

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

Shanghai Construction Group Co., Ltd.

Financial Statements and Auditor's Report
For the Year Ended 31 December 2023
[English translation for reference only]

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[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2024) No. 10125
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To the Shareholders of Shanghai Construction Group Co., Ltd.,

Opinion

What we have audited

We have audited the accompanying financial statements of Shanghai Construction Group Co., Ltd. (hereinafter "SCG"), which comprise:

- the consolidated and company balance sheets as at 31 December 2023;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of SCG as at 31 December 2023, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of SCG in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

1. Recognition of revenue from engineering contracting contracts
2. Provisions for bad debts and impairment of accounts receivable and contract assets

Key Audit Matters (Continued)

Key Audit Matter	How these matters were addressed in the audit
<p>1. Recognition of revenue from engineering contracting contracts</p> <p>As stated in Note 2(22)(a), Note 2(29)(b)(ii) and Note 4(51) to the consolidated financial statements.</p> <p>In 2023, the consolidated SCG's total revenue amounted to RMB 304,627,645,886.33, of which the amount of revenue from engineering contracting contracts was RMB 264,965,200,341.82, accounting for 87% of SCG's total revenue.</p> <p>SCG recognises revenue from provision of services such as building construction and infrastructure construction within a certain period in accordance with progress of contract fulfilment, which is mainly determined based on proportion of the completed workload confirmed by output value statistics, as provided by the project management department of SCG, to the estimated total workload. Management estimates total workload of the project before it begins, estimates total revenue of the project based on the determined contract unit price, and continuously evaluates and revises the estimated total workload and total revenue in the course of contract fulfilment.</p> <p>We identified recognition of revenue from engineering contracting contracts as a key audit matter due to the significant amount of revenue and the need for management to use significant accounting estimates in determining the expected total contract workload and expected total revenue.</p>	<p>We obtained an understanding of, evaluated and tested internal controls related to recognition of revenue from engineering contracting contracts, including internal controls over the preparation and review of project budgets for service contracts, the preparation and review of budget changes, and the preparation and review of production value statistics.</p> <p>We assessed the inherent risk of material misstatement of recognition of revenue from engineering contracting contracts by considering the degree of estimation uncertainty and the level of other inherent risk factors, such as complexity, subjectivity, variability, management bias and other fraud factors.</p> <p>The reliability of management's accounting estimate of estimated total revenue was assessed by comparing the actual total contract revenue with the estimated total revenue using randomly selected contracts for projects completed and settled during the year.</p> <p>We selected contracts for projects under construction on a sampling basis during the year, and tests were conducted on the revenue recognised from project contracts, which mainly included:</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of the bases for the estimates made by management by examining the terms of the project contracts, the project contract amounts, budgetary information, possible contractual changes and other supporting documents on which the estimates of the expected total workload and expected total revenue of the contracts are based; • Examined project output statistics and check them with the accounting records for revenue recognition; • Obtained the output value confirmed by SCG's client and third-party supervisors and assess the reasonableness of such output value statistics.

Key Audit Matters (Continued)

Key Audit Matter	How these matters were addressed in the audit
1. Recognition of revenue from engineering contracting contracts (Continued)	<p>In addition, we selected samples of contracts for projects in progress, conducted on-site inspections of the projects in progress, discussed with the business departments and assessed the actual progress of project fulfilment.</p> <p>Based on the audit procedures we have performed, the audit evidence obtained is sufficient to support the significant accounting estimates made by management for revenue recognition of the above-mentioned engineering contracting contracts.</p>

Key Audit Matters (Continued)

Key Audit Matter	How these matters were addressed in the audit
<p>2. Provisions for bad debts and impairment of accounts receivable and contract assets</p> <p>As stated in Note 2(9)(a)(ii), Note 2(29)(a)(i), Note 2(29)(b)(i), Note 4(4), Note 4(9), Note 4(58) and Note 4(59) to the consolidated financial statements.</p> <p>As at 31 December 2023, the gross carrying amount of accounts receivable in the consolidated financial statements of SCG was RMB 73,244,434,829.69, the balance of provision for bad debts was RMB 9,281,977,856.71, and the accrual of credit impairment loss for the year ended 31 December 2023 was RMB 1,403,352,518.08. As at 31 December 2023, the gross carrying amount of contract assets (including those listed as other non-current assets) was RMB 78,675,620,300.67, the balance of provision for impairment was RMB 1,630,125,550.67, and the accrual of asset impairment loss for the year ended 31 December 2023 was RMB 231,890,927.94.</p> <p>For accounts receivable and contract assets, SCG measured the provisions for bad debts and impairment according to the lifetime expected credit loss (“ECL”).</p> <p>For accounts receivable and contract assets with significantly different credit risk characteristics, management of SCG evaluated the distribution of expected cash flows under multiple scenarios based on historical credit loss experience, status of asset preservation, public market information, current situations and forecasts of future conditions of contract counterparties under different situations, taking into account the advice of third-party lawyers involved in litigated liabilities, and made corresponding provisions for bad debts and impairment according to ECL rate and the related probability weight under different scenarios.</p>	<p>We obtained an understanding of, evaluated and tested management’s internal control process related to provisions for bad debts and impairment of accounts receivable and contract assets.</p> <p>We assessed the inherent risk of material misstatement of provisions for bad debts and impairment of accounts receivable and contract assets by considering the degree of estimation uncertainty and the level of other inherent risk factors, such as complexity, subjectivity, variability, management bias and other fraud factors.</p> <p>We assessed the reliability of management’s historical policies on provisions for bad debts and impairment of accounts receivable and contract assets and its estimates by comparing the actual write-offs and loss results with the provision for bad debts made in previous years.</p> <p>We examined and assessed management’s provision for individual impairments of accounts receivable and contract assets with significantly different credit risk characteristics, including performing the following procedures on a sampling basis:</p> <ul style="list-style-type: none"> Assessed the rationality of management’s weighting of ECL rates and probability of occurrence under different scenarios based on the historical credit loss experience of the contractual counterparties, asset preservation, public market information, current conditions and forecasts of their future conditions, and the advice of third-party lawyers involved in litigated liabilities;

Key Audit Matters (Continued)

Key Audit Matter	How these matters were addressed in the audit
<p>2. Provisions for bad debts and impairment of accounts receivable and contract assets (Continued)</p> <p>For accounts receivable and contract assets with similar credit risk characteristics, SCG classifies them into certain groups based on their credit risk characteristics and calculates ECL on a collective basis. For accounts receivable and contract assets classified into groups, SCG calculates the ECL rates for each ageing of accounts receivable and contract assets with reference to the historical credit loss experience, the current period's conditions and the forecast of future economic conditions, and calculates the losses on bad debts of accounts receivable and impairment losses of contract assets by applying the exposure to default risk and the calculated ECL rates for each ageing of accounts receivable and contract assets. In determining the ECL rates, management uses data such as ageing and historical ECL rates, and adjusts the historical data based on current conditions and forward-looking information. Factors considered by management in evaluating forward-looking information include macroeconomic assumptions and parameters.</p> <p>Due to the significant amount of provisions for bad debts and impairment of accounts receivable and contract assets, the accounting estimates made by management in making provisions for bad debts and impairment of accounts receivable and contract assets are subject to uncertainties and involve significant judgement made by management. We have therefore identified the provisions for bad debts and impairment of accounts receivable and contract assets as a key audit matter.</p>	<ul style="list-style-type: none"> Assessed the analysis results of the sensitivity tests performed by management in combination with reasonable and probable changes in the expected ECL rates under different scenarios and the probability weighting of each scenario; Checked the calculation accuracy of provisions for bad debts and impairment of accounts receivable and contract assets. <p>In response to management's calculation of ECL on a collective basis, we performed the following key procedures:</p> <ul style="list-style-type: none"> Assessed the grouping rationality of accounts receivable and contract assets and the measurement method of the ECL model; Checked the default exposures in the ECL model on a sampling basis; Checked the accuracy of the ageing of accounts receivable in the ECL model on a sampling basis; Tested the accuracy of the relevant historical credit loss data in the ECL model on a sampling basis to assess the historical actual loss rate; Assessed SCG management's application of forward-looking information in the ECL model, including the selection of economic indicators, and checked economic indicators with publicly available external data sources; Verified the accuracy of the calculations by recalculating the ECL in accordance with the adjusted ECL rate after taking into account the forward-looking information.

Key Audit Matters (Continued)

Key Audit Matter	How these matters were addressed in the audit
2. Provisions for bad debts and impairment of accounts receivable and contract assets (Continued)	Based on the audit procedures we have performed, the audit evidence obtained is able to support the significant accounting estimates and judgements made by management regarding provisions for bad debts and impairment of accounts receivable and contract assets.

Other Information

Management of SCG is responsible for the other information. The other information comprises all of the information included in the 2023 annual report of SCG, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

Management of SCG is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing SCG's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate SCG or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA

Xiao Feng (Engagement Partner)

Shanghai, the People's Republic of China
22 April 2024

Signing CPA

Chen Ruyi

SHANGHAI CONSTRUCTION GROUP CO., LTD.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2023

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

ASSETS	Note	31 December 2023 Consolidated	31 December 2022 Consolidated
Current assets			
Cash at bank and on hand	4(1)	98,204,763,914.26	88,644,536,895.30
Financial assets held for trading	4(2)	1,478,251,499.86	1,614,029,125.31
Notes receivable	4(3)	885,945,543.84	1,791,332,388.08
Accounts receivable	4(4)	63,962,456,972.98	62,489,426,256.46
Financing receivables	4(5)	744,650,986.71	591,561,489.37
Advances to suppliers	4(6)	4,628,738,589.95	2,278,283,944.98
Other receivables	4(7)	6,365,285,859.68	6,792,082,490.53
Including: Dividends receivable		30,000,000.00	35,000,000.00
Inventories	4(8)	60,296,781,440.04	64,849,152,877.12
Contract assets	4(9)	44,513,770,892.16	47,566,648,595.87
Non-current assets to be recovered within one year	4(11)	2,211,398,797.10	1,783,426,752.87
Other current assets	4(10)	3,683,351,669.58	3,796,119,116.25
Total current assets		286,975,396,166.16	282,196,599,932.14
Non-current assets			
Debt investments	4(13)	155,777,464.83	149,720,927.33
Long-term receivables	4(12)	19,779,089,758.07	20,074,980,314.15
Long-term equity investments	4(16)	9,824,168,367.04	8,476,140,941.34
Investments in other equity instruments	4(14)	1,096,780,276.67	610,363,553.59
Other non-current financial assets	4(15)	3,352,032,898.82	3,735,876,565.32
Investment properties	4(17)	3,564,376,360.71	4,366,791,532.02
Fixed assets	4(18)	10,034,790,875.41	8,676,066,146.42
Right-of-use assets	4(20)	3,429,886,670.93	3,023,924,238.23
Construction in progress	4(19)	1,186,378,562.31	1,072,957,620.49
Intangible assets	4(21)	4,136,634,828.21	3,966,711,350.35
Goodwill	4(22)	443,010,612.96	467,570,230.79
Long-term prepaid expenses	4(23)	489,079,785.72	497,833,297.61
Deferred tax assets	4(24)	1,949,169,821.00	1,610,574,123.84
Other non-current assets	4(25)	35,661,086,467.06	27,877,508,319.62
Total non-current assets		95,102,262,749.74	84,607,019,161.10
TOTAL ASSETS		382,077,658,915.90	366,803,619,093.24

SHANGHAI CONSTRUCTION GROUP CO., LTD.

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2023

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2023 Consolidated	31 December 2022 Consolidated
Current liabilities			
Short-term borrowings	4(27)	9,657,056,148.81	9,988,399,240.61
Notes payable	4(28)	5,908,082,215.61	13,410,040,352.39
Accounts payable	4(29)	172,087,825,778.81	156,860,959,347.52
Advances from customers		36,323,163.74	37,355,167.13
Contract liabilities	4(30)	35,596,719,098.00	30,018,686,280.55
Employee benefits payable	4(31)	1,316,677,826.15	1,156,199,872.44
Taxes payable	4(32)	3,892,901,367.08	5,381,684,167.17
Other payables	4(33)	24,079,676,096.02	18,860,851,723.74
Including: Dividends payable		23,732,674.97	35,557,776.24
Non-current liabilities to be settled within one year	4(34)	11,261,273,292.36	11,683,006,740.32
Other current liabilities	4(35)	1,268,011,196.59	1,054,837,530.32
Total current liabilities		265,104,546,183.17	248,452,020,422.19
Non-current liabilities			
Long-term borrowings	4(36)	52,195,480,899.40	56,613,007,475.56
Debentures payable	4(37)	9,551,632,925.08	6,160,776,653.36
Lease liabilities	4(38)	2,751,665,635.11	2,419,878,872.44
Long-term payables	4(39)	273,330,746.57	1,183,507,903.86
Long-term employee benefits payable	4(42)	215,241,018.00	249,509,145.00
Provisions	4(40)	126,008,038.42	50,934,954.39
Deferred income	4(41)	217,575,367.39	138,271,405.21
Deferred tax liabilities	4(24)	432,734,589.44	455,659,560.04
Total non-current liabilities		65,763,669,219.41	67,271,545,969.86
Total liabilities		330,868,215,402.58	315,723,566,392.05
Shareholders' equity			
Share capital	4(43)	8,885,939,744.00	8,904,397,728.00
Other equity instruments	4(45)	10,570,136,788.91	10,500,000,000.00
Capital surplus	4(44)	2,746,179,412.36	2,791,426,196.65
Less: Treasury stock	4(49)	-	(63,704,768.29)
Other comprehensive income	4(46)	(154,106,386.74)	(119,528,457.39)
Special reserve	4(50)	14,948,746.08	10,839,668.60
Surplus reserve	4(47)	2,675,248,491.00	2,427,202,402.86
Undistributed profits	4(48)	16,310,689,326.98	16,004,618,761.18
Total equity attributable to shareholders of the Company		41,049,036,122.59	40,455,251,531.61
Minority interests		10,160,407,390.73	10,624,801,169.58
Total shareholders' equity		51,209,443,513.32	51,080,052,701.19
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		382,077,658,915.90	366,803,619,093.24

The accompanying notes form an integral part of these financial statements.

Legal representative:
Hang Yingwei

Principal in charge of accounting:
Yin Keding

Head of accounting department:
Wang Hongshun

SHANGHAI CONSTRUCTION GROUP CO., LTD.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2023

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

ASSETS	Note	31 December 2023 Company	31 December 2022 Company
Current assets			
Cash at bank and on hand		25,755,918,896.08	21,830,346,386.35
Financial assets held for trading		634,646,442.90	652,153,930.98
Notes receivable		25,944,556.46	69,835,507.70
Accounts receivable	17(1)	5,566,291,384.92	5,886,869,703.83
Financing receivables		15,071,731.08	14,640,000.00
Advances to suppliers		1,739,021,644.85	650,133,553.53
Other receivables	17(2)	17,402,320,594.99	15,749,037,373.42
Including: Dividends receivable		305,369,291.58	305,369,291.58
Inventories		319,128,209.59	621,436,314.68
Contract assets	17(3)	8,407,379,400.33	9,476,017,623.70
Other current assets		2,321,968,208.08	2,369,368,501.51
Total current assets		62,187,691,069.28	57,319,838,895.70
Non-current assets			
Debt investments		-	50,000,000.00
Long-term equity investments	17(4)	43,275,964,512.77	36,577,863,850.54
Investments in other equity instruments		897,571,586.88	633,997,164.66
Other non-current financial assets		151,977,500.00	4,868,657,042.51
Investment properties		33,544,516.15	35,370,934.87
Fixed assets		857,707,150.27	924,619,098.25
Construction in progress		52,494,782.01	43,859,778.97
Right-of-use assets		34,717,880.22	42,309,154.00
Intangible assets		23,565,887.47	24,171,318.44
Long-term prepaid expenses		742,410.99	1,040,047.96
Deferred tax assets		101,226,187.92	107,340,534.52
Other non-current assets		3,338,369,631.25	3,010,131,499.56
Total non-current assets		48,767,882,045.93	46,319,360,424.28
TOTAL ASSETS		110,955,573,115.21	103,639,199,319.98

SHANGHAI CONSTRUCTION GROUP CO., LTD.

