

SHANGHAI LAND (GROUP) CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

14.3.2 Details of long-term equity investments

14.3.2.1 Investments in subsidiaries

| Investee | Accounting method | Investment cost | Balance as at January 1, 2019 | Additional investment | Negative investment | Balance as at December 31, 2019 | Shareholding ratio |
|---|-------------------|------------------|-------------------------------|-----------------------|---------------------|---------------------------------|--------------------|
| Investments in subsidiaries: | | | | | | | |
| China Enterprise Company Limited | Cost method | 4,988,690,448.20 | 4,988,690,448.20 | | | 4,988,690,448.20 | 68.44% |
| Shanghai Jinfeng Investment Co., Ltd. (Remark 2) | Cost method | 80,392,435.32 | 80,392,435.32 | | | 80,392,435.32 | 51.00% |
| Shanghai Xin'an Property Co., Ltd. | Cost method | 236,940,100.00 | 236,940,100.00 | | | 236,940,100.00 | 100.00% |
| Shanghai House Real Estate Sponson Co., Ltd. (Remark 6 & Remark 12) | Cost method | 1,241,284,470.56 | 1,196,967,029.68 | 44,317,440.88 | | 1,241,284,470.56 | 86.00% |
| Shanghai Mingxin Real Estate Co., Ltd. | Cost method | 49,283,899.30 | 49,283,899.30 | | | 49,283,899.30 | 100.00% |
| Shanghai Qicaihui Commercial Development Co., Ltd. | Cost method | 12,562,190.00 | 12,562,190.00 | | | 12,562,190.00 | 100.00% |
| Shanghai Binfen Commercial Development Co., Ltd. | Cost method | 67,886,606.72 | 67,886,606.72 | | | 67,886,606.72 | 100.00% |
| Shanghai Zhouxin Property Co., Ltd. | Cost method | 23,714,800.00 | 23,714,800.00 | | | 23,714,800.00 | 100.00% |
| Shanghai Zhizun Hengshan Hotel Investment Co., Ltd. | Cost method | 815,000,000.00 | 815,000,000.00 | | | 815,000,000.00 | 50.00% |
| Shanghai Real Estate Operation (Group) Co., Ltd. | Cost method | 237,386,290.42 | 237,386,290.42 | | | 237,386,290.42 | 100.00% |
| Shanghai Land Xinhong Property Co., Ltd. | Cost method | 30,000,000.00 | 30,000,000.00 | | | 30,000,000.00 | 100.00% |
| Shanghai Land Housing Security Co., Ltd. | Cost method | 1,605,330,273.56 | 1,605,330,273.56 | | | 1,605,330,273.56 | 100.00% |
| Shanghai Fengliju Real Estate Co., Ltd. | Cost method | 30,000,000.00 | 30,000,000.00 | | | 30,000,000.00 | 60.00% |
| Shanghai Beach Ecological Development Co., Ltd. | Cost method | 179,600,000.00 | 179,600,000.00 | | | 179,600,000.00 | 100.00% |
| Shanghai Land Minhong (Group) Co., Ltd. | Cost method | 2,484,355,064.48 | 2,484,347,353.97 | 7,730.51 | | 2,484,355,064.48 | 100.00% |
| Shanghai Land Sanlin Binjiang Ecological Construction Co., Ltd. | Cost method | 2,948,456,588.02 | 2,948,456,588.02 | | | 2,948,456,588.02 | 73.75% |
| Shanghai Land Asset Management Co., Ltd. | Cost method | 1,091,997,358.48 | 1,091,997,358.48 | | | 1,091,997,358.48 | 100.00% |
| Shanghai Land Pension | Cost method | 434,581,968.67 | 314,581,968.67 | 120,000,000.00 | | 434,581,968.67 | 80.00% |

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| Investee | Accounting method | Investment cost | Balance as at January 1, 2019 | Additional investment | Negative investment | Balance as at December 31, 2019 | Shareholding ratio |
|---|-------------------|------------------|-------------------------------|-----------------------|---------------------|---------------------------------|--------------------|
| Investment Co., Ltd. | method | | | | | | |
| Shanghai Land Investment Development Co., Ltd. | Cost method | 10,219,026.89 | 10,219,026.89 | | | 10,219,026.89 | 75.00% |
| Shanghai Land Construction Product R&D Co., Ltd. (Remark 1 & Remark 13) | Cost method | 800,000.00 | 800,000.00 | | | 800,000.00 | 40.00% |
| Shanghai Building Materials (Group) Co., Ltd. | Cost method | 2,847,217,924.82 | 2,797,717,924.82 | 49,500,000.00 | | 2,847,217,924.82 | 100.00% |
| Shanghai Land Longyang Construction and Development Co., Ltd. (Remark 14) | Cost method | 3,500,000.00 | 3,500,000.00 | | | 3,500,000.00 | 70.00% |
| Shanghai Shenjiang Liang'an Development & Construction Investment (Group) Co., Ltd. (Remarks 3 & 7) | Cost method | | 7,789,044,587.17 | | 7,789,044,587.17 | | |
| Shanghai Maici Real Estate Development Co., Ltd. | Cost method | 124,161,353.51 | 124,161,353.51 | | | 124,161,353.51 | 100.00% |
| Shanghai Land Nanzhan Co., Ltd. | Cost method | 284,297,652.00 | 284,297,652.00 | | | 284,297,652.00 | 95.00% |
| Shanghai Kangchang Business Service Co., Ltd. | Cost method | 1,000,000.00 | 1,000,000.00 | | | 1,000,000.00 | 100.00% |
| Shanghai Land Zhongxing Caolu Base Development Co., Ltd. | Cost method | 418,095,699.84 | 418,095,699.84 | | | 418,095,699.84 | 100.00% |
| Shanghai Zhongxing Chengbei Real Estate Co., Ltd. | Cost method | 24,354,634.54 | 24,354,634.54 | | | 24,354,634.54 | 100.00% |
| Shanghai Shengju Industrial Co., Ltd. | Cost method | 30,000,000.00 | 30,000,000.00 | | | 30,000,000.00 | 100.00% |
| Shanghai Ange Real Estate Development Co., Ltd. (Remark 8) | Cost method | | 26,000,000.00 | | 26,000,000.00 | | |
| Shanghai Rainbow Investment Corp | Cost method | 2,156,046,975.62 | 2,156,046,975.62 | | | 2,156,046,975.62 | 56.579% |
| Shanghai Housing and Land (Group) Co., Ltd. | Cost method | 72,933,492.48 | 72,933,492.48 | | | 72,933,492.48 | 100.00% |
| Shanghai Expo Culture Park Construction Management Co., Ltd. | Cost method | 10,000,000.00 | 10,000,000.00 | | | 10,000,000.00 | 100.00% |
| EXPO Shanghai (Group) | Cost method | 7,945,113,673.17 | 7,945,113,673.17 | | | 7,945,113,673.17 | 100.00% |

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| Investee | Accounting method | Investment cost | Balance as at January 1, 2019 | Additional investment | Negative investment | Balance as at December 31, 2019 | Shareholding ratio |
|--|-------------------|------------------|-------------------------------|-----------------------|---------------------|---------------------------------|--------------------|
| Co., Ltd. | method | | | | | | |
| Shanghai Huantong Construction and Development Co., Ltd. | Cost method | 223,665,609.62 | 223,665,609.62 | | | 223,665,609.62 | 50.00% |
| Shanghai Fupu Binjiang Development & Construction Investment Co., Ltd. (Remark 9) | Cost method | | 3,310,529.30 | | 3,310,529.30 | | |
| Shanghai Fuying Binjiang Development & Construction Investment Co., Ltd. (Remark 10) | Cost method | | 5,294,262.92 | | 5,294,262.92 | | |
| Shanghai Fuhong Binjiang Development & Construction Investment Co., Ltd. (Remark 4) | Cost method | | | | | | 100.00% |
| Shanghai Fuzhou Binjiang Development & Construction Investment Co., Ltd. (Remark 11) | Cost method | | | | | | |
| Shanghai Huangpu River Wharf Shoreline Construction Management Co., Ltd. | Cost method | 136,361,584.59 | 80,361,584.59 | 56,000,000.00 | | 136,361,584.59 | 100.00% |
| Shanghai Land Rental Housing Construction & Development Co., Ltd. | Cost method | 2,210,000,000.00 | 510,000,000.00 | 1,700,000,000.00 | | 2,210,000,000.00 | 100.00% |
| Shanghai Real Estate Auction House | Cost method | 17,556,176.84 | 17,556,176.84 | | | 17,556,176.84 | 100.00% |
| Shanghai Urban Renewal Construction Development Co., Ltd. | Cost method | 5,743,760,000.00 | | 5,743,760,000.00 | | 5,743,760,000.00 | 100.00% |
| Shanghai Land Hongqiao Construction Investment (Group) Co., Ltd. | Cost method | 400,000,000.00 | | 400,000,000.00 | | 400,000,000.00 | 100.00% |
| Shanghai Land Beihongqiao Enterprise Development Co., Ltd. | Cost method | 10,000,000.00 | | 10,000,000.00 | | 10,000,000.00 | 100.00% |
| Shanghai Real Estate Market Co., Ltd. (Remark 12) | Cost method | | | 24,428,145.55 | 24,428,145.55 | | |
| Shanghai Kaixin Real Estate Consulting Co., Ltd. | Cost method | 603,297.20 | | 603,297.20 | | 603,297.20 | 100.00% |

