

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.

**4.10.5 Determination method for the fair value of financial assets and financial liabilities**

Fair value of a financial instrument having an active market is determined on the basis of quoted prices in the active market. The fair value of a financial instrument, for which there is no active market, is determined by using valuation techniques. At the time of valuation, the Company adopts the valuation techniques that are applicable in the current situation and supported by enough available data and other information, selects the input values that are consistent with the features of assets or liabilities as considered by market participants in relevant asset or liability transactions, and gives priority to use relevant observable inputs. Unobservable input values are used only when relevant observable input values cannot be available or such values obtained are infeasible.

**4.10.6 Test method and accounting treatment of impairment of financial assets of China Enterprise Company Limited**

The Company recognizes expected credit losses by calculating the probability-weighted amount of the present value of the difference between the cash flows receivable under the contract and the cash flows expected to be received, taking into account reasonable and substantiated information about past events, current conditions and forecasts of future economic conditions, weighted by the risk of default.

If the credit risk of the financial instrument has increased significantly since the initial recognition, the Company measures its loss provision at the expected credit losses for the whole duration of the financial instrument; if the credit risk of the financial instrument has not significantly increased since the initial recognition, the Company measures its loss provision at the expected credit losses of the financial instrument within the next 12 months. The increase or reversal of the loss provision is included in current profit or loss as an impairment loss or gain.

The Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of default of the financial instrument at the balance sheet date with the risk of default at the date of initial recognition to determine the relative change in the risk of default over the expected life of the financial instrument. Generally, the Company believes that the credit risk of the financial instrument has significantly increased over 30 days after the due date, unless there is solid evidence that the credit risk of the financial instrument has not increased significantly since initial recognition.

The Company considers that the credit risk of the financial instrument has not increased significantly since initial recognition if the credit risk of a financial instrument on the balance sheet date.

If there is objective evidence that there is credit impairment for a financial asset, the Company shall make provision for impairment of the financial asset on a single basis.



For receivables and contract assets resulting from transactions governed by the Accounting Standards for Business Enterprises No. 14 - Revenue (2017), the Company consistently measures its allowance for losses at an amount equal to the expected credit loss over the entire life of the asset, whether or not it contains a significant financing component.

For lease receivables, the Company always chooses to measure its loss reserves at an amount equivalent to expected credit losses during the entire duration.

When the Company no longer reasonably expects the contractual cash flows of a financial asset to be recovered in whole or in part, it directly writes down the book balance of that financial asset.

**4.10.7 Test method and accounting treatment method of impairment of financial assets of Shanghai Yaohua Pilkington Glass Group Co., Ltd.**

**(1) Impaired items**

Based on the expected credit losses, the Company performs impairment accounting treatment on the following items and confirms the loss provision:

- 1) Classified as financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income.
- 2) Lease receivables.
- 3) Loan commitments and financial guarantee contracts.

The expected credit loss model does not apply to other financial assets measured at fair value held by the Company, including financial assets measured at fair value through current profit or loss, those designated as financial assets (non-tradable equity instrument investment) measured at fair value through other comprehensive income, and derivative financial assets.

**(2) Recognition and measurement of impairment provision**

Except for purchased or derived financial assets that have suffered credit impairment and financial assets that always measure loss reserves at an amount equivalent to the expected credit loss during the entire duration, the Company evaluates whether the credit risks of the relevant financial instruments have increased significantly since the initial recognition on each balance sheet date, and respectively measures its loss reserves and recognizes the expected credit loss and its changes in accordance with the following circumstances:

If the credit risk of the financial instrument has not increased significantly since the initial recognition, and in the first stage, the Company measures its loss reserves at an amount equivalent to the expected credit loss of the financial instrument for the next 12 months. Regardless of whether the basis of the Company's assessment on credit losses is a single financial instrument or a portfolio of financial instruments, the increase in the loss reserves or the amount reversed arising therefrom shall be included in current profit or loss as the impairment losses or gains.

If the credit risk of the financial instrument has increased significantly since the initial recognition, in the second stage, the Company measures its loss reserves at an amount equivalent to the expected credit loss of the financial instrument for the entire duration. Regardless of whether the basis of the Company's assessment on credit losses is a single financial instrument or a portfolio of financial instruments, the increase in the loss reserves or the amount reversed arising therefrom shall be included in current profit or loss as the impairment losses or gains.

For financial assets that have suffered the credit impairment, in the third stage, the Company only recognizes the cumulative changes in expected credit losses during the entire duration after initial recognition as loss reserves on the balance sheet date. At each balance sheet date, the amount of the change in expected credit losses over the entire period is recognized in current profit or loss as an impairment loss or gain. A favorable change in expected credit losses is recognized as an impairment gain even if the expected credit losses over the entire period determined at the balance sheet date are less than the amount of expected credit losses reflected in the estimated cash flows at initial recognition.

For financial assets classified to be measured at fair value through other comprehensive income (investment in debt instruments), the Company recognizes its loss reverses in other comprehensive income, and includes the impairment losses or gains into current profit or loss, without deduction of book value of such financial assets listed in the balance sheet.

The Company has made provision for losses in the previous accounting period in an amount equal to the expected credit losses over the entire life of the financial instrument, but at the current balance sheet date, if the financial instrument no longer represents a significant increase in credit risk since initial recognition, the Company will make provision for losses at the current balance sheet date in an amount equal to the expected credit losses over the next 12 months, and the resulting reversal of the provision for losses is recognized in current profit or loss as an impairment gain.

When the Company cannot obtain sufficient evidence on a significant increase in credit risk at a reasonable cost at the level of a single instrument, the Company assesses whether the credit risk has increased significantly on a portfolio basis.

For various financial instruments that are subject to the provisions of this policy on impairment of financial instruments, the Company shall determine its credit losses by the following methods:

- 1) In the case of financial assets, the credit loss is the present value of the difference between the contractual cash flows due to the Company and the cash flows expected to be received.
- 2) For lease receivables, credit loss is the present value of the difference between the contractual cash flow that the Company should receive and the expected cash flow.



- 3) For commitments on undrawn loans, the credit loss should be the present value of the difference between the contractual cash flow that the Company should receive and the expected cash flow when the loan commitment holder draws the corresponding loans.
- 4) For a financial guarantee contract, the credit loss is the present value of the difference between the amount of the Company's estimated payment to the contract holder for the credit loss less the Company's expected payment to the contract holder, debtor or any other party.
- 5) For financial assets that are impaired at the balance sheet date but are not purchased or derived and has been subject to credit impairment, the credit loss is the difference between the book balance of the financial asset and the present value of estimated future cash flows discounted at the original effective interest rate.

**(3) Significant increase in credit risk**

The Company judges whether the credit risk of the financial instrument has increased significantly by comparing the default probability of the financial instrument during the expected duration determined at the time of initial recognition and the default probability of the instrument during the expected duration determined on the balance sheet date. Except under special circumstances, the Company regards the change in default risk that occurs within the next 12 months as a reasonable estimate of the change in default risk that occurs throughout the duration to determine whether the credit risk has increased significantly since initial recognition.

If the Company determines that a financial instrument has only a lower credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since the initial confirmation. Generally, the Company believes that the credit risk of the financial instrument has significantly increased over 30 days after the due date, unless there is solid evidence that the credit risk of the financial instrument has not increased significantly since initial recognition.

**(4) Impairment of notes receivable and accounts receivable**

For notes receivable and accounts receivable, regardless of whether there is a significant financing component, the Company always measures their loss reserves according to the expected credit losses for the entire duration. When individual notes receivable and accounts receivable cannot assess the expected credit loss at a reasonable cost, the Company divides the notes receivable and accounts receivable into several portfolios based on the credit risk characteristics, and calculates the expected credit losses on a portfolio basis. If there is objective evidence that a note receivable and account receivable have been credit-depreciated, the Company makes individual provision for bad debts and confirms the expected credit losses for the note receivable and account receivable. For the notes receivable and accounts receivable classified into a portfolio, the Company makes reference to the historical credit loss experience, combines with the current situation and the forecast of future economic conditions, and calculates expected credit losses through risk exposure at default and the expected credit loss rate for the entire duration.



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Portfolio of notes receivable and accounts receivable:	
Portfolio name	Basis for determining the portfolio
Portfolio 1 of notes receivable	Commercial acceptance bills out of the scope of consolidation
Portfolio 2 of notes receivable	Commercial acceptance bills within the scope of consolidation
Portfolio 3 of notes receivable	Bank acceptance bills
Portfolio 1 of accounts receivable	Customers by aging
Portfolio 2 of accounts receivable	Accounts of related parties in the consolidation scope

(5) **Impairment of other receivables**

For other receivables classified into a portfolio, the Company makes reference to the historical credit loss experience, combines with the current situation and the forecast of future economic conditions, and calculates expected credit losses through risk exposure at default and the expected credit loss rate for the next 12 months or the entire duration.

**4.11 Accounts receivable**

The Company's receivables include accounts receivable, other receivables and others. The accounts receivable generated from external sales of goods or rendering of services by the Company are initially recognized at the fair value of the consideration which shall be received by the purchaser under the contract or agreement. Receivables are presented, by using the effective interest rate method, at the net amount of the amortized costs less the allowance for bad debts.

The allowance for bad debts of receivables is accrued by combining individual test and portfolio test (aging analysis). Individual test includes:

**4.11.1 Provision for bad debts of receivables with significant single amount:**

Basis and standard for "individually significant":

Receivables with individually significant amount refers to receivables amount to RMB 10 million or more.

Method for provision for bad debts of accounts receivable with individually significant amount

The Company shall perform separate impairment tests, make allowance for bad debts at the difference of present value of estimated future cash flows in short of their book values, and include such allowance in current profit or loss. Except for the receivables separately identified for provision of impairment, receivables that have not been impaired in a separate test are included in the aging portfolio for provision for bad debts.

**4.11.2 Receivables with provision for bad debts made on a portfolio basis:**

Determination basis of portfolio	
	Except for the receivables separately identified for provision of impairment, other receivables are classified in to the portfolio by the aging
Aging portfolio	
Method for provision for bad debts on portfolio basis	
Portfolio name	Provision method
Aging portfolio	Based on aging analysis method

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Aging analysis method 1: Companies other than listed companies China Enterprise Company Limited, Shanghai Building Materials (Group) Co., Ltd., Shanghai Shenhong Investment Development Co., Ltd., Expo Shanghai (Group) Co., Ltd., and Shanghai Urban Renewal Construction and Development Co., Ltd.

Aging	Proportion of provision for accounts receivable	Proportion of provision for other receivables
Within 1 year (including 1 year)	5%	5%
1-2 years (including 2 years)	10%	10%
2-3 years (including 3 years)	30%	30%
Over 3 years	60%	60%

Aging analysis method 2: Shanghai Building Materials (Group) Co., Ltd. and its subsidiaries (except for Shanghai Yaohua Pilkington Glass Group Co., Ltd. and Shanghai Bright Intelligent Curtain Wall Co., Ltd.) adopt the aging analysis method to make provision for bad debts.

Aging	Proportion of provision for accounts receivable	Proportion of provision for other receivables
Within 1 year (including 1 year)	5%	5%
1-2 years (including 2 years)	10%	10%
2-3 years (including 3 years)	50%	50%
Over 3 years	100%	100%

Aging analysis method 3: Shanghai Bright Intelligent Curtain Wall Co., Ltd., a subsidiary of Shanghai Building Materials (Group) Co., Ltd., adopt the aging analysis method to make provision for bad debts.

Aging	Proportion of provision for accounts receivable	Proportion of provision for other receivables
Within 1 year (including 1 year)	5%	5%
1-2 years (including 2 years)	10%	10%
2-3 years (including 3 years)	30%	30%
3-4 years (including 4 years)	50%	50%
4-5 years (including 5 years)	80%	80%
Over 5 years	100%	100%

Aging analysis method 4: Shanghai Shenhong Investment Development Co., Ltd. and its subsidiaries adopt the aging analysis method to make provision for bad debts.

Aging	Proportion of provision for accounts receivable	Proportion ratio for other receivables
Within 1 year (including 1 year)	0%	0%
1-2 years (including 2 years)	5%	5%
2-3 years (including 3 years)	30%	30%



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Aging	Proportion of provision for accounts receivable	Proportion ratio for other receivables
years)		
3-5 years (including 5 years)	50%	50%
Over 5 years	100%	100%

Aging analysis method 5: Expo Shanghai (Group) Co., Ltd. and its subsidiaries, Shanghai World Expo Cultural Tourism Development Co., Ltd., a subsidiary of Shanghai World Expo Cultural Park Construction Management Co., Ltd., and its subsidiaries adopt the aging analysis method to make provision for bad debts.