COMPANY BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2023

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	31 December 2023 Company	31 December 2022 Company
Current liabilities		
Short-term borrowings	2,925,974,870.93	3,436,625,889.62
Notes payable	-	274,051.00
Accounts payable	31,381,657,553.35	28,022,346,352.45
Advances from customers	1,755,442.85	9,755,442.86
Contract liabilities	4,901,498,537.51	7,291,968,059.32
Employee benefits payable	28,424,619.29	14,928,761.95
Taxes payable	136,488,557.08	168,384,222.99
Other payables	22,105,698,027.43	15,841,509,248.17
Non-current liabilities to be settled within one year	6,333,288,149.22	2,243,509,457.52
Other current liabilities	7,701,021.34	4,772,429.49
Total current liabilities	67,822,486,779.00	57,034,073,915.37
Non-current liabilities		
Long-term borrowings	7,448,484,000.00	12,579,234,000.00
Debentures payable	2,000,000,000.00	2,000,000,000.00
Lease liabilities	21,440,987.84	27,939,921.06
Deferred income	15,777,586.66	10,370,002.66
Total non-current liabilities	9,485,702,574.50	14,617,543,923.72
Total liabilities	77,308,189,353.50	71,651,617,839.09
Shareholders' equity		
Share capital	8,885,939,744.00	8,904,397,728.00
Other equity instruments	10,570,136,788.91	10,500,000,000.00
Capital surplus	3,796,294,265.32	3,841,541,049.61
Less: Treasury stock	-	(63,704,768.29)
Other comprehensive income	59,988,275.26	(52,963,097.46)
Surplus reserve	2,663,767,730.43	2,415,721,642.29
Undistributed profits	7,671,256,957.79	6,442,588,926.74
Total shareholders' equity	33,647,383,761.71	31,987,581,480.89
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	110,955,573,115.21	103,639,199,319.98

The accompanying notes form an integral part of these financial statements.

Legal representative:
Hang Yingwei

Principal in charge of accounting:
Yin Keding

Head of accounting department:
Wang Hongshun

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	2023 Consolidated	2022 Consolidated
Revenue	4(51)	304,627,645,886.33	286,036,614,659.88
Less: Cost of sales	4(51)	(277,610,734,797.62)	(260,168,281,945.90)
Taxes and surcharges	4(52)	(917,606,975.66)	(1,197,198,435.22)
Selling and distribution expenses	4(53)	(767,438,167.52)	(791,671,037.77)
General and administrative expenses	4(54)	(7,801,522,317.72)	(7,040,072,489.15)
Research and development expenses	4(55)	(10,815,095,223.00)	(10,184,863,109.02)
Financial expenses	4(56)	(2,395,316,249.73)	(2,725,327,535.66)
Including: Interest expenses		(3,157,226,690.70)	(3,466,138,738.57)
Interest income		946,380,133.76	790,675,903.43
Add: Other income	4(60)	704,152,386.18	173,555,101.75
Investment income	4(61)	186,400,019.51	1,029,941,022.10
Including: Investment income/(losses) from associates and joint ventures		80,978,444.34	(17,975,122.90)
Losses arising from derecognition of financial assets at amortised cost		(18,766,235.58)	-
Gains or losses on changes in fair value	4(62)	(256,041,684.66)	(876,949,926.28)
Asset impairment losses	4(58)	(554,235,738.44)	(837,773,864.60)
Credit impairment losses	4(59)	(1,334,060,581.20)	(1,610,623,264.99)
Gains on disposals of assets	4(63)	14,765,176.67	23,840,174.69
Operating profit		3,080,911,733.14	1,831,189,349.83
Add: Non-operating income	4(64)	53,857,199.72	543,282,047.46
Less: Non-operating expenses	4(65)	(180,621,556.87)	(103,400,476.51)
Total profit		2,954,147,375.99	2,271,070,920.78
Less: Income tax expenses	4(66)	(1,296,130,403.61)	(591,035,348.70)
Net profit		1,658,016,972.38	1,680,035,572.08
Classified by continuity of operations			
Net profit from continuing operations		1,658,016,972.38	1,680,035,572.08
Net profit from discontinued operations		-	-
Classified by ownership of the equity			
Attributable to equity owners of the Company		1,557,863,416.17	1,355,684,964.02
Minority interests		100,153,556.21	324,350,608.06

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	2023 Consolidated	2022 Consolidated
Other comprehensive income, net of tax	4(46)	(11,523,738.96)	56,263,668.73
Attributable to other comprehensive (loss)/income of shareholders of the Company		(34,577,929.35)	4,383,062.88
Other comprehensive income items which will not be reclassified to profit or loss		69,227,656.18	43,063,419.77
Changes in fair value of investments in other equity instruments		75,003,080.80	36,468,729.83
Changes arising from remeasurement of defined benefit plans		(5,775,424.62)	6,594,689.94
Other comprehensive loss items which will be reclassified to profit or loss		(103,805,585.53)	(38,680,356.89)
Differences on translation of foreign currency financial statements		(103,805,585.53)	(38,680,356.89)
Attributable to minority interests		23,054,190.39	51,880,605.85
Total comprehensive income		1,646,493,233.42	1,736,299,240.81
Attributable to shareholders of the Company		1,523,285,486.82	1,360,068,026.90
Attributable to minority interests		123,207,746.60	376,231,213.91
Earnings per share	4(67)		
Basic earnings per share (RMB Yuan)		0.12	0.10
Diluted earnings per share (RMB Yuan)		0.12	0.10

The accompanying notes form an integral part of these financial statements.

Legal representative:
Hang Yingwei

Principal in charge of accounting:
Yin Keding

Head of accounting department:
Wang Hongshun

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	2023 Company	2022 Company
Revenue	17(5)	54,791,388,972.73	55,988,726,073.37
Less: Cost of sales	17(5)	(53,362,242,967.28)	(53,829,286,140.14)
Taxes and surcharges		(97,272,817.00)	(82,864,242.87)
General and administrative expenses		(668,003,019.48)	(606,321,273.29)
Research and development expenses		(770,126,281.42)	(688,147,231.15)
Financial expenses		(751,460,908.67)	(602,565,065.17)
Including: Interest expenses		(933,865,141.26)	(797,754,343.06)
Interest income		146,032,476.35	130,158,610.13
Add: Other income		131,000,170.23	12,686,273.10
Investment income	17(6)	3,284,476,889.95	2,608,615,716.34
Including: Investment (losses)/income from associates and joint ventures		(43,769,870.95)	40,626,418.67
Gains or losses on changes in fair value		(51,585,113.89)	(414,197,408.49)
Reversal of asset impairment		5,664,676.35	6,243,992.28
(Losses on)/Reversal of credit impairment		(96,317,010.79)	2,013,721.75
Gains on disposals of assets		1,697,873.01	116,080.37
Operating profit		2,417,220,463.74	2,395,020,496.10
Add: Non-operating income		10,107.87	41,884,817.30
Less: Non-operating expenses		(4,308,338.72)	(5,845,064.38)
Total profit		2,412,922,232.89	2,431,060,249.02
Less: Income tax expenses		67,538,648.53	78,954,084.18
Net profit		2,480,460,881.42	2,510,014,333.20
Classified by continuity of operations			
Net profit from continuing operations		2,480,460,881.42	2,510,014,333.20
Net profit from discontinued operations		-	-
Other comprehensive income, net of tax		112,951,372.72	28,066,393.89
Attributable to shareholders of the Company		112,951,372.72	28,066,393.89
Other comprehensive income items which will not be reclassified to profit or loss		112,935,991.32	27,989,375.06
Changes in fair value of investments in other equity instruments		112,935,991.32	27,989,375.06
Other comprehensive income items which will be reclassified to profit or loss		15,381.40	77,018.83
Differences on translation of foreign currency financial statements		15,381.40	77,018.83
Total comprehensive income		2,593,412,254.14	2,538,080,727.09

The accompanying notes form an integral part of these financial statements.

Legal representative:
Hang Yingwei

Principal in charge of accounting:
Yin Keding

Head of accounting department:
Wang Hongshun

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	2023 Consolidated	2022 Consolidated
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		324,278,192,841.42	269,185,863,858.35
Refund of taxes and surcharges		61,549,270.54	730,151,690.68
Cash received relating to other operating activities	4(68)(a)	9,867,945,313.07	10,909,200,024.20
Sub-total of cash inflows		334,207,687,425.03	280,825,215,573.23
Cash paid for goods and services		(273,116,301,848.97)	(226,328,770,435.03)
Cash paid to and on behalf of employees		(16,351,928,917.85)	(16,094,314,320.86)
Payments of taxes and surcharges		(9,027,520,366.69)	(7,452,202,082.91)
Cash paid relating to other operating activities	4(68)(b)	(14,730,680,042.61)	(21,992,424,591.85)
Sub-total of cash outflows		(313,226,431,176.12)	(271,867,711,430.65)
Net cash flows from operating activities	4(69)(a)	20,981,256,248.91	8,957,504,142.58
Cash flows used in investing activities			
Cash received from disposals of investments	4(68)(c)	493,542,868.04	1,499,465,474.35
Cash received from returns on investments		137,252,284.91	115,981,577.50
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		79,568,235.17	69,038,808.51
Net cash received from disposals of subsidiaries and other business units	4(69)(b)	1,702,035,112.05	960,342,887.19
Cash received relating to other investing activities	4(68)(e)	4,320,044,300.81	4,628,137,663.67
Sub-total of cash inflows		6,732,442,800.98	7,272,966,411.22
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,044,821,321.12)	(2,173,283,653.03)
Cash paid to acquire investments	4(68)(d)	(1,847,281,806.64)	(3,247,271,349.63)
Net cash paid to acquire the subsidiary		(68,014,462.09)	(145,959,498.50)
Cash paid relating to other investing activities	4(68)(f)	(5,410,130,552.92)	(3,228,088,117.43)
Sub-total of cash outflows		(10,370,248,142.77)	(8,794,602,618.59)
Net cash flows used in investing activities		(3,637,805,341.79)	(1,521,636,207.37)
Cash flows used in financing activities			
Cash received from capital contributions		55,664,161.62	105,723,946.00
Including: Cash received from capital contributions by minority shareholders of subsidiaries		55,664,161.62	105,723,946.00
Cash received from borrowings		17,206,410,629.28	28,905,220,428.09
Cash received from issuance of debentures		4,000,000,000.00	-
Cash received relating to other financing activities	4(68)(g)	2,096,527,694.88	-
Sub-total of cash inflows		23,358,602,485.78	29,010,944,374.09
Cash repayments of borrowings		(20,527,836,506.92)	(25,571,341,848.89)
Cash repayments of debentures		(1,562,000,000.00)	-
Cash payments for distribution of dividends, profits or interest expenses		(5,188,947,714.26)	(5,825,826,179.39)
Including: Dividends or profits paid to minority shareholders by subsidiaries		(412,962,157.66)	(391,495,052.62)
Cash paid relating to other financing activities	4(68)(h)	(3,947,541,342.52)	(1,352,294,344.37)
Sub-total of cash outflows		(31,226,325,563.70)	(32,749,462,372.65)
Net cash flows used in financing activities		(7,867,723,077.92)	(3,738,517,998.56)
Effect of foreign exchange rate changes on cash and cash equivalents		38,830,020.07	92,136,628.78
Net increase in cash and cash equivalents	4(69)(a)	9,514,557,849.27	3,789,486,565.43
Add: Cash and cash equivalents at the beginning of the year		80,884,964,281.28	77,095,477,715.85
Cash and cash equivalents at the end of the year	4(69)(d)	90,399,522,130.55	80,884,964,281.28

The accompanying notes form an integral part of these financial statements.

Legal representative:
Hang Yingwei

Principal in charge of accounting:
Yin Keding

Head of accounting department:
Wang Hongshun

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	2023 Company	2022 Company
Cash flows from operating activities		
Cash received from sales of goods or rendering of services	66,072,382,781.78	61,465,346,336.09
Cash received relating to other operating activities	5,077,541,914.88	5,004,792,755.48
Sub-total of cash inflows	71,149,924,696.66	66,470,139,091.57
Cash paid for goods and services	(59,445,282,366.19)	(52,737,919,400.22)
Cash paid to and on behalf of employees	(1,071,589,417.54)	(1,065,654,063.24)
Payments of taxes and surcharges	(675,694,641.74)	(661,937,246.01)
Cash paid relating to other operating activities	(3,206,970,830.98)	(9,673,726,877.38)
Sub-total of cash outflows	(64,399,537,256.45)	(64,139,237,586.85)
Net cash flows from operating activities	6,750,387,440.21	2,330,901,504.72
Cash flows used in investing activities		
Cash received from disposals of investments	14,619,883.04	1,186,640,542.69
Cash received from returns on investments	2,627,113,598.85	2,465,672,611.90
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	2,923,077.96	234,066.48
Cash received relating to other investing activities	4,024,162,202.95	4,450,475,312.55
Sub-total of cash inflows	6,668,818,762.80	8,103,022,533.62
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(186,806,854.95)	(177,206,798.19)
Cash paid to acquire investments	(2,263,881,600.00)	(5,087,235,119.70)
Cash paid relating to other investing activities	(5,091,189,624.19)	(536,299,000.00)
Sub-total of cash outflows	(7,541,878,079.14)	(5,800,740,917.89)
Net cash flows (used in)/from investing activities	(873,059,316.34)	2,302,281,615.73
Cash flows (used in)/from financing activities		
Cash received from borrowings	2,139,000,000.00	4,055,941,507.08
Cash received from issuance of debentures	1,500,000,000.00	-
Cash received relating to other financing activities	1,516,288,414.73	-
Sub-total of cash inflows	5,155,288,414.73	4,055,941,507.08
Cash repayments of borrowings	(2,574,417,507.08)	(915,000,000.00)
Cash repayments of debentures	(1,500,000,000.00)	-
Cash payments for distribution of dividends, profits or interest expenses	(1,750,391,133.46)	(2,544,023,526.33)
Cash paid relating to other financing activities	(1,231,210,865.44)	(79,973,450.49)
Sub-total of cash outflows	(7,056,019,505.98)	(3,538,996,976.82)
Net cash flows (used in)/from financing activities	(1,900,731,091.25)	516,944,530.26
Effect of foreign exchange rate changes on cash and cash equivalents	10,914,821.89	(71,453,838.59)
Net increase in cash and cash equivalents	3,987,511,854.51	5,078,673,812.12
Add: Cash and cash equivalents at the beginning of the year	21,038,324,199.01	15,959,650,386.89
Cash and cash equivalents at the end of the year	25,025,836,053.52	21,038,324,199.01

The accompanying notes form an integral part of these financial statements.