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| Investee | Accounting method | Investment cost | Balance as at January 1, 2019 | Additional investment | Negative investment | Balance as at December 31, 2019 | Shareholding ratio |
|---|-------------------|-------------------|-------------------------------|-----------------------|---------------------|---------------------------------|--------------------|
| (Remark 5) Shanghai Fujin Real Estate Development Co., Ltd. | Cost method | | | | | | |
| (Remark 7) Shanghai Fulu Real Estate Development Co., Ltd. | Cost method | 10,000,000.00 | | 10,000,000.00 | | 10,000,000.00 | 100.00% |
| (Remark 7) Shanghai Kaifeng Real Estate Development Co., Ltd. (Remark 1) | Cost method | 10,000,000.00 | | 10,000,000.00 | | 10,000,000.00 | 100.00% |
| Shanghai Yuanjing Real Estate (Group) Co., Ltd. (Remark 1) | Cost method | 224,371,686.20 | 224,371,686.20 | | | 224,371,686.20 | 10.00% |
| Total investments in subsidiaries | | 43,023,752.17 | 43,023,752.17 | | | 43,023,752.17 | 10.00% |
| | | 39,514,545,033.22 | 39,194,005,944.02 | 8,168,616,614.14 | 7,848,077,524.94 | 39,514,545,033.22 | 3,500,000.00 |

Remark 1: According to the *Accounting Standards for Business Enterprises No.2 - Long-term Equity Investments (Revised)*, the Company included the enterprises, where the Company's shareholding ratios are less than 50% and the Company has the final control via its subsidiaries (cross-shareholding), in subsidiaries with accounting by the cost method.

Remark 2: On December 28, 2016, Shanghai State-owned Assets Supervision and Administration Commission issued the official reply (HGZWCQ [2016] No. 416) to gratuitously transfer 49% of equity the Company held in Shanghai Jinfeng Investment Co., Ltd. to Shanghai Guosheng Group Co., Ltd., for which the industrial and commercial registration had not been gone through as at December 31, 2019.

Remark 3: In order to obtain borrowings from PingAn Trust, the Company pledged 100% of equity it held in its subsidiary Shanghai Shenjiang Liang'an Development&Construction Investment (Group) Co., Ltd., see Note 8.64.2 for details.

Remark 4: The net assets of investees with the accounting by the cost method are negative, and the book amount of the Company's long-term equity investments is zero.

Remark 5: On January 31, 2018, according to the document (HGZWPJ [2018] No. 57), Shanghai State-owned Assets Supervision and Administration Commission gratuitously transferred 100% of equity of Shanghai Kaixin Real Estate Consulting Co., Ltd. to the Company. Relevant formalities for industrial and commercial registration of changes were gone through on January 14, 2020.

Remark 6: On January 31, 2018, according to the document (HGZWPJ [2018] No. 57), Shanghai State-owned Assets Supervision and Administration Commission gratuitously transferred 2% of equity of Shanghai House Real Estate Sponson Co., Ltd. to the Company. Relevant formalities for industrial and commercial registration of changes were gone through on January 21, 2019.

Remark 7: See Note 12.4 for details.

Remark 8: On June 25, 2018, a liquidation group was established in Shanghai Ange Real Estate Development Co., Ltd. according to resolution adopted at the general meeting of such company to be responsible to the closing liquidation of such company. On January 28, 2019, Ange Company completed the industrial and commercial registration for cancellation.

Remark 9: See Note 15.3 for details.

Remark 10: See Note 15.4 for details.

Remark 11: See Note 15.5 for details.

Remark 12: On January 31, 2018, according to the document (HGZWPJ [2018] No. 57), Shanghai State-owned Assets Supervision and Administration Commission gratuitously transferred 88.24% of equity of Shanghai Real Estate Market Co., Ltd. to the Company. Relevant formalities for industrial and commercial registration of changes were gone through on March 4, 2019. On January 28, 2019, according to the resolution adopted at the enlarged meeting of the Party Committee of Shanghai Land (Group) Co., Ltd., according to the assessed valued subject to filing of state-owned assets, SL Group was allowed to transfer 88.24% of equity it held in Shanghai Real Estate Market Co., Ltd. to Shanghai House Real Estate Sponson Co., Ltd. via an agreement by taking September 30, 2018 as the base day.

Remark 13: On August 15, 2019, a liquidation group was established in Shanghai Land Construction Product R&D Co., Ltd. according to resolution adopted at the general meeting of such company to be responsible to the closing liquidation of such company. On December 20, 2019, such company completed the tax cancellation registration; as at December 31, 2019, the industrial and commercial registration for cancellation has not been completed.

Remark 14: As the net assets of investees with the accounting by the cost method are negative, and these investees are expected to have no earning capacity in the future, the provision for bad debts is made at the full amount of the long-term equity investments.

14.3.2.2 Investment in joint ventures and associates

| Investee | Shareholding ratio as at December 31, 2019 | Investment cost | Balance as at January 1, 2019 | Increase/decrease in 2019 | | | | | | Balance as at December 31, 2019 | Balance of provision for impairment as at December 31, 2019 |
|---|--|-------------------------|-------------------------------|---------------------------|---------------------|---|--|-------------------------|--|---------------------------------|---|
| | | | | Additional investment | Negative investment | Investment income recognized by the equity method | Adjustment to other comprehensive income | Other changes in equity | Cash dividends or profits declared to be distributed | | |
| Total | | 8,160,046,302.54 | 9,541,008,820.47 | 1,034,185,389.60 | | 257,207,322.34 | 13,172.46 | 23,387,586.90 | -10,000,000.00 | -240,312,196.24 | 10,605,490,095.53 |
| 1. Joint ventures | | | | | | | | | | | |
| Shanghai Bund Binjiang Comprehensive Development Co., Ltd. | 50.00% | 248,407,344.74 | 292,519,134.90 | | | 101,890,146.54 | | | | | 394,409,281.44 |
| Shanghai Xuhui Binjiang Development Investment Construction Co., Ltd. | 50.00% | 263,160,364.97 | 298,963,775.45 | | | 12,100.89 | | | | | 298,975,876.34 |
| Shanghai Huangpu River Dong'an Development Investment Co., Ltd. | 50.00% | 41,605,269.70 | 21,120,907.90 | 15,000,000.00 | | 1,245,399.72 | | | | | 37,366,307.62 |
| Sub-total of joint ventures | | 553,172,979.41 | 612,603,818.25 | 15,000,000.00 | | 103,147,647.15 | | | | | 730,751,465.40 |
| 2. Associates | | | | | | | | | | | |
| Shanghai Xinghuadi Hotel Management Co., Ltd. | 30.00% | 1,500,000.00 | 1,788,512.05 | | | -1,124,692.35 | | | | | 663,819.70 |
| Qihua Co., Ltd. (Remark 2) | 40.00% | 5,684,793.56 | 7,784,827.97 | | | 2,071,567.30 | 13,172.46 | | -2,000,000.00 | | 7,869,567.73 |
| Shanghai Land North Investment Development Co., Ltd. | 45.00% | 112,500,000.00 | 116,269,607.94 | | | 2,274,734.92 | | | | | 118,544,342.86 |
| Shanghai Songjiang Xinheng Construction Development Co., Ltd. | 48.00% | 938,084,493.84 | 959,054,630.88 | | | 45,128,893.14 | | | | | 1,004,183,524.02 |
| Shanghai Chenjia Town Construction Development Co., Ltd. | 24.50% | 197,075,086.44 | 198,161,103.47 | | | 331,066.51 | | | | | 198,492,169.98 |
| Shanghai Expo Land Holdings Co., Ltd. (Remark 1) | 41.2844% | 4,883,596,735.35 | 7,284,603,754.83 | | | 272,082,242.99 | 137,911.63 | | | | 7,556,823,909.45 |
| Shanghai Land Xinglong Real Estate Development Co., Ltd. | 20.00% | 163,400,000.00 | 162,970,990.88 | | | -52,672.06 | | | | | 162,918,318.82 |
| Shanghai Pudong Binjiang Development Construction Investment Co., Ltd. | 40.00% | 105,846,824.34 | 112,245,901.86 | | | -29,698,234.05 | | 23,249,675.27 | -8,000,000.00 | | 157,193,811.18 |
| Shanghai Land Longyang Property Development Co., Ltd. (Remark 7) | 45.00% | 180,000,000.00 | 85,525,672.34 | | | -137,024,048.21 | | | | 51,498,375.87 | |
| Shanghai Fupu Binjiang Development&Construction Investment Co., Ltd. (Remark 3) | 49.00% | 344,138,995.48 | | 344,138,995.48 | | -10,042,135.88 | | | | -98,552,597.36 | 235,544,262.24 |
| Shanghai Fuying Binjiang Development&Construction Investment Co., Ltd. (Remark 4) | 49.00% | 179,122,351.18 | | 179,122,351.18 | | -4,589,633.60 | | | | -89,938,809.46 | 84,593,908.12 |
| Shanghai Fuzhou Binjiang Development&Construction Investment Co., Ltd. (Remark 5) | 49.00% | 491,901,002.64 | | 491,901,002.64 | | -43,865,374.28 | | | | -103,319,165.29 | 344,716,463.07 |
| Shanghai Land Beihongqiao Development&Construction Co., Ltd. | 25.00% | 3,750,000.00 | | 3,750,000.00 | | -833,145.00 | | | | | 2,916,855.00 |
| Shanghai Urban Real Estate Information Technology Co., Ltd. (Remark 6) | 26.00% | 273,040.30 | | 273,040.30 | | 4,637.66 | | | | | 277,677.96 |
| Sub-total of associates | | 7,606,873,323.13 | 8,928,405,002.22 | 1,019,185,389.60 | | 154,059,675.19 | 13,172.46 | 23,387,586.90 | -10,000,000.00 | -240,312,196.24 | 9,874,738,630.13 |

