
Productive biological assets	42		
Oil and gas assets	43		
☆Right-of-use asset	44		
Intangible assets	45	23,637,015.56	26,926,856.85

Item	Line	Balance as at December 31, 2020	Balance as at January 1, 2020
Development expenses	46		
Goodwill	47		
Long-term deferred expenses	48	45,304,549.30	66,840,028.96
Deferred tax assets	49	1,420,089,595.29	1,370,876,516.98
Other non-current assets	50	7,360,266,236.62	9,518,550,488.24
Including: special reserve materials	51		
Total non-current assets	52	95,359,949,187.81	89,654,965,929.25
Total assets	53	171,567,168,620.10	146,068,956,463.82

Remarks: Items marked with * in the statements are for consolidated financial statements purpose only; items marked with Δ are for financial companies purpose only; items marked with # are for foreign-funded companies purpose only; and items marked with ☆ are only used for enterprises adopting new revenue/standards for financial instruments.

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative: Chief Accountant: Chief Finance Officer: Completed by:

Shanghai Land (Group) Co., Ltd.

Balance Sheet (Continued)

As at December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Line	Balance as at December 31, 2020	Balance as at January 1, 2020
Current liabilities:	54	--	--
Short-term borrowings	55	1,630,000,000.00	2,480,000,000.00
ΔBorrowings from central bank	56		
ΔLoans from banks and other financial institutions	57		
☆Held-for-trading financial liabilities	58		
Financial liabilities measured at fair value through current profit or loss	59		
Derivative financial liabilities	60		
Notes payable	61		
Accounts payable	62	1,318,013,979.01	949,978,568.09
Advances from customers	63	736,094,391.31	709,151,596.27
☆Contract liabilities	64		
ΔFinancial assets sold under repurchase agreements	65		
ΔAbsorption of deposits and interbank deposit	66		
Receivings from vicariously traded securities	67		
ΔReceivings from vicariously sold securities	68		
Employee remuneration payable	69	14,329,616.25	14,171,557.89
Including: accrued payroll	70	12,000,000.00	11,000,000.00
Welfare payable	71		
Including: employee bonus and welfare fund	72		
Taxes and surcharges payable	73	5,637,434,621.37	5,470,831,856.59
Including: taxes payable	74	5,639,064,455.73	5,471,318,758.53
Other payables	75	2,573,723,936.72	2,255,224,705.56
Including: Dividends payable	76		
ΔHandling charges and commissions payable	77		
ΔReinsurance accounts payable	78		
Liabilities held for sale	79		
Non-current liabilities maturing within one year	80	13,425,400,000.00	7,674,200,000.00
Other current liabilities	81	11,131,209,000.00	5,854,450,000.00
Total current liabilities	82	36,466,205,544.66	25,408,008,284.40
Non-current liabilities:	83	--	--
ΔReserves for insurance contracts	84		
Long-term borrowings	85	10,724,700,000.00	9,951,800,000.00
Bonds payable	86	19,365,000,000.00	12,718,000,000.00
Including: preferred shares	87		
Perpetual bond	88		
☆Lease liabilities	89		
Long-term payables	90	4,360,813,236.19	3,742,201,450.07
Long-term salary payable	91		
Estimated liabilities	92	48,267,393.75	48,267,393.75
Deferred income	93	6,719,894,225.99	2,774,087,882.50
Deferred tax liabilities	94	1,993,258,325.64	2,462,004,682.45
Other non-current liabilities	95	2,140,000,000.00	7,250,000,000.00
Including: special reserve fund	96		
Total non-current liabilities	97	45,351,933,181.57	38,946,361,408.77
Total liabilities	98	81,818,138,726.23	64,354,369,693.17

Item	Line	Balance as at December 31, 2020	Balance as at January 1, 2020
Owner's equity (or shareholders' equity):	99	--	--
Paid-in capital (or share capital)	100	30,000,000,000.00	30,000,000,000.00
Among others, State-owned capital	101	30,000,000,000.00	30,000,000,000.00
State-owned corporate capital	102		
Collective capital	103		
Private capital	104		
Foreign capital	105		
#Less: investment returned	106		
Net paid-in capital (or share capital)	107	30,000,000,000.00	30,000,000,000.00
Other equity instruments	108		
Including: preferred shares	109		
Perpetual bond	110		
Capital reserves	111	30,664,309,161.18	21,621,843,195.29
Less: treasury stock	112		
Other comprehensive income	113	3,034,659,489.45	6,475,255,574.22
Including: foreign currency translation differences	114		
Special reserve	115		
Surplus reserves	116	2,735,692,463.87	2,419,669,655.16
Including: statutory reserve funds	117	2,735,692,463.87	2,419,669,655.16
Discretionary reserve funds	118		
#Reserve funds	119		
# Enterprise expansion funds	120		
# Profit capitalized on return of investments	121		
ΔGeneral risk reserve	122		
Undistributed profit	123	23,314,368,779.37	21,197,818,345.98
Total equity attributable to owners (shareholders) of the parent company	124		
*Minority equity	125		
Total owner's equity (or shareholders' equity)	126	89,749,029,893.87	81,714,586,770.65
Total liabilities and owner's (or shareholders') equity	127	171,567,168,620.10	146,068,956,463.82

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The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative: Chief Accountant: Chief Finance Officer: Completed by:

Shanghai Land (Group) Co., Ltd.

Income Statement

For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Line	Year 2020	Year 2019
I. Total operating income	1	4,324,142,707.54	4,597,492,116.21
Including: operating income	2	4,324,142,707.54	4,597,492,116.21
ΔInterest income	3		
ΔPremiums earned	4		
ΔIncome from handling charges and commissions	5		
II. Total operating costs	6	4,711,073,297.08	4,575,732,152.91
Including: operating costs	7	2,003,989,433.47	1,402,286,800.99
ΔInterest expenses	8		
ΔHandling charge and commission expenses	9		
ΔSurrender value	10		
ΔNet amount of compensation payout	11		
ΔNet insurance liability reserves withdrawn	12		
ΔPolicy dividend payment	13		
ΔReinsurance costs	14		
Taxes and surcharges	15	477,979,451.15	1,335,796,401.43
Selling expenses	16	105,278,692.07	163,121,782.20
General and administrative expenses	17	173,627,022.80	158,179,596.70
Research & development expenses	18		
Financial expenses	19	1,950,198,697.59	1,516,347,571.59
Including: interest expenses	20	2,527,465,169.85	2,130,888,981.76
Interest income	21	624,122,059.78	655,023,093.24
Net losses from foreign exchange ("-" for net gains)	22		
Others	23		
Plus: other income	24	60,847,144.35	29,111,310.21
Investment income ("-" for losses)	25	3,711,081,998.25	3,896,805,393.80
Including: income from investment in associates and joint ventures	26	-70,034,852.70	257,207,322.34
Income from derecognition of financial asset measured at amortized cost	27		
ΔForeign exchange gains ("-" for losses)	28		
☆Net open hedging profit or loss ("-" for losses)	29		
Gains from changes in fair value ("-" for losses)	30		
☆Credit depreciation loss ("-" for loss)	31		
Asset depreciation loss ("-" for loss)	32	154,649,768.88	87,608,025.55
Gains from disposal of assets ("-" for losses)	33	-526,259.45	676,913.42
III. Operating profit ("-" for loss)	34	3,539,122,062.49	4,035,961,606.28
Plus: non-operating income	35	15,023,580.65	1,517,743.58
Including: government subsidies	36		
Less: non-operating expenses	37	9,806,798.60	13,675,000.00
IV. Total profits ("-" for total losses)	38	3,544,338,844.54	4,023,804,349.86
Less: income tax expenses	39	384,110,757.44	827,107,798.29
V. Net profit ("-" for net loss)	40	3,160,228,087.10	3,196,696,551.57
(I) Classified by ownership	41	--	--
Net profit attributable to owners of the parent company	42		
*Minority interest income	43		
(II) Classified by operating sustainability	44	--	--
Net profit from continued operation	45	3,160,228,087.10	3,196,696,551.57
Net profit from discontinued operation	46		