Legal representative:
Hang Yingwei

Principal in charge of accounting:
Yin Keding

Head of accounting department:
Wang Hongshun

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	Equity attributable to shareholders of the Company								Minority interests	Total shareholders' equity	
		Share capital	Other equity instruments	Capital surplus	Treasury stock	Less: comprehensive income	Other income	Special reserve	Surplus reserve			Undistributed profits
Balance at 31 December 2021		8,904,397,728.00	10,500,000,000.00	2,882,236,040.95	(63,704,768.29)	(123,911,520.27)		8,637,748.43	2,176,200,969.54	16,677,709,479.48	10,605,489,821.02	51,567,055,498.86
Movements for the year ended 31 December 2022												
Total comprehensive income												
Net profit		-	-	-	-	-		-	-	1,355,684,964.02	324,350,608.06	1,680,035,572.08
Other comprehensive income	4(46)	-	-	-	-	4,383,062.88		-	-	-	51,880,605.85	56,263,668.73
Total comprehensive income for the year		-	-	-	-	4,383,062.88		-	-	1,355,684,964.02	376,231,213.91	1,736,299,240.81
Capital contribution and withdrawal by shareholders												
Ordinary shares contributed by shareholders		-	-	-	-	-		-	-	-	4,065,248.77	4,065,248.77
Others		-	-	(90,809,844.30)	-	-		-	-	-	275,363,218.18	184,553,373.88
Profit distribution												
Appropriation to surplus reserve		-	-	-	-	-		-	251,001,433.32	(251,001,433.32)	-	-
Profit distribution to equity owners		-	-	-	-	-		-	-	(1,777,774,249.00)	(636,348,332.30)	(2,414,122,581.30)
Special reserve												
Appropriation in the current period	4(50)	-	-	-	-	-	4,494,993,376.05		-	-	-	4,494,993,376.05
Utilisation in the current period	4(50)	-	-	-	-	-	(4,492,791,455.88)		-	-	-	(4,492,791,455.88)
Balance at 31 December 2022		8,904,397,728.00	10,500,000,000.00	2,791,426,196.65	(63,704,768.29)	(119,528,457.39)		10,839,668.60	2,427,202,402.86	16,004,618,761.18	10,624,801,169.58	51,080,052,701.19

SHANGHAI CONSTRUCTION GROUP CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	Equity attributable to shareholders of the Company								Minority interests	Total shareholders' equity
		Share capital	Other equity instruments	Capital surplus	Treasury stock	Less: comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
Balance at 31 December 2022		8,904,397,728.00	10,500,000,000.00	2,791,426,196.65	(63,704,768.29)	(119,528,457.39)	10,839,668.60	2,427,202,402.86	16,004,618,761.18	10,624,801,169.58	51,080,052,701.19
Movements for the year ended 31 December 2023											
Reclassification		-	59,613,291.66	-	-	-	-	-	(59,613,291.66)	-	-
Total comprehensive income											
Net profit		-	499,836,483.37	-	-	-	-	-	1,058,026,932.80	100,153,556.21	1,658,016,972.38
Other comprehensive income	4(46)	-	-	-	-	(34,577,929.35)	-	-	-	23,054,190.39	(11,523,738.96)
Total comprehensive income for the year		-	559,449,775.03	-	-	(34,577,929.35)	-	-	998,413,641.14	123,207,746.60	1,646,493,233.42
Capital contribution and withdrawal by shareholders											
Capital contribution by equity owners	4(45)	-	1,500,000,000.00	-	-	-	-	-	-	63,177,493.69	1,563,177,493.69
Capital withdrawal by equity owners	4(45)	-	(1,500,000,000.00)	-	-	-	-	-	-	-	(1,500,000,000.00)
Profit distribution											
Appropriation to surplus reserve		-	-	-	-	-	-	248,046,088.14	(248,046,088.14)	-	-
Profit distribution to equity owners		-	(489,312,986.12)	-	-	-	-	-	(444,296,987.20)	(573,498,402.76)	(1,507,108,376.08)
Special reserve											
Appropriation in the current period	4(50)	-	-	-	-	-	5,669,639,953.44	-	-	-	5,669,639,953.44
Utilisation in the current period	4(50)	-	-	-	-	-	(5,665,530,875.96)	-	-	-	(5,665,530,875.96)
Others	4(43)	(18,457,984.00)	-	(45,246,784.29)	63,704,768.29	-	-	-	-	(77,280,616.38)	(77,280,616.38)
Balance at 31 December 2023		8,885,939,744.00	10,570,136,788.91	2,746,179,412.36	-	(154,106,386.74)	14,948,746.08	2,675,248,491.00	16,310,689,326.98	10,160,407,390.73	51,209,443,513.32

The accompanying notes form an integral part of these financial statements.

Legal representative: Hang Yingwei

Principal in charge of accounting: Yin Keding

Head of accounting department: Wang Hongshun

SHANGHAI CONSTRUCTION GROUP CO., LTD.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Share capital	Other equity instruments	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
Balance at 31 December 2021	8,904,397,728.00	10,500,000,000.00	3,841,541,049.61	(63,704,768.29)	(81,029,491.35)	-	2,164,720,208.97	5,961,350,275.86	31,227,275,002.80
Movements for the year ended 31 December 2022									
Total comprehensive income									
Net profit	-	-	-	-	-	-	-	2,510,014,333.20	2,510,014,333.20
Other comprehensive income	-	-	-	-	28,066,393.89	-	-	-	28,066,393.89
Total comprehensive income for the year	-	-	-	-	28,066,393.89	-	-	2,510,014,333.20	2,538,080,727.09
Profit distribution									
Appropriation to surplus reserve	-	-	-	-	-	-	251,001,433.32	(251,001,433.32)	-
Profit distribution to equity owners	-	-	-	-	-	-	-	(1,777,774,249.00)	(1,777,774,249.00)
Special reserve									
Appropriation in the current period	-	-	-	-	-	497,032,206.39	-	-	497,032,206.39
Utilisation in the current period	-	-	-	-	-	(497,032,206.39)	-	-	(497,032,206.39)
Balance at 31 December 2022	8,904,397,728.00	10,500,000,000.00	3,841,541,049.61	(63,704,768.29)	(52,963,097.46)	-	2,415,721,642.29	6,442,588,926.74	31,987,581,480.89

SHANGHAI CONSTRUCTION GROUP CO., LTD.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Share capital	Other equity instruments	Capital surplus	Treasury stock	Less: Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
Balance at 31 December 2022	8,904,397,728.00	10,500,000,000.00	3,841,541,049.61	(63,704,768.29)	(52,963,097.46)	-	2,415,721,642.29	6,442,588,926.74	31,987,581,480.89
Movements for the year ended 31 December 2023									
Reclassification	-	59,613,291.66	-	-	-	-	-	(59,613,291.66)	-
Total comprehensive income	-	499,836,483.37	-	-	-	-	-	1,980,624,398.05	2,480,460,881.42
Net profit	-	499,836,483.37	-	-	-	-	-	1,980,624,398.05	2,480,460,881.42
Other comprehensive income	-	-	-	-	112,951,372.72	-	-	-	112,951,372.72
Total comprehensive income for the year	-	559,449,775.03	-	-	112,951,372.72	-	-	1,921,011,106.39	2,593,412,254.14
Capital contribution and withdrawal by shareholders									
Capital contribution by equity owners	-	1,500,000,000.00	-	-	-	-	-	-	1,500,000,000.00
Capital withdrawal by equity owners	-	(1,500,000,000.00)	-	-	-	-	-	-	(1,500,000,000.00)
Profit distribution									
Appropriation to surplus reserve	-	-	-	-	-	-	248,046,088.14	(248,046,088.14)	-
Profit distribution to equity owners	-	(489,312,986.12)	-	-	-	-	-	(444,296,987.20)	(933,609,973.32)
Special reserve									
Appropriation in the current period	-	-	-	-	-	438,886,873.82	-	-	438,886,873.82
Utilisation in the current period	-	-	-	-	-	(438,886,873.82)	-	-	(438,886,873.82)
Others	(18,457,984.00)	-	(45,246,784.29)	63,704,768.29	-	-	-	-	-
Balance at 31 December 2023	8,885,939,744.00	10,570,136,788.91	3,796,294,265.32	-	59,988,275.26	-	2,663,767,730.43	7,671,256,957.79	33,647,383,761.71

The accompanying notes form an integral part of these financial statements.

Legal representative: Hang Yingwei

Principal in charge of accounting: Yin Keding

Head of accounting department: Wang Hongshun

SHANGHAI CONSTRUCTION GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

1 General information

Shanghai Construction Group Co, Ltd. (hereinafter referred to as “SCG” or “the Company”) is a joint stock limited company approved by the Shanghai Municipal People’s Government in the Document [1998] No. 19, exclusively initiated by SHANGHAI CONSTRUCTION (GROUP) GENERAL CO. (renamed on 31 December 2021, formerly known as “Shanghai Construction (Group) Corporation”, hereinafter referred to as “SCG General”) and established through issuing A shares to the public by stock raising. The Company’s parent company is SCG General and its actual controller is the State-owned Assets Supervision and Administration Commission of Shanghai Municipality. The unified social credit code of the Company’s Business License for Enterprise Legal Persons is 91310000631189305E. The Company was listed on Shanghai Stock Exchange in June 1998 with total share capital of RMB 537 million, RMB 1 per share on establishment.

In October 2001, under the approval of the Document (ZJFXZ [2001] No. 73) of the China Securities Regulatory Commission, the Company allotted 3 shares for 10 shares based on total 537,000,000 shares on 31 December 1999. In 2002, the Company allotted 2 shares for 10 shares to all shareholders. After the above changes, the Company’s total share capital was RMB 719.298 million. On 19 October 2005, approved by the *Official Reply to Issues concerning the Equity Division Reform of Shanghai Construction Group Co, Ltd.* (HGZWC [2005] No. 641) of Shanghai Municipal State-owned Assets Supervision and Administration Commission and deliberated and approved by the relevant general meetings on equity division reform held on 31 October 2005: SCG General, the Company’s only non-tradable shareholder paid consideration shares to all tradable shareholders to make its non-tradable shares obtain the right of listing and circulating. SCG General paid 79.56 million consideration shares to tradable shareholders in total, namely every 10 tradable shares get 3.4 consideration shares.

Approved by the *Official Reply to the Approval of Purchase of Assets by Issuing Shares to Shanghai Construction (Group) Corporation by Shanghai Construction Group Co., Ltd.* (ZJXK [2010] No. 615) of the China Securities Regulatory Commission, the Company privately issued 322,761,557 shares to controlling shareholder SCG General in June 2010 to purchase equities of 12 companies and 9 land and house assets owned by SCG General. As at 31 December 2010, the Company’s share capital of actually issued equities was RMB 1,042,059,600.00, in which SCG General and public stock shareholders respectively hold 69.91% and 30.09% of total share capital of the Company.

In 2010, upon the deliberation and approval of the 25th meeting of the fourth session of the Board Of Directors and the 2009 annual general meeting, the Company changed its name to Shanghai Construction Group Co, Ltd., and went through the formalities for industrial and commercial registration of changes on 5 July 2010. Approved by the *Official Reply to the Approval of Purchase of Assets by Issuing Shares to Shanghai Construction (Group) Corporation by Shanghai Construction Group Co., Ltd.* (ZJXK [2011] No. 1163) of the China Securities Regulatory Commission, the Company privately issued 114,301,930 shares to controlling shareholder SCG General on 1 August 2011 to purchase 100% equities of China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation and 100% equities of Shanghai Municipal Engineering Design Institute (Group) Co., Ltd. which are held by SCG General. As at 31 December 2011, the Company’s share capital of actually issued equities was RMB 1,156,361,500.00, in which SCG General and public stock shareholders respectively hold 72.88% and 27.12% of total share capital of the Company.

SHANGHAI CONSTRUCTION GROUP CO., LTD.

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1 General information (Continued)

In 2012, upon the approval at the Company's 2011 annual general meeting, the Company implemented the 2011 annual profit distribution on 11 May 2012, namely the increase of 5 shares for 10 shares and the increase of 5 shares for 10 shares of capital reserves. As at 31 December 2012, the Company's share capital of actually issued equities was RMB 2,312,723,000.00, in which SCG General and public stock shareholders respectively hold 72.88% and 27.12% of total share capital of the Company.

Upon the approval at the Company's annual general meeting, the Company implemented the 2012 annual profit distribution on 17 July 2013, namely cash dividends of RMB 2.10 for 10 shares and the increase of 2 shares for 10 shares of capital reserves; implemented the 2013 annual profit distribution on 18 June 2014, namely cash dividends of RMB 2.00 for 10 shares and the increase of 3 shares for 10 shares of capital reserves; and implemented the 2014 annual profit distribution on 12 May 2015, namely cash dividends of RMB 2.00 for 10 shares and the increase of 3 shares for 10 shares of capital reserves. After the completion of these profit distributions, the Company's total share capital increased from 2,775,267,568 shares to 3,607,847,838 shares.

According to resolutions of the Company's first extraordinary general meeting in 2014 and the 9th session of the 6th Board of Directors and approved by the *Official Reply to the Approval of Issuing of Shares by Shanghai Construction Group Co., Ltd.* (ZJXK [2014] No. 971) of the China Securities Regulatory Commission, the Company issued 963,855,421 RMB ordinary shares (A shares) to specific investors that comply with the relevant provisions of the China Securities Regulatory Commission in October 2014. After the completion of the private placement, the Company's total share capital increased from 3,607,847,838 shares to 4,571,703,259 shares.

Upon the approval at the Company's annual general meeting, the Company implemented the 2014 annual profit distribution on 12 May 2015, namely cash dividends of RMB 2.00 for 10 shares and the increase of 3 shares for 10 shares of capital reserves; and implemented the 2015 annual profit distribution on 17 May 2016, namely cash dividends of RMB 1.50 for 10 shares and the increase of 2 shares for 10 shares of capital reserves. After the completion of these profit distributions, the Company's total share capital increased from 4,571,703,259 shares to 7,131,857,084 shares.

According to resolutions made at the 2015 general meeting, 29th session of the 6th Board of Directors and 3rd session of 7th Board of Directors, as well as the approval by the *Official Reply to the Approval of Issuing of Shares by Shanghai Construction Group Co., Ltd.* (ZJXK [2016] No. 3217) of the China Securities Regulatory Commission, the Company was approved to issue no more than 368,735,376 shares as new shares on a non-public basis. The Company issued 350,830,083 RMB ordinary shares (A shares) to specific investors that comply with the relevant provisions of the CSRC in February 2017. After the completion of the private placement, the Company's total share capital increased from 7,131,857,084 shares to 7,482,687,167 shares.

Upon the approval at the Company's 2016 annual general meeting, the Company implemented the 2016 annual profit distribution on 18 May 2017, namely cash dividends of RMB 1.30 for 10 shares and the increase of 1.9 shares for 10 shares of capital reserves. After the completion of profit distribution, the Company's total share capital increased from 7,482,687,167 shares to 8,904,397,728 shares.

SHANGHAI CONSTRUCTION GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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1 General information (Continued)

Pursuant to the resolution of the first extraordinary general meeting in 2019, the Company repurchased a total of 18,457,984 RMB ordinary shares (A shares) issued by the Company by means of centralised bidding transactions during the period from 3 December 2019 to 20 May 2020, all of which were allocated for its Employee Stock Option Plan. The average price of the repurchase was RMB 3.45 per share and the total amount of repurchase was RMB 63,690,756. If the Company fails to implement the Employee Stock Option Plan within three years after the completion of the share repurchase, any unexecuted portion of the shares will be cancelled in accordance with the law.

Pursuant to the authorisation of the first extraordinary general meeting in 2019, which was considered and approved of the 32nd session of the 8th Board of Directors. Given the expiry of the three-year period following the completion of the share repurchase, the Company cancelled 18,457,984 shares of treasury stock repurchased in 2019 on 9 May 2023 and completed the procedures for capital reduction and registration. The total share capital of the Company was reduced from 8,904,397,728 shares to 8,885,939,744 shares after the cancellation.

As at 31 December 2023, the total cumulative issued share capital of the Company was 8,885,939,744 shares and the registered capital of the Company was RMB 8,885,939,744. Registered place: No. 33, Fushan Road, China (Shanghai) Pilot Free Trade Zone; headquarters: No. 666, East Daming Road, Shanghai.

The Company and subsidiaries (hereinafter collectively referred to as “the Group”) mainly engage in the general contracting of housing construction project, professional construction, design, decoration, general contracting of landscaping design and construction project, real estate development and operation, stone exploitation and concrete processing and manufacturing, management over municipal engineering construction projects, investment construction of urban infrastructure, trading of complete equipment and other commodities, Zara mining exploitation, project management and consulting and labour dispatching.

Details of the principal subsidiaries included in the scope of consolidation in 2023 are set out in Note 6. Subsidiaries no longer included in the scope of consolidation during the year mainly included Jiangxi Jianhao Real Estate Co., Ltd. and Tianjin Jinyue Real Estate Development Company Limited, as set out in Note 5.

These financial statements were authorised for issue by the Board of Directors of the Company on 22 April 2024.

2 Summary of significant accounting policies and accounting estimates

The Group determines the specific accounting policies and accounting estimates based on the characteristics of production and operation, which are mainly reflected in the measurement of ECL on receivables, contract assets, and long-term receivables (Note 2(9)), valuation method of inventories (Note 2(10)), measurement model of investment properties (Note 2(12)), depreciation of fixed assets, amortisation of intangible assets and right of use assets (Note 2(13), Note 2(16), and Note 2(25)), impairment assessment of goodwill (Note 2(18)), recognition and measurement of revenue (Note 2(22)), and deferred tax assets and deferred tax liabilities (Note 2(24)).