Remark 1: For investees with accounting by the equity method, profits or losses from transactions with internal related parties have been offset in proportion to shareholding; or the part offset in previous year should be reversed in 2019.

Remark 2: If the investee accounted for under equity method is a foreign-invested enterprise, the corresponding investment income shall be calculated according to the net profit after deducting the accrued bonus fund.

Remark 3: See Note 15.3 for details.

Remark 4: See Note 15.4 for details.

Remark 5: See Note 15.5 for details.

Remark 6: On January 31, 2018, according to the document (HGZWPJ [2018] No. 57), Shanghai State-owned Assets Supervision and Administration Commission gratuitously transferred 26% of equity of Shanghai Urban Real Estate Information Technology Co., Ltd. to the Company. As at December 31, 2019, relevant formalities for industrial and commercial registration of changes have not been gone through.

Remark 7: As the Company provided borrowings to the associate Shanghai Land Longyang Property Development Co., Ltd. (hereinafter referred to as "Longyang Property Company"), the Company may collect the fund interest from Longyang Property Company to offset the corresponding internal profit in proportion to its shareholding. The part in the interest income attributable to the Company is calculated and the adjustment to the profit or loss from long-term equity investments is decreased at the Company's shareholding ratio. As the balance of equity investment in Longyang Property Company by the Company has been offset to zero, the internal profit not realized from the exceeding part will be reclassified to the deferred income.

14.3.3 Principle financial information of major joint ventures:

| Item | Year 2019 | | Year 2018 | |
|--|---|--|---|--|
| | Shanghai Xuhui Binjiang Development Investment Construction Co., Ltd. | Shanghai Bund Binjiang Comprehensive Development Co., Ltd. | Shanghai Xuhui Binjiang Development Investment Construction Co., Ltd. | Shanghai Bund Binjiang Comprehensive Development Co., Ltd. |
| Shareholding ratio | 50.00% | 50.00% | 50.00% | 50.00% |
| Current assets | 10,148,872,148.65 | 1,899,436,568.55 | 10,161,961,534.63 | 7,235,258,307.13 |
| Non-current assets | 385,372.29 | 2,778,076,582.38 | 376,919.60 | 75,206,276.40 |
| Total assets | 10,149,257,520.94 | 4,677,513,150.93 | 10,162,338,454.23 | 7,310,464,583.53 |
| Current liabilities | 9,551,305,768.27 | 3,269,144,712.35 | 9,564,410,903.33 | 5,590,223,171.50 |
| Non-current liabilities | | 325,029,973.89 | | 898,140,611.89 |
| Total liabilities | 9,551,305,768.27 | 3,594,174,686.24 | 9,564,410,903.33 | 6,488,363,783.39 |
| Minority equity | | 294,519,901.81 | | 237,062,530.33 |
| Equity attributable to the parent company | 597,951,752.67 | 788,818,562.88 | 597,927,550.90 | 585,038,269.81 |
| Share of net assets calculated at the shareholding ratio | 298,975,876.34 | 394,409,281.44 | 298,963,775.45 | 292,519,134.91 |
| Adjusted items | | | | |
| Book value of the equity investment in joint ventures | 298,975,876.34 | 394,409,281.44 | 298,963,775.45 | 292,519,134.91 |
| Fair value of the equity investment with public offer | | | | |
| Operating revenue | 12,561,504.64 | 3,952,749,934.30 | 45,647,391.08 | 64,760,817.22 |
| Financial expenses | 6,038.80 | -1,067,653.48 | -12,162.75 | -2,482,893.44 |
| Income tax expenses | 25,082.87 | 88,651,850.36 | 7,403,320.42 | 4,477,296.20 |
| Net profit | 24,201.77 | 261,237,664.55 | 22,199,463.26 | 13,431,888.57 |
| Including: net profit attributable to the parent company | | 203,780,293.07 | | 8,655,692.17 |
| Other comprehensive income | | | | |
| Total comprehensive income | 24,201.77 | 261,237,664.55 | 22,199,463.26 | 13,431,888.57 |
| Including: total comprehensive income attributable to the parent company | | 203,780,293.07 | | 8,655,692.17 |
| Dividends received from joint ventures in current period | | | | |

14.3.4 Principle financial information of major associates:

| Item | Year 2019 | | Year 2018 | |
|--|---------------------------------------|--|---------------------------------------|--|
| | Shanghai Expo Land Holdings Co., Ltd. | Shanghai Songjiang Xincheng Construction Development Co., Ltd. | Shanghai Expo Land Holdings Co., Ltd. | Shanghai Songjiang Xincheng Construction Development Co., Ltd. |
| Shareholding ratio | 41.2844% | 48.00% | 41.2844% | 48.00% |
| Current assets | 22,501,595,576.27 | 5,144,952,466.38 | 23,984,628,871.09 | 5,302,446,441.13 |
| Non-current assets | 14,574,673,623.85 | 1,626,277,584.07 | 16,358,319,021.99 | 1,020,815,689.06 |
| Total assets | 37,076,269,200.12 | 6,771,230,050.45 | 40,342,947,893.08 | 6,323,262,130.19 |
| Current liabilities | 9,816,091,981.78 | 2,517,291,259.37 | 7,553,952,853.78 | 2,486,351,719.49 |
| Non-current liabilities | 8,780,910,867.29 | 2,161,889,782.70 | 14,934,980,656.75 | 1,838,879,929.69 |
| Total liabilities | 18,597,002,849.07 | 4,679,181,042.07 | 22,488,933,510.53 | 4,325,231,649.18 |
| Minority equity | 174,957,921.11 | | 33,399,268.91 | |
| Equity attributable to the parent company | 18,304,308,429.94 | 2,092,049,008.38 | 17,820,615,113.64 | 1,998,030,481.01 |
| Share of net assets calculated at the shareholding ratio | 7,556,823,909.45 | 1,004,183,524.02 | 7,357,134,025.97 | 959,054,630.88 |
| Adjusted items (Remark) | | | -72,530,271.14 | |
| Book value of the equity investment in associates | 7,556,823,909.45 | 1,004,183,524.02 | 7,284,603,754.83 | 959,054,630.88 |
| Fair value of the equity investment with public offer | | | | |
| Operating revenue | 1,031,671,458.85 | 212,223,485.74 | 1,040,167,387.04 | 187,998,609.39 |
| Financial expenses | 900,949,481.06 | 12,119,769.66 | 330,336,812.71 | -1,098,838.89 |
| Income tax expenses | 49,256,644.58 | 94,652,404.73 | 276,364,129.40 | 17,387,861.47 |
| Net profit | 459,634,118.87 | 94,018,527.37 | 375,295,235.77 | 29,647,466.94 |
| Including: net profit attributable to the parent company | 484,632,340.91 | | 375,563,839.41 | |
| Other comprehensive income | | | | |
| Total comprehensive income | 459,634,118.87 | 94,018,527.37 | 375,295,235.77 | 29,647,466.94 |
| Including: total comprehensive income attributable to the parent company | 484,632,340.91 | | 375,563,839.41 | |
| Dividends received from associates in current period | | | | 20,680,305.15 |

Remark: For investees with accounting by the equity method, profits or losses from transactions with internal related parties, which had been offset in proportion to shareholding in 2018, have been reversed in 2019.