Item	Line	Year 2020	Year 2019
VI. Other comprehensive income, net of tax	47	-3,440,596,084.77	2,248,267,336.98
Other comprehensive income, net of tax attributable to owners of the parent company	48		
(I) Other comprehensive income that cannot be reclassified into profit or loss	49		
1. Changes in remeasurement of defined benefit plans	50		
2. Other comprehensive income that cannot be transferred into profit or loss under equity method	51		
☆3. Changes in fair value of other equity instruments	52		
☆4. Changes in the fair value of enterprise credit risk	53		
5. Others	54		
(II) Other comprehensive income to be reclassified into profit or loss later	55	-3,440,596,084.77	2,248,267,336.98
1. Other comprehensive income that can be transferred into profit or loss under equity method	56	-21,264.11	13,172.46
☆2. Changes in fair value of other claim instruments	57		
3. Gains and losses from changes in fair value of available-for-sale financial assets	58	-3,440,574,820.66	2,248,254,164.52
☆4. Amount of financial assets reclassified into other comprehensive income	59		
5. Profit or loss arising from reclassification of held-to-maturity investments as available-for-sale financial assets	60		
☆6. Provision for impairment of other claim investments	61		
7. Reserve for cash flow hedging (the effective portion of cash flow hedging gains and losses)	62		
8. Translation differences of financial statements denominated in foreign currency	63		
9. Others	64		
*Other comprehensive income, net of tax, attributable to minority shareholders	65		
VII. Total comprehensive income	66	-280,367,997.67	5,444,963,888.55
Total comprehensive income attributable to owners of the parent company	67		
*Total comprehensive income attributable to minority shareholders	68		
VIII. Earnings per share:	69	--	--
Basic earnings per share	70		
Diluted earnings per share	71		
Supplementary information 1: (Filled in by financial enterprises supervised by the municipal state-owned assets supervision and administration commission based on the audited data)	72	--	--
Operating income	73		
Plus: ΔInterest income	74		
ΔPremiums earned	75		
ΔNet income from handling charges and commissions	76		
Less: ΔInterest expenditure	77		
Plus: Gains from changes in fair value ("-" for losses)	78		
ΔInvestment income ("-" for losses)	79		
Including: income from investment in associates and joint ventures	80		
ΔForeign exchange gains ("-" for losses)	81		

Item	Line	Year 2020	Year 2019
ΔOther business income	82		
Supplementary Information II:	83	--	--
Investment income related to the primary business	84		
Profits from primary business	85		

Remarks: Items marked with * in the statements are for consolidated financial statements purpose only; items marked with Δare for financial companies purpose only; and items marked with ☆are only used for enterprises adopting new revenue/standards for financial instruments.

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative: Chief Accountant: Chief Finance Officer: Completed by:

Shanghai Land (Group) Co., Ltd.
Statement of Cash Flows
For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Line	Year 2020	Year 2019
I. Cash flows from operating activities:	1	--	--
Cash received from sale of goods and rendering of services	2	4,271,878,406.58	5,169,482,912.62
ΔNet increase in deposits from customers and due from banks and other financial institutions	3		
ΔNet increase in borrowings from central bank	4		
ΔNet increase in loans from other financial institutions	5		
ΔPremiums received from original insurance contracts	6		
ΔNet cash received from reinsurance business	7		
ΔNet increase in deposits and investments from policyholders	8		
ΔNet increase in disposal of financial assets measured at fair value through current profit or loss	9		
ΔCash received from interest, handling charges and commissions	10		
ΔNet increase in loans from banks and other financial institutions	11		
ΔNet capital increase in repurchase business	12		
ΔNet cash received from vicariously traded securities	13		
Refunds of taxes and surcharges	14		
Cash from other operating activities	15	3,555,041,127.54	1,089,804,539.89
Sub-total of cash inflows from operating activities	16	7,826,919,534.12	6,259,287,452.51
Cash paid for goods purchased and services received	17	285,349,715.71	715,248,809.09
ΔNet increase in loans and advances to customers	18		
ΔNet increase in deposits in the central bank, other banks and financial institutions	19		
ΔCash paid for original insurance contract claims	20		
ΔNet increase in loans to banks and other financial institutions	21		
ΔCash paid for interests, handling charges and commissions	22		
ΔCash paid for policy dividends	23		
Cash paid to and on behalf of employees	24	75,300,039.33	61,700,928.79
Cash paid for taxes and surcharges	25	933,076,940.76	2,002,716,828.46
Cash paid for other operating activities	26	451,233,616.00	237,376,445.18
Sub-total of cash outflows from operating activities	27	1,744,960,311.80	3,017,043,011.52
Net cash flows from operating activities	28	6,081,959,222.32	3,242,244,440.99
II. Cash flows from investing activities:	29	--	--
Cash received from disposal of investments	30	268,138,355.32	3,981,010,894.44
Cash received from investment income	31	3,812,025,606.11	3,163,752,672.12
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	32	18,649.00	1,187,281,005.83
Net cash received from disposal of subsidiaries and other business units	33	48,176,915.84	211,760,270.26