Key judgements, critical accounting estimates and key assumptions adopted by the Group in determining significant accounting policies are detailed in Note 2(29).

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)
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2 Summary of significant accounting policies and accounting estimates (Continued)

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CASs”) and the *Circular of the China Securities Regulatory Commission on the Issuing of the Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities No. 15 - General Provisions on Financial Statements*.

The financial statements are prepared on a going concern basis.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2023 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company’s financial position of the Company as at 31 December 2023 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

The Company’s accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The Company’s recording currency is Renminbi (RMB). The recording currency of the Company and its domestic subsidiaries is Renminbi (RMB). The recording currency of the Company’s overseas subsidiaries, such as SCG America Group Inc., is determined based on the primary economic environment in which they operate. The Group adopts RMB to prepare its financial statements.

(5) Business combinations

(a) Business combinations involving entities under common control

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. If the combined party is acquired from a third party by the ultimate controlling party in a prior year, the consideration paid and net assets obtained by the combining party are measured based on the carrying amounts of the combined party’s assets and liabilities (including the goodwill arising from the acquisition of the combined party by the ultimate controlling party) presented in the consolidated financial statements of the ultimate controlling party. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (capital premium). If the capital surplus (capital premium) is not sufficient to absorb the aforesaid difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

SHANGHAI CONSTRUCTION GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(5) Business combinations (Continued)

(b) Business combinations involving entities not under common control

The cost of combination and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of combination is lower than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving entities under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profit realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted to align with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving entities not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of shareholders' equity of subsidiaries as at the balance sheet date, net profit/loss and comprehensive income of subsidiaries for the period then ended not attributable to the Company are recognised as minority interests, net profit or loss attributable to minority interests and total comprehensive income attributable to minority interests, and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income, respectively. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is allocated against the balance of minority interests. Unrealised profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction in the financial statements at the Group level is inconsistent with that at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)
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2 Summary of significant accounting policies and accounting estimates (Continued)

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into recording currency using the spot exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from foreign currency translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings made specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset, a financial liability or an equity instrument is recognised when the Group becomes a party to the contractual provisions of the instrument.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets

(i) Classification and measurement

Based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

At initial recognition, the financial assets are measured at fair value. Transaction costs that are incremental and directly attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are expensed in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (which have not contained or considered any significant financing components) are initially recognised at the consideration that is entitled to be received by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three categories:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest rate method. Such financial assets mainly comprise cash at bank and on hand, notes receivable, accounts receivable, other receivables, debt investments and long-term receivables. Debt investments and long-term receivables that are due within one year (inclusive) as from the balance sheet date are presented as non-current assets to be recovered within one year. Debt investments with maturities of no more than one year (inclusive) at the time of acquisition are presented as other current assets.

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(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Classification and measurement (Continued)

Debt instruments (Continued)

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets for both collection of the contractual cash flows and selling such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest rate method which are recognised in profit or loss for the current period. Such financial assets mainly include financing receivables and other debt investments. The Group's other debt investments that are due within one year (inclusive) as from the balance sheet date are presented as non-current assets to be recovered within one year. Other debt investments with maturities of no more than one year (inclusive) at the time of acquisition are presented as other current assets.

Measured at fair value through profit or loss:

Debt instruments held by the Group that do not meet the criteria for amortised cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. At initial recognition, the Group designates a portion of financial assets as financial assets at fair value through profit or loss in order to eliminate or significantly reduce any accounting mismatch. Financial assets that are due over one year as from the balance sheet date and are expected to be held over one year are presented as other non-current financial assets. Others are presented as financial assets held for trading.

Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading. Investments in equity instruments expected to be held over one year as from the balance sheet date are presented as other non-current financial assets.

In addition, at initial recognition, a portion of certain investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income under investments in other equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

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(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment

The Group recognises loss provision on the basis of the ECL for financial assets at amortised cost, investments in debt instruments at fair value through other comprehensive income, as well as contract assets, lease receivables and financial guarantee contracts.

Giving consideration to reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the balance sheet date, weighted by the probability of default, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the contractual cash flows receivable and the cash flows expected to be collected.

For notes receivable, accounts receivable, long-term receivables, financing receivables and contract assets arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group recognises the lifetime ECL regardless of whether a significant financing component exists. For lease receivables, the Group measures the loss provision according to the lifetime ECL.

At each balance sheet date, the ECL of financial instruments other than aforesaid notes receivable, accounts receivable, financing receivables, contract assets and lease receivables is measured based on different stages. A 12-month ECL is recognised for financial instruments in Stage 1 which have not had a significant increase in credit risk since initial recognition; a lifetime ECL is recognised for financial instruments in Stage 2 which have had a significant increase in credit risk since initial recognition but are not deemed to be credit-impaired; and a lifetime ECL is recognised for financial instruments in Stage 3 that are credit-impaired.

For those financial instruments with a low credit risk as at the balance sheet date, the Group assumes that there is no significant increase in credit risk since initial recognition. The Group treats them as financial instruments in Stage 1 and recognises a 12-month ECL.

For those financial instruments in Stages 1 and 2, the interest income is calculated by applying the effective interest rate to the gross carrying amount (before net of any ECL provision). For the financial instrument in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (net of ECL provision).

The credit risk characteristics of various financial assets with ECL assessed on the individual basis are significantly different from those of other financial assets in this category. In cases where the ECL of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group categorises the receivables into different groups based on their shared risk characteristics, and calculates the ECL for each group respectively. The basis for the determination of group and the method of provision are as follows:

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment (Continued)

1. Notes receivable

Group 1	Bank acceptance notes
Group 2	Trade acceptance notes

2. Accounts receivable

	The time point for initial recognition is used as the starting point of time for ageing portfolio of building, contracting, design and construction
Group 1	
Group 2	Portfolio of BT and PPP projects
	The time point for initial recognition is used as the starting point of time for other ageing groups
Group 3	

3. Financing receivables

Group 1	Bank acceptance notes
Group 2	Electronic debt claims

4. Contract assets

Group 1	Building, contracting, design and construction
Group 2	Others

5. Other receivables

Group 1	Deposits and guarantees
Group 2	Others

6. Long-term receivables

Group 1	Lease payments receivable under a finance lease
Group 2	BT and PPP projects
Group 3	Others

For bank acceptance notes receivable and financing receivables arising from the sales of goods and rendering of services in the ordinary course of operating activities which are categorised into different groups for collective assessment, the Group calculates the ECL with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the lifetime ECL rates.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment (Continued)

For trade acceptance notes receivable, accounts receivable and contract assets classified into portfolios, the Group calculates the ECL for each ageing of trade acceptance notes receivable, accounts receivable and contract assets with reference to the historical credit loss experience, the current conditions and the forecast of future economic conditions, and calculates the losses on bad debts of accounts receivable and impairment losses of contract assets by applying the exposure to default risk and the calculated ECL for each ageing of trade acceptance notes receivable, accounts receivable and contract assets.

For trade acceptance notes receivable, accounts receivable and contract assets with significantly different credit risk characteristics, the Group evaluates the distribution of expected cash flows under multiple scenarios based on historical credit loss experience, status of asset preservation, public market information, current situations and forecasts of future conditions of contract counterparties under different situations, taking into account the advices of third-party lawyers involved in litigated liabilities, and makes corresponding provisions for bad debts and impairment losses of contract assets according to ECL rate and the related probability weight under different scenarios.

For other receivables and long-term receivables that are categorised into different groups, the Group calculates the ECL with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the 12-month or lifetime ECL rates.

The Group recognises the provision for or reversal of losses in profit or loss for the current period. For debt instruments classified as at fair value through other comprehensive income, the Group recognises the impairment loss or gain in profit or loss and at the same time adjusts other comprehensive income.

(iii) Derecognition

A financial asset is derecognised when one of the following criteria is met: (i) the contractual rights to receive cash flows from the financial asset have expired, (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (iii) the financial asset has been transferred to the transferee and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When an investment in equity instrument measured at fair value through other comprehensive income is derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in retained earnings. For other financial assets when they are derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in profit or loss for the current period.

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(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including notes payable, accounts payable, other payables, borrowings, debentures payable and long-term payables. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities with maturity of less than one year (inclusive) are presented as current liabilities, and those with maturity of longer than one year but due within one year (inclusive) as from the balance sheet date are presented as non-current liabilities to be settled within one year. Others are presented as non-current liabilities.

When the underlying present obligation of a financial liability is fully or partly discharged, the portion of the financial liability which corresponds to the discharged present obligation is derecognised. The difference between the carrying amount of the derecognised portion of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The perpetual debts issued by the Group are classified as equity instruments, as the perpetual debts include no contractual obligation to deliver cash or another financial asset to other parties or to exchange financial assets or liabilities with other parties under conditions that are potentially unfavourable to the Group, and the perpetual debts will not or may not be settled with the Group's own equity instruments.

(d) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In the valuation, the Group adopts the valuation technique which is applicable to the current situation and supportable by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered by market participants in relevant transactions of assets or liabilities, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

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(All amounts in RMB Yuan unless otherwise stated)
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2 Summary of significant accounting policies and accounting estimates (Continued)

(10) Inventories

(a) Classification

Inventories include work in progress, materials that can be used for multiple times but not recognised as fixed assets, main materials, structural parts, mechanical parts, spare parts, stock trees and flowers, finished goods, developed products and development costs, and are measured at the lower of cost and net realisable value.

(b) Measurement method for inventory issued

Cost is determined using the weighted average method when issued for use except for main materials and materials that can be used for multiple times but not recognised as fixed assets. Cost is determined using the first in first out method when issued for main materials. Materials that can be used for multiple times but not recognised as fixed assets include low value consumables and packaging materials. Low value consumables and packaging materials are expensed when issued, and other materials that can be used for multiple times but not recognised as fixed assets are amortised as expenses based upon usage.

(c) Measurement method for development costs and developed products

(i) Contents of development costs and developed products

Developed products and development costs include land use rights, land development costs in the prior period, construction and development costs, capitalised borrowing costs, and other direct and indirect development expenses. When the development product is carried forward to the cost of sales from main operations, the actual total costs will be amortised and accounted for based on proportion of construction area between sold and unsold development products.

(ii) Accounting method for public facilities expenses

Public facilities which cannot be transferred for compensation are allocated and included in developed products (development costs) based on recognition criteria of income percentage; for public facilities which can be transferred for compensation, the costs incurred are collected by taking various supporting infrastructure projects as cost accounting objects.

(d) Basis for determining the net realisable values of inventories and method for making provision for decline in the value of inventories

Provision for a decline in the value of inventories is determined as the excess amount of the carrying amount of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion, the estimated costs of contract performance, the estimated selling and distribution expenses and related taxes. Inventories produced and sold in the same region and with the same or similar end-use are subject to the Group's consolidated provision for decline in the value of inventories.

(e) The Group adopts the perpetual inventory system as its stock-taking policy.

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(All amounts in RMB Yuan unless otherwise stated)
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2 Summary of significant accounting policies and accounting estimates (Continued)

(10) Inventories (Continued)

- (f) Costs incurred for the provision of services are recognised as contract fulfilment costs, which are recognised as the cost of sales of main operations based on the stage of completion when recognising revenue. As at the balance sheet date, based on whether the amortisation period of the contract fulfilment costs is less than one year or more than one year as determined upon initial recognition, the amount of the Group's contract fulfilment costs (net of related provision for asset impairment) is presented as inventories or other non-current assets respectively.

(11) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associate is an investee over which the Group has significant influence on its financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the combination date; for long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement and recognition of profit or loss

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Cash dividend or profit distribution declared by the investees is recognised as investment income in profit or loss for the current period.

For long-term equity investments accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at that cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(11) Long-term equity investments (Continued)

(b) Subsequent measurement and recognition of profit or loss (Continued)

For long-term equity investments under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in the investee is reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of changes in the investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amount of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investee.

Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interests in the investees, based on which the investment income or losses are recognised on the Company's financial statements. When preparing the consolidated financial statements, for the portion of unrealised gains and losses attributable to the Group arising from downstream transactions in which the Group invests or sells assets to the investees, on the basis of the elimination result on the Company's financial statements, the Group should eliminate the portion of unrealised revenue and costs or asset disposal gains and losses attributable to the Group, and adjust investment income or losses accordingly; for the portion of unrealised gains and losses attributable to the Group arising from the upstream transactions in which the investees invest or sell assets to the Group, on the basis of the elimination result on the Company's financial statements, the Group should eliminate the portion of unrealised gains and losses included in the carrying amount of the relevant assets, and adjust the carrying amount of long-term equity investments accordingly. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

(c) Basis for determining existence of control, jointly control or significant influence over investees

Control is the power to govern an investee, so as to obtain variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns.

Joint control is the contractually agreed sharing of control over an arrangement, and the decision of activities relating to such arrangement requires the unanimous consent of the Group and other parties sharing control.

Significant influence is the power to participate in making the decisions on financial and operating policies of the investee, but is not control or joint control together with other parties over making those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(18)).

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2 Summary of significant accounting policies and accounting estimates (Continued)
(12) Investment properties

Investment properties, including land use rights that have been leased out, buildings that are held for the rental purpose and buildings under construction or development which are for rental purpose in future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

The Group uses the cost model for subsequent measurement of all investment properties, and investment properties are depreciated using the straight-line method. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation (amortisation) rates of investment properties are as follows:

	<u>Estimated useful lives</u>	<u>Residual values</u>	<u>Annual depreciation (amortisation) rates</u>
Buildings	30 to 40 years	5%	2.4% to 3.2%

When an investment property is transferred to owner-occupied property, it is reclassified to fixed asset or intangible asset with the carrying amount determined at the fair value of the investment property at the date of the transfer, and the difference between the fair value and the original carrying amount of the investment property is recognised in profit or loss for the current period. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to investment properties with the carrying amount determined at the fair value at the date of the transfer. If the fair value at the date of the transfer is less than the original carrying amount of the fixed asset or the intangible asset, the difference is recognised in profit or loss for the current period; otherwise, it is included in other comprehensive income and transferred into profit or loss for the current period when the investment property is disposed.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sales, transfer, retirement or damage of an investment property after deducting its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(13) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, production equipment, office equipment and other equipment, instruments and laboratory equipment, special equipment and temporary facilities.

Fixed assets shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. The fixed assets contributed by the state-owned shareholders upon the reorganisation of the Company into a corporation are recognised based on the evaluated amounts as approved by the state-owned assets administration department.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation method for fixed assets

Fixed assets are depreciated using the straight-line method or units-of-production method to allocate the cost of the assets, net of their estimated net residual values, over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Depreciation method	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	Straight-line method	5 to 50 years	5%	1.9% to 19.0%
Machinery and equipment	Straight-line method/Units-of-production method	3 to 10 years	0% to 5%	9.5% to 33.3%
Motor vehicles	Straight-line method	4 to 8 years	0% to 5%	11.9% to 25.0%
Production equipment	Straight-line method	3 to 10 years	5%	9.5% to 31.7%
Office equipment and other equipment	Straight-line method	2 to 8 years	0% to 5%	11.9% to 50.0%
Instruments and laboratory equipment	Straight-line method	2 to 10 years	0% to 5%	9.5% to 50.0%
Special equipment	Straight-line method	3 to 10 years	5%	9.5% to 31.7%

Temporary facilities are amortised on a straight-line basis over the shorter of the estimated project construction period and 18 months.

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(13) Fixed assets (Continued)

- (c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(18)).

(d) Disposals of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(14) Construction in progress

Construction in progress is measured at actual cost as incurred. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for its intended use. Construction in progress is transferred to fixed assets when the asset is ready for its intended use, and depreciation is charged starting from the month following the transfer. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(18)).

(15) Borrowing costs

The borrowing costs that are directly attributable to acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising in the temporary investment of those borrowings during the capitalisation period.