Aging	Proportion of provision for accounts receivable	Proportion of provision for other receivables
Within 1 year (including 1 year)	5%	5%
1-2 years (including 2 years)	10%	10%
2-3 years (including 3 years)	20%	20%
3-4 years (including 4 years)	50%	50%
4-5 years (including 5 years)	50%	50%
Over 5 years	100%	100%

Aging analysis method 6: Shanghai Urban Renewal Construction and Development Co., Ltd. adopts the aging analysis method to make provision for bad debts.

Aging	Proportion of provision for accounts receivable	Proportion of provision for other receivables
Within 1 year (including 1 year)	0%	0%
1-2 years (including 2 years)	5%	5%
2-3 years (including 3 years)	15%	15%
3-4 years (including 4 years)	80%	80%
Over 4 years	100%	100%

**4.11.3 Accounts receivable that are individually insignificant but subject to individual provision for bad debt**

Reasons for individual provision for bad debts

The aging lasts long, and there is objective evidence showing the impairment occurred.

Method for provision for bad debts

The impairment loss shall be recognized and the provision for bad debts shall be made at the balance of book value of estimated future cash flows less the present value thereof.

#### **4.12 Inventories**

##### **4.12.1 Classification of inventories**

Inventories are classified into: development cost, land to be developed, development products, engineering construction, property engineering, raw materials, low-cost consumables, production costs, self-manufactured semi-finished products, finished products, stock commodities, consigned processing materials, etc.

##### **4.12.2 Measurement methods of acquisition and dispatching inventories**

The inventories are measured at actual cost when acquired;

For the inventories acquired from the debtor for the liquidation of debt in debt restructuring, the book-entry value shall be determined based on the book value of the creditor's rights receivable; for the inventories traded in through non-monetary transactions, the book-entry value shall be determined based on the book value of the assets traded out.

Inventories are measured at the weighted average method or the specific identification method when dispatched.

##### **4.12.3 Amortization method of low-cost consumables**

Low-cost consumables are amortized by using the one-off amortization method.

##### **4.12.4 Accounting method of land for development use**

For pure land development projects, their expenditures independently constitute land development cost.

The project involving the overall real estate development: if their expenses can distinguish burden objects, they will be generally amortized and included in developed products (development costs) according to their actual areas.

##### **4.12.5 Accounting method for the cost of public facilities**

Public supporting facilities that cannot be transferred with compensation: Its cost shall be included in the cost of the commercial house according to the criteria determined by beneficial ratio;

Public facilities which can be transferred for compensation: by taking various supporting infrastructure projects as costs accounting objects, collect the costs incurred.

##### **4.12.6 Accounting method of maintenance funds**

The maintenance funds are withdrawn in accordance with the Administrative Measures for Maintenance Funds of Commodity Housing in Shanghai and other local administrative measures for maintenance funds, and are included in the development costs.

##### **4.12.7 Accounting method of quality guarantee deposit**

The quality guarantee deposit shall be reserved and deducted from the civil engineering and installation project payment payable in accordance with the retention ratio and payment period of the quality guarantee deposit stipulated in the civil engineering, installation and other project contracts. Maintenance costs due to quality issues in the warranty period shall be deducted and listed in this item, and the settlement of such costs shall be handled after the warranty period.

##### **4.12.8 Inventory system**

Perpetual inventory system is adopted.



**4.12.9 Determining basis of the net realizable value of inventories and provision method for inventory depreciation reserve**

After the comprehensive inventory at the end of the period, the inventory provision for depreciation will be made or adjusted at the lower of the inventory cost and net realizable value.

Inventory impairment provision will be made at the end of the period on an individual basis.

If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made. The reversed amount shall be included in current profit or loss.

**4.13 Contract assets**

Since January 1, 2020, the subsidiaries, China Enterprise Company Limited and Shanghai Yaohua Pilkington Glass Group Co., Ltd. have adopted new revenue standards.

**4.13.1 Recognition method and standards for contractual assets**

The Company presents contractual assets or contractual liabilities in the balance sheet based on the relationship between its performance of fulfillment obligations and customer payments. If the Company has transferred the right to receive consideration for goods transferred or services provided to customers and the right depends on factors other than the passage of time, it is presented as a contract asset. Contractual assets and contractual liabilities under the same contract are presented by their net amounts. The Company's unconditional (only subject to the passage of time) rights to receive consideration from customers are individually presented as receivables.

**4.13.2 Determination method and accounting treatment of expected credit losses of contractual assets**

The method of determining expected credit losses and accounting treatment for contract assets are detailed in Note 4.10.6/7 "Methods of testing and accounting for impairment of financial assets".

**4.14 Assets held for sale**

The Company recognizes non-current assets or disposed asset portfolios meeting the following conditions at the same time as assets held for sale:

- (1) According to the general practice for selling such kind of asset or disposed asset portfolio in the similar transaction, the asset or portfolio can be immediately sold in the prevailing circumstance;
- (2) The sale of the asset or portfolio is very likely to happen, which means that the Company has made a resolution for one selling plan and had acquired decided purchase commitment, and it is estimated that the sale will be completed within one year. Where the sale can be done only upon the approval of relevant authorities or regulatory authorities of the Company as required by relevant provisions, the approval has been obtained.

**4.15 Long-term equity investments**

**4.15.1 Determination of investment costs**

**(1) A long-term equity investment as a result of business combination**

Business combination under common control: if the Company makes payment in cash, transfers non-cash assets or bears debts and issues equity securities as the consideration for the business combination, the book value of the owner's equity of the acquiree in the consolidated financial statements of the ultimate controller is recognized as the initial cost of the long-term equity investment on the combination date. The stock premium in the capital reserve is adjusted according to the difference between the original cost of long-term equity investment and the book value of cash paid, non-cash asset transferred or debt borne as well as total par value of shares issued. If the stock premium in the capital reserves is insufficient to cover the difference, the remaining amount shall be charged against retained earnings. In case the Company can exercise control over the investee under common control for additional investment or other reasons, the initial investment cost of long-term equity investments is recognized at the share of book value of net asset of the acquiree after the combination in the consolidated financial statements of the ultimate controller on the combination date. The stock premium should be adjusted at the difference between the initial investment cost of long-term equity investments on the combination date and the book value of long-term equity investments before the combination plus the book value of consideration paid for additional shares; if there is no sufficient stock premium for write-downs, the retained earnings are adjusted.

Business combination under common control: the Company determines the combination cost determined on the purchase date as the initial cost of long-term equity investments. Where additional investment or other reasons make the control over the investee not under the same control possible, the initial investment cost under the cost method will be the sum of the book value of the equity investments previously held and the newly increased investment costs.

Intermediary costs such as audit fee, legal service fee, appraisal and consultancy fee paid for the business combination and other relevant administrative expenses are included in current profit or loss when occurred; the transaction costs for the issuance of equity securities or the debt securities as the consideration for the business combination are included in the initially recognition amounts of the equity or debt securities.

**(2) Long-term equity investment acquired by other means**

For long-term equity investments acquired from cash payment, the initial investment cost is the actually paid purchasing cost.

For a long-term equity investment acquired from issuance of equity securities, its initial cost is the fair value of the issued equity securities.

If the exchange of non-monetary assets has commercial substance and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out and the relevant taxes and surcharges payable unless there is any conclusive evidence that the fair values of the assets traded in are more reliable; if the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and the relevant taxes and surcharges payable are recognized as the initial cost of long-term equity investment traded in.



For a long-term equity investment acquired from debt restructuring, its initial cost is determined based on the fair value.

**4.15.2 Subsequent measurement and recognition of profit or loss**

**(1) Long-term equity investments calculated under cost method**

Long-term equity investments in subsidiaries are accounted for under the cost method. Except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the investment income in 2020 at the cash dividends or profits declared by the investee.

**(2) Long-term equity investments calculated under equity method**

The Company's long-term equity investments in its associates and joint ventures are calculated under the equity method. If the initial cost is in excess of the share of the fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of long-term equity investment; if the initial cost is in short of the share of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in current profit or loss.

The Company shall recognize the investment income and other comprehensive income at the shares of net profit or loss and other comprehensive income realized by the investee which the Company shall enjoy or bear and adjust the book value of long-term equity investments at the same time; the Company shall calculate the shares according to profits or cash dividends declared by the investee and correspondingly reduce the book value of long-term equity investments; the book value of long-term equity investments shall be adjusted according to the investee's other changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution, which should be included in owner's equity.

The share of the investee's net profit or loss should be recognized after adjustments are made to net profit of the investee based on the fair value of identifiable net assets of the investee upon acquisition of investments and according to accounting policies and accounting period of the Company. When holding the investment, the investee should prepare the consolidated financial statements, it shall account for the investment income based on the net profit, other comprehensive income and the changes in other owner's equity attributable to the investee.

The Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company according to the corresponding ratio and recognize the profit or loss on investments on such basis. For internal trading profit or loss that have not occurred with the investee, they will be fully recognized if they belong to the asset impairment losses. For the asset investment or sale transactions with associates or joint ventures, the accounting treatment shall be carried out in accordance with relevant policies as disclosed in Note 4.4 and 4.5



When the Company recognizes its share of loss incurred to the investee, treatment shall be done in following sequence: firstly, the book value of the long-term equity investment shall be reduced. Secondly, where the book value thereof is insufficient to cover the share of losses, investment losses are recognized to the extent of book value of other long-term equities which form net investment in the investee in substance and the book value of long term receivables shall be reduced. Finally, after all the above treatments, if the Company is still responsible for any additional obligations in accordance with the provisions stipulated in the investment contracts or agreements, estimated liabilities are recognized and included into current investment loss according to the obligations estimated to undertake. An investor shall recognize the net loss incurred by the invested entity until the book value of the long-term equity investment and other long-term interests which substantially form the net investment in the invested entity are reduced to zero, unless the investing party is obliged to undertake extra losses. If the invested entity realizes any net profit later, the investing party shall, after the amount of its attributable share of profits offsets its attributable share of the unrecognized losses, resume recognizing its attributable share of profits.

**(3) Disposal of long-term equity investments**

For disposal of long-term equity investments, the difference between the book value and the actual price shall be included in the current investment income.

For long-term equity investments accounted for under the equity method, when the Company disposes such investments, accounting treatment should be made to the part that is originally included in other comprehensive income according to the corresponding proportion by using the same basis for the investee to directly dispose the relevant assets or liabilities. Owner's equity recognized at the changes in the investee's other owner's equity other than net profit or loss, other comprehensive income and profit distribution shall be transferred to current profit or loss according to the proportion, except for other comprehensive income from changes arising from re-measurement of net liabilities or net assets of defined benefit plan.

In case the joint control or significant influence over the investee is lost for disposing part of equity investments or other reasons, the remaining equity will be changed to be accounted for according to the recognition and measurement principles of financial instruments. The difference between the fair value and the book value on the date of the loss of joint control or significant influence should be included in current profit or loss. For other comprehensive income recognized from accounting of the original equity investments under the equity method, accounting treatment should be made by using the same basis for the investee to directly dispose the relevant assets or liabilities when the equity method is no longer adopted. Owner's equity recognized from the investee's changes in other owner's equity other than net profit or loss, other comprehensive income and profit distribution should all transferred to current profit or loss when the equity method confirmed is no longer adopted.



Where the Company loses the control over the investee due to disposal of partial equity investments or other reasons, when it prepares individual financial statements, if the remaining equity after disposal can exercise joint control or significant influence on the investee, such investments should be changed to be accounted for under the equity method and the remaining equity should be deemed to have been adjusted on acquisition, namely when the equity method is adopted for accounting; if the remaining equity after disposal can exercise joint control or significant influence on the investee, such equity will be changed to be accounted for according to recognition and measurement standards of financial instruments and the difference between fair value and book value on the date of loss of the control or significant influence should be included in current profit or loss.

Where equity after the disposal is acquired from business combinations due to additional investments or other reasons, when the Company prepares individual financial statements, if the remaining equity after the disposal is accounted for under the cost method or equity method, other comprehensive income and other owner's equity recognized from equity investments that are held before the acquisition date and are accounted for under the equity method should be carried forward in proportion; if the remaining equity after the disposal is changed to be accounted for according to recognition and measurement standards of financial instruments, other comprehensive income and other owner's equity should be carried forward at full amount.