14.3.5 Summary of financial information on insignificant joint ventures and associates

| Item | Year 2019 | Year 2018 |
|--|---------------|---------------|
| Joint ventures: | | |
| Total book value of investment | 37,366,307.62 | 21,120,907.90 |
| Total amounts of the following items calculated at shareholding ratio: | | |
| Net profit | 1,245,399.72 | 6,602,478.04 |
| Other comprehensive income | | |
| Total comprehensive income | 1,245,399.72 | 6,602,478.04 |
| Associates: | | |

| Item | Year 2019 | Year 2018 |
|--|------------------|----------------|
| Total book value of investment | 1,313,731,196.66 | 684,746,616.51 |
| Total amounts of the following items calculated at shareholding ratio: | | |
| Net profit | -163,151,460.94 | -86,040,051.87 |
| Other comprehensive income | 13,172.46 | -95,594.42 |
| Total comprehensive income | -163,138,288.48 | -86,135,646.29 |

14.4 Operating revenue and operating costs

| Item | Year 2019 | | | Year 2018 | | |
|-------------------|------------------|----------------|------------------|-------------------|----------------|-------------------|
| | Primary business | Other business | Sub-total | Primary business | Other business | Sub-total |
| Operating revenue | 4,440,353,174.86 | 157,138,941.35 | 4,597,492,116.21 | 10,618,670,281.14 | 51,343,650.65 | 10,670,013,931.79 |
| Operating costs | 1,231,552,443.24 | 170,734,357.75 | 1,402,286,800.99 | 3,423,352,275.23 | 59,735,315.62 | 3,483,087,590.85 |
| Operating profit | 3,208,800,731.62 | -13,595,416.40 | 3,195,205,315.22 | 7,195,318,005.91 | -8,391,664.97 | 7,186,926,340.94 |

14.4.1 Primary business revenue and cost

| Item | Year 2019 | | Year 2018 | |
|--|--------------------------|-----------------------|--------------------------|-----------------------|
| | Primary business revenue | Primary business cost | Primary business revenue | Primary business cost |
| (1) Real estate industry | 4,440,353,174.86 | 1,231,552,443.24 | 10,610,590,564.16 | 3,415,272,558.25 |
| (2) Revenue from entrustment management fees | | | 8,079,716.98 | 8,079,716.98 |
| Total | 4,440,353,174.86 | 1,231,552,443.24 | 10,618,670,281.14 | 3,423,352,275.23 |

14.4.2 Other business revenue and cost

| Item | Year 2019 | | Year 2018 | |
|---------------------------|------------------------|---------------------|------------------------|---------------------|
| | Other business revenue | Other business cost | Other business revenue | Other business cost |
| Rental and venue use fees | 157,138,941.35 | 170,734,357.75 | 51,343,650.65 | 59,735,315.62 |
| Total | 157,138,941.35 | 170,734,357.75 | 51,343,650.65 | 59,735,315.62 |

14.5 Investment income

14.5.1 Details of investment income

| Item | Year 2019 | Year 2018 |
|--|------------------|------------------|
| Long-term equity investment income calculated under the cost method | 826,632,502.01 | 1,141,763,023.00 |
| Long-term equity investment income calculated under the equity method (Remark 2) | 257,207,322.34 | 32,745,757.54 |
| Investment income from disposal of long-term equity investments (Remark 1) | 984,078,623.13 | 145,320,796.26 |
| Investment income from available-for-sale financial assets | 958,450,215.65 | 800,626,146.64 |
| Income from entrusted loans | 674,284,251.99 | 446,040,146.30 |
| Others | 196,152,478.68 | |
| Total | 3,896,805,393.80 | 2,566,495,869.74 |

Remark 1: In 2019, the investment income from the disposal of long-term equity investments mainly refers to the unilateral capital contribution by shareholders of any of such companies as Shanghai Fupu Binjiang Development&Construction Investment Co., Ltd., Shanghai Fuying Binjiang Development&Construction Investment Co., Ltd. or Shanghai Fuzhou Binjiang Development&Construction Investment Co., Ltd.. After capital contribution, the shareholding ratio of the Company is 49%, having no control over the aforesaid three companies any more. See Notes 15.3, 15.4 and 15.5 for details.

Remark 2: Details of long-term equity investment accounted for under the equity method:

| Investee | Shareholding ratio | Net book profit or loss in 2019 | Investment income recognized in 2019 |
|--|--------------------|---------------------------------|--------------------------------------|
| Shanghai Bund Binjiang Comprehensive Development Co., Ltd. | 50.00% | 203,780,293.07 | 101,890,146.54 |
| Shanghai Xuhui Binjiang Development Investment Construction Co., Ltd. | 50.00% | 24,201.77 | 12,100.89 |
| Shanghai Huangpu River Dong'an Development Investment Co., Ltd. | 50.00% | 2,490,799.45 | 1,245,399.72 |
| Shanghai Xinghuadi Hotel Management Co., Ltd. | 30.00% | -3,748,974.48 | -1,124,692.35 |
| Qihua Co., Ltd. (Remark 2-2) | 40.00% | 5,356,739.07 | 2,071,567.30 |
| Shanghai Land North Investment Development Co., Ltd. | 45.00% | 5,054,966.47 | 2,274,734.92 |
| Shanghai Songjiang Xincheng Construction Development Co., Ltd. | 48.00% | 94,018,527.37 | 45,128,893.14 |
| Shanghai Chenjia Town Construction Development Co., Ltd. | 24.50% | 1,351,291.89 | 331,066.51 |
| Shanghai Expo Land Holdings Co., Ltd. (Remark 2-1) | 41.2844% | 484,632,340.91 | 272,082,242.99 |
| Shanghai Land Xinghong Real Estate Development Co., Ltd. | 20.00% | -263,360.28 | -52,672.06 |
| Shanghai Pudong Binjiang Development Construction Investment Co., Ltd. | 40.00% | 74,245,585.13 | 29,698,234.05 |
| Shanghai Land Longyang Property Development Co., Ltd. (Remark 2-1) | 45.00% | -12,207,367.13 | -137,024,048.21 |
| Shanghai Fupu Binjiang Development&Construction Investment Co., Ltd. | 49.00% | -4,189,024.77 | -10,042,135.88 |
| Shanghai Fuying Binjiang Development&Construction Investment Co., Ltd. | 49.00% | -1,701,857.52 | -4,589,633.60 |
| Shanghai Fuzhou Binjiang Development&Construction | 49.00% | -89,521,171.99 | -43,865,374.28 |

| Investee | Shareholding ratio | Net book profit or loss in 2019 | Investment income recognized in 2019 |
|--|--------------------|---------------------------------|--------------------------------------|
| Investment Co., Ltd | | | |
| Shanghai Land Beihongqiao Development&Construction Co., Ltd. | 25.00% | -3,332,580.00 | -833,145.00 |
| Shanghai Urban Real Estate Information Technology Co., Ltd. | 26.00% | 17,837.16 | 4,637.66 |
| Total | | | 257,207,322.34 |

Remark 2-1: For investees with accounting by the equity method, profits or losses from transactions with internal related parties have been offset in proportion to shareholding; or the part offset in previous year should be reversed in 2019.

Remark 2-2: If the investee accounted for under equity method is a foreign-invested enterprise, the corresponding investment income will be calculated according to the net profit after deducting the accrued bonus fund.