For general borrowings occupied for the acquisition or construction of qualifying assets, the capitalised amount of the general borrowings is determined by the weighted average of the difference between accumulated capital expenditure and capital expenditure of the special borrowings multiplies by the weighted average effective interest rate of the occupied general borrowings. The effective interest rate is the interest rate at which the future cash flows of the borrowings over the estimated life or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(16) Intangible assets

Intangible assets include domestic land use rights (excluding the lands developed by real estate enterprises), overseas land ownership, right to exploit mineral resources, customer relationships, PPP franchise, outsourcing business qualifications, computer software and others, and are recognised at cost. The intangible assets contributed by the state-owned shareholders upon the reorganisation of the Company into a corporation are recognised based on the evaluated amounts as approved by the state-owned assets administration department.

The land use rights acquired by the Group are generally accounted for as intangible assets. Relevant land use rights and buildings of the self-constructed plant are accounted for as the intangible assets and fixed assets. The acquisition costs of the land use rights and the buildings located thereon are allocated between the land use rights and the buildings. If they cannot be reasonably allocated, all of the acquisition costs are recognised as fixed assets.

The Group recognises the difference between the amount of construction revenue recognised for the relevant PPP project assets and the right to receive a determinable amount of cash (or other financial assets) as intangible assets. Such assets are amortised on a straight-line basis over the period from the completion date to the franchise termination date.

Domestic land use rights, customer relationships, PPP franchise, outsourcing business qualifications, computer software and other intangible assets of the Group are amortised on the straight-line basis over their estimated useful lives.

The right to exploit mineral resources is amortised according to the proportion of actual exploitation quantity in the total exploitable quantity under the exploitation right.

(a) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end and its useful life and amortisation method are adjusted as appropriate.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(16) Intangible assets (Continued)

(a) Periodical review of useful life and amortisation method (Continued)

Determination basis and procedure for review of useful life for intangible assets with indefinite useful life

Intangible assets	Determination basis of intangible assets with indefinite useful lives	Procedures for reviewing the useful life
	According to the local law, there is no restriction on owner's land ownership period.	It is required to confirm whether any change in the provisions of relevant laws on land ownership period exists at the end of each period.
Overseas land ownership Engineering construction license issued by Hong Kong Government	The license has not set up the useful life	It is required to confirm whether any change in the useful life of the construction license exists at the end of each period.

(b) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project. Expenditure on the development phase includes materials consumed for activities in the development phase, employees benefits in research and development department, depreciation and amortisation of assets such as equipment and software used in research and development, testing, technology service fee and license fee for research and development.

Expenditure on the planned investigation, evaluation and selection for the internal research and development projects is regarded as expenditure on the research phase, which is recognised in profit or loss in the period in which it is incurred. Expenditure on design and test for the final application of the research and development projects before mass production is expenditure on the development phase, which is capitalised only if all of the following conditions are satisfied:

- the development project has been fully justified by technical team;
- the budget for the project development has been approved by management;
- market research analysis proved the products produced by the development project has marketing capabilities;
- adequate technical and financial supports are available for development of the development project and subsequent mass production; and
- expenditure on development of manufacturing techniques can be reliably collected.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(c) Impairment of intangible assets

The carrying amount of an intangible asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(18)).

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2 Summary of significant accounting policies and accounting estimates (Continued)

(17) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to right-of-use assets, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual costs less accumulated amortisation.

(18) Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. Intangible assets that are not yet available for their intended use and with indefinite useful lives are tested for impairment at least annually, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of the fair value less the cost of disposal and the present value of the future cash flows expected to be derived from it. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of an asset group to which the asset belongs is determined. An asset group is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the impairment test, the carrying amount of goodwill is allocated to the related asset group or group of asset groups which are expected to benefit from the synergies of the business combination. If the impairment result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in any subsequent periods.

(19) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages and salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, labour union funds and employee education funds and short-term paid absences. The short-term employee benefits actually incurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(19) Employee benefits (Continued)

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance, both of which are under the defined contribution plans.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to profit or loss for the current period or the cost of relevant assets.

Defined benefit plans

The Group also provides employees with supplementary retirement benefits outside the insurance system prescribed by the State. Such supplementary retirement benefits belong to defined benefit plans. The defined benefit liabilities recognised in the balance sheet represent the present value of defined benefit obligations less the fair value of the plan assets. The defined benefit obligations are calculated annually by an independent actuary using projected unit credit method at the interest rate of treasury bonds with similar obligation term and currency. Service costs related to supplementary retirement benefits (including current service costs, historical service costs and settled gains or losses) and net interest are recognised in profit or loss in the current period, and changes arising from remeasurement of net liabilities or net assets of defined benefit plans are recognised in other comprehensive income.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(19) Employee benefits (Continued)

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement age as prescribed by the State and his/her voluntary retirement was approved by the Group's management. The Group pays early retirement benefits to those early retired employees from the early retirement date until the normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment for termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss in the period in which they occur.

The termination benefits expected to be settled within one year since the balance sheet date are classified as employee benefits payable.

(20) Dividends distribution

Proposed cash dividends are recognised as liabilities in the period in which the dividends are approved by the general meeting.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(21) Provisions

Provisions for product warranties and onerous contracts are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in determining the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the carrying amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Loss provision for financial guarantee contracts and provision for loan commitments as determined based on the ECL model are recognised as provisions.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(22) Revenue

The Group recognises revenue at the amount of the consideration which the Group expects to be entitled to receive when the customer obtains control over relevant goods or services.

(a) Revenue from engineering contracting contracts

The Group provides services such as building construction and infrastructure construction to external parties. Revenue is recognised over a period of time based on the fulfilment progress and appropriate fulfilment progress is determined using the output method. The fulfilment progress is determined based on the nature of the project and proportion of the completed workload confirmed by output value statistics, as provided by the project management department of Group, to the estimated total workload. The Group continuously assesses and adjusts the estimated total workload during the contract fulfilment process and makes the best estimate of possible contract changes. When the fulfilment progress cannot be reasonably determined, if the cost incurred to the Group is expected to be compensated, revenue shall be recognised according to the amount of the cost incurred until the fulfilment progress can be reasonably determined. Contract costs that cannot be recovered shall be immediately recognised as costs when they are incurred instead of contract revenue.

When the Group recognises revenue based on the stage of completion, the amount with an unconditional collection right obtained by the Group is recognised within accounts receivable, and the remainder is recognised as a contract asset. Meanwhile, loss provisions for accounts receivable and contract assets are recognised on the basis of ECL (Note 2(9)). If the contract price received or receivable exceeds the amount for the completed service, the excess portion will be recognised within contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(22) Revenue (Continued)

(b) Revenue from design consulting

The Group provides design consulting services to external parties. Revenue is recognised over a period of time based on the fulfilment progress and appropriate fulfilment progress is determined using the output method. When the fulfilment progress cannot be reasonably determined, if the cost incurred to the Group is expected to be compensated, revenue shall be recognised according to the amount of the cost incurred until the fulfilment progress can be reasonably determined. Contract costs that cannot be recovered shall be immediately recognised as costs when they are incurred instead of contract revenue.

(c) Revenue from real estate development

For real estate sales, the sales revenue is recognised when the real estate is completed and accepted, a legally binding sales contract is signed and the delivery conditions agreed in the sales contract are met, and the customer obtains control over relevant goods or services.

Incremental costs of obtaining a contract are those costs that would not incur if the contract had not been obtained by the enterprise (for example, sales commissions). As at the balance sheet date, the Group's incremental costs incurred due to the acquisition of contracts less provision for impairment of related assets are presented as other current assets. For contract acquisition costs with an amortisation period more than one year as determined upon the initial recognition, the amount net of any related provision for asset impairment is presented as an other non-current asset.

(d) Revenue from sales of goods

The Group sells commercial concrete, prefabricated components, complete equipment and other goods. For commercial concrete, the sales revenue is recognised when the commercial concrete is delivered to the customer's construction site, poured and reaches maturity, and when the commercial concrete is accepted by the customer and acceptance is confirmed. For sales of goods other than commercial concrete, revenue is recognised when the Group has delivered the products to the location specified in the sales contract and the customer has confirmed the acceptance of the products, and the delivery note is signed by both parties.

The Group sells goods in accordance with sales discounts based on sales volume. The related revenue is recognised based on the price specified in the contract net of the discount amount as estimated based on historical experience using the expected value method.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(22) Revenue (Continued)

(e) Revenue from BT and PPP business

Construction, operation, and transfer activities are generally included under the PPP contracts. The Group provides construction, operation and maintenance of PPP projects in accordance with the agreement of the PPP project contract. During the construction phase, the Group provides PPP project asset construction services or contracts to other parties. The Group determines whether the Group is the primary responsible person or an agent based on whether the Group has control over the goods and services before transferring them to the customer, and recognises revenue and contract assets accordingly during the construction period.

During the operation and maintenance phase, the Group accounts for the contract assets accordingly under the following circumstances. (1) If the contract provides that the conditions that the Group has the right to receive a determinable amount of monetary funds (or other financial assets) during the operation of the project, the Group recognises the amount of consideration or the amount of construction revenue recognised for the relevant PPP project asset as a contract asset until it has the right to receive such consideration (which only depends on the factor of passage of time); when the Group recognises the amount of consideration or the amount of construction revenue recognised for the relevant PPP project asset until it has the right to receive such consideration (which only depends on the factor of passage of time), the amount of consideration or the amount of construction revenue recognised for the relevant PPP project asset is recognised as receivables and accounted for in accordance with the provisions of the accounting policy for financial instruments. The Group recognises the difference between the amount of consideration or the amount of construction revenue recognised for the relevant PPP project assets and the right to receive a determinable amount of cash (or other financial assets) as intangible assets when the PPP project assets reach their intended usable state. (2) Where the contract provides that the Group has the right to collect fees from the recipients of public goods and services, but the charge amount is uncertain, the right does not constitute an unconditional right to receive cash. The Group recognises the amount of consideration or the amount of construction revenue recognised for the relevant PPP project assets as intangible assets when the PPP project assets reach their intended useable state and accounts for them in accordance with the provisions of the Group's accounting policy on intangible assets. Contract assets recognised during the construction period are also presented in intangible assets. During the operating and maintenance period, corresponding revenues are recognised when services are provided; routine maintenance or repair costs incurred are recognised as the current expenses. The contract stipulates that, in order to maintain the certain service capacity of infrastructure or to maintain the certain usability status prior to handing over to the contract awarding party of the infrastructure, the portion of the expenditure expected to be incurred for which the Group has a present obligation is recognised as estimated liabilities.

Construction and transfer activities are generally included under the BT contracts. During the project construction period, the Group recognises relevant revenue and cost for the construction services provided in accordance with the accounting policies of the above engineering contracting contract, while recognising long-term receivables that are measured at amortised cost.

(f) Revenue from rendering of services

The Group provides engineering project management consulting, labour dispatching and other services to external parties. The related revenue is recognised based on the stage of completion over time. On the balance sheet date, the Group estimates the stage of completion and recognises revenue based on contract fulfilment.

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(All amounts in RMB Yuan unless otherwise stated)
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2 Summary of significant accounting policies and accounting estimates (Continued)

(23) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return and financial subsidy.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of obtaining long-term assets through purchase, construction or other means. Government grants related to income refer to those which are not related to assets.

Government grants related to assets are recognised as deferred income and recognised in profit or loss over the useful lives of the assets on a reasonable and systemic basis.

Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in the subsequent periods in which those costs, expenses or losses are recognised. Government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period.

The Group applies the presentation method consistently to the same types of government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit and are otherwise recorded in non-operating income or expenses.

For the policy based favourable interest rate loans, the Group records the loans at the actual amounts and calculates the borrowing costs based on the loan principals and the favourable interest rates. The interest subsidies directly received from government are recorded as a reduction of borrowing costs.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(24) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction (other than a business combination) which affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary differences, and it is probable that the temporary differences will not be reversed in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

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(All amounts in RMB Yuan unless otherwise stated)
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2 Summary of significant accounting policies and accounting estimates (Continued)

(25) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as the lessee

At the commencement date, the Group recognises the right-of-use asset and measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees and the exercise price of a purchase option or termination penalty if the lessee is reasonably certain to exercise that option. Variable lease payments which are determined in proportion to sales are excluded from lease payments and recognised in profit or loss as incurred. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are presented as non-current liabilities to be settled within one year.

Right-of-use assets of the Group comprise leased buildings, machinery and equipment, production equipment, land use rights and others. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, any initial direct costs, and an estimate of costs to be incurred (excluding costs incurred for the production of inventories) in dismantling and removing the lease asset, restoring the site on which it is located or restoring the lease asset to the condition required by the terms and conditions of the lease, less any lease incentives received. The right-of-use asset shall be subsequently depreciated using the straight-line method. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life and otherwise, depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases with a term of 12 months or less and leases of a low value individual asset (when new), the Group chooses to include the lease payments in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term, instead of recognising right-of-use assets and lease liabilities.

The Group accounts for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(25) Leases (Continued)

The Group as the lessee (Continued)

For a lease modification that is not accounted for as a separate lease, the Group redetermines the lease term at the effective date of the lease modification, and remeasures the lease liability by discounting the revised lease payments using a revised discount rate, except the changes in contract are accounted for by applying the practical expedient according to the relevant regulations of the Ministry of Finance. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

For the eligible rent concessions agreed on existing lease contracts, the Group applies the practical expedient and records the undiscounted concessions in profit or loss when the agreement is reached to discharge the original payment obligation with corresponding adjustment to lease liabilities.

The Group as the lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

Where the Group leases out self-owned buildings, machinery and equipment, and motor vehicles under operating leases, rental income therefrom is recognised on a straight-line basis over the lease term. Variable rental that is linked to a certain percentage of sales is recognised as rental income when incurred.

For the eligible rent concessions agreed on existing lease contracts, the Group applies the practical expedient to account for the concessions as variable lease payments and record the concessions in profit or loss during the concession period.

Except for the above mentioned changes which are accounted for by applying the practical expedient, the Group accounts for lease modification as a new lease from the effective date of the modification, and considers any lease payments received in advance and receivable relating to the lease before the modification as receivables of the new lease.

(b) Finance leases

At the commencement date, the Group recognises the lease payments receivable under a finance lease and derecognises the relevant assets. The lease payments receivable under a finance lease are presented as long-term receivables. The lease payments receivable under a finance lease due within one year (inclusive) as from the balance sheet date are presented as non-current assets to be recovered within one year.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(26) Debt restructuring

A debt restructuring is a transaction in which a new agreement is reached on the timing, amount or manner of debt settlement by agreement between the creditor and the debtor or by court ruling, without changing the counterparty.

The Group as the creditor

For debtors that offset their debts to the Group with non-financial assets such as inventories and fixed assets, the initial cost of acquired non-financial assets is determined at fair value of written-off debts, and any directly attributable taxes and expenses before the assets are brought to its current location and status or ready for their intended use and relevant cost. The difference between the fair value and carrying amount of the Group's written-off debt is recognised in profit or loss for the current period.

In addition, if the original debt is derecognised due to a debt restructuring by other revised terms, the restructured debt is initially measured at fair value in accordance with the revised terms. The difference between the amount recognised for restructured debt and the carrying amount of the original debt at the derecognition date is recognised in profit or loss for the current period. If other revised terms do not result in the derecognition of the original debt, the original debt shall continue to be subsequently measured based on the original categories, and the gains or losses arising from the revised terms are recognised in profit or loss for the current period.

The Group as the debtor

If a debt restructuring is carried out by way of asset settlement with the Group as the debtor, the Group shall derecognise the relevant assets and the liabilities settled when the conditions for derecognition are met, and the difference between the carrying amount of the debts settled and the carrying amount of the assets transferred is recognised in profit or loss for the current period. The Group is entrusted by creditors to receive contractual cash flows after offsetting accounts payable by contract assets and other non-current assets.

In addition, if the original debt is derecognised due to a debt restructuring by other revised terms, the restructured debt is initially measured at fair value in accordance with the revised terms. The difference between the amount recognised for restructured debt and the carrying amount of the original debt at the derecognition date is recognised in profit or loss for the current period. If other revised terms do not result in the derecognition of the original debt, the original debt shall continue to be subsequently measured based on the original categories, and the gains or losses arising from the revised terms are recognised in profit or loss for the current period.