#### **4.15.3 Recognition basis of joint control over or significant impact on the investee**

Joint control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Where the Company and other investors exert common control over the investee and the Company is entitled to net assets of the investee, the investee is the joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties. Where an investing enterprise is able to have significant influences on an investee, the investee shall be its associate.

#### **4.15.4 Impairment test method and provision method for impairment**

Impairment test is carried on those long-term equity investments with sign of impairment on the balance sheet date.

If the recoverable amount is lower than the book value of the long-term equity investment, provision for impairment shall be made. Once the loss on impairment of long-term equity investment is recognized, it cannot be reversed.

#### **4.16 Investment property**

The investment properties refer to the real estate held for earning rentals or/and capital appreciation. Investment properties include leased land use right, land use right held for transfer upon appreciation and leased building.



The Group, on the basis of the acquisition cost, carries out an initial measurement and a subsequent measurement on investment property by employing the cost method on the balance sheet date. For investment properties measured with the cost model - in terms of buildings for renting, the same depreciation policy as that for fixed assets of the Company is adopted and land use rights for renting are implemented with the same amortization policy as that for intangible assets.

If any indication of impairment exists, the recoverable amounts of investment properties shall be estimated.

Once the impairment loss on investment properties are recognized, it shall not be reversed.

#### **4.17 Fixed assets**

##### **4.17.1 Recognition criteria**

Fixed assets of the Company refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful lives exceeding one accounting year.

The fixed assets shall be only recognized when the following conditions are satisfied: the economic benefits relating to the fixed assets may flow into the Company, and the costs of the fixed assets can be measured reliably.

The Company initially measures its fixed assets based on their actual costs when acquired.

##### **4.17.2 Classification and depreciation methods of fixed assets**

Depreciation of the Company's fixed assets is provided on a category basis using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. Where various components of fixed assets are different in useful lives or provide economic benefits for the enterprise in different ways, then different depreciation rates or methods are chosen to separately provide for depreciation. Specifically, for fixed assets of which provision for impairment has been made, the depreciation rate shall be determined based on the fixed assets deducting the accumulated amount of provision for impairment withdrawn.

The Company should review useful lives, estimated net residual rate and depreciation methods of the fixed assets at the end of each year. For any differences between the estimated useful life and the previous estimates, the useful life of the fixed assets shall be adjusted; for any differences between the estimated net residuals and the previous estimates, the estimated net residual shall be adjusted.

For fixed assets acquired under financing leases, if there is reasonable assurance that the Group will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over its useful life; if there is no reasonable assurance that the Group will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over the shorter of the lease term or the useful life of the leased assets.

The provision for depreciation should be made when the fixed assets have reached the working condition for their intended use and ceased at the time of derecognition or the fixed assets are classified as non-current assets held for sale.



The depreciation life and depreciation rate of various fixed assets are as follows

Categories of fixed assets	Estimated service life	Net residual value rate	Annual depreciation rate
Buildings and constructions	5 - 64 years	0%-10%	20.00%-1.48%
General equipment	1 - 20 years	0%-10%	100.00%-4.50%
Special equipment	3 - 20 years	3%-10%	32.33%-4.50%
Transportation facilities	3 - 15 years	3%-10%	32.33%-6.00%
Fixed assets leased from financing	45 years	5%	2.11%
Decoration of fixed assets	2 - 10 years	---	50.00%-10.00%
Improvement of fixed assets acquired under the operating lease	58 months	---	20.69%
Other equipment	3 - 20 years	0%-10%	33.33%-4.5%

#### 4.17.3 Accounting treatment of subsequent expenses of fixed assets

Subsequent expenses of fixed assets refer to the renovation and transformation, repair and other expenses incurred during the process of using the fixed assets.

For the subsequent renovation and transformation expenses of fixed assets meeting the Company's recognition criteria of fixed assets, they shall be included in costs of fixed assets after deducting the book value of replaced part; for repair expenses of fixed assets not meeting such recognition criteria, they shall be recorded into current profit or loss when incurred.

#### 4.17.4 Recognition criteria and provision method for provision for impairment of fixed assets

The Company assesses whether there is any indication that fixed assets may be impaired at the end of each period.

If there is any indication that a fixed asset may be impaired, the Company shall estimate the recoverable amount of the asset. The recoverable amount of the fixed asset is determined at the higher of the net amount of its fair value less disposal expenses or the present value of its estimated future cash flows.

If the recoverable amount of a fixed asset is lower than its book value, the book value of the asset shall be written down to its recoverable amount. The write-downs shall be recognized as impairment loss of the fixed assets and charged to current profit or loss. Provisions for impairment of the fixed assets are made accordingly at the same time.

After the impairment losses of fixed assets are recognized, the depreciation for the impaired fixed assets are adjusted accordingly in future periods so as to amortize the post-adjustment book values of the fixed assets (less their estimated net residual values) over their remaining useful lives on a systematic basis.

Once recognized, the impairment losses on fixed assets shall not be reversed in subsequent accounting period.

If any indication suggests that a fixed asset may be impaired, the Company will estimate the recoverable amount on an individual basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company will estimate the recoverable amount of the asset group to which the individual asset belongs.



**4.17.5 Recognition basis and valuation method for fixed assets acquired under financing lease**

Assets acquired under finance leases are recognized where the lease agreement signed by the Company with the lessee specifies one of the following conditions:

- (1) The ownership of the leased asset belongs to the Company at the expiration of lease term;
- (2) The Company has the option to buy the asset at a price which is far lower than the fair value of the leased asset at the date when the option becomes exercisable;
- (3) The lease term covers the major part of the useful life of the leased asset;
- (4) There is no large difference between the present value of the minimum lease payments on the lease commencement date and fair value of the assets.

On the lease commencement date, the book entry value of a fixed asset acquired under financing lease is measured at the asset's fair value or the present value of the minimum lease payment, whichever is the lower. The minimum lease payment is recorded as the book entry value of the long-term payables, and the difference between them is deemed as the unrecognized financing expenses.

**4.18 Construction in process**

**4.18.1 Initial measurement of construction in progress and criteria for construction in progress conversion into fixed assets**

The Company's costs of construction in progress are determined according to actual project expenditures, including all necessary project expenses incurred during the construction period, the borrowing costs that shall be capitalized before the construction reaches its condition for the intended use and other related expenses.

Constructions in progress are transferred to fixed assets when they reach the condition for its intended use.

Projects under construction are recorded as fixed assets at necessary expenditures incurred before preparing the asset to reach the condition for its intended use. Where the construction in progress of a fixed asset reached working conditions for its intended use but the completion of settlement has not been handled, the estimated construction value shall be transferred into the fixed assets based on construction budget, cost or actual cost of construction, etc., and the depreciation of fixed assets shall be withdrawn according to the Company's policy on fixed assets depreciation; when the completion of settlement is finished, the original estimated value shall be adjusted at the actual cost, but the depreciation already withdrawn shall not be adjusted.

**4.18.2 Recognition criteria and provision method for provision for impairment of construction in progress**

The Company assesses whether there is any indication that construction in progress may be impaired at the end of each period.

If there is any indication that construction in process may be impaired, the Group estimates its recoverable amounts. If there is any indication that construction in progress may be impaired, the Company shall estimate the recoverable amount on the basis of single construction. If it is difficult to estimate the recoverable amount of single construction, the Company shall determine the recoverable amount of the assets group that such construction belongs to.



The recoverable amount of construction in progress is the higher of their fair value less costs to disposal and the present value of the estimated future cash flows of the construction in progress.

If the recoverable amount of construction in progress is lower than their book value, the book value of the construction in progress shall be written down to their recoverable amount. The write-downs will be recognized as impairment losses and included in current profit or loss. Provisions for impairment of the construction in progress shall be made accordingly.

Once recognized, the impairment loss of construction in progress shall be no longer reversed in subsequent accounting period.

#### **4.19 Borrowing costs**

##### **4.19.1 Recognition criteria of capitalization of borrowing costs**

Borrowing costs of the Company that are directly attributable to the acquisition, construction or production of qualifying assets should be capitalized and included in the costs of related assets. Other borrowing costs are recognized as expenses at the amount on occurrence and are charged to current profit or loss.

Borrowing costs may be capitalized only when all the following conditions are met at the same time:

- (1) Asset disbursements, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization, have already been incurred;
- (2) Borrowing costs have occurred;
- (3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

##### **4.19.2 Capitalization period for borrowing costs**

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its cessation. The period of capitalization suspension of borrowing costs is excluded.

Capitalization of borrowing costs should be ceased when the acquired and constructed or produced assets eligible for capitalization have reached their intended use or sale condition.

When some projects among the acquired and constructed or produced assets eligible for capitalization are completed and can be used separately, the capitalization of borrowing costs of such projects should be ceased.

If all parts of the acquired and constructed or produced assets are completed separately but the assets cannot be used or sold externally until overall completion, the capitalization of borrowing costs should be ceased at the time of overall completion of the said assets.

#### 4.19.3 Period of capitalization suspension

If the acquisition and construction or production activities of assets eligible for capitalization are abnormally interrupted and such condition lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary procedures for the acquired, constructed or produced assets eligible for capitalization to reach their intended use or sale status, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interruption are recognized as current profit or loss and continue to be capitalized until the acquisition, construction or production of the asset restarts.

#### 4.19.4 Calculation method of capitalization amount of borrowing costs

As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowing actually incurred in 2020 less the interest income of the borrowings unused and deposited in bank or return on temporary investment shall be recognized as the capitalization amount of borrowing costs.

As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the expenses of general borrowings to be capitalized shall be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalization rate of used general borrowings. The capitalization rate is determined via the calculation at the weighted average interest rate of general borrowings.

Where there are discounts or premiums on borrowings, the amounts of interest for each accounting period should be adjusted taking account of amortizable discount or premium amounts for the period at effective interest method.

### 4.20 Intangible assets

#### 4.20.1 Recognition of intangible assets

The "intangible assets" refers to the identifiable non-monetary assets which have no physical shape and are possessed or controlled by the Company. Intangible assets will only be recognized when all the following criteria are satisfied:

- (1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and
- (2) Costs of the intangible assets can be measured reliably.

#### 4.20.2 Measurement method of intangible assets

- (1) **The Company initially measures intangible assets at cost upon acquisition;**  
The costs of externally acquired intangible assets include their purchase prices, related taxes and surcharges and any other directly attributable expenditure incurred to prepare the asset for its intended use. If the deferred payment of purchase price of intangible assets exceeding normal credit terms is substantially of financial nature, the cost of intangible assets should be determined at the present value of the purchase price.

The book entry value of intangible assets acquired which the debtor uses to pay back the debt in debt restructuring should be recognized at the fair value of the intangible assets. The difference between the book value of restructured debts and the fair value of intangible assets used to pay back the debt should be included in current profit or loss.



If the exchange of non-monetary assets has commercial substance, and the fair values of these assets can be measured reliably, the book-entry values of intangible assets traded in are based on the fair values of the intangible assets traded out unless there is any conclusive evidence that the fair values of the assets traded in are more reliable. If the exchange of non-monetary assets does not meet the above criteria, the costs of the intangible assets traded in should be the book values of the assets traded out and relevant taxes and surcharges payable, and no profit or loss shall be recognized.

For intangible assets acquired from business combination under common control, the book entry value is initially recognized at the book value of the combinee; for intangible assets acquired from business combination not under common control, the book entry value is initially recognized at the fair value.

Costs of intangible assets developed internally and independently include: the costs of materials and labor services used to develop the intangible assets, the registration fee, the amortization of other patents and franchise used in the process of development, the interest expenses meeting the condition for capitalization, and other direct expenses for preparing the intangible assets for their intended use.

**(2) Subsequent measurement of intangible assets**

The useful lives of intangible assets are analyzed on acquisition.

As for intangible assets with limited useful life, straight-line amortization method is adopted in the period when the intangible assets generate economic benefit for enterprise; if the period when the intangible assets generate economic benefit for enterprise cannot be predicted, the intangible assets will be deemed as those with indefinite useful life and should not be amortized.

**4.20.3 Estimate of the useful life of the intangible assets with definite useful lives**

At the end of each reporting period, the Bank shall review the useful lives and amortization method of intangible assets with definite useful lives.

Upon review, the useful lives and amortization method of the intangible assets as at the end of the year were not different from those estimated before.

**4.20.4 Determination basis of intangible assets with indefinite useful lives:**

As of the end of the current period, the Company had no intangible assets with indefinite useful lives.