Item	Line	Year 2020	Year 2019
Cash received from other investing activities	34	9,603,474,333.34	7,753,612,337.24
Subtotal of cash inflows from investing activities	35	13,731,833,859.61	16,297,417,179.89
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	36	2,453,123,302.32	173,717,099.44
Cash paid for investments	37	8,868,500,000.00	1,940,500,000.00
ΔNet increase in pledge loans	38		
Net cash paid to acquire subsidiaries and other business units	39	104,600,000.00	6,157,510,000.00
Cash paid for other investing activities	40	14,171,301,797.79	19,027,329,513.71
Sub-total of cash outflows from investing activities	41	25,597,525,100.11	27,299,056,613.15
Net cash flows from the investing activities	42	-11,865,691,240.50	-11,001,639,433.26
III. Cash flows from financing activities:	43	--	--
Cash received from investors	44	11,142,300,000.00	1,100,000,000.00
Including: cash received by subsidiaries from investments of minority shareholders	45		
Cash received from borrowings	46	15,086,000,000.00	10,435,000,000.00
Cash received from other financing activities	47	7,751,759,000.00	2,777,310,000.00
Subtotal of cash inflows from financing activities	48	33,980,059,000.00	14,312,310,000.00
Cash paid for debt repayments	49	11,508,900,000.00	7,282,500,000.00
Cash paid for distribution of dividends and profits or payment of interests	50	3,163,753,757.65	2,769,518,256.79
Including: dividends and profit paid to minority shareholders by subsidiaries	51		
Cash paid for other financing activities	52	1,172,000,000.00	1,531,591,038.39
Sub-total of cash outflows from financing activities	53	15,844,653,757.65	11,583,609,295.18
Net cash flows from financing activities	54	18,135,405,242.35	2,728,700,704.82
IV. Effect of fluctuation in exchange rate on cash and cash equivalents	55		
V. Net increase in cash and cash equivalents	56	12,351,673,224.17	-5,030,694,287.45
Plus: beginning balance of cash and cash equivalents	57	6,152,514,098.81	11,183,208,386.26
VI. Ending balance of cash and cash equivalents	58	18,504,187,322.98	6,152,514,098.81

Note: Items marked with Δ are only used for financial enterprises.

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative: Chief Accountant: Chief Finance Officer: Completed by:

Shanghai Land (Group) Co., Ltd.
Statement of Changes in Owner's Equity
For the Year Ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

Item	Line	Equity attributable to owners of the parent company														
		Year 2020														
		Paid-in capital (or share capital)	Other equity instruments		Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	A.General risk reserve	Undistributed profit	Others	Sub-total	*Minority equity	Total owner's equity	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Column																
I. Balance as at December 31, 2019		130,000,000.000.00				21,621,843.195.29		6,475,255.574.22	2,419,669,655.16		21,197,818,345.98	81,714,586,770.65		81,714,586,770.65		
Plus: changes in accounting policies	2															
Correction of accounting errors in prior periods	3															
Others	4															
II. Balance as at January 1, 2020		530,000,000.000.00				21,621,843.195.29		6,475,255.574.22	2,419,669,655.16		21,197,818,345.98	81,714,586,770.65		81,714,586,770.65		
III. Changes in 2020 ("+" for increases)	6					9,042,465,965.89		3,440,596,084.77	316,022,808.71		2,116,550,433.39	8,034,443,123.22		8,034,443,123.22		
(I) Total comprehensive income	7							-3,440,596,084.77			3,160,228,087.10	-280,367,997.67		-280,367,997.67		
(II) Capital contributed or reduced by owners	8					9,042,465,965.89						9,042,465,965.89		9,042,465,965.89		
1. Common stock contributed by owners	9					8,442,300,000.00						8,442,300,000.00		8,442,300,000.00		
2. Capital invested by holders of other equity instruments	10															
3. Amounts of share-based payments recognized in owner's equity	11															
4. Others	12													600,165,965.89	600,165,965.89	
(III) Withdrawal	13															

Item	Line	Year 2020												Total owner's equity	
		Equity attributable to owners of the parent company													
		paid-in capital (or share capital)	Other equity instruments	Capital reserve	Less treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	*Minority equity		
		Preferred share/perpetual bond	Others												
capital)															
3. Surplus reserves															
offsetting losses	29														
4. Forwarding of retained gains from changes in remeasurement of defined benefit plans	30														
A5. Transfer of other comprehensive income into retained earnings	31														
6. Others	32														
IV. Balance as at December 31, 2020		3330,000,000,000.00		30,664,309,161.18		3,034,659,489.45		2,735,692,463.87		23,314,368,779.37		89,749,029,893.87		89,749,029,893.87	

Remarks: Items marked with Δ are for financial companies purpose only; items marked with # are for foreign-funded companies purpose only; and items marked with ☆ are used for enterprises adopting new standards for financial instruments.

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Completed by:

Shanghai Land (Group) Co., Ltd.
Statement of Changes in Owner's Equity (Continued)
For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Line	Equity attributable to owners of the parent company												Total owner's equity	
		Year 2019													
		Paid-in capital (or share capital)	Other equity instruments		Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	ΔGeneral risk reserve	Undistributed profit	Others	Sub-total	*Minority equity		
Column	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
I. Balance as at December 31, 2018	1	4,200,000,000.00				47,891,531,317.01	4,226,988,237.24		2,100,000,000.00		19,186,160,821.46	77,604,680,375.71		77,604,680,375.71	
Plus: changes in accounting policies	2														
Correction of accounting errors in prior periods	3														
Others	4														
II. Balance as at January 1, 2019	5	4,200,000,000.00				47,891,531,317.01	4,226,988,237.24		2,100,000,000.00		19,186,160,821.46	77,604,680,375.71		77,604,680,375.71	
III. Changes in 2019 ("-" for decreases)	6	625,800,000,000.00				-26,269,688,121.72	2,248,267,336.98		319,669,655.16		2,011,657,524.52	4,109,906,394.94		4,109,906,394.94	
(I) Total comprehensive income	7						-2,248,267,336.98				3,196,695,551.57	5,444,963,888.55		5,444,963,888.55	
(II) Capital contributed or reduced by owners	8					-469,688,121.72					-229,019,956.89	-698,708,078.61		-698,708,078.61	
1. Common stock contributed by owners	9					1,182,084,217.49						1,182,084,217.49		1,182,084,217.49	
2. Capital invested by holders of other equity instruments	10														
3. Amounts of share-based payments recognized in owner's equity	11														
4. Others	12					-1,651,772,339.21					229,019,956.89	-1,880,792,296.10		-1,880,792,296.10	
(III) Withdrawal and use of special reserves	13														