(27) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when both of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition (by reference to the practice in similar disposal transactions); and (2) the Group has entered into a legally enforceable sales agreement with the counterparty and obtained the relevant approval, and the sales transaction is expected to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are measured at the lower of their carrying amount and fair value less the cost of disposal, and any excess of the original carrying amount over the fair value less the cost of disposal is recognised as an asset impairment loss.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(27) Held for sale and discontinued operations (Continued)

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively, and are separately presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable and satisfies one of the following conditions: (1) it represents a separate major line of business or geographical area of operations; (2) it is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) it is a subsidiary acquired exclusively with a view to resale.

The net profit from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

(28) Segment information

The Group identifies operating segments based on its internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about allocation of resources to the segment and to assess the component's performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

(29) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the relevant circumstances.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(29) Critical accounting estimates and judgements (Continued)

(a) Critical judgements in applying the accounting policies

(i) Criteria for significant increase in credit risk and credit-impaired

When the Group classifies financial instruments into different stages, its criteria for significant increase in credit risk and credit-impaired are as follows:

The Group determines the significant increase in credit risk mainly based on the criteria such as whether there are any significant changes in one or more of the followings: the deteriorations in the business environment, internal and external credit rating, actual or expected operating results of the debtor, the significant decline in the value of collaterals or credit rating of guarantor which affects the probability of default.

The Group determines the occurrence of credit impaired mainly based on the criteria such as whether a default has occurred or whether one or more of the following conditions exist: the debtor is suffering from significant financial difficulties, the debtor is undergoing a debt restructuring, or it is probable that the debtor will be bankrupted.

(b) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Measurement of ECL

The Group calculates ECL based on the exposure at default and the ECL rates. The determination of the ECL rates is based on the probability of default and the loss given default or the ageing matrix. In determining the ECL rates, the Group uses data such as historical credit loss rates, and adjusts the historical data based on current conditions and forward-looking information.

When considering forward-looking information, the Group takes different economic scenarios into consideration. In 2023, the weights of the “benchmark”, “unfavourable” and “favourable” economic scenarios accounted for 80%, 10% and 10%, respectively. The Group regularly monitors and reviews the assumptions and parameters related to the calculation of ECL, including the Gross Domestic Product (“GDP”), industrial added value and real estate development investment.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(29) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and key assumptions (Continued)

(i) Measurement of ECL (Continued)

In 2023, the Group considered the uncertainty under different macroeconomic scenarios and updated the relevant assumptions and parameters. The key macroeconomic parameters used in each scenario are listed below:

	Benchmark	Economic scenario Unfavourable	Favourable
GDP	4.80%	4.18%	5.15%
Industrial added value	4.66%	4.40%	5.00%
Real estate development investment	-4.77%	-7.68%	4.10%

(ii) Recognition of revenue from engineering contracting contracts

Management recognises revenue from construction and service contracts over a period of time based on the fulfilment progress and determines the appropriate performance progress using the output method. The fulfilment progress is determined based on the proportion of the completed workload confirmed by output value statistics, as provided by the site project management department, to the estimated total workload. Management estimates total workload of the project before it begins, estimates total revenue of the project based on the determined contract unit price, and continuously evaluates and revises the estimated total workload and total revenue in the course of conducting the project.

(iii) Accounting estimates on impairment of goodwill

The Group tests whether goodwill has suffered any impairment at least on an annual basis. The recoverable amount of an asset group or a group of asset groups is the higher of fair value less the cost of disposal and the present value of the future cash flows expected to be derived from them. These calculations require the use of estimates (Note 4(22)).

If management revises the growth rate that is used in the calculation of the future cash flows of asset group or group of asset groups, and the revised rate is lower than the current rate, the Group would need to recognise further impairment against goodwill. If management revises the gross profit margin that is used in the calculation of the future cash flows of the asset group or group of asset groups, and the revised gross profit margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

If the actual growth rate and gross profit margin are higher or the actual pre-tax discount rate is lower than management's estimates, the impairment loss of goodwill as previously recognised is not allowed to be reversed by the Group.

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2 Summary of significant accounting policies and accounting estimates (Continued)

- (29) Critical accounting estimates and judgements (Continued)
- (b) Critical accounting estimates and key assumptions (Continued)
- (iv) Income taxes and deferred income taxes

The Group is subject to enterprise income tax in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income tax in each of these jurisdictions. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which the tax determination is made.

As stated in Note 3(2), some subsidiaries of the Group are high-tech enterprises. The “High-Tech Enterprise Certificate” is effective for three years. Upon expiration, application for high-tech enterprise should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, the Group considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the income tax, which further influences the recognised deferred tax assets, deferred tax liabilities and income tax expenses.

A deferred tax asset is recognised for the carryforward of unused deductible losses to the extent that it is probable that future taxable profits will be available against which the deductible losses can be utilised. Future taxable profits include taxable profits that can be achieved through normal operations and the increase in taxable profits due to the reversal of taxable temporary differences arising from previous period in future period. The Group needs to apply estimates and judgements in determining the timing and amount of future taxable profits. If there is any difference between the actual and the estimates, adjustment would be made to the carrying amount of deferred tax assets.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(29) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and key assumptions (Continued)

(v) Provision for decline in the value of inventories

The Group recognises inventories at the lower of the cost and the net realisable value at the balance sheet date. The calculation of net realisable value is based on assumptions and estimates. If the management revises the estimated selling price and the costs and expenses that would occur upon completion, the estimates of net realisable value of inventories would be affected. The difference occurred shall have an impact on provisions for declines in the value of inventories.

(vi) Taxation on real estate development

The Group's real estate development and land development business is subject to a variety of taxes. Significant judgement is required when the provision for taxes such as land value increment tax is determined. The final tax results of many transactions and calculations are difficult to determine during the real estate development process. The Group estimates whether additional taxes are ultimately required and recognises tax liabilities on this basis. When the final tax results of real estate development are not consistent with the tax liabilities initially recognised, the difference will affect the tax provision for the current period.

(30) Significant changes in accounting policies

The Ministry of Finance issued the *Circular on Issuing Interpretation No. 16 of Accounting Standards for Business Enterprises* (Interpretation No. 16) in 2022. The Group and the Company adopted the new lease standard since 1 January 2021, and recognised deferred income taxes related to temporary differences arising from lease liabilities and right-of-use assets on a net basis. From 1 January 2023, the Group and the Company applied Interpretation No. 16 which clarifies that deferred income taxes related to assets and liabilities arising from a specific single transaction are not applicable for initial recognition exemption, and recognised deferred tax assets and deferred tax liabilities separately for equal deductible temporary differences and taxable temporary differences arising from above transactions and disclosed the related information in the notes. The implementation of Interpretation No. 16 has no impact to the Group and the Company's profit or loss for the year ended 31 December 2022, as well as financial statement line items as at 1 January 2022 and 31 December 2022.

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3 Taxation

- (1) The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax base	Tax rate
Enterprise income tax (a)	Taxable income	15%, 20%, 25%
Value-added tax ("VAT") (b)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	3%, 9%, 13%
City maintenance and construction tax	The payment amount of VAT	1%, 5%, 7%
Educational surcharge	The payment amount of VAT	5%
Land value increment tax	Subject to the value-added amount derived on the transfer of properties and stipulated tax rates	Four levels of over-rate progressive system 30%-60%

- (2) Tax preference

- (a) Pursuant to the provisions including the *Circular on Enterprise Income Tax Policy Concerning Deductions for Equipment and Appliances* (Cai Shui [2018] No. 54) and the *Announcement on Extending the Implementation Period of Certain Preferential Tax Policies* (Cai Shui [2021] No. 6) issued by the State Taxation Administration, during the period from 1 January 2018 to 31 December 2023, the cost of newly purchased equipment with the original cost less than RMB 5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.
- (b) Pursuant to the *Announcement on the Policy of Value added Tax Deduction for Advanced Manufacturing Enterprises* (Cai Shui [2023] No. 43) jointly issued by the Ministry of Finance and the State Taxation Administration, the Company's subsidiary, as an advanced manufacturing company, qualifies for an additional 5% deductible of input VAT from 1 January 2023 to 31 December 2027.
- (c) The Company's following secondary subsidiaries obtained the "Certificate of the High and New Technological Enterprise", with a term of validity of three years, jointly issued by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, State Administration of Tax Shanghai Municipal Office and Shanghai Municipal Bureau of Local Taxation. Pursuant to Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the applicable enterprise income tax rate for the Company in 2023 is 15%.

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3 Taxation (Continued)**(2) Tax preference (Continued)**

Name of secondary subsidiaries	Applicable period for high-tech enterprises preferential tax rate of 15%	
	Starting year	Ending year
Shanghai Construction No. 1 (Group) Co., Ltd.	2022	2024
Shanghai Construction No. 2 (Group) Co., Ltd.	2021	2023
Shanghai Construction No.4 (Group) Co., Ltd.	2021	2023
Shanghai Construction No.5 (Group) Co., Ltd.	2022	2024
Shanghai Construction No. 7 (Group) Co., Ltd.	2021	2023
Shanghai Building Decoration Engineering Group Co., Ltd.	2021	2023
Shanghai Construction Design and Research General Institute Co., Ltd.	2023	2025
Shanghai Construction Building Materials Technology Group Co., Ltd.	2022	2024
Shanghai Installation Engineering Group Co., Ltd.	2022	2024
Shanghai Mechanized Construction Group Co., Ltd.	2021	2023
Shanghai Foundation Engineering Group Co., Ltd.	2021	2023
Shanghai Municipal Engineering Design Institute	2023	2025
Shanghai SINKO Air Conditioning Equipment Co., Ltd.	2023	2025
Shanghai Gardens (Group) Co., Ltd.	2023	2025
SCG E-commerce Co., Ltd.	2023	2025
SCG Equipment Engineering Co., Ltd.	2022	2024
SCG Environmental Technology Co., Ltd.	2022	2024

(3) Other descriptions

The Group's overseas secondary subsidiaries include SCG Overseas Holdings Co., Ltd., SCG (Caribbean) Co., Ltd., SCG (Canada) Co., Ltd., SCG America Group Inc. and SCG (Cambodia) Co., Ltd. that are subject to the local income tax rates.

SHANGHAI CONSTRUCTION GROUP CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]**4 Notes to the consolidated financial statements****(1) Cash at bank and on hand**

	31 December 2023	31 December 2022
Cash on hand	3,148,933.35	6,726,999.03
Cash at bank (a)	97,341,793,911.88	87,733,302,670.69
Other cash balances (b)	859,821,069.03	904,507,225.58
	<u>98,204,763,914.26</u>	<u>88,644,536,895.30</u>
Including: Overseas deposits	<u>1,202,924,872.25</u>	<u>1,660,401,732.49</u>

- (a) As at 31 December 2023, cash at bank comprised the principal and interest of RMB 2,784,153,843.37 on fixed deposits to be held to maturity by the Group and other restricted cash at bank and on hand of RMB 4,179,940,171.33, including deposits to the owners' regulatory account of RMB 2,197,792,207.45, deposits frozen for asset preservation of RMB 1,973,705,135.40 and other restricted cash at bank and on hand of RMB 8,442,828.48.

(b) Other cash balances

	31 December 2023	31 December 2022
Security for bank guarantees and bills	672,940,844.30	729,420,856.36
Performance guarantees	168,206,924.71	170,694,761.64
Others	18,673,300.02	4,391,607.58
	<u>859,821,069.03</u>	<u>904,507,225.58</u>

(2) Financial assets held for trading

	31 December 2023	31 December 2022
Investments in equity instruments held for trading	<u>1,478,251,499.86</u>	<u>1,614,029,125.31</u>

Investments in equity instruments held for trading are shares of listed companies. The fair value of the investments in equity instruments held for trading is determined at the closing prices of the related listed companies on the last trading day of the year.

SHANGHAI CONSTRUCTION GROUP CO., LTD.

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4 Notes to the consolidated financial statements (Continued)

(3) Notes receivable

	31 December 2023	31 December 2022
Trade acceptance notes	864,491,751.70	1,800,676,046.81
Bank acceptance notes	70,044,790.00	96,565,145.03
Less: Provision for bad debts	(48,590,997.86)	(105,908,803.76)
	<u>885,945,543.84</u>	<u>1,791,332,388.08</u>

(a) As at 31 December 2023, the Group had no pledged notes receivable presented as notes receivable.

(b) In 2023, the Group endorsed and discounted bank acceptance notes with almost all risks and rewards of ownership transferred to other parties. The carrying amounts of bank acceptance notes that were subsequently derecognised were RMB 7,229,453.98 and RMB 13,090,000.00, respectively. As at 31 December 2023, notes receivable endorsed or discounted prior to their maturities are as follows:

	Derecognised	Not derecognised
Trade acceptance notes	—	527,279,445.77
Bank acceptance notes (Note 4(5))	15,186,700.00	-
	<u>15,186,700.00</u>	<u>527,279,445.77</u>

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4 Notes to the consolidated financial statements (Continued)

(3) Notes receivable (Continued)

(c) Provision for bad debts

For notes receivable collected from ordinary operating activities such as sales of goods and rendering of services, the Group recognises provision for the lifetime ECL regardless of whether there is any significant financing component.

The provision for bad debts of notes receivable is analysed by categories as follows:

	31 December 2023				31 December 2022			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	% of total balance	Amount	Provision ratio	Amount	% of total balance	Amount	Provision ratio
Provision for bad debts on an individual basis	-	-	-	-	-	-	-	-
Provision for bad debts on a collective basis (i)	934,536,541.70	100.00%	48,590,997.86	5.20%	1,897,241,191.84	100.00%	105,908,803.76	5.58%
	934,536,541.70	100.00%	48,590,997.86	5.20%	1,897,241,191.84	100.00%	105,908,803.76	5.58%

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4 Notes to the consolidated financial statements (Continued)

(3) Notes receivable (Continued)

(c) Provision for bad debts (Continued)

(i) Provision for bad debts made on a collective basis for notes receivable is analysed as follows:

Group - Bank acceptance notes:

As at 31 December 2023, the Group measured provision for bad debts based on the lifetime ECL. The Group believes that its bank acceptance notes within this group are not exposed to significant credit risk and the probability of default of these banks is very low. Therefore, no provision for bad debts was made.

Group - Trade acceptance notes:

As at 31 December 2023, the Group measured provision for bad debts of trade acceptance notes within this group based on the lifetime ECL, which amounted to RMB 48,590,997.86, with a reversal of RMB 57,317,805.90 recognised in profit or loss in 2023.

(ii) The provision for bad debts in the current year amounted to RMB 13,038,549.58, of which RMB 70,356,355.48 was recovered or reversed, and there were no notes receivable recovered or reversed with significant amount.

(iii) In the current year, there were no notes receivable actually written off.

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4 Notes to the consolidated financial statements (Continued)

(4) Accounts receivable

	31 December 2023	31 December 2022
Accounts receivable	73,244,434,829.69	70,377,742,623.03
Less: Provision for bad debts	(9,281,977,856.71)	(7,888,316,366.57)
	<u>63,962,456,972.98</u>	<u>62,489,426,256.46</u>

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2023	31 December 2022
Within 1 year	46,487,497,018.72	46,372,866,326.39
1 to 2 years	11,079,541,382.52	12,801,453,487.79
2 to 3 years	7,551,141,068.22	4,823,736,268.20
3 to 4 years	3,289,310,447.07	1,926,940,407.04
4 to 5 years	1,322,874,485.52	1,231,910,856.85
Over 5 years	3,514,070,427.64	3,220,835,276.76
	<u>73,244,434,829.69</u>	<u>70,377,742,623.03</u>

(b) As at 31 December 2023, the five largest accounts receivable and contract assets aggregated by debtor are analysed as follows:

	Balance of accounts receivable	Balance of contract assets	Provision for bad debts	% of total balance
Total balance of the five largest accounts receivable and contract assets	<u>1,977,595,711.79</u>	<u>1,088,932,306.33</u>	<u>216,620,699.94</u>	<u>2.02%</u>

(c) In 2023, the Group has factored (without right of recourse) and derecognised an very insignificant portion of accounts receivable with carrying amount RMB 624,607,200.00, the related provision for bad debts was RMB 31,230,360.00, the related losses of RMB 18,766,235.58 were recognised as investment losses.