**4.20.5 Provisions for impairment loss on intangible assets**

As for the intangible assets with limited useful life, if there is any obvious indication of impairment, the Group shall conduct an impairment test at the end of the period.

As for the intangible assets with indefinite useful lives, the Group shall conduct the impairment test at the end of the period.

Impairment test will be conducted for intangible assets, and the recoverable amount thereof will be estimated. If there are indications of possible impairment of an intangible asset, the Company will estimate its recoverable amount based on single intangible asset. If it is difficult for the Company to estimate the recoverable amount of the individual asset, the recoverable amount of an asset group to which the said intangible asset belongs to will be determined.

The recoverable amount is determined at the higher of the net of the fair value less disposal costs and the present value of the future cash flows.

When the recoverable amount of the intangible asset is lower than its book value, the book value of the intangible asset will be written down to its recoverable amount. The reduction is recognized as an impairment loss of the intangible asset, and included into current profit or loss, while corresponding impairment provision of the intangible asset will be provided.

After the impairment loss of the intangible asset is recognized, the depreciation or the amortization fees for impairment of the intangible asset will be adjusted in future periods to allow that the adjusted book value (less net estimated residual value) of the intangible asset is systematically amortized over their remaining useful life.

Impairment loss on the intangible assets shall not be reversed in subsequent accounting periods once recognized.

**4.20.6 Specific standards for classification of research and development phase of internal research and development projects**

Expenditure on an internal research and development project shall be classified into expenditure on the research phase and expenditure on development phase.

Research stage: it is the stage when creative and planned investigation and research activities are conducted to acquire and understand new scientific or technological knowledge.

Development phase: development phase is the stage when the research achievements and other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

**4.20.7 Specific standard for development expenditures eligible for capitalization**

Expenditure on the development stage for an internal research and development project shall be recognized as intangible assets only when the following conditions are simultaneously satisfied:

- (1) It is feasible technically to finish intangible assets for use or sale;
- (2) It is intended to finish and use or sell the intangible assets;
- (3) The method that the intangible assets generate economic benefits, including the existence of a market for products produced by the intangible assets or for the intangible assets themselves, shall be proved. Or, if to be used internally, the usefulness of the assets shall be proved;
- (4) It is able to finish the development of the intangible assets and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and
- (5) The expenditures attributable to the development of the intangible asset can be reliably measured.

If the above conditions are not satisfied, expenditure on the development phase shall be included in current profit or loss when it occurs. Expenditure on the research phase shall be included in current profit or loss when it occurs.



#### 4.21 Goodwill

For goodwill arising from business combination under common control, its initial cost is the difference of the acquisition cost in excess of the share of fair value of the acquiree's identifiable net assets acquired in the merger.

Goodwill will be transferred out upon the disposal of the related asset group or combination of asset group and be included into current profit or loss.

The Company does not amortize the goodwill, and conducts impairment test for the goodwill at least once at the end of each year.

The Company conducts impairment tests for goodwill. The book value of goodwill arising from a business combination is allocated to the relevant assets group in a reasonable way since the acquisition date; where it is difficult to be allocated to the relevant assets group, it will be allocated to the relevant combination of assets groups. When the book value of goodwill is amortized to the relevant assets group or combination of assets groups, it shall be evenly amortized according to the proportion of the fair value of each assets group or combination of assets groups in the total fair value of the relevant assets groups or combinations of assets groups. Where fair value is difficult to be reliably measured, it shall be evenly allocated according to the proportion of the fair value of each assets group or combination of assets groups in the total fair value of the relevant assets groups or combinations of assets groups.

When making an impairment test on the relevant assets groups or combination of assets groups containing goodwill, if any indication shows that the assets groups or combinations of assets groups may be impaired, the Company shall first conduct an impairment test on the assets groups or combinations of assets groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value to recognize the corresponding impairment loss. Then the Company shall conduct an impairment test on the assets groups or combinations of assets groups containing goodwill, and compare the book value of these assets groups or combinations of assets groups (including the book value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets groups or combinations of assets groups is lower than the book value thereof, the Company shall recognize the impairment loss of the goodwill.

The impairment loss of goodwill is included in current profit or loss when incurred and will not be reversed in the subsequent accounting period.

#### 4.22 Long-term deferred expenses

The Company's long-term deferred expenses include: expenses from improvement of the fixed assets acquired through lease, renovation costs, etc.

Long-term deferred expenses of the Company are measured at the actual costs and amortized evenly over the estimated beneficial period. If an item of long-term deferred expense cannot bring any benefit in future accounting periods, the amortized value of such item shall all be transferred to current profit or loss.

#### 4.23 Contract liabilities

Since January 1, 2020, the subsidiaries, China Enterprise Company Limited and Shanghai Yaohua Pilkington Glass Group Co., Ltd. have adopted new revenue standards.

The Company presents contractual assets or contractual liabilities in the balance sheet based on the relationship between its performance of fulfillment obligations and customer payments. The Company's obligation to transfer goods or provide services to customers for consideration receivable for goods received is presented as contract liabilities. Contractual assets and contractual liabilities under the same contract are presented by their net amounts.



#### **4.24 Employee compensation**

##### **4.24.1 Short-term compensations**

During the accounting period in which employees provide service to the Company, the short-term compensation actually incurred is recognized as liabilities and charged to current profit or loss or the relevant assets cost.

During the accounting period when employees serve the Company, the corresponding amount of employee compensation is calculated and determined according to the provision basis and provision proportion as stipulated in the provisions on the social insurance premiums such as the medical insurance premiums, work-related injury insurance premium and maternity insurance premium and housing funds paid for employees by the Company, as well as trade union funds and employee education funds.

If the employee benefits are non-monetary benefits, they shall be measured at the fair value.

##### **4.24.2 Dismissal welfare**

The Company recognizes the employee compensation arising from dismissal benefits as liabilities and includes it in current profit or loss when the Company cannot unilaterally withdraw dismissal benefits which are provided for termination of labor relation plan or layoff proposal, or when the Company recognizes costs or expenses (whichever is earlier) associated with restructuring of payment of dismissal benefits.

##### **4.24.3 Post-employment benefits**

###### **(1) Defined contribution plans**

The Company pays the basic endowment insurance premiums and unemployment insurance for employees according to the relevant provisions of the local governments. During the accounting period when employees serve the Company, the paid amount which is calculated based on the payment base and proportion as stipulated in the provisions of the local place is recognized as liabilities and included in current profit or loss or costs associated with assets.

In addition to the basic pension insurance, the Company also sets up enterprise annuity system (supplementary pension insurance) / enterprise annuity plans in accordance with relevant national policies on enterprise annuity system. The Company makes payments to the local social insurance institutions in a certain proportion to the total employee wage/annuity plan, with corresponding expenses included in current profit or loss or related asset cost.

###### **(2) Defined benefit plans**

The Company, according to the formula determined based on estimated total welfare unit method, recognizes the welfare obligations arising from defined benefit plan to the period of receiving services from employees and includes them into current profit or loss or relevant asset costs.

The deficit or surplus formed by the difference between the present value under defined benefit plan and the fair value of assets under defined benefit plan is recognized as a net defined benefit liability or asset. For a surplus of defined benefit plans, the Company should measure the net asset of such defined benefit plans at the lower of the surplus of such defined benefit plans and the asset thereof.



All obligations under the defined benefit plan, including the estimated payment obligation within 12 months following the annual report period during which the employees provide service, are discounted to the present value at the market return of the national debt corresponding to the period and currencies of the obligations under the defined benefit plan or high-quality corporate bonds active on the market on the balance sheet date.

Net interest of the service costs arising from the defined benefit plan and net defined benefit liabilities or assets is included in current profit or loss or costs associated with assets; Changes due to the remeasurement of net defined benefit liabilities or assets are included in other comprehensive income and will not turned into the profit or loss during the subsequent accounting period.

At the time of the settlement of defined benefit plan, the profit or loss is determined according to the difference between the present value of the defined benefit plan obligations and settlement price confirmed on the settlement date.

#### **4.25 Bonds payable**

The publicly offered bonds are initially measured at the amount of the fair value less the transaction costs and are measured subsequently based on the amortized costs under the effective interest rate method during the remaining period.

The interest costs will be capitalized when they are eligible for capitalization, otherwise they will be included in current profit or loss directly.

#### **4.26 Estimated liabilities**

When the Company involves in proceedings, debt guarantees, onerous contracts and reorganization events, if such events may require delivery of assets or rendering of services in the future and the amounts of such events can be reliably measured, such events are recognized as estimated liabilities.

##### **4.26.1 Recognition criteria**

The Company recognizes the obligation related to contingencies which meeting the following conditions at the same time as liabilities:

- (1) This obligation is a present obligation of the Company;
- (2) The performance of this obligation may very probably lead to the flow of economic interests out of the Company; and
- (3) The amount of the obligation can be measured reliably.

##### **4.26.2 Measurement method of estimated liabilities**

Estimated liabilities of the Company are initially measured as the best estimate of expenses required for the performance of the relevant present obligations.

When the Company determines the best estimate, it should have a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. If the time value of money is significant, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be accounted as follows in different circumstance:

If there is continuous range (or interval) for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimates will be determined at the average amount of upper and lower limits within the range.

If there is no continuous range (or interval) for the necessary expenses, or probabilities of occurrence of all the outcomes within this range are unequal although such a range exists, in case that the contingency involves a single item, the best estimate shall be determined at the most likely outcome; if the contingency involves two or more items, the best estimate should be determined according to all the possible outcomes with their relevant probabilities.

When all or part of the expenses necessary for the settlement of an estimated liability of the Company is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation should not exceed the book value of the estimated liability.

#### **4.27 Revenue**

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

##### **4.27.1 Recognition of revenue from sales of goods**

Revenue from the sale of goods is recognized when:

- (1) The Company has transferred significant risks and rewards of ownership of the goods to the buyer;
- (2) The Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold;
- (3) It is probable that the amount of revenue can be measured reliably;
- (4) The related economic benefits are likely to flow into the Company;
- (5) The relevant amounts of costs that have occurred or will occur can be measured reliably.

##### **4.27.2 Recognition of revenue from the rendering of labor services**

If the Company can reliably estimate the final outcome of a service rendering transaction, it shall recognize the revenue from the rendering of services by means of the percentage-of-completion method as at the end of the period.

##### **4.27.3 Recognition of revenue from transfer of the right to use assets**

When the economic benefits relating to the transactions is possible to flow into the enterprise and the amount of revenue can be measured reliably, revenues from transfer of right to use assets are recognized under the following circumstances:

- (1) The amount of interest revenue is determined based on the time and effective interest rate for others to use the monetary funds of the Company.
- (2) The amount of revenue from usage is determined based on the charging time and method as agreed in relevant contract or agreement.

##### **4.27.4 Revenue from rental properties**

- (1) There is a lease contract, agreement or other settlement notice recognized by the lessee.
- (2) The obligations stipulated in the contract have been fulfilled, a sales invoice has been issued and the price has been obtained or is believed to be obtainable.
- (3) The cost of leased development products can be reliably measured.



**4.27.5 Revenue from real estate sales**

- (1) The project has been completed and meets the conditions for moving in and handing in the house.
- (2) There is a sales contract or other settlement notice approved by the purchaser.
- (3) The obligations stipulated in the contract have been fulfilled, a sales invoice has been issued and the price has been obtained or is believed to be obtainable.
- (4) The cost can be measured reliably.

**4.27.6 Revenue from guarantee fees**

According to the Accounting Methods of Guarantee Enterprises, the revenue from guarantee fees shall be recognized when the following conditions are met at the same time:

- (1) A guarantee contract has been entered into and corresponding liabilities to guarantee have been undertaken;
- (2) The economic benefits related to the guarantee contract can flow into the enterprise;
- (3) The revenues related to the guarantee contract can be measured reliably.

The income from guarantee fees shall be determined according to the amount charged from the warrantee as required by the contract on the entrusted guarantee.

If the guarantee fee is charged from the warrantee by means of one-time collection method, it shall be confirmed as the revenue from guarantee fees in a lump sum.

Before the guarantee contract is established and the company begins to assume the guarantee responsibility, the guarantee fee paid by the warrantee to the Company shall be recognized as a liability, and shall be treated as the advance guarantee fee. It shall be recognized as the income from guarantee fee when meeting the confirmation conditions specified in Article 2 above.