Item	Line	Year 2019										
		Equity attributable to owners of the parent company										
		Paid-in capital (or share capital)	Other equity instruments	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub total
		Preferred shares	Perpetual bonds	Others								
1. Withdrawal of special reserves	14	—	—	—	—	—	—	—	—	—	—	—
2. Use of special reserves	15	—	—	—	—	—	—	—	—	—	—	—
(IV) Profit distribution	16	—	—	—	—	—	—	319,669,655.16	—	-956,019,070.16	—	-636,349,415.00
1. Withdrawal of surplus reserve	17	—	—	—	—	—	—	319,669,655.16	—	-319,669,655.16	—	—
Including:												
statutory reserve funds	18	—	—	—	—	—	—	319,669,655.16	—	-319,669,655.16	—	—
Discretionary reserve funds	19	—	—	—	—	—	—	—	—	—	—	—
#Reserve funds	20	—	—	—	—	—	—	—	—	—	—	—
#Enterprise expansion funds	21	—	—	—	—	—	—	—	—	—	—	—
#Profit capitalized on return of investments	22	—	—	—	—	—	—	—	—	—	—	—
Δ2. Withdrawal of general risk reserves	23	—	—	—	—	—	—	—	—	—	—	—
3. Profit distributed to owners (or shareholders)	24	—	—	—	—	—	—	—	—	—	—	—
4. Others	25	—	—	—	—	—	—	—	—	-636,349,415.00	—	-636,349,415.00
(V) Internal carry-forward of owner's equity	26	25,800,000,000.00	—	—	—	—	—	—	—	—	—	—
1. Conversion of capital reserves into paid-in capital (or share capital)	27	25,800,000,000.00	—	—	—	—	—	—	—	—	—	—
2. Conversion of surplus reserves into paid-in capital (or share capital)	28	—	—	—	—	—	—	—	—	—	—	—
3. Surplus reserves offsetting losses	29	—	—	—	—	—	—	—	—	—	—	—
4. Forwarding of	30	—	—	—	—	—	—	—	—	—	—	—

Item	Line	Year 2019														
		Equity attributable to owners of the parent company														
		Paid-in capital (or share capital)		Other equity instruments		Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Δ General risk reserve	Undistributed profit	Others	Sub-total	Minority equity	Total owner's equity
		Preferred shares	Perpetual bond	Others												
retained gains from changes in remeasurement of defined benefit plans																
☆ 5. Transfer of other comprehensive income into retained earnings	31															
6. Others	32															
IV. Balance as at December 31, 2019	33	30,000,000,000.00				21,621,843,195.29		6,475,255,574.22		2,419,669,655.16		21,197,818,345.98		81,714,586,770.65		81,714,586,770.65

Remarks: Items marked with Δ are for financial companies purpose only; items marked with ☆ are for foreign-funded companies purpose only; and items marked with ☆ are used for enterprises adopting new standards for financial instruments.

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Completed by:

Shanghai Land (Group) Co., Ltd.

Notes to the Financial Statements

For the Year Ended December 31, 2020

(Amounts herein are expressed in RMB unless otherwise stated)

1. Company profile

1.1 History, domicile, organization form and headquarters address of the Company

Shanghai Land (Group) Co., Ltd. (hereinafter referred to as "the Company") is a limited company, which was invested jointly by Shanghai Municipal State-owned Assets Administration Commission, Shanghai State-owned Assets Operation Co., Ltd. and Shanghai Dasheng Assets Co., Ltd. and established on November 15, 2002. In 2009, according to the relevant spirit of the minutes of the special meeting (2009-49) of the municipal government on the Regulation of the Management System for Reservation of Lands at the Municipal Level in Shanghai, the Company was changed to a wholly state-owned company funded by Shanghai Municipal State-owned Assets Supervision and Administration Commission.

The Company's unified social credit code is 91310000744914438T. The registered address is located at Floor 18, No. 500, Pudong South Road, China (Shanghai) Pilot Free Trade Zone, and the office address is located at No. 928 Xueye Road, with the legal representative of Feng Jingming, and the registered capital of RMB 30 billion.

1.2 Nature of business and major operating activities of the Company

Preliminary development of land reserves, construction and management of tidal flats for land reclamation, construction and investment of municipal infrastructure, regional development, reconstruction of old districts, investment and construction of Indemnificatory housing, development and operation of real estate, industrial investment, and property management (For those items subject to the approval according to law, they may not be carried out without the approval of the relevant authorities).

1.3 Names of the parent company and the group headquarters

The Company's shareholder is Shanghai Municipal State-owned Assets Supervision and Administration Commission.

1.4 Approver of the financial report and time of approval of the financial report

The Company's financial report was approved for disclosure at the Company's enlarged meeting of the party committee on April 26, 2021.

1.5 Business term

The Company has no limited business term.

2. Basis for preparation of financial statements

The Company's financial statements are prepared on a going concern basis.

Based on actually occurred transactions and events, the Company recognizes and measures its accounts in accordance with the Accounting Standards for Business Enterprises –Basic Standards issued by the Ministry of Finance as well as the subsequently issued specific accounting standards, Accounting Standards for Business Enterprises –Application Guidelines, and the Accounting Standards for Business Enterprises –Interpretations and other relevant provisions (collectively known as "Accounting Standards for Business Enterprises"), and prepares its financial statements on this basis.

3. Statement on compliance with Accounting Standards for Business Enterprises

The financial statements meet the requirements of the Accounting Standards for Business Enterprises and the relevant financial and accounting systems and truly and completely reflect the Company's financial position as at December 31, 2020 and operating results, cash flows and other related information for the year then ended.

4. Principal accounting policies and accounting estimates

4.1 Accounting period

The Company's accounting period is divided into accounting year and interim accounting period. The accounting year is from January 1 to December 31 in every calendar year, and the interim accounting period is the reporting period shorter than a whole accounting year.

4.2 Functional currency

The functional currency of the Company is RMB.

4.3 Accounting basis and measurement principle

The Company's accounts are prepared on an accrual basis and measured by following the historical cost convention unless otherwise stated.

4.4 Business combination

Business combinations are classified into business combination under common control and business combination not under common control.

4.4.1 Business combination under common control

Assets and liabilities acquired from business combination are measured at book value of the acquiree on the combination date. Where the accounting policies adopted by the combinee are different from those of the Company, the Company will make adjustment at the combination date in accordance with the Company's accounting policies and make measurement at the adjusted book value on this basis.

Capital stock premium in the capital reserves should be adjusted according to the difference between the book value of net asset acquired from the combination and that of consideration (total face value of the shares issued) paid for the combination. In case the capital stock premium is not enough, the retained earnings need to be adjusted.

The directly related costs of the Company for the business combination, including the audit fees, valuation fees, legal service fees, and other fees paid for the business combination will be included into current profit or loss upon occurrence.

The handling charges, commissions and other expenses for the issuance of equity securities for the business combination shall be deducted from premium income of the equity securities; if there is no sufficient premium income for write-downs, the retained earnings shall be deducted.

With regard to the consolidated balance sheet, consolidated income statement and consolidated statement of cash flows prepared for the consolidation date by the Company, the consolidated income statement shall include the income, expenses and profit incurred to the parties to the combination from the beginning of the current period to the consolidation date. The consolidated statement of cash flows shall include the cash flows of parties to the combination from the beginning of the combination to the combination date.