14.6 Statement of cash flows

14.6.1 Supplementary information on the statement of cash flows

| Item | Year 2019 | Year 2018 |
|---|--------------------|-------------------|
| 1. Net profit adjusted to cash flows from operating activities: | | |
| Net profit | 3,196,696,551.57 | 4,368,277,917.72 |
| Plus: provision for impairment of assets | -87,608,025.55 | 235,477,544.82 |
| Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets | 116,925,452.29 | 52,043,170.73 |
| Amortization of intangible assets | 2,526,025.92 | 1,310,350.26 |
| Amortization of long-term deferred expenses | 5,776,058.33 | 3,344,615.91 |
| Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains) | -676,913.42 | -63,430,841.01 |
| Losses from scrapping of fixed assets ("-" for gains) | | |
| Losses from changes in fair value ("-" for gains) | | |
| Financial expenses ("-" for gains) | 2,130,888,981.76 | 1,818,146,466.63 |
| Investment losses ("-" for gains) | -3,896,805,393.80 | -2,566,495,869.74 |
| Decreases in deferred income tax assets ("-" for increases) | -226,671,030.00 | -497,522,918.30 |
| Increases in deferred income tax liabilities ("-" for decreases) | 1,001,057,444.11 | -661,648,836.36 |
| Decreases in inventories ("-" for increases) | 844,091,747.14 | 3,275,510,109.35 |
| Decreases in operating receivables ("-" for increases) | -19,194,660,378.28 | -3,469,673,291.42 |
| Increases in operating payables ("-" for decreases) | 19,379,770,098.08 | -3,944,662,683.22 |
| Others | -29,066,177.16 | |
| Net cash flows from operating activities | 3,242,244,440.99 | -1,449,324,264.63 |

| Item | Year 2019 | Year 2018 |
|---|-------------------|-------------------|
| 2. Significant investing and financing activities not involving cash receipts and payments: | | |
| Conversion of debt into capital | | |
| Convertible corporate bonds maturing within one year | | |
| Fixed assets acquired under finance leases | | |
| 3. Net changes in cash and cash equivalents: | | |
| Ending balance of cash | 6,152,514,098.81 | 11,183,208,386.26 |
| Less: beginning balance of cash | 11,183,208,386.26 | 9,989,783,360.17 |
| Plus: ending balance of cash equivalents | | |
| Less: beginning balance of cash equivalents | | |
| Net increase in cash and cash equivalents | -5,030,694,287.45 | 1,193,425,026.09 |

14.6.2 Relevant information on cash and cash equivalents

| Item | Balance as at December 31, 2019 | Balance as at January 1, 2019 |
|---|---------------------------------|-------------------------------|
| I. Cash | 6,152,514,098.81 | 11,183,208,386.26 |
| Including: cash on hand | 38,321.13 | 6,203.79 |
| Unrestricted bank deposit | 5,957,227,310.10 | 11,183,202,182.47 |
| Other unrestricted monetary funds | 195,248,467.58 | |
| II. Cash equivalents | | |
| Including: bond investments maturing within three months | | |
| III. Ending balance of cash and cash equivalents | 6,152,514,098.81 | 11,183,208,386.26 |
| Cash and cash equivalents restricted for use by the parent company or subsidiaries in the group | | |

- 15 Other contents to be disclosed as required by relevant financial and accounting systems
- 15.1 On December 28, 2016, Shanghai State-owned Assets Supervision and Administration Commission issued the official reply (HGZWCQ [2016] No. 416) to gratuitously transfer 49% of equity the Company held in Shanghai Jinfeng Investment Co., Ltd. to Shanghai Guosheng Group Co., Ltd., for which the industrial and commercial registration has not been gone through as at December 31, 2019.
- 15.2 According to the document (HDC [2016] No. 8), the Company shall transfer the transferred assets it has accepted from Shanghai Jinfeng Investment Co., Ltd. (hereinafter referred to as "Jinfeng Company") to the same at the book value audited on June 30, 2015. At present, only the procedures for the transfer of Shanghai Blackstone Equity Investment Partnership (Limited Partnership) have not been completed. Jinfeng Company was established in August 2015. According to its articles of association, the capital contribution of RMB 518 million should be made in money. As at the reporting date, such capital contribution has not been made.

- 15.3 On June 26, 2017, according to the *Official Reply on Approving the Original Shareholder China Resources Land (Shanghai) Co., Ltd. to Make Additional Investment in Private in Shanghai Fupu Binjiang Development&Construction Investment Co., Ltd.* (HDC [2017] No. 119) issued by the Company, China Resources Land (Shanghai) Co., Ltd. (hereinafter referred to as "CR Land"), the original shareholder of Shanghai Fupu Binjiang Development&Construction Investment Co., Ltd. (hereinafter referred to as "Fupu Company") was approved to make the additional investment in a private and directed way at Shanghai United Property Exchange, and the investment value should not be less than the assessed value subject to the filing of state-owned assets. After the additional investment, CR Land holds 51% of equity in Fupu Company.
- On September 26, 2018, Fupu Company and CR Land as well as the Company signed the *Contract for Property Transaction (Additional Investment) in Shanghai*, for which CR Land actually made the additional investment of RMB 697,595,200.00, including the newly-added registered capital of RMB 4,285,700.00 and the newly-added capital reserves of RMB 693,309,500.00. On September 28, 2018, the settlement for the additional investment made in private was completed; on October 25, 2018, CR Land paid for the additional investment; on February 3, 2019, the industrial and commercial registration for changes was completed, and the Company lost the control over Fupu Company.

After the additional investment made in private was completed, the Company held 49% of equity in Fupu Company and may exert the significant influence on Fupu Company, for which the remaining 49% of equity was accounted for by the equity method. According to the *Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements*, the remaining 49% of equity should be remeasured at the fair value on the day when the Company lost the control over Fupu Company, by which the increase in investment income in the consolidated financial statements was RMB 894 million.

- 15.4 According to the *Official Reply on Approving the Original Shareholder China Resources Land (Shanghai) Co., Ltd. to Make Additional Investment in Private in Shanghai Fuying Binjiang Development&Construction Investment Co., Ltd.* (HDC [2017] No. 120) issued by the Company, China Resources Land (Shanghai) Co., Ltd. (hereinafter referred to as "CR Land"), the original shareholder of Shanghai Fuying Binjiang Development&Construction Investment Co., Ltd. (hereinafter referred to as "Fuying Company") was approved to make the additional investment in a private and directed way at Shanghai United Property Exchange, and the investment value should not be less than the assessed value subject to the filing of state-owned assets. After the additional investment, CR Land holds 51% of equity in Fuying Company.
- On September 26, 2018, Fuying Company and CR Land as well as the Company signed the *Contract for Property Transaction (Additional Investment) in Shanghai*, for which CR Land actually made the additional investment of RMB 357,992,600.00, including the newly-added registered capital of RMB 4,285,700.00 and the newly-added capital reserves of RMB 353,706,900.00. On September 29, 2018, the settlement for the additional investment made in private was completed; on October 25, 2018, CR Land paid for the additional investment; on February 12, 2019, the industrial and commercial registration for changes was completed, and the Company lost the control over Fuying Company.

After the additional investment made in private was completed, the Company held 49% of equity in Fuying Company and may exert the significant influence on Fuying Company, for which the remaining 49% of equity was accounted for by the equity method. According to the *Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements*, the remaining 49% of equity should be remeasured at the fair value on the day when the Company lost the control over Fupu Company, by which the increase in investment income in the consolidated financial statements was RMB 496 million.

- 15.5 According to the *Official Reply on Approving Shanghai Fuzhou Binjiang Development&Construction Investment Co., Ltd. to Attract Additional Investment in Public* (HDC [2019] No. 122) issued by the Company, Shanghai Fuzhou Binjiang Development&Construction Investment Co., Ltd. (hereinafter referred to as "Fuzhou Company") was approved to attract the additional investment in public at Shanghai United Property Exchange, and the investment value should not be less than the assessed value subject to the filing of state-owned assets. After the additional investment, the new investor's investment accounts for 51% of the registered capital of Fuzhou Company.

On August 28, 2019, Fuzhou Company and Hengzhong Shanghai Development Co., Ltd. as well as the Company signed the *Agreement on Additional Investment*, for which Hengzhong Shanghai Development Co., Ltd. actually made the additional investment of RMB 1,068.78 million, including the newly-added registered capital of RMB 10,408,200.00 and the newly-added capital reserves of RMB 1,058,371,800.00. On September 9, 2019, the settlement for the additional investment made in public was completed; on December 17, 2019, the industrial and commercial registration for changes was completed, and the Company lost the control over Fuzhou Company.

After the additional investment made in public was completed, the Company held 49% of equity in Fuzhou Company and may exert the significant influence on Fuzhou Company, for which the remaining 49% of equity was accounted for by the equity method. According to the *Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements*, the remaining 49% of equity should be remeasured at the fair value on the day when the Company lost the control over Fuzhou Company, by which the increase in investment income in the consolidated financial statements was RMB 682 million.

- 15.6 According to the document (HFBM [2018] No. 010022), the Company intends to purchase the 58.72% of equity Shanghai Expo Land Reserve Center holds in Shanghai Expo Land Holdings Co., Ltd. via an agreement based on the net assets of Expo Land audited on September 30, 2017. On December 21, 2018, the Company and Shanghai Expo Land Reserve Center signed a property transaction contract with the transaction price amounting to RMB 7,093,171,157.95. In combination with the additionally allocated financial funds and the state-owned assets management budget, such price will be paid by three stages. As at December 31, 2019, the Company has paid the first stage of transaction payment of RMB 2.8 billion and partial of the second stage of transaction payment of RMB 0.9 billion, totaling RMB 3.7 billion.