After the guarantee contract is established and the Company begins to assume the guarantee responsibility, if the warrantee repays the principal debt in advance to release the Company's guarantee responsibilities, and part of the guarantee fees are returned to the warrantee in accordance with the guarantee contract, the Company shall offset the current income from guarantee fee with the guarantee fees actually returned.

If the guarantee fees for guarantee responsibilities assumed before the balance sheet date are returned during the period from the balance sheet date to the approval date of financial statements, they shall be treated as an adjustment item after the balance sheet date.

**4.28 Revenue**

Since January 1, 2020, the subsidiaries, China Enterprise Company Limited and Shanghai Yaohua Pilkington Glass Group Co., Ltd. have adopted new revenue standards.

**4.28.1 Accounting policies adopted for income recognition and measurement**

The Company recognizes revenue when its performance obligations as stipulated in the contract are fulfilled, that is, when the customer obtained control of the related goods or services. The acquisition of control over the related goods or services is defined as the ability to dominate the use of the goods or services and derive substantially all of the economic benefits therefrom.



Where the contract contains two or more performance obligations, the Company will, on the contract start date, allocate the transaction price to each individual performance obligation in the proportion of the individual selling price of the goods or services for which each individual performance obligation is committed. The Company measures revenue at the transaction price allocated to each performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled as a result of the transfer of goods or provision of services to the customer, excluding amounts collected on behalf of third parties and amounts that the Company expects to refund to the customer. The Company determines the transaction price in accordance with the terms of the contract and in combination with its past usual practice, and considers the influence of variable consideration, major financing components in the contract, non-cash consideration, consideration payable to customers and other factors when determining the transaction price. The Company determines the transaction price that includes variable consideration at an amount that does not exceed the amount of accumulated recognized revenue that is unlikely to be significantly reversed when the relevant uncertainty is eliminated. If there is a significant financing component in the contract, the Company determines the transaction price based on the amount payable in cash when the customer obtains control of the goods or services, and uses the effective interest method to amortize the difference between the transaction price and the contract consideration during the contract period.

If the Company meets one of the following conditions, it is deemed to fulfill the performance obligations within a certain period of time; otherwise, it is deemed to so at a certain point of time:

- The customer obtains and consumes the economic benefits brought by the Company's performance while the Company is performing the contract.
- The customer can control the commodities under construction during the Company's performance.
- The commodities produced by the Company during the performance of the contract have irreplaceable uses, and the Company has the right to receive payment for the accumulated performance of the contract so far throughout the contract period.

For performance obligations performed within a certain period of time, the Company recognizes revenue in accordance with the performance progress during that period, unless the performance progress cannot be reasonably determined. The Company considers the nature of the goods or services, and adopts the output method or the input method to determine the performance progress. When there is no reasonable certainty of the progress of performance, revenue is recognized at the costs incurred when the costs incurred are expected to be reimbursed until the progress of performance can be reasonably determined.

The Company recognizes the income from the performance obligations to be performed at certain time, that is, when the customer obtained control of the related goods or services. In determining whether a customer has acquired control of goods or services, the Company considers the following indications:

- The Company has a present right to receive payment in respect of the commodity or services, i.e. the customer has a present payment obligation in respect of the commodity.
- The Company has transferred the legal title to the commodity to the customer, i.e. the customer has the legal title to the commodity.



- The Company has transferred the physical commodity to the customer, i.e. the customer has taken physical possession of the commodity.
- The Company has transferred to the customer the principal risks and rewards of ownership of the commodity, i.e. the customer has acquired principal risks and rewards with respect to the title to the commodity.
- The customer has accepted the goods or services, etc.

#### 4.28.2 Specific method of revenue recognition of China Enterprise Company Limited

The specific accounting policies related to main activities in which the Company obtains the revenue are described as follows:

##### 1) Contract on the sales of real estate

The Company is mainly engaged in the real estate sales business, and the recognition of the sales revenue from real estate projects must meet the following conditions at the same time:

- A contract has been signed with the customer;
- The real estate has been completed and passed the inspection and acceptance by the relevant government departments, and has reached the delivery conditions agreed in the contract;
- The customer obtains control of the relevant goods, that is, the real estate has been accepted by the customer, or is deemed to have been accepted by the customer according to the purchase and sale contract.

##### 2) Property service contract

The Company recognizes revenue in providing property services.

##### 3) Property rental contract

The Company recognizes the revenues based on the straight-line method during the lease term specified in the lease contract.

##### 4) Construction contract

The Company recognizes the revenue according to the performance progress during the time period when the Company performs its performance obligations, and determines the performance progress based on the proportion of the completed contractual workload to the estimated total contractual workload.

#### 4.28.3 Specific method of revenue recognition of Shanghai Yaohua Pilkington Glass Group Co., Ltd.

SYP's products mainly include float glass, architectural processing glass and automotive glazing glass. For the performance obligations to be fulfilled at a certain time-point, the Company will transport the products to the delivery place in accordance with the agreement and contract, and recognize the revenue after the buyer confirms the receipt.

#### 4.29 Contract costs

Since January 1, 2020, the subsidiaries, China Enterprise Company Limited and Shanghai Yaohua Pilkington Glass Group Co., Ltd. have adopted new revenue standards. Contract costs include contract performance costs and contract acquisition costs.

Costs incurred by the Company to perform a contract that are not regulated by the relevant standards, such as inventories, fixed assets or intangible assets, are recognized as a contract performance cost as an asset when the following conditions are met:

- (1) Where such cost is directly related to a current or expected contract.

- (2) Where such cost increases the resources of the Company for fulfilling its performance obligations in the future.
- (3) Where such cost is expected to be recovered.

If the incremental cost of the Company is expected to be recovered, the contract acquisition cost shall be recognized as an asset.

Assets related to the contract costs are amortized on the same basis as the recognition of the revenue of the goods or services related to the asset; however, if the amortization period of the contract acquisition costs is less than one year, the Company will include such costs in the current profits or losses when incurred.

For the assets related to contract costs whose book value is higher than the difference between the following two items, the Company will make provision for impairment for the excess and recognize it as asset impairment loss:

- (1) Where the remaining consideration is expected to be obtained by the transfer of goods or services related to the asset;
- (2) Where the costs are estimated to occur for the transfer of the relevant goods or services.

If the said difference is higher than the book value of the asset due to changes in the impairment factors in the previous period, the originally accrued impairment reserve shall be reversed and included in current profit or loss, but the reversed asset book value shall not exceed the book value of the asset on the date of reversal assuming that the impairment reserve is not accrued.

#### **4.30 Government subsidies**

##### **4.30.1 Type of government subsidies**

Government subsidies are monetary assets and non-monetary assets freely obtained by the Company from the government. They are divided into government subsidies related to assets and government subsidies related to income.

- (1) Asset-related government subsidies refer to government subsidies obtained by the Company for forming long-term assets by acquisition, construction or other manners.
- (2) Government subsidies related to income refer to government subsidies other than those related to assets.

##### **4.30.2 Measurement and derecognition of government subsidies**

Government grants are recognized when the Group is eligible for the conditions for government subsidies and can receive them.

Government grants in the form of monetary assets are measured at the amount received or receivable. Among them, if there is convincing evidence that the subsidies are allocated according to a fixed quota standard, it can be measured at the amount receivable, otherwise it shall be measured at the amount actually received. The government grants offered in the form of non-monetary assets are measured at fair value or at the nominal value of RMB 1 if the fair value cannot be reliably obtained.



Government subsidies related to assets shall be used to offset the book value of relevant assets or recognized as deferred income. Where such subsidies are recognized as the deferred income, they will be included in current profit or loss in accordance with the reasonable and systematic methods within useful lives of related assets (where such subsidies are related to the daily activities of the Company, they will be included in other income; where such subsidies are not related to the daily activities of the Company, they will be included in non-operating income);

Government subsidies relating to income used to compensate for relevant costs or losses which will occur in the following period in the Company shall be recognized as deferred income, and, during the period when relevant costs or losses are recognized, be included in current profit or loss (where government subsidies relating to income are relevant to routine activities of the Company, such subsidies shall be included in other income; where government subsidies relating to income are irrelevant to routine activities of the Company, such subsidies shall be included in non-operating income) or used to offset relevant costs or losses; government subsidies relating to income used to compensate for relevant costs or losses incurred in the Company shall be included in current profit or loss (where such subsidies are related to daily activities of the Company, they will be included in other income; where such subsidies are related to the daily activities of the Company, they will be included in non-operating income) or used to offset relevant costs or losses.

The discounted interest of policy-based preferential loan obtained by the Company is divided into two situations and subject to accounting treatment separately:

- (1) When the finance department appropriates the discounted interest to the loan bank, then the loan bank provides the loans at the policy-based preferential interest rate to the Company, the Company will take the book-entry value at the loan amount actually received, and relevant loan expenses are calculated based on the principal of the loan and the policy-based preferential interest rate.
- (2) Where the finance department directly appropriates the discount funds to the Company, the Company will use the corresponding interest discount to offset related borrowing costs.

#### **4.30.3 Accounting treatment of repayment of government subsidies**

For recognized government subsidies needing to be returned, if there are related deferred incomes, the book value of such deferred incomes shall be offset and the exceeding part should be included in current profit or loss; if there are no related deferred incomes, such government subsidies should be directly included in current profit or loss.

#### **4.31 Deferred tax assets and deferred tax liabilities**

Deferred tax assets are recognized at deductible temporary differences to the extent that it shall not exceed the taxable income probably obtained in future periods to be against the deductible temporary difference.

Taxable temporary differences are recognized as deferred tax liabilities except in special circumstances.

Special circumstances in which deferred tax assets or deferred tax liabilities shall not be recognized include: the initial recognition of goodwill; other transactions or events excluding business combinations, which affect neither accounting profits nor the taxable income (or deductible losses) when occurred.



If the Company has the legal right of netting and intends to settle in net amount or to obtain assets and discharge liabilities simultaneously, the current tax assets and current tax liabilities of the Company shall be presented based on the net amount after offset.

When the Company has the legal right for netting of current tax assets and current tax liabilities and the tax assets and tax liabilities are related to the income tax levied on the same taxpayer by the same tax administrative department or are related to different taxpayers but, within each future period of reversal of important tax assets and tax liabilities, the taxpayers involved intend to settle current tax assets and current tax liabilities or acquire assets and liquidate liabilities at the same time, the Company's tax assets and tax liabilities shall be presented at the net amount after the offset.

#### 4.32 Leases

##### 4.32.1 Classification of leasing business

The Company recognizes the lease where risks and compensation relevant to the ownership of assets have been substantially transferred (no matter whether the said ownership has been transferred finally) as the financing lease, and other leases other than the financing lease as the operating lease.

##### 4.32.2 Accounting treatment of operating lease

(1) The Company's rental expenses paid for leased assets shall, within the whole lease term excluding the rent-free period, be amortized with the straight-line method and included in current expenses. Initial direct costs related to lease transactions paid by the Company shall be included in the current expenses.

When assets lessor bears costs related to the lease borne by the Company, the Company shall deduct the part of expenses from the total rents and amortize the rents after deduction over the lease term and include them in current expenses.

(2) The Company's rental expenses collected for leased assets shall, within the whole lease term excluding the rent-free period, be amortized with the straight-line method and recognized as the rental income. Initial direct costs related to lease transactions paid by the Company shall be included in the current expenses; if the amount is large, it shall be capitalized, and shall be included in the current income by stages within the whole lease period on same basis for recognition of lease income.

When the expenses related to the lease which shall be paid by the lessee are borne by the Company, such expenses shall be deducted from total lease income by the Company, and residual lease fees shall be amortized over the lease period.

For the assets leased out under operating lease, they will be included into the relevant items in the balance sheet according to the nature of the assets. For fixed assets leased through operating lease, they shall be subject to the provision of depreciation according to the depreciation policies on the similar fixed assets of the Company; other assets leased through operation shall be amortized with the systematic and reasonable method.

##### 4.32.3 Recognition criteria and accounting treatment of financing lease

(1) The assets which meet the following one or several criteria shall be recognized as a finance lease:

- 1) The ownership of the leased asset is transferred to the lessee upon the expiration of lease term;
- 2) The lessee has the option to buy the leased asset on the date when the option becomes exercisable at a lower price than the fair value of the leased asset. At the commencement of the lease it can be reasonably determined that this option will be exercised.