4.4.2 Business combination not under the same control

The assets and liabilities incurred or undertaken by the Company on the acquisition date as the consideration of a business combination will be measured at the fair value. The difference between the fair value and their book value will be included into current profit or loss.

The Company will distribute the combination cost on the acquisition date and confirm the fair value of identifiable assets, liabilities or contingent liabilities acquired from the acquiree.

The Company shall recognize the difference of the combination costs in excess of the fair value of the net identifiable assets acquired from the acquiree as goodwill. The Company shall recognize the difference of the combination costs in short of the fair value of the net identifiable assets acquired from the acquiree in current profit or loss after review.

For other assets (not limited to the assets originally recognized by the acquiree) other than intangible assets acquired by the acquiree in business combinations, where their economic benefits possibly flow into the Company and their fair value can be reliably measured, such assets should be separately recognized and measured at fair value; intangible assets of which fair values can be reliably measured, they should be separately recognized and measured at fair value; for other liabilities other than contingent liabilities acquired by the acquiree, where the performance of the relevant obligations probably results in outflows of economic benefits and their fair value can be reliably measured, such liabilities should be separately recognized and measured at fair value; for contingent liabilities acquired by the acquiree, where their fair value can be reliably measured, such liabilities should be separately recognized and measured at fair value.

For the acquiree's deductible temporary differences obtained by the Company in a business combination, if they do not meet the recognition criteria of the deferred tax assets, they are not recognized. If new or further information indicates that the related situation on the acquisition date already exists, and the economic benefits brought by the deductible temporary differences from the acquiree will be realized within 12 months from the acquisition date, the Company shall recognize the related deferred tax assets, while reducing goodwill. If the goodwill is insufficient to be offset, the difference is recognized in current profit or loss; except the above situations, the deferred tax assets arising from business combination shall be recognized in current profit or loss.

Under business combination not under the common control, the auditing, legal services, consulting and other intermediary fees and other related administrative expenses caused to the acquirer for business combination will be included into current profit or loss upon occurrence; the transaction costs of purchaser for the issuance of equity securities or debt securities shall be included into the initial recognition amount of equity securities or debt securities.

Upon preparation of the consolidated balance sheet on the acquisition date, the Company state at fair value the identifiable assets, liabilities and contingent liabilities acquired from the acquiree.

4.4.3 Recognition method of acquisition date or selling date

For the increase or decrease of subsidiaries due to purchase and sales not under common control, the basic principle to determine the acquisition date or disposal date is to judge the timing of control transfer. It is specified as follows:

Determination method of the acquisition date: When the following conditions are met at the same time, it can be judged that the transfer of control has been achieved:

- 1) Enterprise purchase contract or agreement has been approved by a general meeting and other internal authority for examination and approval;
- 2) In accordance with the provisions, acquisition matters shall be approved by the relevant national competent departments;
- 3) The necessary property rights transfer formalities have been handled;

- 4) The acquirer has paid most (generally over 50%) of the purchase price and has the ability to repay the remaining payment in a planned way;
- 5) The acquirer actually has taken control of the acquiree's financial and operating policies and enjoys the corresponding benefits and bears the corresponding risks.

Determination method of the disposal date: generally take the time-point of losing the right of control as the time-point of the disposal date after the judgment about the completion of the transaction.

4.4.4 Recognition method of the fair value on the combination date

Where there is an active market, fair value is to be recognized at the quoted price in the active market; where there is no active market, the fair value is to be recognized at reasonable valuation techniques, such as reference to the price to be used in the transactions between knowledgeable and willing parties in recent market transactions, or the current fair value of other substantially identical assets or liabilities, or determined by using discounted cash flow and options pricing model.

4.5 Joint venture arrangements

Joint venture arrangements are classified into joint operation and joint venture. Joint operation refers to those joint venture arrangements, relevant assets and liabilities of which are enjoyed and assumed by the joint ventures, when the Company is part of it.

The Company recognizes the following items related to interest shares in the joint operation, and carries out the accounting treatment according to relevant Accounting Standards for Business Enterprises:

- (1) Assets it solely holds and its share of jointly-held assets based on its percentage;
- (2) Liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;
- (3) Incomes from sale of output enjoyed by it from the joint operation;
- (4) Income from selling the production of the joint operation recognized based on the shares held by the Company; and
- (5) Separate costs and costs for the joint operation based on the shares held by the Company.

4.6 Methods for the preparation of the consolidated financial statements

4.6.1 Consolidation scope

The consolidation scope of the Company's consolidated financial statements is recognized based on the control. All subsidiaries (including the independent subject that is under control of the Company) are included in the consolidated financial statements.

Control means the Company has the power over the investee and enjoys the variable return through participating in activities related to the investee, and has the ability to affect the Company's return by using the power over the investee. Related activities mean the activities generating significant impact on the return of the investee and judged in accordance with the specific circumstances, usually including the sales and purchase of goods or services, management of financial assets, purchase and disposal of assets, research and development activities and financing activities. The Company judges whether it controls the investee based on considering all relevant facts and circumstances. Once the change in relevant facts and circumstances leads to a change in relevant elements involved in the control, the Company shall conduct reassessment.

4.6.2 Consolidation procedure

The Company prepares the consolidated financial statements based on its own financial statements and those of its subsidiaries, and other relevant information. In preparing the consolidated financial statements, the Company deems the whole enterprise group as a single accounting entity to reflect the overall financial position, operating results and cash flows in accordance with relevant recognition, measurement and presentation requirements of the Accounting Standards for Business Enterprises and the uniform accounting policies.

The accounting policies and accounting period adopted by subsidiaries included in the consolidation scope of the consolidated financial statements shall be the same as those of the Company; if inconsistent, necessary adjustments shall be made according to the Company's accounting policies and accounting period in the preparation of the consolidated financial statements. For subsidiaries acquired from business combination not under common control, adjustments will be made to their financial statements based on the fair value of the identifiable net assets on the acquisition date. For subsidiaries acquired through business combination under common control, adjustments will be made to their financial statements based on the book value of their assets and liabilities (including the goodwill formed from the ultimate controller's acquisition of the subsidiaries) in the financial statements of the ultimate controller.

The share of owner's equity, current net profit or loss, and current comprehensive income of subsidiaries attributable to minority owners shall be respectively and separately listed in the owner's equity of the consolidated balance sheet, the net profit and the total comprehensive income item of the consolidated income statement. If the share of the current losses attributable to the minority shareholders of a subsidiary exceeds the share of the owner's equity attributable to minority shareholders of the subsidiary at the beginning of the period, the balance is allocated against the minority equity.