- 15.7 Subsequent matters of partial share transfer of Shanghai Chunri Real Estate Co., Ltd.: Shanghai Star Group Co., Ltd., a subordinate company of the subsidiary China Enterprise Company Limited, and Shanghai Shiyang Investment Management Co., Ltd. (hereinafter referred to as "Shiyang Investment") signed the *Shanghai Property Transaction Contract* on June 24, 2015, the *Supplementary Agreement on Shanghai Property Transaction Contract (I)* on June 29, 2015, the *Supplementary Agreement on Shanghai Property Transaction Contract (II)* on July 8, 2015 and the *Supplementary Agreement on Shanghai Property Transaction Contract (III)* on May 15, 2017 (hereinafter referred to as "Transaction Documents"), by which SHSG transferred 45% of equity it held in Shanghai Chunri Real Estate Co., Ltd. and its creditor's right of RMB 208.35 million against Chunri Real Estate to Shiyang Investment. According to the Transaction Documents, SHSG should make sure that Chunri Real Estate can obtain the state-owned construction land use right certificates for the south and north land lots by June 30, 2017. In case the demolition causes interference by residences, by which SHSG cannot complete the above-mentioned matter on time, SHSG should for each delay day, pay the default fine at 0.025% of the payment Shiyang Company had paid to SHSG and Chunri Real Estate.

In consideration of the agreement and performance of the Transaction Documents, in order to protect the rights and interests of listed companies and medium and small shareholders, Shanghai Land (Group) Co., Ltd. promises that if Shiying Investment ask SHSG to undertake the liability for branch of contract according to the Transaction Documents as Chunri Real Estate fails to obtain the state-owned construction land use right certificates for the south and north land lots, Shanghai Land (Group) Co., Ltd. will compensate China Enterprise with the amount equal to the actual compensation SHSG has paid to Shiying Company. As at the reporting date, Chunri Real Estate has not obtained the state-owned construction land use right certificates for the aforesaid land lots.

According to the Supplementary Agreement on Shanghai Property Transaction Contract (I), when Shiying Company becomes a shareholder of Chunri Real Estate, they would decide through consultation to complete matters on removal and demolition, construction and sales by lending loans to shareholders of Chunri Real Estate and self-financing of Chunri Real Estate: the insufficient part of the project demolition fund should be first paid by SHSG, and Shiying Company should invest the corresponding part of fund when the agreed time-point comes. The financing cost is included in the development cost of Chunri Real Estate, in which if the failure in pre-tax deduction of demolition fund and financing cost before Shiying Company becoming a shareholder of Chunri Real Estate affect the project profit, SHSG will bear relevant liability. The pre-tax deduction of demolition fund and financing cost after Shiying Company becoming a shareholder of Chunri Real Estate should be completed jointly by SHSG and Shiying Company.

15.8 Explanation of the guarantee business of the subsidiary Shanghai House Real Estate Sponson Co., Ltd. (hereinafter referred to as "Sponson Company"):

15.8.1 Financing guarantee

As at December 31, 2019, the balance of financing guarantee payment which has been compensated but not collected of Sponson Company and its subsidiary Shanghai United Financing Guarantee Co., Ltd. (hereinafter referred to as "Financing Guarantee") was RMB 931,714,500.00, including RMB 612,673,800.00 in steel trading business and RMB 319,040,700.00 in non-steel trading business; the book assets collected for debt offset of Sponson Company was RMB 16,653,000.00; the book provision for bad debts made accumulatively amounted to RMB 74,495,000.00, and the special reserve withdrawn was RMB 853,755,900.00.

On April 8, 2013, Sponson Company held the 2012 General Meeting of Shareholders to make a guarantee that it may continue to enjoy its rights and undertake relevant responsibility by transferring the majority of steel trading guarantee business originally accepted (the guaranteed amount involved was RMB 584.95 million, in which RMB 69.52 million was still in Sponson Company) to Financing Guarantee. As at December 31, 2019, the provision for guarantee compensation made for such part of steel trading guarantee business, amounting to RMB 509,273,700.00 was borne by Sponson Company.

15.8.2 Individual auto loan guarantee

In October 2017, Sponsion Company signed a *Cooperative Agreement on Individual Auto Loan Guarantee* with SAIC Finance Co., Ltd. (hereinafter referred to as "SAIC Finance"), in which Sponsion Company as the borrower applies for the individual auto loan to SAIC Finance, undertaking the joint and several guarantee liability. Performance of guarantee liability: if the accumulated total amount of guarantee liability performance does not exceed the certain proportion in the accumulated total guarantee revenue, according to the guarantee letter and agreement, Sponsion Company should undertake the guarantee liability for SAIC Finance; if the accumulated total amount of guarantee liability performance reach or exceed the such proportion in the accumulated total guarantee revenue, Sponsion Company has the right to defer the performance of guarantee liability until the accumulated total amount of guarantee liability performance does not exceed the certain proportion in the accumulated total guarantee revenue again. As at December 31, 2019, the accumulative guarantee revenue amounts to RMB 30,531,100.00, and the accumulative compensation amounted to RMB 9,207,900.00.

- 15.9 According to the *Report on House Purchase for Noise Abatement in Shanghai South Railway Station* (HJW [2013] No. 173) issued by Shanghai Urban and Rural Development and Transportation Commission and the *Request on Relevant Issues Concerning the Fund Arrangement for Renovation Alongside Shanghai South Railway Station by Shanghai Land (Group) Co., Ltd.* (HCJ [2013] No. 68) issued by Shanghai Municipal Finance Bureau, the Company is responsible for the residential house replacement alongside Shanghai South Railway Station, and houses purchased should be used as the public rental housing; the project investment fund should be used by the Company as house purchase fund, policy-based subsidy, house price adjustment subsidy and purchased house repair, environment improvement, noise reduction measures and lease management; 50% of the fund source should be from the municipal finance bureau, and 50% of loan interest should be from the government grants. The principle of special account for specific use should be adopted for such fund, and the specific project should be implemented by the subsidiary Shanghai Land Housing Security Co., Ltd. (hereinafter referred to as "Housing Security Company"). As at December 31, 2019, the specific funds received by Housing Security Company amount to RMB 1,305,866,400.00, and the accumulated expenses on reconstruction in Shanghai South Railway Station project amounted to RMB 1,702,915,700.00 and were carried forward to the investment property for accounting. According to the spirit of the above-mentioned document, in 2017, Housing Security Company carried forward 50% of reconstruction expense to the deferred income, amounting to RMB 851,457,900.00, for the synchronous amortization with investment property. In 2019, Housing Security Company refunded RMB 400 million to the finance department, and the remaining special subsidy of RMB 54,408,500.00 was recognized as the pending special payables for accounting and will be disposed after the special settlement by the finance department.

15.10 In April 2007, the subsidiary Shanghai Huantong Construction and Development Co., Ltd. (hereinafter referred to as "Huantong Company") signed the *Hotel Cooperation Agreement* with Shanghai Shenshun Industry Co., Ltd. and Shanghai Xiangyi Real Estate Co., Ltd., the main content of the agreement was about the cooperation in Huantong Commercial Plaza Hotel, and the cooperation amount was RMB 585,620,200.00. Under the cooperation, Huantong Construction Company should be responsible for the hotel project construction, and transfer the hotel project to the transferee when the hotel is qualified for the transfer of construction in progress. The transfer price was the sum of the cooperation amount and the construction cost of such hotel. Meanwhile, the loan interest expenses on construction cost, as the component of the hotel construction cost, was borne by the transferee. At the end of 2019, Huantong Company has received RMB 221,372,100.00 from Shanghai Shenshun Industry Co., Ltd., thereafter, Huantong Company has negotiated with Shanghai Shenshun Industry Co., Ltd. for several times regarding the hotel project; however, both parties had different opinion on the assessment time-point and transfer price, and failed to substantially implement such transfer. As both parties still cannot come to an agreement, according to the *Hotel Cooperation Agreement*, Huantong Construction Company hired a law firm in September 2015 to file a lawsuit to Shanghai Arbitration Commission on the ground that the other party involved refused to accept the hotel transfer according to the contract and relevant provisions on state-owned asset transfer, requiring to rescind the *Hotel Cooperation Agreement*. Through several trials in court, Shanghai Arbitration Commission made the arbitration award in December 2016, rejecting the request of Huantong Construction Company. At present, the transfer matter of such project is still under discussion, and both parties fail to come to an agreement on the transfer price, by which such hotel project is suspended.