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4 Notes to the consolidated financial statements (Continued)

(4) Accounts receivable (Continued)

(d) Provision for bad debts

For accounts receivable, the Group recognises the loss provision based on the lifetime ECL regardless of whether there is any significant financing component.

The provision for bad debts of accounts receivable is analysed by categories as follows:

	31 December 2023				31 December 2022			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	% of total balance	Amount	Provision ratio	Amount	% of total balance	Amount	Provision ratio
Provision for bad debts on an individual basis (i)	8,747,177,691.27	11.94%	4,216,420,133.28	48.20%	7,731,546,339.33	10.99%	3,076,113,425.37	39.79%
Provision for bad debts on a collective basis (ii)	64,497,257,138.42	88.06%	5,065,557,723.43	7.85%	62,646,196,283.70	89.01%	4,812,202,941.20	7.68%
	<u>73,244,434,829.69</u>	<u>100.00%</u>	<u>9,281,977,856.71</u>	<u>12.67%</u>	<u>70,377,742,623.03</u>	<u>100.00%</u>	<u>7,888,316,366.57</u>	<u>11.21%</u>

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4 Notes to the consolidated financial statements (Continued)

(4) Accounts receivable (Continued)

(d) Provision for bad debts (Continued)

(i) As at 31 December 2023, accounts receivable for which the related provision for bad debts was provided on an individual basis are analysed as follows:

	Gross carrying amount	Lifetime ECL rates	Provision for bad debts	Reason
Accounts receivable 1	500,540,187.19	43.55%	217,999,309.00	Expected risk of recovery
Accounts receivable 2	454,537,005.79	25.00%	113,634,251.44	Expected risk of recovery
Accounts receivable 3	402,345,909.38	6.59%	26,514,595.42	Expected risk of recovery
Accounts receivable 4	396,265,241.78	100.00%	396,265,241.78	Expected risk of recovery
Accounts receivable 5	336,591,374.28	6.59%	22,181,371.57	Expected risk of recovery
Others	6,656,897,972.85	51.67%	3,439,825,364.07	Expected risk of recovery
	<u>8,747,177,691.27</u>		<u>4,216,420,133.28</u>	

As at 31 December 2022, accounts receivable for which the related provision for bad debts was provided on an individual basis are analysed as follows:

	Gross carrying amount	Lifetime ECL rates	Provision for bad debts	Reason
Accounts receivable 1	507,733,352.11	25.00%	126,933,338.03	Expected risk of recovery
Accounts receivable 2	503,445,456.19	43.30%	217,999,309.00	Expected risk of recovery
Accounts receivable 3	402,345,909.38	6.59%	26,514,595.42	Expected risk of recovery
Accounts receivable 4	396,265,241.78	100.00%	396,265,241.78	Expected risk of recovery
Accounts receivable 5	336,591,374.28	6.59%	22,181,371.57	Expected risk of recovery
Others	5,585,165,005.59	40.93%	2,286,219,569.57	Expected risk of recovery
	<u>7,731,546,339.33</u>		<u>3,076,113,425.37</u>	

(ii) Provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

Group - Building, contracting, design and construction:

	31 December 2023			31 December 2022		
	Gross carrying amount	Provision for bad debts		Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount	Amount	Lifetime ECL rates	Amount
Within 1 year	42,321,597,330.20	4.62%	1,957,220,526.65	43,051,401,979.26	4.70%	2,022,973,879.29
1 to 2 years	9,338,299,161.76	9.97%	930,848,557.26	9,810,436,615.83	10.00%	981,045,131.85
2 to 3 years	4,375,240,694.00	16.58%	725,196,239.35	2,756,442,314.60	16.46%	453,586,056.11
3 to 4 years	1,478,464,672.89	22.76%	336,463,026.94	1,215,613,065.27	23.60%	286,901,305.63
4 to 5 years	757,953,489.81	33.12%	251,040,405.53	491,286,694.99	33.32%	163,697,644.67
Over 5 years	1,324,524,798.21	51.41%	680,872,361.88	1,407,579,934.72	51.57%	725,880,670.39
	<u>59,596,080,146.87</u>		<u>4,881,641,117.61</u>	<u>58,732,760,604.67</u>		<u>4,634,084,687.94</u>

Group - BT and PPP projects:

As at 31 December 2023, the original value of accounts receivable was RMB 4,062,449,603.59, the provision for bad debts was RMB 136,691,851.70, and the net value of accounts receivable was RMB 3,925,757,751.89 (31 December 2022: The original value of accounts receivable was RMB 3,012,349,977.26, provision for bad debts was RMB 107,238,633.94, and the net value of accounts receivable was RMB 2,905,111,343.32), and are receivables from BT and PPP projects.

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4 Notes to the consolidated financial statements (Continued)

(4) Accounts receivable (Continued)

(d) Provision for bad debts (Continued)

(ii) Provision for bad debts made on a collective basis for accounts receivable is analysed as follows (Continued):

Group – Others:

	31 December 2023			31 December 2022		
	Gross carrying amount	Provision for bad debts		Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount	Amount	Lifetime ECL rates	Amount
Within 1 year	734,446,588.46	3.92%	28,762,277.36	567,961,086.70	4.44%	25,222,369.78
1 to 2 years	60,507,550.62	9.92%	6,002,739.72	155,906,205.15	9.98%	15,558,244.01
2 to 3 years	18,759,158.50	15.00%	2,813,873.78	158,292,578.73	14.97%	23,700,936.73
3 to 4 years	6,807,681.28	20.00%	1,361,536.26	4,175,474.88	20.00%	835,094.97
4 to 5 years	4,094,387.83	30.00%	1,228,316.35	9,061,021.67	30.00%	2,718,306.50
Over 5 years	14,112,021.27	50.00%	7,056,010.65	5,689,334.64	50.00%	2,844,667.33
	<u>838,727,387.96</u>		<u>47,224,754.12</u>	<u>901,085,701.77</u>		<u>70,879,619.32</u>

(iii) The provision for bad debts in the current year amounted to RMB 1,766,147,534.69, of which RMB 362,795,016.61 was recovered or reversed, and there were no accounts receivable recovered or reversed with significant amount.

(e) The gross carrying amount of accounts receivable written off in the current year was RMB 9,700,872.27, and the provision for bad debts was RMB 9,700,872.27. All above accounts receivable were goods receivable not arising from related party transactions and expected to be unrecoverable, and were written off with approval in 2023.

(5) Financing receivables

	31 December 2023	31 December 2022
Bank acceptance notes	683,295,476.96	591,561,489.37
Electronic debt claims	61,355,509.75	-
	<u>744,650,986.71</u>	<u>591,561,489.37</u>

To fulfil daily treasury management requirements, certain subsidiaries of the Group have discounted and endorsed part of the bank acceptance notes and electronic debt claims which fulfilled the derecognition criteria. Therefore, all of such subsidiaries' bank acceptance notes and electronic debt claims were classified as financial assets at fair value through other comprehensive income. In 2023, the Group endorsed and discounted bank acceptance notes and electronic debt claims with almost all risks and rewards of ownership transferred to other parties. The carrying amounts that were subsequently derecognised were RMB 2,073,955,512.39 and RMB 1,177,584,381.65, respectively, and the related losses on discount were RMB 21,470,125.12.

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4 Notes to the consolidated financial statements (Continued)

(5) Financing receivables (Continued)

As at 31 December 2023, the Group considered that the credit risk characteristics of bank acceptance notes and electronic debt claims were similar and no provision for impairment was made on an individual basis for bank acceptance notes and electronic debt claims. In addition, the Group believes that its bank acceptance notes and electronic debt claims are not exposed to significant credit risk and the probability of default of these banks is very low. Therefore, the amount of provision for bad debts is not significant.

As at 31 December 2023, there were no pledged bank acceptance notes receivable and electronic debt claims receivable which were presented in financing receivables.

As at 31 December 2023, in addition to Note 4(3)(b), the bank acceptance notes and electronic debt claims endorsed or discounted but unmatured were RMB 1,911,000,069.73 and were all derecognised.

In 2023, the Group had no significant financing receivables written off.

(6) Advances to suppliers

(a) The ageing of advances to suppliers is analysed as follows:

	31 December 2023		31 December 2022	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	4,411,340,579.88	95.30%	1,827,624,928.40	80.22%
1 to 2 years	128,621,208.27	2.78%	315,180,591.25	13.83%
2 to 3 years	37,546,302.45	0.81%	27,984,213.20	1.23%
Over 3 years	51,230,499.35	1.11%	107,494,212.13	4.72%
	<u>4,628,738,589.95</u>	<u>100.00%</u>	<u>2,278,283,944.98</u>	<u>100.00%</u>

As at 31 December 2023, advances to suppliers with ageing over one year were RMB 217,398,010.07 (31 December 2022: RMB 450,659,016.58).

(b) As at 31 December 2023, the five largest advances to suppliers aggregated by debtor are analysed as follows:

	Amount	% of total balance
Total amount of the five largest advances to suppliers	<u>537,137,080.61</u>	<u>11.60%</u>

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4 Notes to the consolidated financial statements (Continued)

(7) Other receivables

	31 December 2023	31 December 2022
Guarantees and deposits	1,839,647,402.44	2,093,492,355.91
Current accounts with related parties	899,953,826.48	936,893,994.39
Dividends receivable	30,000,000.00	35,000,000.00
Others	4,083,561,673.62	4,255,263,933.14
	<u>6,853,162,902.54</u>	<u>7,320,650,283.44</u>
Less: Provision for bad debts	(487,877,042.86)	(528,567,792.91)
	<u>6,365,285,859.68</u>	<u>6,792,082,490.53</u>

(a) The ageing of other receivables is analysed as follows:

	31 December 2023	31 December 2022
Within 1 year	2,568,470,677.92	2,680,012,887.30
1 to 2 years	490,389,554.08	770,791,941.46
2 to 3 years	528,725,557.45	2,543,372,773.74
Over 3 years	3,265,577,113.09	1,326,472,680.94
	<u>6,853,162,902.54</u>	<u>7,320,650,283.44</u>

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4 Notes to the consolidated financial statements (Continued)

(7) Other receivables (Continued)

(b) Movements in provision for losses and their gross carrying amounts

The provision for bad debts of other receivables is analysed by categories as follows:

	31 December 2023				31 December 2022			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	% of total balance	Amount	Provision ratio	Amount	% of total balance	Amount	Provision ratio
Provision for bad debts on an individual basis (i)	2,295,896,184.40	33.50%	275,575,727.20	12.00%	277,667,559.00	3.79%	183,528,131.04	66.10%
Provision for bad debts on a collective basis (ii)	4,557,266,718.14	66.50%	212,301,315.66	4.66%	7,042,982,724.44	96.21%	345,039,661.87	4.90%
	6,853,162,902.54	100.00%	487,877,042.86	7.12%	7,320,650,283.44	100.00%	528,567,792.91	7.22%

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4 Notes to the consolidated financial statements (Continued)

(7) Other receivables (Continued)

(b) Movements in provision for losses and their gross carrying amounts (Continued)

As at 31 December 2023 and 31 December 2022, the Group's other receivables in Stage 1, Stage 2 and Stage 3 are analysed as follows:

(i) As at 31 December 2023, other receivables for which the related provision for bad debts was provided on an individual basis are analysed as follows:

Stage 1	Gross carrying amount	12-month ECL rates	Provision for bad debts	Reason
Dividends receivable	30,000,000.00	-	-	Expected no risk of recovery
Stage 2	Gross carrying amount	Lifetime ECL rates	Provision for bad debts	Reason
Other receivables 1	2,042,220,631.70	5.00%	102,111,031.58	Some expected to be unrecoverable
Other receivables 2	5,000,000.00	30.00%	1,500,000.00	Some expected to be unrecoverable
Others	81,855,491.34	45.66%	37,375,998.33	Some expected to be unrecoverable
	<u>2,129,076,123.04</u>		<u>140,987,029.91</u>	
Stage 3	Gross carrying amount	Lifetime ECL rates	Provision for bad debts	Reason
Other receivables 1	17,683,528.50	100.00%	17,683,528.50	All expected to be unrecoverable
Other receivables 2	16,208,958.25	100.00%	16,208,958.25	All expected to be unrecoverable
Others	102,927,574.61	97.83%	100,696,210.54	Some expected to be unrecoverable
	<u>136,820,061.36</u>		<u>134,588,697.29</u>	

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4 Notes to the consolidated financial statements (Continued)

(7) Other receivables (Continued)

(b) Movements in provision for losses and their gross carrying amounts (Continued)

(i) As at 31 December 2022, other receivables for which the related provision for bad debts was provided on an individual basis are analysed as follows:

Stage 1	Gross carrying amount	12-month ECL rates	Provision for bad debts	Reason
Dividends receivable	35,000,000.00	-	-	Expected no risk of recovery
Stage 2	Gross carrying amount	Lifetime ECL rates	Provision for bad debts	Reason
Other receivables 1	10,000,000.00	20.00%	2,000,000.00	Some expected to be unrecoverable
Other receivables 2	5,107,000.00	10.00%	510,700.00	Some expected to be unrecoverable
Others	104,856,197.49	56.00%	58,714,719.53	unrecoverable
	<u>119,963,197.49</u>		<u>61,225,419.53</u>	
Stage 3	Gross carrying amount	Lifetime ECL rates	Provision for bad debts	Reason
Other receivables 1	17,683,528.50	100.00%	17,683,528.50	All expected to be unrecoverable
Other receivables 2	16,208,958.25	100.00%	16,208,958.25	All expected to be unrecoverable
Others	88,811,874.76	99.55%	88,410,224.76	Some expected to be unrecoverable
	<u>122,704,361.51</u>		<u>122,302,711.51</u>	

(ii) As at 31 December 2023 and 31 December 2022, other receivables for which the related provision for bad debts was provided on a collective basis are all within Stage 1, which are analysed as follows:

	31 December 2023			31 December 2022		
	Gross carrying amount	Loss provision	Provision ratio	Gross carrying amount	Loss provision	Provision ratio
	Amount	Amount		Amount	Amount	
Group of deposits and guarantees	1,700,585,448.06	98,850,854.84	5.81%	1,935,241,846.54	104,503,059.71	5.40%
Other groups	2,856,681,270.08	113,450,460.82	3.97%	5,107,740,877.90	240,536,602.16	4.71%
	<u>4,557,266,718.14</u>	<u>212,301,315.66</u>	4.66%	<u>7,042,982,724.44</u>	<u>345,039,661.87</u>	4.90%

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4 Notes to the consolidated financial statements (Continued)

(7) Other receivables (Continued)

(c) The provision for bad debts in the current year amounted to RMB 13,773,841.31, of which RMB 52,409,014.52 was collected or recovered.

(d) The gross carrying amount of other receivables that were written off in the current year was RMB 2,055,577.13, and the provision for bad debts was RMB 2,055,577.13. All above other receivables were current accounts with third parties that were not arising from related-party transactions and expected to be irrecoverable, and the receivables were written off with approval in 2023.