(1) Increase of subsidiaries or business

During the reporting period, if the Company acquired subsidiaries or business from the business combination under common control, the beginning balance in the consolidated balance sheet shall be adjusted. The incomes, expenses and profits of the newly acquired subsidiaries or business from the beginning to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries or business from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flows. Relevant items in the comparative financial statements of the subsidiaries shall be adjusted accordingly, as if the reporting entity after the business combination exists at the time when the ultimate controller has the control power.

Where control can be exercised on the investee under the common control for additional investment or other reasons, adjustment will be made as if all parties involved in the combination exist at the beginning of the control by the ultimate controller. Equity investments held before the control over the combinee is obtained, the related gains and losses, other comprehensive income as well as other changes in net assets recognized from the later of the date when the original equity is obtained or the date when the acquirer and the acquiree are under the same control, to the combination date will respectively write down the retained earnings or current profit or loss in the comparative statements.

During the reporting period, if the Group acquired subsidiaries or business from the business combination not under common control, the beginning balance in the consolidated balance sheet will not be adjusted. The incomes, expenses and profits of the newly acquired subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

If there is control over the investee not under the common control due to additional investments or other reasons, for the equity of the acquiree held before the acquisition date, the Company will re-measure the equity on the acquisition date at its fair value and include the difference between the fair value and book value in current investment income. In the event that the equity of the acquiree held prior to the acquisition date involves other comprehensive income under the equity method and other changes in owner's equity than net profit or loss, other comprehensive income and profit distribution, other comprehensive income and other changes in the owner's equity associated therewith are transferred to investment income of the period to which the acquisition date belongs, except for other comprehensive income arising from changes in net liabilities or net assets due to the investee's re-measurement of defined benefits plan.

(2) Disposal of subsidiaries or business

① General method of disposal

During the reporting period, if the Company disposes subsidiaries or business, the incomes, expenses and profits from the subsidiaries or business from the beginning of the year to the disposal date shall be included in the consolidated income statement; cash flows of the subsidiaries and business from the beginning of the year to the disposal date shall be included in the consolidated statement of cash flows.

For the remaining equity investments after the disposal, the Company will re-measure the same at the fair value on the date when it loses control over the investee due to disposal of partial equity investment or other reasons. The sum of the consideration of equity disposal and the fair value of the remaining equity, less the sum of the share of net assets of the subsidiary attributable to the Company calculated continuously since the acquisition date or the combination date according to the original shareholding ratio and the goodwill, shall be included in the investment income for the current period when the control is lost. Other comprehensive income related to the equity investment of original subsidiaries or other changes in owner's equity than net gains and losses, other comprehensive income and profit distribution will be transferred to investment income for the current period upon the loss of control power, except for other comprehensive income arising from changes in net liabilities or assets due to the investee's re-measurement of defined benefits plan.

- ② Disposal of subsidiaries by stages
- Where the Company disposes the equity investments in subsidiary through multiple transactions and by stages until it loses the control, if the effect of the disposal on the terms and conditions of all transactions of equity investments in subsidiary and economic effect meet one or more of the following circumstance, it usually indicates that the multiple transactions should be accounted for as a package deal:
- i. The transactions are concluded at the same time or under the consideration of mutual effect;
 - ii. The transactions as a whole can reach a complete business result;
 - iii. The occurrence of a transaction depends on that of at least one other transactions; and/or
 - iv. A single transaction is uneconomical but it is economical when considered together with other transactions.

If the aforementioned multiple transactions for the disposal of equity investment in subsidiaries that leads to the loss of control are under a package of transactions, the Company treats all such transactions as one transaction through which the Company disposes of its equity in the subsidiary and loses its control over such subsidiary; nonetheless, the difference between the proceeds from each transaction before the Company loses its control over the subsidiary and the corresponding share in the net assets of the subsidiary of the disposed-of investment shall be recognized as other comprehensive income in the consolidated financial statements, and shall be included into the loss and profit in the then current period when the Company loses its control over the subsidiary.

If the disposal of equity investment in subsidiaries and other transactions until the control loses are not package transactions, before the control loses, related policies governing the partial disposal of equity investments in subsidiaries without losing control will apply; when the control loses, general accounting method for the disposal of subsidiaries will govern.

- (3) **Purchase of minority equity of subsidiary**
- The difference between long-term equity investments acquired by the Company through purchase of minority interest and the subsidiary's identifiable net assets attributable to the Company calculated continuously from the acquisition date (or the combination date) in accordance with the increased shareholding ratio shall be charged against stock premium within capital reserves in the consolidated balance sheet; when stock premium within capital reserves is insufficient to offset, the retained earnings shall be adjusted.
- (4) **Partial disposal of long-term equity investments in subsidiaries without losing control**
- The equity premium of capital reserves in the consolidated balance sheet will be adjusted according to the difference between the disposal price obtained for partial disposal of long-term equity investments in subsidiaries in the case of not lose control and the share of net assets of subsidiaries calculated from the acquisition date or the combination date corresponding to the disposal of long-term equity investments; if the equity premium of capital reserves is insufficient, the retained earnings will be adjusted.

4.7 Recognition criteria of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term "cash" refers to the cash on hand and the unrestricted deposit of the Company. The short-term (maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value are recognized as cash equivalents.

4.8 Foreign currency transactions and translation of foreign currency financial statements

4.8.1 Foreign currency transactions

Foreign currency transactions of the Company are converted into the amount in functional currency at the spot exchange rate on the day when the transactions occur.

At the end of the period, foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The exchange difference arising from different exchange rates (the spot exchange rate on the balance sheet date and that upon initial recognition or the preceding balance sheet date) shall be included in current profit or loss; foreign currency non-monetary items measured at historical cost will still be converted at the spot exchange rates on the date when the transactions occur; foreign currency non-monetary items measured at fair value shall be converted at the spot exchange rates on the date when the fair value is determined. The exchange difference between the amount in functional currency and that in original functional currency shall be included in current profit or loss.

4.8.2 Conversion of foreign currency financial statements

At the end of the period, when the Company translates the financial statements of its overseas subsidiaries, the assets and liabilities in the balance sheets shall be translated at the spot exchange rates on balance sheet date. Shareholders' equity items, except for the item of "retained earnings", are translated at the spot exchange rates on the dates when the transactions occur.

The income and expenses in the income statement are translated at the spot exchange rate prevailing on the date when transactions occur.

All items in the income statement shall be converted at the spot exchange rates on the date of occurrence of cash flows. Effect of fluctuation in foreign exchange rate on cash as an adjusted item should be separately presented under the "effect of fluctuation in foreign exchange rate on cash and cash equivalents" in the statement of cash flows.

Differences arising from such translation of financial statements are separately disclosed as "other comprehensive income" under shareholders' equity in the balance sheet.

4.9 Financial instruments

Except for China Enterprise Company Limited and Shanghai Yaohua Pilkington Glass Group Co., Ltd., both the Company and its subsidiaries adopt the following standards for financial instruments.