15.11 Remaining problems of employee stock holding committee during the equity transfer of SHSG:

According to the *Official Reply on Resolving Remaining Problems of Employee Stock Holding Committee of SHSG* (HDC [2017] No. 10) issued by the Company:

Party A1 subsidiary Shanghai Star Group Co., Ltd. (hereinafter referred to as "SHSG"), Party A2 subsidiary Shanghai Star Group Xincheng Real Estate Co., Ltd. (hereinafter referred to as "Xincheng Real Estate"), Party A3 subsidiary Shanghai Star Group Zhencheng Real Estate Management Co., Ltd. (hereinafter referred to as "Zhencheng Real Estate") (collectively referred to as Party A) and Party B subsidiary Shanghai Land Asset Management Co., Ltd. (Hereinafter referred to as "Asset Management") signed an agreement, in which the book balance of carryover and surplus funds of Party A's employee stock holding committee, amounting to RMB 121 million should be transferred to Party B, and the rights and obligations involved with the carryover and surplus funds of Party A's employee stock holding committee should be transferred by Party A to Party B. When such carryover and surplus funds have been transferred in Party B's account, Party B should delegate such funds to a third-party management organization for increment and management, and such funds can only be used for the purpose and within the scope specified in the agreement. The income part will be allocated as the supplementary to SHSG's safeguard mechanism for retired employees to retired employees covered in the scope for the carryover and surplus funds of employee stock holding committee.

On March 31, 2017, Asset Management formulated the Scheme for the Management by Shanghai Land Asset Management Co., Ltd over the Carryover and Surplus Funds and Pension Security of Shanghai Star Group Co., Ltd.'s Employee Stock Holding Committee (hereinafter referred to as "Scheme"). According to the scheme, a management group should be the regulatory authority and consist of 7 persons selected within the scope of employees with the admission to relevant responsible for rights and interests. The term of office of each group member is 6 years and can be renewed upon reappointment; the entrust management mode has been adopted for the management over the carryover and surplus funds of employee stock holding committee, and Changjiang Pension Insurance Co., Ltd. has been chosen as the corporate management organization upon entrustment for funds management; meanwhile, the investment income from the carryover and surplus funds of employee stock holding committee should be used as the retirement subsidy for employees with the admission to relevant responsible for rights and interests; "when the employees with the admission to relevant responsible for rights and interests and equity relevant to the Scheme do not exist, or the Scheme cannot continue to be implemented due to the significant change in relevant national policies and regulations", the Scheme should be terminated. The funds after the scheme liquidation should be refunded to the Company or any other unit designated by the Company.

In April 2017, according to the above Scheme, Asset Management transferred the carryover and surplus funds of employee stock holding committee of RMB 121,117,000.00 to the public enterprise account for Changjiang Shengshi Huazhang Collective Group Pension Security Management Product. As at December 31, 2019, the balance of such account amounts to RMB 129,576,500.00.

15.12 Final settlement of the supporting commercial housing in Fengxian District Nanqiao Base, the large-scale living community in Shanghai:

In March 2011, Shanghai Hongfeng Real Estate Co., Ltd. (hereinafter referred to as "Hongfeng Company"), the subordinate company of the subsidiary Shanghai Land Minhong (Group) Co., Ltd., signed the *Agreement on the Supporting Commercial Housing Project Construction in Fengxian District Nanqiao Base, the Large-scale Living Community in Shanghai* with Shanghai Fengxian District Land Reserve Center. According to agreement, Shanghai Fengxian District Land Reserve Center should conduct the entire repurchase at the provisional price of RMB 5,725.00 / m² (reserve price) regarding the residential houses and supporting public facilities developed by Hongfeng Company on J1 land lot, where the construction safety costs, exterior components and taxes should be settled in real terms, and the remaining should all be included in the repurchase cost. Such supporting commercial housing project was transferred to Shanghai Fengxian District Land Reserve Center when it was completed in 2013, and whole delivery of the corresponding houses and supporting public facilities, covering an area of 587,105.54 m² was completed before December 31, 2015.

In December 2016, Hongfeng Company obtained the housing appraisal report, in which the total housing price determined by Shanghai Fengxian District Land Reserve Center was RMB 3,458,448,000.00, the actually-measured housing area was 554,850.42 m², and the unit price was RMB 6,233.12 / m². In October 2017, Hongfeng Company obtained the appraisal report of the supporting public facilities, in which the total price of the supporting public facilities determined by Shanghai Fengxian District Land Reserve Center was RMB 214,434,500.00, the actually-measured area thereof was 32,255.21 m², and the unit price was RMB 6,648.06 / m². Prices specified in the appraisal report are higher than the repurchase price determined in 2011. As the appraisal of the main contractor is in process, Hongfeng Company fails to determine the final price with the main contractor, by which the total cost has been uncertain.

Hongfeng Company had carried forward the real estate revenue at prices specified in the agreement entered into by and between Hongfeng Company and Shanghai Fengxian District Land Reserve Center in March 2011. At the end of the period, as the cost of inventory balance of RMB 458.05 million has not been carried forward for profit or loss, the matching between cost and area cannot be done. At the end of the period, the estimated project payables amount to RMB 623,517,900.00, with the aging over 4 - 5 years.

As at December 31, 2019, the balance of net assets of Hongfeng Company amounts to RMB -96,207,000.00.

15.13 Matters relevant to the large-scale living community of the subsidiary Shanghai Land Zhongxing Caolu Base Development Co., Ltd.

Caolu Base is located at Caolu Town in Pudong New Area, south to Jinxiu East Road, North to Dongjing Road, East to Lingkong Road, and west to Pudong Canal, covering an area of 51,000 m². It is divided into the north base and the south base by Jinhai Road. In the north base, there are 7 land lots for residence with the building area of 950,000 m². Such base is acquired via pure land transfer; in the south base, there are 13 land lots for residence, supporting public facilities and several municipal, green and river projects, where the building area is 1,800,000 m². Such base is acquired via undeveloped land transfer, involving a large number of resettlements. As at December 31, 2019, there are two relocation building projects (B07-02 and B09-17) at the south Caolu base, and two supporting projects (B07-03 and B07-04) have been completed and delivered gradually.

The south Caolu base is a whole project. According to the instruction of the municipal government that the project cost should be taken into account as a whole, the project is subject to the overall liquidation. The government repurchase price should be adjusted based on the actual construction situation to make sure that the developer's whole project will not be at a loss. As at the reporting date, as the relocation at the south Caolu base has not been completed, the relocation cost cannot be determined; moreover, the costs on public supporting facilities cannot be determined due to the municipal planning and adjustment. To sum up, the revenue and costs from delivered projects cannot be determined, and they will not be carried forward for the time being.

15.14 Matters relevant to the large-scale living community of the subsidiary Shanghai Zhongxing Chengbei Real Estate Co., Ltd.

In 2017, the subsidiary Shanghai Zhongxing Chengbei Real Estate Co., Ltd. (hereinafter referred to as "Chengbei Company") carried forward the house price difference of RMB 265 million. Jiading District Tax Bureau recognized the invoice amount as the revenue amount, and asked Chengbei Company to pay tax for the house price difference of RMB 265 million. Thus, Chengbei Company paid the enterprise income tax of RMB 62,191,600.00. In 2019, the tax bureau refunded upon audit the income tax of RMB 290,000 for 2017. As such payment was caused by the house price difference, as at December 31, 2019, the paid enterprise income tax of RMB 61,901,600.00 relevant to the price difference has been included in other receivables of Shanghai Residential Construction and Development Center.

15.15 Batch lease of lands by Shanghai Hongqiao Economic and Technological Development Zone Union Development Co., Ltd., a subordinate company of the subsidiary Shanghai Land Minhong (Group) Co., Ltd.:

- 1 On September 15, 2016, Shanghai Hongqiao Economic and Technological Development Zone Union Development Co., Ltd. (hereinafter referred to as "Hongqiao Union Company") and Shanghai Pacific Hotel Co., Ltd. signed the *Contract for Rights and Interests Compensation for the Transfer of Land Use Right of No. 24 Land Lot in Shanghai Hongqiao Economic and Technological Development Zone*, agreeing that Shanghai Pacific Hotel Co., Ltd. shall pay Hongqiao Union Company the rights and interests compensation for the transfer of land use right, amounting to RMB 918.94 million, and pay the interest to Hongqiao Union Company at the interest of 2.85% by six stages. As at the reporting date, the corresponding compensation received amounts to RMB 40.00 million.
 In order to guarantee the practical performance, the guarantor Shanghai Jinjiang International Investment Management Co., Ltd. is willing to provide guarantee for the debtor's debts arising from the aforesaid contract. Principal of the main creditor's right: RMB 918.94 million. The principal amount is subject to the formally assessed price for the transfer of land use right in the contract. The guarantee amount accounts for 70% of the sum of such amounts as the principal and interest of the main creditor's right, and the overdue fine, as well as the reasonable expenses on realizing the main creditor's right. The guarantee is the joint and several liability guarantee with the period for two years as of the expiration of the period specified in the main contract for the debtor to fulfill obligation. As the debtor may pay the compensation for the transfer of land use right by stages under the main contract, the payment obligation at each stage during the guarantee period should be calculated separately, and the next year should start from the date of expiration of the period for obligation fulfillment at each stage by the debtor.