- 3) Even if the ownership of the asset is not transferred, the lease term covers the majority of the leased asset's usable life;
  - 4) The present value of the minimum payment by the lessee on the lease commencement date is almost equal to the asset's fair value; the present value of the minimum receipt by the lessor on the lease commencement date is almost equal to the asset's fair value.
  - 5) The leased asset is of such a special nature that only the lessee can use it without making major modifications.
- (2) Assets acquired under financing leases: At the commencement of the lease term, assets acquired under financing leases shall be recorded at the lower of their fair values and the present values of the minimum lease payments, and the Company shall recognize the long-term payables at amounts equal to the minimum lease payments, and shall record the differences between book value of the leased assets and the long-term payables as unrecognized finance charges. The Company adopts the effective interest rate method for unrecognized financing charges, which shall be amortized over the lease terms and included in financial expenses. The Company records the initial direct expenses in the values of leased assets.
- (3) Assets rented out under financing leases: On the lease beginning date, the Company recognizes the difference between the sum of financing lease receivable and the unguaranteed residual value, and the present value thereof as unrealized financing income, and recognize the same as rental income over the periods when rent is received in the future. For the Company's initial direct costs associated with rental transactions, they will be included in the initial measurement of the financing lease receivable, and set off the income recognized during the lease term.

#### 4.33 Fair value measurement

The Company measures the relevant assets and liabilities at fair value based on the following assumptions:

- (1) The market participants' transaction of asset sale or liability transfer on the measurement date are the orderly trading carried out under the current market conditions;
- (2) The orderly trading for sale of assets or transfer of liabilities is carried out in the main market of the relevant assets or liabilities. If no main market exists, it is assumed that the transactions are conducted in the most advantageous markets for related assets or liabilities.
- (3) The Company adopts the assumption used for realizing its utmost economic benefit when the market participants price the asset or liability.

The Company will, according to the nature of trading and characteristics of related assets and liabilities, etc., recognizes the transaction price as the initially-recognized fair value.

Other relevant accounting standards require or permit the Company to initially measure related assets or liabilities at fair value. Where trading price is not equal to fair value, the Company will include relevant gains and losses into current profit or loss except otherwise specified by other relevant accounting standards.

When the Company measures non-financial assets at fair value, it shall consider a market participant's ability to generate economic benefit by using the asset or by selling it to another market participant who will use the asset in its highest and best use.

When the Company uses the valuation techniques, it has considered the valuation techniques that are applicable in the current situation and are supported by enough available data and other information. The Company gives priority to the observable inputs when using valuation techniques, and those unobservable inputs are used only under the circumstance when it is impossible or unobservable inputs to obtain relevant observable inputs.

The input value used for measuring fair value is divided into three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access on the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs refer to unobservable inputs of relevant assets or liabilities.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

#### 4.34 Asset securitization business

When applying the accounting policies of securitized financial assets, the Company has considered the degree of risks and rewards transferred to other entities, along with the right of control exercised by the Company to such entities:

- (1) When the Company has transferred substantially all of the risks and rewards related to the ownership of a financial asset to the transferee, it shall derecognize the financial asset;
- (2) When the Company has retained substantially all of the risks and rewards related to the ownership of a financial asset, it shall continue recognizing the financial asset;
- (3) If the Company neither transfers nor retains substantially all of the risks and rewards related to the ownership of a financial asset, it shall consider whether there is control over the financial asset. If the Company does not retain the right of control, it will de-recognize such financial asset and recognize the rights and obligations arising from or retained in the transfer as assets or liabilities. If retaining the right of control, the Company will, in accordance with the continuous involvement in the financial asset, recognize the asset and relevant liabilities accordingly.

#### 4.35 Discontinued operations

Discontinued operations refer to the component meeting any of the following conditions that can be separately distinguished and that has been disposed by the Company or classified as held for sale by the Company:

- (1) The component represents a separate major business or a sole major business area;
- (2) The component is a part of the plan on intended disposal of an independent major business or a sole major business area; or
- (3) The component is a subsidiary acquired only for re-sale.



5. Notes to adjustments for changes in accounting policies and accounting estimates and correction of accounting errors as well as other adjustments

5.1 Adjustments for changes in significant accounting policies

5.1.1 Implementation of the Accounting Standards for Business Enterprises No. 14 - Revenue (Revised in 2017) (hereinafter referred to as the "New Revenue Standards").

The Ministry of Finance revised the Accounting Standards for Business Enterprises No.14 -Revenue in 2017. The revised standard provides that upon the first-time implementation of the standard, it is necessary to adjust the amount of retained earnings and other related items in the financial statements at the beginning of the year based on the cumulative effect number, without adjusting the information for comparable periods.

Subsidiaries China Enterprise Company Limited (hereinafter referred to as "China Enterprise") and Shanghai Yaohua Pilkington Glass Group Co., Ltd. (hereinafter referred to as "SYP") implement the New Revenue Standards from January 1, 2020. According to the standard, the Company should adjust the amount of retained earnings and other related items in the financial statements at the beginning of 2020 only for the cumulative effect of contracts that have not been completed at the date of first-time implementation, and no adjustment will be made to the comparative financial statements.

The main effects of the implementation of the standard are as follows:

Contents of and reasons for adjustments for changes in accounting policies	Examination and approval process	Affected items in the financial statements	Amount of impact on the balance as at January 1, 2020		
			Consolidation	Including: China Enterprise	Including: SYP
When preparing the financial report for 2020 and each period, the Company adjusts the amount of undistributed profits at the beginning of the year and other related items in the financial statements based on the cumulative amount affected by the first implementation of the New Revenue Standards, without adjusting the information for the comparable period.	Approved at the 9th meeting of the 9th board of directors of China Enterprise Company Limited; Adopted at the 18th meeting of the 9th board of directors of Shanghai Yaohua Pilkington Glass Group Co., Ltd.	Other current assets	13,339,585.20	13,339,585.20	
		Deferred tax assets	1,295,030.74	1,295,030.74	
		Advances from customers	-8,957,501,475.46	-8,869,865,459.83	-87,636,015.63
		Taxes and surcharges payable	236,848,140.67	236,848,140.67	
		Contract liabilities	8,334,665,764.55	8,257,111,768.42	77,553,996.13
		Other current liabilities	385,987,570.24	375,905,550.74	10,082,019.50
		Undistributed profit	6,315,304.43	9,227,505.01	
		Minority equity	8,319,311.51	5,407,110.93	

Compared with the original revenue standard, the impact of implementing the New Revenue Standard on the relevant items in the financial statements for 2020 is as follows (increase/(decrease)):

Affected balance sheet items	Amount of impact on the balance as at December 31, 2020		
	Consolidation	Including: China Enterprise	Including: SYP
Advances from customers	-5,784,676,240.22	-5,684,388,434.87	-100,287,805.35
Contract liabilities	5,667,308,296.91	5,576,812,566.01	90,495,730.90
Other current liabilities	117,367,943.31	107,575,868.86	9,792,074.45
Contract assets	19,409,993.76	19,409,993.76	
Accounts receivable	-19,409,993.76	-19,409,993.76	
Other current assets	24,563,050.10	24,563,050.10	

Item of income statement subject to adjustment	Adjustment to amount incurred in 2020		
	Consolidation	Including: China Enterprise	Including: SYP
Selling expenses	-11,223,464.90	-11,223,464.90	
Income tax expense	2,805,866.22	2,805,866.22	
Net profit attributable to the parent company	5,761,004.54	8,417,598.68	
Minority interest income	2,656,594.14		

#### 5.1.2 Implementation of the Interpretation on the Accounting Standards for Business Enterprises No. 13

On December 10, 2019, the Ministry of Finance issued the Interpretation on the Accounting Standards for Business Enterprises No. 13 (CK [2019] No. 21, hereinafter referred to as "Interpretation No. 13"), effective from January 1, 2020, without requiring the retroactive adjustment.

##### (1) Identification of related parties

Interpretation No.13 clarifies that the following circumstances constitute related parties: joint ventures or associates of an enterprise and other members of the enterprise group to which it belongs (including parent companies and subsidiaries); joint ventures of an enterprise and other joint ventures or associates of an enterprise. In addition, the Interpretation No. 13 also clarifies that one of the two or more parties subject to significant influence of the same party do not constitute related parties, and adds that associates include associates and their subsidiaries and joint ventures include joint ventures and their subsidiaries.



(2) **Definition of business**

The Interpretation No. 13 perfects the three elements of business composition, refines the judgment conditions of the business composition, and simultaneously introduces the "concentration test" option to simplify the issues such as the judgment of whether the portfolio obtained not under the same control constitutes a business to a certain extent.

The Company has implemented Interpretation No. 13 since January 1, 2020 without any adjustment to the comparative financial statements, and the implementation of Interpretation No. 13 has not had a significant impact on the Company's financial position and results of operations.

**5.1.3 Implementation of the Interim Provisions on Accounting Treatment of Carbon Emissions Trading**

On December 16, 2019, the Ministry of Finance issued the Interim Provisions on the Accounting Treatment of Carbon Emissions Trading (CK [2019] No. 22), which is applicable to related enterprises in key emission units that carry out carbon emission trading business in accordance with the Interim Measures for the Administration of Carbon Emissions Trading and other relevant regulations (hereinafter referred to as key emission enterprises). The Provisions come into effect from January 1, 2020, and key emission enterprises should adopt the prospective application to apply the Provisions.

The Company implements the Provisions from January 1, 2020, and the comparative financial statements are not adjusted. Implementation of the Provisions has no significant impact on the Company's financial status and operating results.

**5.2 Changes in accounting estimates**

**5.2.1 Contents and reasons for changes in accounting estimates**

The 25th party committee meeting of the Company in 2020 approved that: from January 1, 2020, the Company will unify the depreciation life of leased houses within the Group, and uniformly adopt the straight-line method for provision, with the depreciation life subject to "50 years" or "remaining years of property ownership certificate" whichever is lower.

**5.2.2 Influence of changes in accounting estimates on amounts in the current and future period**

Holding item	Name of the affected item	Amount in 2019	Amount in 2020	Amount affected by net profit attributable to the parent company
Seven public rental housing	Operating costs - depreciation costs	375,333,495.08	167,980,138.44	207,353,356.64
	General and administrative expenses - depreciation costs	4,656,203.88		4,656,203.88
	Amount of amortization of deferred income	92,074,871.52	51,602,964.21	-40,471,907.31
Jizhai Road Club	Operating costs - depreciation costs	121,188.48	27,319.20	93,869.28
Total		472,185,758.96	219,610,421.85	171,631,522.49



**5.3 Correction of major previous errors**

The Company had no corrections of accounting errors required to be explained in 2020.

**5.4 Adjustment of other matters**

Construction and Development Co., Ltd., Shanghai Hongqiao Hub Traffic Center (hereinafter referred to as "Traffic Center"), a subsidiary of Shanghai Shenhong Investment Development Co., Ltd., is the infrastructure unit of the Hongqiao traffic hub project and is responsible for the construction of the Hongqiao traffic hub project. After the project is completed, and before the property rights are not clear, it has been temporarily responsible for the trial operation of Hongqiao traffic hub project as an agent, and temporarily includes the operating income and costs incurred during the operation period in the items of current accounts.

In February 2020, the Secretariat of the General Office of the Shanghai Municipal Government issued the Document (HFBM [2020] No. 001783) (hereinafter referred to as the "Reply"), approving the Request for Instructions on Matters Relating to and Suggestions for the Asset Ownership of Traffic Center of Hongqiao Integrated Traffic Hub (HFGCI [2020] No. 3) led by the Municipal Development and Reform Commission, and clarifying that:

- (1) The property right of Hongqiao Traffic Hub belonged to the Traffic Center, and the project was defined as a public transportation infrastructure invested by enterprises for public welfare;
- (2) RMB 8.685 billion of the project assets and RMB 747 million of interest obtained outside the construction period confirmed by the Municipal Audit Bureau could be included in the financial subsidies.
- (3) The subsequent investment of RMB 319 million outside the budgetary estimate and the difference in operating income and expenditure over the past years were borne by the Traffic Center itself.

According to the Reply, the Traffic Center transferred project assets of RMB 8.685 billion and subsequent investment of RMB 319 million outside the budgetary estimate into fixed assets from the construction in progress, offset the financial subsidies with RMB 747 million of interest obtained outside the construction period, and included the operating losses over the years in the undistributed profit at the beginning of the year.