Financial instruments of the Company include financial assets, financial liabilities and equity instruments.

4.9.1 Classification

For the purpose of acquiring held financial assets and bearing financial liabilities, the management of the Company classified the financial instruments into: financial assets or financial liabilities measured at fair value through current profit or loss; held-to-maturity investments; accounts receivable; available-for-sale financial assets; and other financial liabilities, etc.

4.9.2 Recognition basis and measurement method

The financial assets or financial liabilities initially recognized by the Company shall be measured at their fair values.

(1) Financial assets (financial liabilities) measured at fair value through current profit or loss

The financial assets or financial liabilities can be designated as those measured at fair value through current profit or loss upon initial recognition if any of the following conditions is met:

- 1) Such designation can eliminate or obviously reduce the inconsistencies in recognition and measurement of relevant profit or loss caused by different measurement bases of the financial asset or financial liability;
- 2) The official written documents on risk management or investment strategies of the enterprise concerned have recorded that the combination of said financial assets, the combination of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key officer.
- 3) The financial asset or financial liability contains embedded derivative needed to be separated.

According to the above conditions, this kind of financial assets or financial liabilities designated by the Company mainly include:

Financial assets (financial liabilities) measured at fair value through current profit or loss are initially recognized at the fair value upon acquisition (deducting cash dividends that have been declared but not distributed or bond interest that has matured but not been drawn) and the related transaction costs are included in current profit or loss.

The interest or cash dividends to be received during the holding period is or are recognized as investment income. Change in fair values is included in current profit or loss at the end of the period.

Difference between the fair value and initial book-entry value is recognized as investment income upon disposal; meanwhile, variable profit or loss of fair value is adjusted.

(2) Held-to-maturity investments

The term "held-to-maturity investment" refers to the non-derivative financial assets with a fixed date of maturity, a fixed or determinable amount of recoverable price and which the Company holds for a definite purpose or the Company is able to hold until its maturity. Such financial assets shall be subsequently measured at amortized cost by using the effective interest method. Its derecognition, gains or losses on impairment or amortization are included in current profit or loss.

Held-to-maturity investments are initially recorded at the sum of fair values (less the bond interest that has matured but not been drawn) and relevant transaction expenses when acquired. During the holding period, the interest income is calculated and recognized according to the amortized costs and effective interest rate, and included in the investment income. Effective rates are determined upon acquisition and remain unchanged within the expected duration or applicable shorter period. Upon disposal, the difference between the purchase price obtained and the book value of the investment is included in investment income.

(3) Accounts receivable

For creditor's rights receivable arising from external sales of goods or rendering of service by the Company and the creditor's rights of other enterprises (excluding liability instruments quoted in an active market) held by the Company, including accounts receivable and other receivables, the initial recognition amount shall be the contract price or agreement price receivable from purchasing party. Receivables with financing nature are initially recognized at their present values.

They will be subsequently measured at the amortized cost under the effective interest method.

The difference between the amount received and the book value of the receivable is included in current profit or loss upon recovery or disposal.

(4) Available-for-sale financial assets

Available-for-sale financial assets are initially recorded at the sum of fair values (deducting cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn) and related transaction costs when acquired.

The interest or cash dividends to be received during the holding period is or are recognized as investment income. The interest or cash dividends should be measured at fair value and their changes in fair value should be included in other comprehensive income. However, for an equity instrument investment that has no quoted price in an active market and whose fair value cannot be reliably measured, and for derivative financial asset linked to the said equity instrument and settled by delivery of the same equity instrument, they are measured at cost.

Difference between the proceeds and the book value of the financial assets is recognized as investment profit or loss upon disposal; meanwhile, amount of disposal corresponding to the accumulated change in fair value which is originally and directly included in other comprehensive income shall be transferred out and recognized as investment gains or losses.

(5) Other financial liabilities

They are initially recognized at the sum of the fair value and the associated transaction costs. Others are subsequently measured at amortized cost.

4.9.3 Recognition basis and measurement method of transfer of financial assets

When transfer of financial assets occurs, if nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee, the Company derecognizes the financial assets; if nearly all of the risks and rewards related to the ownership of the financial assets are retained, the Company shall not derecognize the financial assets.

The principle of substance over form is adopted to determine whether a financial asset meets the above de-recognition conditions for the financial asset. The transfer of a financial asset of the Company is classified into the entire transfer and the partial transfer of financial asset. If the entire transfer of financial asset satisfies the criteria for de-recognition, the difference between the amounts of the following two items shall be included in current profit or loss:

- (1) The book value of the financial asset transferred;

- (2) The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owner's equity (the situation where the financial asset transferred is an available-for-sale financial asset is involved).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire book value of the transferred financial asset shall be split into the derecognized and recognized parts according to their respective fair values and the difference between the amounts of the following two items shall be included in current profit or loss:

- (1) The book value of derecognized part;
- (2) The sum of the consideration for the derecognized part and the portion of de-recognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owner's equity (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

Where the financial assets transfer does not meet the derecognition conditions, the financial asset will be recognized and the consideration received is recognized as a financial liability.

4.9.4 De-recognition criteria of financial liabilities

A financial liability shall be wholly or partly derecognized if its present obligations are wholly or partly dissolved. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and recognize a new one at the same time.

Where substantive changes are made to the contractual terms of an existing financial liability in whole or in part, the existing financial liability or part thereof will be derecognized, and the financial liability the terms of which have been modified will be recognized as a new financial liability.

Where financial liabilities are de-recognized in whole or in part, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets transferred out or new financial liabilities borne) shall be included in current profit or loss.

Where the Company repurchases part of a financial liability, the entire book value of the financial liability shall be split into the derecognized part and continuously-recognized part according to their respective relatively fair values on the repurchase date. The difference between the book value of the derecognized part and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in current profit or loss.

4.9.5 Determination method for the fair value of financial assets and financial liabilities

For financial assets and financial liabilities measured at fair value by the Company, their fair values are determined with direct reference to the quoted prices in the active market.

4.9.6 Impairment provision method and principle of write-off of financial assets (excluding receivables)

Except for the financial assets measured at fair values through current profit or loss, the Company will check the book value of financial assets on the balance sheet date. If there is objective evidence indicating that a financial asset is impaired, provision for impairment will be made.

(1) Impairment provision for available-for-sale financial assets

If the fair value of available-for-sale financial assets has significantly declined at the end of the year, or it is expected that the trend of decrease in value is non-temporary after considering of various relevant factors, the impairment shall be recognized, and accumulated losses from decreases in fair value originally and directly included in other comprehensive income shall be all transferred out and recognized as impairment loss.

For available-for-sale debt instruments whose impairment losses have been recognized, if their fair values rise in the subsequent accounting period and such rise is objectively related to the matters occurring after the recognition of impairment loss, the previously recognized impairment loss may be reversed and included in current profit or loss.