- 2 On October 13, 2017, Hongqiao Union Company and Shanghai Yangzijiang Hotel Co., Ltd. signed the *Contract for Rights and Interests Compensation for the Transfer of Land Use Right of No. 23 Land Lot in Shanghai Hongqiao Economic and Technological Development Zone*, agreeing that Shanghai Yangzijiang Hotel Co., Ltd. shall pay Hongqiao Union Company the rights and interests compensation for the transfer of land use right, amounting to RMB 937.40 million, and pay the interest to Hongqiao Union Company at the interest of 2.85% by five stages. As at the reporting date, the compensations for the first and the second stages, amounting to RMB 20.00 million have been received, and the third-stage compensation of RMB 305.80 million has not been collected.
 In order to guarantee the practical performance, the guarantor Shanghai Jinjiang International Hotel (Group) Co., Ltd. provided the guarantee via equity pledge to Honglian Company with the 66.67% of equity it held in the debtor. As the value of the pledged equity failed to account for two thirds of the principal of the main creditor's right. For the gap, the guarantor was willing to provide the additional guarantee for the debtor's repayment obligation. Principal of the main creditor's right: RMB 937.40 million. The principal amount is subject to the formally assessed price for the transfer of land use right in the contract. The guarantee amount is the balance of the two third of the sum of such amounts as the principal and interest of the main creditor's right, and the overdue fine and default fine, as well as the reasonable expenses on realizing the main creditor's right deducting the value of pledged equity. If the debtor fails to fulfill the obligation of debt repayment according to the main contract, Honglian Company will give priority to the realization of pledge, and the guarantor will fulfill the guarantee obligation for Honglian Company regarding to the part where the ledge fails to cover. The guarantee is the joint and several liability guarantee with the period for two years as of the expiration of the period specified in the main contract for the debtor to fulfill obligation. As the debtor may pay the compensation for the transfer of land use right by stages under the main contract, the payment obligation at each stage during the guarantee period should be calculated separately, and the next year should start from the date of expiration of the period for obligation fulfillment at each stage by the debtor.

- 3 On September 6, 2019, Hongqiao Union Company and Orient International Holding Shanghai Foreign Trade Co., Ltd. signed the *Contract for Rights and Interests Compensation for the Transfer of Land Use Right of the Land at Orient International Plaza B, No. 85 Loushanguan Road in Land Lot No. 19-2 in Shanghai Hongqiao Economic and Technological Development Zone*, agreeing that Orient International Holding Shanghai Foreign Trade Co., Ltd. shall pay Hongqiao Union Company the rights and interests compensation for the transfer of land use right, amounting to RMB 71.34 million. Hongqiao Union Company has received the entire compensation in 2019.
 - 4 On May 20, 2019, Hongqiao Union Company and Shanghai International Trade Center Co., Ltd. signed the *Contract for Rights and Interests Compensation for the Transfer of Land Use Right of Shanghai International Trade Center on Land Lot No. 21 in Shanghai Hongqiao Economic and Technological Development Zone and the Supplementary Contract*, agreeing that Shanghai International Trade Center Co., Ltd. shall pay the rights and interests compensation for the transfer of land use right of RMB 1,176.44 million, in which the large-amount compensation of RMB 861.69 million shall be paid with the additional investment payment within 3 working days after Shanghai International Trade Center Co., Ltd. receives the additional investment payment upon the completion of the additional investment by shareholders of such company, and the remaining compensation of RMB 314.75 million shall be paid annually in five years after the large-amount compensation is paid.
- 15.16 As entrusted by Shanghai Lingang Industrial Zone Management Committee, Shanghai Minlian Lingang United Development Co., Ltd. (hereinafter referred to as "Lingang United") and Shanghai Minlian Lingang Construction Development Co., Ltd. (hereinafter referred to as "Lingang Construction"), the subordinate companies of the subsidiary Shanghai Land Minhong (Group) Co., Ltd., carried out the land reserve and the municipal engineering construction respectively. As at December 31, 2019, the balance of land reserve cost incurred in Lingang United amounts to RMB 475,142,400.00. The amount of RMB 480.00 million has been collected in the way of government-based relief of implicit debts, and remains to be confirmed by Shanghai Lingang Industrial Zone Management Committee. Lingang Construction has paid RMB 1,585,043,900.00 for the construction of supporting facilities in Lingang area for the aforesaid committee, and has accumulatively collected RMB 1,562,245,300.00 from such committee, including RMB 758.50 million collected in the way of government-based relief of implicit debts. The collected amount remains to be confirmed by such committee.
- 15.17 In the inventories of the subsidiary Shanghai Zhouxin Property Co., Ltd. (hereinafter referred to as "Zhouxin Company"), 14 sets of street-along shops, covering an area of 2,408.99 m², have been rented out by Shanghai Hualu Real Estate Co., Ltd. and its related party Shanghai Huida Construction & Development Co., Ltd. without going through formalities for delivery. The book balance of inventories involved amounts to RMB 26,901,000.00. In December 2018, Zhouxin Company had lodged a lawsuit against Shanghai Hualu Real Estate Co., Ltd. and its related party Shanghai Huida Construction & Development Co., Ltd. to Shanghai Pudong New Area People's Court. On November 15, 2019, according to the judgment ((2018) H 0115 MC No. 92905) made by Shanghai Pudong New Area People's Court, Zhouxin Company shall cooperate with Shanghai Hualu Real Estate Co., Ltd. in going through formalities for the transfer of 14 sets of shops, after receiving all payments for the above-mentioned shops. In January 2020, Zhouxin Company has applied to Shanghai Pudong New Area People's Court for executing the judgment ((2018) H 0115 MC No. 92905). As at the reporting date, Zhouxin Company has not received the payments for those shops from Shanghai Hualu Real Estate Co., Ltd.

In December 2019, the case where Zhouxin Company lodged a lawsuit against Shanghai Hualu Real Estate Co., Ltd. and its related party Shanghai Huida Construction & Development Co., Ltd. for illegal shop occupancy was resumed for trial. As at the reporting date, the court fails to make a judgment.

15.18 On June 28, 2013, the subsidiary EXPO Shanghai (Group) Co., Ltd. obtained the property ownership certificate (HFDPPZ (2013) No. 049094-049099) via leasing, and according to the certificate, the area of ancestral land is 130,615 m², the area of tenure is 130,614.90 m², and it is Expo Axis that stands on such land; on November 6, 2015, such company obtained the property ownership certificate (HFDPPZ (2015) No. 086864) via the gratuitous transfer, and according to the certificate, the area of ancestral land is 18,039 m², the area of tenure is 18,039.40 m², and it is Baosteel Stage that stands on such land.

15.19 On August 30, 2016, Shanghai Star Group Co., Ltd. (hereinafter referred to as "SHSG"), a subordinate company of the subsidiary China Enterprise Company Limited, gratuitously transferred or transferred for compensation its 60 house properties without the ownership certificate (with the area of 16,364.08 m²), 36 house properties where the sole ownership certificate is not available (with the area of 48,692.89 m²), 31 land lots without land use right certificate (with the area of 173,318 m²) and 2 lands with land use right certificate (land transferred) (with the area of 64,979 m²) to the subsidiary Shanghai Land Asset Management Co., Ltd. (hereinafter referred to as "Asset Management").

In "36 house properties where the sole ownership certificate is not available and 2 lands with land use right certificate (land transferred)", the materials for name change regarding 16 transferred land properties and 2 transferred lands had been submitted to Shanghai State-owned Assets Supervision and Administration Commission (HGZWH [2016] No. 59) in November 2016. As at the reporting date, the document (HGZWGG [2017] No. 70) has been obtained, by which the change in entity of transferred land use right has been approved, and relevant formalities are in process; the transfer registration for the remaining 20 items of assets cannot be done due to their incomplete ownership certificates.

15.20 In 2004 and 2005, the subsidiary Shanghai Housing and Land (Group) Co., Ltd. sold its subordinates for system reform. Lands and property buildings not recorded during the system reform evaluation were recovered by the SL group, and the Company paid the resettlement costs for enterprise personnel under the system reform. In 2007, by take March 31, 2007 as the base day, SL Group records upon evaluation lands and buildings which have not been recorded, except the following assets.

| Nature of assets | Quantity | Reason for entry failure |
|---|-----------|--|
| Public houses | 13 houses | The leaseholds of 11 houses do not belong to SL Group yet. |
| Houses with property rights transferred | 25 houses | The leaseholds of 2 houses already belong to SL Group. |
| Public houses | 4 houses | Warrants cannot be transferred. |
| Taxi operation certificates | 30 pieces | Disposed or removed with uncertain compensation |
| | | Subject to the implementation of use or disposal scheme by relevant authorities. |

16 Approval of the financial statements

The financial statements have been approved at the enlarged meeting of Party Committee of the Company on May 15, 2020.

Shanghai Land (Group) Co., Ltd.

May 15, 2020