The Traffic Center made retrospective adjustments to the adjustment items, with the changes in and impacts on the Company as follows:

Item	Amount incurred as at December 31, 2019 / for the year ended December 31, 2019 before the retrospect by the Traffic Center	Amount incurred as at December 31, 2019 / for the year ended December 31, 2019 after the retrospect by the Traffic Center	Adjustment	Combination Affected amount incurred as at December 31, 2019 / for the year ended December 31, 2019
Advances to suppliers	2,079,032,623.32	221,915,260.86	-1,857,117,362.46	-1,857,117,362.46
Construction in progress	12,776,194,018.72	12,713,046,369.28	-63,147,649.44	-63,147,649.44
Advances from customers	1,209,434,060.82	45,560,594.37	-1,163,873,466.45	-1,163,873,466.45
Undistributed profit	340,970,778.54	-415,420,766.91	-756,391,545.45	-427,958,772.49
Minority equity				-328,432,772.96
Operating income	140,246,281.58	274,840,152.83	134,593,871.25	134,593,871.25



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Item	Amount incurred as at December 31, 2019 / for the year ended December 31, 2019 before the retrospect by the Traffic Center	Amount incurred as at December 31, 2019 / for the year ended December 31, 2019 after the retrospect by the Traffic Center	Adjustment	Combination Affected amount incurred as at December 31, 2019 / for the year ended December 31, 2019
Operating cost	102,527,659.70	249,310,693.61	146,783,033.91	146,783,033.91
Taxes and surcharges	22,720,241.25	26,496,490.95	3,776,249.70	3,776,249.70
General and administrative expenses	91,812,963.28	105,673,516.01	13,860,552.73	13,860,552.73
Financial expenses	-18,606,043.67	-20,314,720.47	-1,708,676.80	-1,708,676.80
Other income	320,899.69	1,616,303.89	1,295,404.20	1,295,404.20
Undistributed profit as at the beginning of the year		-729,569,661.36	-729,569,661.36	-412,781,210.90
Minority interest income				-11,644,322.50

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5.5 The adjustments above have the following influence on the amount as at January 1, 2020 and that as at December 31, 2019

Item	Balance as at December 31, 2019	Balance as at January 1, 2020	Adjusted amount subject to the first implementation of the New Revenue Standards		Other adjustments	Total adjustments
			Reclassification	Remeasurement		
Current assets:				Sub-total		
Monetary funds	37,655,565,526.14	37,655,565,526.14		-		-
Balances with clearing companies	-	-		-		-
Loans to other banks and financial institutions	-	-		-		-
Financial assets held for trading	428,876,118.74	428,876,118.74		-		-
Financial assets measured at fair value through current profit or loss	583,544.14	583,544.14		-		-
Derivative financial assets	-	-		-		-
Notes receivable	220,490,156.08	220,490,156.08		-		-
Accounts receivable	1,751,552,838.31	1,751,552,838.31		-		-
Receivable financing	349,522,984.45	349,522,984.45		-		-
Advances to suppliers	4,001,296,931.54	2,144,179,569.08		-	-1,857,117,362.46	-1,857,117,362.46
Premium receivable	-	-		-		-
Reinsurance accounts receivable	-	-		-		-
Reinsurance reserves receivable	-	-		-		-
Other receivables	6,480,998,319.13	6,480,998,319.13		-		-
Financial assets purchased under resale agreements	-	-		-		-



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Item	Balance as at December 31, 2019	Balance as at January 1, 2020	Adjusted amount subject to the first implementation of the New Revenue Standards		Other adjustments	Total adjustments
			Reclassification	Remeasurement		
Inventories	114,282,128,557.37	114,282,128,557.37	-	-	-	-
Contract assets	-	-	-	-	-	-
Assets held for sale	24,228,757.70	24,228,757.70	-	-	-	-
Non-current assets maturing within one year	-	-	-	-	-	-
Other current assets	11,742,135,963.82	11,755,475,549.02	-	13,339,585.20	13,339,585.20	13,339,585.20
<b>Total current assets</b>	<b>176,937,379,697.42</b>	<b>175,093,601,920.16</b>	-	<b>13,339,585.20</b>	<b>-1,857,117,362.46</b>	<b>-1,843,777,777.26</b>
Non-current assets:	-	-	-	-	-	-
Loans and advances to customers	209,975,313.89	209,975,313.89	-	-	-	-
Debt investments	-	-	-	-	-	-
Available-for-sale financial assets	25,721,170,341.47	25,721,170,341.47	-	-	-	-
Other debt investments	-	-	-	-	-	-
Held-to-maturity investments	90,000,000.00	90,000,000.00	-	-	-	-
Long-term receivables	1,496,298,517.43	1,496,298,517.43	-	-	-	-
Long-term equity investments	23,335,230,354.49	23,335,230,354.49	-	-	-	-
Other equity instruments	-	-	-	-	-	-
Other	-	-	-	-	-	-
non-current financial assets	19,671,863.76	19,671,863.76	-	-	-	-
Investment properties	19,084,702,778.00	19,084,702,778.00	-	-	-	-
Fixed assets	9,564,471,745.19	9,564,471,745.19	-	-	-	-
Construction in progress	24,572,055,616.63	24,508,907,967.19	-	-	-63,147,649.44	-63,147,649.44
Productive biological assets	-	-	-	-	-	-

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Item	Balance as at December 31, 2019	Balance as at January 1, 2020	Adjusted amount subject to the first implementation of the New Revenue Standards			Other adjustments	Total adjustments
			Reclassification	Remeasurement	Sub-total		
Oil and gas assets	-	-	-	-	-	-	-
Right-of-use asset	-	-	-	-	-	-	-
Intangible assets	3,156,847,561.65	3,156,847,561.65	-	-	-	-	-
Development expenditure	2,426,686.09	2,426,686.09	-	-	-	-	-
Goodwill	22,059,941.15	22,059,941.15	-	-	-	-	-
Long-term deferred expenses	326,764,977.59	326,764,977.59	-	-	-	-	-
Deferred tax assets	4,112,734,113.62	4,114,029,144.36	-	1,295,030.74	1,295,030.74	-	1,295,030.74
Other non-current assets	13,402,514,885.12	13,402,514,885.12	-	-	-	-	-
Total non-current assets	125,116,924,696.08	125,055,072,077.38	-	1,295,030.74	1,295,030.74	-63,147,649.44	-61,852,618.70
Total assets	302,054,304,393.50	300,148,673,997.54	-	14,634,615.94	14,634,615.94	-1,920,265,011.90	-1,905,630,395.96
Current liabilities:	-	-	-	-	-	-	-
Short-term borrowings	4,691,499,828.29	4,691,499,828.29	-	-	-	-	-
Borrowings from central bank	-	-	-	-	-	-	-
Loans from other financial institutions	-	-	-	-	-	-	-
Held-for-trading financial liabilities	-	-	-	-	-	-	-
Financial liabilities measured at fair value through current profit or loss	-	-	-	-	-	-	-
Derivative financial	-	-	-	-	-	-	-

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Item	Balance as at December 31, 2019	Balance as at January 1, 2020	Adjusted amount subject to the first implementation of the New Revenue Standards			Other adjustments	Total adjustments
			Reclassification	Remeasurement	Sub-total		
Liabilities							
Notes payable	493,721,030.52	493,721,030.52					
Accounts payable	9,402,920,792.84	9,402,920,792.84					
Advances from customers	18,213,050,964.26	8,091,676,022.35	-8,957,501,475.46		-8,957,501,475.46	-1,163,873,466.45	-10,121,374,941.91
Contract liabilities	-	8,334,665,764.55	8,334,665,764.55		8,334,665,764.55		8,334,665,764.55
Financial assets sold under repurchase agreements	-	-					
Absorption of deposits and interbank deposits	-	-					
Receivings from vicariously traded securities	-	-					
Receivings from vicariously sold securities	-	-					
Employee remuneration payable	652,203,307.77	652,203,307.77					
Taxes and surcharges payable	11,401,952,906.03	11,638,801,046.70	236,848,140.67		236,848,140.67		236,848,140.67
Other payables	12,921,081,128.83	12,921,081,128.83					
Handling charges and commissions payable	-	-					
Reinsurance accounts payable	-	-					
Liabilities held for sale	-	-					
Non-current liabilities maturing within one year	10,333,572,470.43	10,333,572,470.43					

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SHANGHAILAND (GROUP) CO., LTD.  
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Item	Balance as at December 31, 2019	Balance as at January 1, 2020	Adjusted amount subject to the first implementation of the New Revenue Standards		Other adjustments	Total adjustments
			Reclassification	Remeasurement		
Other current liabilities	4,349,226,908.25	4,935,214,478.49	385,987,570.24	385,987,570.24		385,987,570.24
<b>Total current liabilities</b>	<b>72,659,229,337.22</b>	<b>71,495,355,870.77</b>			-1,163,873,466.45	-1,163,873,466.45
Non-current liabilities:						
Reserves for insurance contracts	-	-				
Long-term borrowings	36,754,376,659.31	36,754,376,659.31				
Bonds payable	22,356,363,093.32	22,356,363,093.32				
Lease liability	-	-				
Long-term payables	45,097,682,851.71	45,097,682,851.71				
Long-term salary payable	-	-				
Estimated liabilities	112,944,710.19	112,944,710.19				
Deferred income	4,872,484,338.43	4,872,484,338.43				
Deferred tax liabilities	3,631,640,178.41	3,631,640,178.41				
Other non-current liabilities	10,088,085,730.85	10,088,085,730.85				
<b>Total non-current liabilities</b>	<b>122,913,577,562.22</b>	<b>122,913,577,562.22</b>				
<b>Total liabilities</b>	<b>195,572,806,899.44</b>	<b>194,408,933,432.99</b>			-1,163,873,466.45	-1,163,873,466.45
Owner's equity (or shareholders' equity):						
Paid-in capital (or share capital)	30,000,000,000.00	30,000,000,000.00				
Net paid-in capital (or share capital)	30,000,000,000.00	30,000,000,000.00				
Other equity instruments	-	-				
<b>Capital reserves</b>	<b>19,379,715,017.38</b>	<b>19,379,715,017.38</b>				

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SHANGHAI LAND (GROUP) CO., LTD.  
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Item	Balance as at December 31, 2019	Balance as at January 1, 2020	Adjusted amount subject to the first implementation of the New Revenue Standards			Other adjustments	Total adjustments
			Reclassification	Remeasurement	Sub-total		
Less: treasury stock	-	-	-	-	-	-	-
Other comprehensive income	7,868,119,290.53	7,868,119,290.53	-	-	-	-	-
Special reserve	9,916,426.63	9,916,426.63	-	-	-	-	-
Surplus reserve	2,419,669,655.16	2,419,669,655.16	-	-	-	-	-
General risk reserves	-	-	-	-	-	-	-
Undistributed profit	30,905,726,897.05	30,484,083,428.99	-	6,315,304.43	6,315,304.43	-427,958,772.49	-421,643,468.06
Total equity attributable to owners (shareholders) of the parent company	90,583,147,286.75	90,161,503,818.69	-	6,315,304.43	6,315,304.43	-427,958,772.49	-421,643,468.06
*Minority equity	15,898,350,207.31	15,578,236,745.86	-	8,319,311.51	8,319,311.51	-328,432,772.96	-320,113,461.45
Total owner's equity (or shareholders' equity)	106,481,497,494.06	105,739,740,564.55	-	14,634,615.94	14,634,615.94	-756,391,545.45	-741,756,929.51
Total liabilities and owner's (or shareholders') equity	302,054,304,393.50	300,148,673,997.54	-	14,634,615.94	14,634,615.94	-1,920,265,011.90	-1,905,630,395.96

6. Taxation

6.1 Major tax types and tax rates applicable to the Company

Tax type	Tax rate	Tax basis
Value added tax (VAT)	3%, 5%, 6%, 9%, 13%	Output VAT is calculated based on taxable sales revenue and service revenue calculated in accordance with tax laws, and VAT payable shall be the difference between the output VAT and input VAT deductible in the same period.
Property taxes	1.2%, 12%	Rental income and original value of houses and buildings
Enterprise income tax (Remark)	15%, 16.5%, 20% and 25%	Taxable income
Land appreciation tax (Remark)	1%, 2% and 4.5%	Prepayment is made according to the received advance sale amount and sales volume of the real estate
Land appreciation tax (Remark)	30%, 40%, 50%, 60%	According to the prescribed tax rate corresponding to the value-added amount obtained from the transfer of real estate

Remark: Please refer to Notes 9.3.1 and 9.3.2 for details.