Impairment losses on available-for-sale equity instruments shall not be reversed through profit or loss.

The Company's recognition criteria for impairment of available-for-sale debt instruments investment:

(2) Provision for impairment on held-to-maturity investments

Measurement of provision for impairment losses on held-to-maturity investments is treated in accordance with the measurement method of impairment loss on accounts receivable.

When there is no reasonable expectation that the Company will be able to recover the financial assets, it should directly write off the provision for impairment and write down the book value of the financial assets. Based on the actual situation, the Company will write off the whole or the part of the financial assets.

4.9.7 Accounting method of entrusted loan

The loan amount of the enterprise to the entrusted financial institution shall be recorded according to the actual amount of the loan entrusted. At the end of the year, the interest receivable is accrued at the interest rate stipulated in the entrusted loan contract. If the accrued interest cannot be recovered when it expires, the withdrawal of interest shall be suspended and the accrued interest shall be offset.

At the end of the year, for the difference between the recoverable amount of the entrusted loan and the loan principal, provision for impairment of the entrusted loan is made.

4.10 Financial instruments

Since January 1, 2019, the subsidiaries, China Enterprise Company Limited and Shanghai Yaohua Pilkington Glass Group Co., Ltd. have adopted the following new standards for financial instruments.

4.10.1 Classification

Based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies upon initial recognition financial assets into financial assets measured at amortized cost, financial assets (debt instruments) measured at fair value through other comprehensive income, and financial assets measured at fair value through current profit or loss.

Where the business model of the Company managing the financial assets is to collect the contractual cash flows and the cash flow is only for the payment of the principal and the interest on the outstanding principal, the Company classifies the financial assets into financial assets measured at amortized cost; where the business model applied is to collect the contractual cash flows and sell the financial assets and the cash flow is only for the payment of the principal and the interest on the outstanding principal, the Company classifies the financial assets into financial assets measured at fair value through other comprehensive income (debt instruments); other financial assets are classified as financial assets measured at fair value through current profit or loss.

For investments in equity instrument not held for trading, the Company will determine upon initial recognition whether to designate them as financial assets (equity instruments) measured at fair value through other comprehensive income. During initial recognition, in order to eliminate or significantly reduce accounting mismatches, financial assets can be designated as financial assets measured at fair value with changes recorded in current profit or loss.

Based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies upon initial recognition financial assets into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through current profit or loss.

4.10.2 Recognition basis and measurement method

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, and creditor's right investment, etc., which are initially measured at fair value, and related transaction expenses are included in the amount upon initial recognition; accounts receivable that do not contain a significant financing component and that the Company decides not to consider those with a financing component not exceeding one year are initially measured at the contract transaction price.

During the holding period, the interest calculated with the effective interest method shall be included in current profit or loss.

Upon recovery or disposal, the difference between the purchase price obtained and the book value of such financial asset is included in current profit or loss.

(2) **Financial assets (debt instruments) measured at fair value through other comprehensive income**

Financial assets (debt instruments) measured at fair value through other comprehensive income include financing of accounts receivable, other creditor's right investment, etc., which are initially measured at fair value, and related transaction expenses are included in the initial recognition amount. The financial assets are subsequently measured at fair value. Changes in fair value, except for interest calculated with the effective interest method, impairment losses or gains and exchange gains and losses, shall be included in other comprehensive income.

When a financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income and included in current profit or loss.

(3) **Financial assets (equity instruments) measured at fair value through other comprehensive income**

Financial assets (equity instruments) measured at fair value through other comprehensive income include other equity instrument investment, etc., which are initially measured at fair value, and related transaction expenses are included in the initial recognition amount. The financial assets are subsequently measured at fair value. Changes in fair value shall be included in other comprehensive income. The dividends obtained are included in current profit or loss.

When a financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income and included in retained earnings.

(4) **Financial assets measured at fair values through current profit or loss**

Financial liabilities measured at fair value through current profit or loss include financial liabilities held for trading, derivative financial liabilities and other non-current financial assets, and are measured at fair value upon initial recognition, with the related transaction expenses being included into current profit or loss. The financial assets are subsequently measured at fair value. Changes in fair value shall be included in current profit or loss.

(5) **Financial liabilities measured at fair value through current profit or loss**

Financial liabilities measured at fair value through current profit or loss include financial liabilities held for trading, derivative financial liabilities etc., which are initially measured at fair value, and related transaction expenses are included in current profit or loss. The financial liabilities are subsequently measured at fair value. Changes in fair value shall be included in current profit or loss.

Difference between the fair value and the consideration paid is included in investment income upon derecognition.

(6) **Financial liabilities measured at amortized cost**

Financial assets measured at amortized cost include short-term borrowings, notes receivable, accounts receivable, other receivables, long-term borrowings, bonds payable, long-term payables, etc., which are initially measured at fair value, and related transaction expenses are included in the amount upon initial recognition.

During the holding period, the interest calculated with the effective interest method shall be included in current profit or loss.

Difference between the consideration paid and the fair value of such financial liabilities is included in current profit or loss upon derecognition.

4.10.3 Derecognition and transfer of financial assets

When transfer of financial assets occurs, if nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee, the Company derecognizes the financial assets; if nearly all of the risks and rewards related to the ownership of the financial assets are retained, the Company shall not derecognize the financial assets.

The principle of substance over form is adopted to determine whether a financial asset meets the above de-recognition conditions for the financial asset.

The transfer of a financial asset of the Company is classified into the entire transfer and the partial transfer of financial asset. If the entire transfer of financial asset satisfies the criteria for de-recognition, the difference between the amounts of the following two items shall be included in current profit or loss:

- (1) The book value of the financial asset transferred;
- (2) The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owner's equity (where the financial asset transferred is a financial asset (debt instrument) measured at fair value through other comprehensive income is involved).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire book value of the transferred financial asset shall be split into the derecognized and recognized parts according to their respective fair values and the difference between the amounts of the following two items shall be included in current profit or loss:

- (1) The book value of derecognized part;
- (2) The sum of the consideration received from the derecognition and the amount of the derecognized part in the accumulated amount of the changes in fair value originally and directly included in owner's equity (where the financial asset transferred is a financial asset (debt instrument) measured at fair value through other comprehensive income is involved).

Where the financial assets transfer does not meet the derecognition conditions, the financial asset will be recognized and the consideration received is recognized as a financial liability.

4.10.4 Derecognition of financial liabilities

A financial liability shall be wholly or partly derecognized if its present obligations are wholly or partly dissolved. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and recognize a new one at the same time.

Where substantive changes are made to the contractual terms of an existing financial liability in whole or in part, the existing financial liability or part thereof will be derecognized, and the financial liability the terms of which have been modified will be recognized as a new financial liability.