6.2 Preferential tax burden and approvals

6.2.1 For the public rental housing project operated by the Company and its sub-subsidiary, Shanghai Hemin Real Estate Co., Ltd., subordinate to its subsidiary, Shanghai Shenhong Investment Development Co., Ltd., and its sub-subsidiaries, Shanghai Land Housing Security Co., Ltd., Shanghai Land Xinyue Real Estate Co., Ltd. and Shanghai Yingcheng Real Estate Co., Ltd., subordinate to its subsidiary, Shanghai Land Housing Development Co., Ltd., according to the Announcement of the State Taxation Administration ([2019] No. 61) issued by the Ministry of Finance and the State Taxation Administration on April 15, 2019:

- (1) The land used during the construction of public rental housing and land occupied after the completion of public rental housing were exempted from the land use tax;
- (2) The public rental housing operation and management units were exempted from the stamp duty involved in the construction and management of public rental housing;
- (3) The public rental housing was exempted from the house property tax; and the rental income obtained from operating public rental housing was exempted from the value-added tax (VAT);

According to the Announcement of the State Taxation Administration ([2021] No. 6) issued by the Ministry of Finance and the State Taxation Administration on March 15, 2021, for those tax preferential policies stipulated in the Announcement of the Ministry of Finance and the State Taxation Administration ([2019] No. 61) that have expired, their implementation periods were extended to December 31, 2023.

6.2.2 Subsidiary Shanghai Tidal Flat Ecological Development Co., Ltd.:

- (1) According to the Document (HGSL [1995] No. 78), the sales revenue achieved by the subsidiary, Shanghai Land Agricultural Investment Development Co., Ltd., from selling self-produced agricultural products was exempted from the VAT, with the tax exemption period from December 1, 2013 to December 31, 2020.



- (2) According to the Notice of the Result of Aforehand Filing of Preferential Enterprise Income Tax (HSCSJM [Filing] [2014] No. 003) obtained on January 9, 2014, the taxable income achieved by the subsidiary, Shanghai Land Agricultural Investment Development Co., Ltd., from engaging in the crop and seedling planting and agrotechnology extension business was exempted from the enterprise income tax since December 2013; the taxable income achieved from engaging in tidal flat aquaculture and flower planting business was subject to enterprise income tax at half reduced rate;
- (3) According to the Document (HDSFB [2009] No. 00002) issued by the Tax Office of the State Taxation Bureau of Fengxian District, Shanghai in March 2009, the subsidiary, Shanghai Land Gardens Development Co., Ltd., was exempted from the VAT for the sales of the self-produced and self-marketing primary agricultural products - seedlings from February 1, 2009 to July 6, 2016, and renewed the application for exemption from the VAT for the sales of self-produced and self-marketing primary agricultural products - seedling on July 12, 2016, with the tax exemption period from July 1, 2016 to June 30, 2019. On June 4, 2019, the filing of the VAT exemption for self-produced agricultural products was renewed, with the tax exemption period from July 1, 2019 to June 30, 2022.

**6.2.3** Shanghai Xinhong Ecological Agriculture Co., Ltd., a subsidiary of China Enterprise Company Limited:

- (1) According to the Provisions (HGSL [1995] No. 78), the sale of self-produced agricultural products was exempted from the VAT for the period from November 1, 2013 to December 31, 2020;
- (2) According to the Provisions (CSZ [1999] No. 198), the grain sold was exempted from the VAT for the period from April 1, 2017 to December 31, 2020;
- (3) According to the Provisions (CS [2011] No. 137), wholesale and sales of vegetables were exempted from the VAT for the period from April 1, 2017 to December 31, 2020;
- (4) According to the Provisions (CS [2012] No. 75), the wholesale and sales of some fresh meat and egg products were exempted from the VAT for the period from April 1, 2017 to December 31, 2020;
- (5) According to the Provisions (CS [2016] No. 36), the transfer of land use rights to agricultural producers for agricultural production was exempted from the VAT for the period from April 1, 2017 to December 31, 2020.

**6.2.4** According to Paragraph 7 of Article 1 of Appendix 3 to the Notice of the Ministry of Finance and the State Taxation Administration on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (CS [2016] No. 36), Shanghai Yucyang Traditional Chinese Medicine Clinic subordinate to Shanghai Land Pension Industry Investment Co., Ltd., a subsidiary of the Company, was exempted from the VAT for the provision of medical services. Since November 2019, matters filed for the VAT preferences were handled by the methods of "making independent judgment, declaring for enjoyment, retaining the relevant materials for future reference and submitting specific items attached with the information", and the taxpayer no longer needed to file for the VAT preferences separately.



- 6.2.5 Shanghai Chinda Webtech Co., Ltd. subordinate to the subsidiary Shanghai House Real Estate Sponson Co., Ltd., and Shanghai White Butterfly Pipe Technology Co., Ltd., Shanghai SYP Engineering Glass Co., Ltd., Tianjin SYP Engineering Glass Co., Ltd., Jiangmen SYP Engineering Glass Co., Ltd., Shanghai SYP Kangqiao Auto Glass Co., Ltd., Wuhan SYP Kangqiao Auto Glass Co., Ltd., Jiangsu Huadong SYP Glass Co., Ltd., Yizheng SYP Auto Glass Co., Ltd., and Shanghai Bright Intelligent Curtain Wall Co., Ltd. subordinate to the subsidiary Shanghai Building Materials (Group) Co., Ltd. are hi-tech enterprises, to which the preferential enterprise income tax rate of 15% is applicable in accordance with the relevant provisions of the Income Tax Law of the People's Republic of China.  
Chongqing SYP Engineering Glass Co., Ltd. subordinate to the subsidiary Shanghai Building Materials (Group) Co., Ltd. enjoys a preferential tax rate of 15% in accordance with the preferential income tax policy for the Great Western Development.
- 6.2.6 Glasslink Limited and Hong Kong Haijian Co., Ltd. subordinate to the subsidiary Shanghai Building Materials (Group) Co., Ltd. pay the profits tax at 16.5% in accordance with the provisions of the tax law of Hong Kong.
- 6.2.7 The enterprise income tax of Shanghai Online Real Estate Information Co., Ltd. subordinate to the subsidiary Shanghai House Real Estate Sponson Co., Ltd. is subject to the verification collection, and the taxable income rate in 2020 is verified at 10%.
- 6.2.8 According to the provisions of the Notice of the Ministry of Finance and the State Taxation Administration on Implementing the Policy on Inclusive Tax Reliefs for Small and Micro Enterprises (CS [2019] No. 13), some of the Company's subsidiaries are exempted from the VAT for small-scale VAT taxpayers with the monthly sales volume of less than RMB 100,000 (inclusive). For the part of the annual taxable income less than RMB 1 million of a small low-profit enterprise, it shall be included in the taxable income at a reduced rate of 25%, and the corresponding enterprise income tax shall be paid at the tax rate of 20%; for the part of annual taxable income more than RMB 1 million but less than RMB 3 million, it shall be included in the taxable income at a reduced rate of 50%, and the corresponding enterprise income tax shall be paid at the tax rate of 20%. The implementation period is from January 1, 2019 to December 31, 2021.
- 6.2.9 According to the Notice of the Ministry of Finance and the State Taxation Administration on Extending Exemption Scope of Relevant Governmental Funds (CS [2016] No. 12), for some of the Company's subsidiaries, the exemption scope of educational surcharges, local educational surcharges and water conservancy construction funds was extended from the current payment obligors whose monthly taxable sale or turnover is no more than RMB 30,000 (RMB 90,000 for quarterly taxable sale or turnover) to those whose monthly taxable sale or turnover is no more than RMB 100,000 (RMB 300,000 for quarterly taxable sale or turnover) since February 1, 2016.



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7. Business combination and consolidated financial statements

(Unless otherwise specified, figures in the following tables shall be expressed in RMB'0,000.)

7.1 Basic information of subsidiaries included in the scope of consolidated statements in 2020

S/N	Enterprise name	Tier	Enterprise type	Registration place	Business nature	Registered capital	Shareholding ratio	Voting rights ratio	Investment amount	Method of acquisition
1	China Enterprise Company Limited (Remark 10)	2	1	No. 2, Huashan Road, Shanghai	Design, construction and transaction of commercial housing	609,614	68.44%	68.44%	417,220	4
2	Shanghai Jinfeng Investment Co., Ltd. (Remark 5)	2	1	District 2, Xibambu, 4/F, No. 841, Middle Yan'an Road, Jing'an District, Shanghai	Comprehensive real estate services	51,832	51.00%	51.00%		4
3	Shanghai House Real Estate Sponson Co., Ltd.	2	1	Room 601, No. 5, Lane 322, Gushan Road, China (Shanghai) Pilot Free Trade Zone	Home loan guarantee	100,000	86.00%	86.00%	86,000	3
4	Shanghai Mingxin Real Estate Co., Ltd.	2	1	No. 116, Lane 3463, Taihe West Road, Baoshan District, Shanghai	Real estate development and operation	5,000	100.00%	100.00%	5,000	1
5	Shanghai Binfen Business	2	1	I/F, No. 65, Lane 799, East Huanlin	Real estate management	1,015	100.00%	100.00%	1,015	1

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S/N	Enterprise name	Tier	Enterprise type	Registration place	Business nature	Registered capital	Shareholding ratio	Voting rights ratio	Investment amount	Method of acquisition
	Development Co., Ltd.			Road, Pudong New Area, Shanghai						
				4/F, No. 416, Zhoushi Road, Zhongpu Town, Pudong New Area, Shanghai						
6	Shanghai Zhouxin Real Estate Co., Ltd.	2	1		Real estate development and operation	1,000	100.00%	100.00%	1,000	3
				No. 1000 (Industrial Park Building 2142), Zhenchen Road, Baoshan District, Shanghai						
7	Shanghai Real Estate Management (Group) Co., Ltd.	2	1		Real estate development, asset acquisition, etc.	30,000	100.00%	100.00%	30,000	1
				Room 451, Building 8, No. 33 Guangshun Road, Changning District, Shanghai						
8	Shanghai Land Xinhong Real Estate Co., Ltd.	2	1		Real estate development and operation industrial investment	3,000	100.00%	100.00%	3,000	1
				Room 213, No. 20, Lane 77, Yueyang Road						
9	Shanghai Zhizun Hengshan Hotel	2	1		Hotel management	163,000	50.00%	50.00%	81,500	1

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S/N	Enterprise name	Tier	Enterprise type	Registration place	Business nature	Registered capital	Shareholding ratio	Voting rights ratio	Investment amount	Method of acquisition
	Investment Co., Ltd.									
10	Shanghai Tidal Flat Ecological Development Co., Ltd.	2	1	13/Floor, No. 985, Dongfang Road, China (Shanghai) Pilot Free Trade Zone	Tidal flat reclamation and siltation promotion, and development and management of land formed after the reclamation	10,000	100.00%	100.00%	10,000	3
11	Shanghai Land Minhong (Group) Co., Ltd. (Remark 1)	2	1	Room 310-315, West of Ground Floor, Building 1, No. 1251 Jiangchuan Road, Minhang District, Shanghai	Development zone construction, operation and management, industrial investment, investment management, etc.	110,000	100.00%	100.00%	20,000	1
12	Shanghai Land Asset Management Co., Ltd. (Remark 3)	2	1	2/F, Building 2, No. 501, Xuri Road, Pudong New Area	Industrial investment, venture capital investment, investment management, asset management, etc.	20,000	100.00%	100.00%	500	1

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S/N	Enterprise name	Tier	Enterprise type	Registration place	Business nature	Registered capital	Shareholding ratio	Voting rights ratio	Investment amount	Method of acquisition
13	Shanghai Land Sanlin Binjiang Ecological Construction Co., Ltd.	2	1	No. 338, Sanlin Road, Pudong New Area, Shanghai	Integration of design and construction of building, decoration and construction engineering; real estate development and management, etc.	400,000	73.75%	73.75%	295,000	1
14	Shanghai Land Pension Industry Investment Co., Ltd.	2	1	1/F, Building 1, No. 251, Yaohua Road, China (Shanghai) Pilot Free Trade Zone	Pension industry investment, investment management, asset management, etc.	60,000	80.00%	80.00%	48,000	1
15	Shanghai Building Materials (Group) Co., Ltd.	2	1	No. 240, Beijing East Road, Shanghai Southwest Area, 3/F, No. 2123, Pudong Avenue, China	Design, manufacture and sales of building materials, equipment and related products	200,000	100.00%	100.00%	288,979	4
16	Shanghai Land Investment Development Co., Ltd.	2	1		Industrial investment, real estate management, venture capital	100,000	75.00%	75.00%	1,020	1

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