(e) As at 31 December 2023, the five largest other receivables aggregated by debtor are analysed as follows:

	Nature	Balance	Ageing	% of total balance	Provision for bad debts
Other receivables 1	Current accounts with third parties	2,042,220,631.70	Over 3 years	29.80%	102,111,031.58
Other receivables 2	Current accounts with related parties	356,704,922.60	1 to 2 years	5.20%	-
Other receivables 3	Current accounts with related parties	294,597,787.21	Within 1 year	4.30%	-
Other receivables 4	Amount to be settled	255,555,071.00	Over 3 years	3.73%	12,777,753.55
Other receivables 5	Current accounts with related parties	122,464,777.22	Over 3 years	1.79%	6,123,238.86
		<u>3,071,543,189.73</u>		<u>44.82%</u>	<u>121,012,023.99</u>

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4 Notes to the consolidated financial statements (Continued)

(8) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2023			31 December 2022		
	Gross carrying amount	Provision for decline in the value of inventories	Carrying amount	Gross carrying amount	Provision for decline in the value of inventories	Carrying amount
Development costs (i)	39,216,223,336.21	(331,846,169.74)	38,884,377,166.47	42,589,025,286.35	(555,803,640.19)	42,033,221,646.16
Development products (ii)	16,594,056,794.29	(1,015,822,693.24)	15,578,234,101.05	18,237,000,319.56	(1,001,368,970.92)	17,235,631,348.64
Finished goods	3,116,419,795.18	(11,887,348.45)	3,104,532,446.73	2,451,325,744.53	(12,557,403.75)	2,438,768,340.78
Main materials	1,625,054,810.33	(92,976.92)	1,624,961,833.41	1,841,365,113.89	(1,518,948.11)	1,839,846,165.78
Materials that can be used for multiple times but not recognised as fixed assets	465,963,627.43	-	465,963,627.43	409,875,663.78	-	409,875,663.78
Work in progress (production costs)	288,370,370.48	-	288,370,370.48	298,375,951.34	-	298,375,951.34
Stock trees and flowers	127,647,935.34	-	127,647,935.34	135,151,305.62	-	135,151,305.62
Structural parts	119,944,404.50	-	119,944,404.50	138,525,581.93	-	138,525,581.93
Spare parts	62,295,779.10	-	62,295,779.10	99,404,579.20	-	99,404,579.20
Machinery parts	40,453,775.53	-	40,453,775.53	220,352,293.89	-	220,352,293.89
Total	<u>61,656,430,628.39</u>	<u>(1,359,649,188.35)</u>	<u>60,296,781,440.04</u>	<u>66,420,401,840.09</u>	<u>(1,571,248,962.97)</u>	<u>64,849,152,877.12</u>

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4 Notes to the consolidated financial statements (Continued)

(8) Inventories (Continued)

(a) Inventories are summarised by categories as follows (Continued):

(i) Development costs

	Commencement date	Expected completion date of the latest phase	Estimated total investment (RMB' 0,000)	31 December 2023	31 December 2022
Plot No.1 and No.7 at Xinchang City in Shanghai Beach	September 2015	September 2025	RMB 3,400,000	23,863,438,352.21	21,898,238,457.86
Urban Village in Huinan Town	June 2016	December 2025	RMB 1,092,469	5,115,585,772.29	4,071,312,494.09
Miyun Road	March 2023	October 2026	RMB 453,176	3,264,458,784.79	3,125,187,764.84
Heyuan	October 2017	November 2026	RMB 225,277	1,731,662,477.65	1,666,826,480.86
Residential project in Jizhou District	November 2019	March 2024	RMB 244,596	1,645,486,978.92	1,398,603,844.32
Nanjing Plot No.G45	July 2018	October 2024	RMB 420,000	1,288,219,015.15	1,320,317,353.42
Suzhou Plot No.2016-WG-26	August 2017	December 2024	RMB 927,882	886,282,340.10	3,436,999,094.87
Plot 22A-05 in International Medical Park	June 2021	January 2024	RMB 58,940	546,544,535.48	371,109,096.82
Settlement-type commodity housing project in Lot 27010-202031-2, Laocheng Town, Chengmai County, Hainan Province	August 2021	April 2024	RMB 168,276	471,309,911.48	730,716,873.01
Jiadingjuyuan project	September 2023	August 2025	RMB 83,962	277,559,668.86	-
Others				125,675,499.28	4,569,713,826.26
Total				<u>39,216,223,336.21</u>	<u>42,589,025,286.35</u>

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4 Notes to the consolidated financial statements (Continued)

(8) Inventories (Continued)

(a) Inventories are summarised by categories as follows (Continued):

(ii) Development products

	Completion date	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Suzhou Plot No.2016-WG-26	October 2020	3,409,523,060.22	2,698,685,770.63	(263,672,540.46)	5,844,536,290.39
Nanjing Plot No.G68	September 2021	2,227,217,632.77	666,451,986.07	(1,234,379,239.78)	1,659,290,379.06
BROADWAY ELITE	January 2021	1,591,839,287.06	-	(11,910,275.35)	1,579,929,011.71
Haiyuerongting (Plot No.04-05 and 04-06 of the commercial residential building project at Fengjing Town of Jinshan District)	December 2021	-	1,582,435,589.95	(333,742,521.43)	1,248,693,068.52
SCG MIMA TOWERS LLC	July 2018	1,050,685,214.99	-	(12,036,796.72)	1,038,648,418.27
Cuiguyuan Project at Plot No.41 of Eco-city	October 2022	1,824,949,637.56	17,643,181.24	(1,271,079,624.37)	571,513,194.43
Nanjing Plot No.G45	November 2021	1,201,267,594.14	9,879,971.61	(629,131,152.83)	582,016,412.92
Yuekangyayuan (Plot E09B0-1 in Kangqiao Industrial Park)	November 2023	-	1,329,905,607.78	(797,374,657.67)	532,530,950.11
Suzhou Plot No.B-42 for business office	March 2017	528,522,200.94	15,462,564.50	(40,298,759.15)	503,686,006.29
Rongchangyuan	November 2019	437,931,980.48	-	(14,196,506.01)	423,735,474.47
Yunjiangli	June 2016	344,848,803.12	-	(336,522.14)	344,512,280.98
Haiyuemeilunyuan Phase 1 (Settlement-type commodity housing project in Lot 27010-202031-2, Laocheng Town, Chengmai County, Hainan Province)	April 2023	-	955,560,565.82	(675,878,858.78)	279,681,707.04
Haiyuejinmaoyue (Plot No.25-01 of the east side of Xinfeng Road, Huaxin Town, Qingpu District)	January 2022	-	287,147,222.45	(32,654,740.10)	254,492,482.35
Yuehuali (Urban Village in Huinan Town)	June 2023	-	553,390,203.30	(313,646,147.17)	239,744,056.13
Hai Yue Long Fu (Note)	December 2021	1,190,740,113.30	-	(1,190,740,113.30)	-
Tianjin Haiyuemingdi (Note)	December 2022	1,275,143,760.88	-	(1,275,143,760.88)	-
Others		3,154,331,034.10	1,270,440,747.71	(2,933,724,720.19)	1,491,047,061.62
Sub-total		<u>18,237,000,319.56</u>	<u>9,387,003,411.06</u>	<u>(11,029,946,936.33)</u>	<u>16,594,056,794.29</u>

Note: The Group disposed Jiangxi Jianhao Real Estate Co., Ltd. and Tianjin Jinyue Real Estate Development Company Limited in 2023, so the property projects including Hai Yue Long Fu and Tianjin Haiyuemingdi held by the above two companies were transferred out correspondingly.

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4 Notes to the consolidated financial statements (Continued)

(8) Inventories (Continued)

(b) Provision for decline in the value of inventories is analysed as follows:

	31 December 2022	Increase in the current year		Decrease in the current year			31 December 2023
		Provision	Others	Reversal	Write-off	Others	
Development products	1,001,368,970.92	286,747,376.70	223,957,470.45	-	(496,251,124.83)	-	1,015,822,693.24
Development costs	555,803,640.19	-	-	-	-	(223,957,470.45)	331,846,169.74
Finished goods	12,557,403.75	599,341.70	-	-	(1,269,397.00)	-	11,887,348.45
Main materials	1,518,948.11	588.33	-	-	(1,426,559.52)	-	92,976.92
	<u>1,571,248,962.97</u>	<u>287,347,306.73</u>	<u>223,957,470.45</u>	<u>-</u>	<u>(498,947,081.35)</u>	<u>(223,957,470.45)</u>	<u>1,359,649,188.35</u>

In 2023, the borrowing costs capitalised in development products amounted to RMB 557,379,292.70. The capitalisation rate used to determine the borrowing costs eligible for capitalisation is 3.96% per annum.

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4 Notes to the consolidated financial statements (Continued)

(9) Contract assets

	31 December 2023	31 December 2022
Contract assets	78,675,620,300.67	76,456,488,986.48
Less: Provision for impairment of contract assets	(1,630,125,550.67)	(1,396,433,621.40)
Less: Contract assets included in other non-current assets (Note 4(25))	<u>(32,531,723,857.84)</u>	<u>(27,493,406,769.21)</u>
	<u>44,513,770,892.16</u>	<u>47,566,648,595.87</u>

For contract assets, the Group recognises the lifetime ECL regardless of whether there exists a significant financing component.

- (a) As at 31 December 2023, contract assets for which the related provision for bad debts was provided on an individual basis are analysed as follows:

	Gross carrying amount	Lifetime ECL rates	Provision for impairment	Reason
Contract assets 1	233,474,731.88	15.00%	35,021,209.78	Expected risk of recovery
Contract assets 2	230,122,084.26	15.00%	34,518,312.64	Expected risk of recovery
Contract assets 3	191,124,036.70	20.00%	38,224,807.34	Expected risk of recovery
Contract assets 4	186,889,975.03	15.00%	28,033,496.25	Expected risk of recovery
Contract assets 5	170,509,346.29	5.00%	8,525,467.31	Expected risk of recovery
Others	<u>3,970,325,322.82</u>	27.53%	<u>1,092,900,840.07</u>	Expected risk of recovery
	<u>4,982,445,496.98</u>		<u>1,237,224,133.39</u>	

- (b) As at 31 December 2023, contract assets for which the related provision for asset impairment losses was provided on a collective basis were analysed as follows:

Group - Contract assets:

	31 December 2023		
	Gross carrying amount	Provision for asset impairment	
	Amount	Lifetime ECL rates	Amount
Not overdue	<u>73,693,174,803.69</u>	<u>0.53%</u>	<u>392,901,417.28</u>

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FOR THE YEAR ENDED 31 DECEMBER 2023**(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]**4 Notes to the consolidated financial statements (Continued)****(9) Contract assets (Continued)**

As at 31 December 2022, contract assets for which the related provision for asset impairment losses was provided on a collective basis were analysed as follows:

Group - Contract assets:

		31 December 2022	
		Gross carrying amount	Provision for asset impairment
		Amount	Lifetime ECL rates Amount
	Not overdue	<u>71,625,469,136.43</u>	<u>0.46%</u> <u>330,964,891.36</u>
(10)	Other current assets		
		31 December 2023	31 December 2022
	Taxes prepaid	2,158,834,428.40	1,992,302,540.41
	VAT to be deducted	1,113,207,943.52	1,302,086,222.50
	Input VAT to be verified	405,334,331.38	471,071,519.24
	Others	<u>5,974,966.28</u>	<u>30,658,834.10</u>
		<u>3,683,351,669.58</u>	<u>3,796,119,116.25</u>
(11)	Non-current assets to be settled within one year		
		31 December 2023	31 December 2022
	Long-term receivables to be settled within one year	<u>2,211,398,797.10</u>	<u>1,783,426,752.87</u>

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4 Notes to the consolidated financial statements (Continued)

(12) Long-term receivables

	31 December 2023		
	Gross carrying amount	Provision for impairment	Carrying amount
Finance lease	2,406,847,173.56	(361,239,143.62)	2,045,608,029.94
BT and PPP project	20,081,152,097.19	(168,960,487.23)	19,912,191,609.96
Zhoudong Sewage Disposal Plant of Zhouzhuang Town	32,688,915.27	-	32,688,915.27
	<u>22,520,688,186.02</u>	<u>(530,199,630.85)</u>	<u>21,990,488,555.17</u>
Less: Long-term receivables to be settled within one year	<u>(2,237,967,416.89)</u>	<u>26,568,619.79</u>	<u>(2,211,398,797.10)</u>
	<u>20,282,720,769.13</u>	<u>(503,631,011.06)</u>	<u>19,779,089,758.07</u>
	31 December 2022		
	Gross carrying amount	Provision for impairment	Carrying amount
Finance lease	2,200,224,904.60	(315,617,637.32)	1,884,607,267.28
BT and PPP project	20,125,854,236.03	(185,959,849.39)	19,939,894,386.64
Zhoudong Sewage Disposal Plant of Zhouzhuang Town	33,905,413.10	-	33,905,413.10
	<u>22,359,984,553.73</u>	<u>(501,577,486.71)</u>	<u>21,858,407,067.02</u>
Less: Long-term receivables to be settled within one year	<u>(1,798,513,358.32)</u>	<u>15,086,605.45</u>	<u>(1,783,426,752.87)</u>
	<u>20,561,471,195.41</u>	<u>(486,490,881.26)</u>	<u>20,074,980,314.15</u>

(13) Debt investments

	31 December 2023	31 December 2022
Changshu Hujian Environmental Water Co., Ltd.	155,712,464.83	149,655,927.33
Others	<u>65,000.00</u>	<u>65,000.00</u>
	<u>155,777,464.83</u>	<u>149,720,927.33</u>
Less: Provision for impairment of debt investments	<u>-</u>	<u>-</u>
	<u>155,777,464.83</u>	<u>149,720,927.33</u>

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4 Notes to the consolidated financial statements (Continued)

(14) Investments in other equity instruments

	31 December 2023	31 December 2022
Investments in equity instrument not held for trading		
- Shanghai State-owned Investment Fund Company., Ltd.	401,295,173.00	-
- Shanghai Tower Construction Development Co., Ltd.	372,340,984.21	246,646,658.91
- Shanghai Lingang Holding Co., Ltd.	120,600,000.00	123,800,000.00
- Others	202,544,119.46	239,916,894.68
	<u>1,096,780,276.67</u>	<u>610,363,553.59</u>
	31 December 2023	31 December 2022
Shanghai State-owned Investment Fund Company., Ltd.		
- Costs	400,000,000.00	-
- Accumulated changes in fair value	<u>1,295,173.00</u>	<u>-</u>
Shanghai Tower Construction Development Co., Ltd.		
- Costs	344,000,000.00	344,000,000.00
- Accumulated changes in fair value	<u>28,340,984.21</u>	<u>(97,353,341.09)</u>
Shanghai Lingang Holding Co., Ltd.		
- Costs	239,800,000.00	239,800,000.00
- Accumulated changes in fair value	<u>(119,200,000.00)</u>	<u>(116,000,000.00)</u>
Others		
- Costs	174,842,150.28	187,925,608.80
- Accumulated changes in fair value	<u>27,701,969.18</u>	<u>51,991,285.88</u>
	<u>1,096,780,276.67</u>	<u>610,363,553.59</u>

The Group holds relatively low voting rights of the above companies and had not appointed any directors. The Group does not participate in or influence the financial and operating policy decisions of above companies in any ways and therefore the Group has no significant influence over them. The investments are accounted for it as investments in other equity instruments in consideration of the investments are held for strategic investment purpose.

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4 Notes to the consolidated financial statements (Continued)

(15) Other non-current financial assets

	31 December 2023	31 December 2022
Financial assets at fair value through profit or loss	<u>3,352,032,898.82</u>	<u>3,735,876,565.32</u>

(a) Financial assets at fair value through profit or loss held by the Group mainly include:

	31 December 2023	31 December 2022
Shanghai Shenchuang Xindongli Equity Investment Fund Partnership (Limited Partnership)	399,792,896.25	442,341,455.52
Shanghai Chengchuang Urban Renewal Equity Investment Fund Partnership (Limited Partnership)	305,594,773.39	308,238,162.76
Shanghai Guofang FOF Phase I Venture Capital Partnership (Limited Partnership)	300,628,677.22	383,529,336.84
Shanghai Shenchuang Industry City Private Equity Fund Partnership (Limited Partnership)	296,043,645.29	238,730,310.06
Shenzhen Linghui Jishi Equity Investment Fund Partnership (Limited Partnership)	294,396,245.75	336,946,095.55
Shanghai Shenchuang Equity Investment Fund Partnership (limited partnership)	261,995,888.58	244,242,543.70
Qingdao Huakong Growth Equity Investment Partnership (Limited Partnership)	229,081,753.91	191,535,862.98
Others	<u>1,264,499,018.43</u>	<u>1,590,312,797.91</u>
	<u>3,352,032,898.82</u>	<u>3,735,876,565.32</u>

The Group does not participate in or influence the financial and operating policy decisions of above companies in any ways and therefore the Group has no significant influence over them and they are accounted for as other non-current financial assets.

(16) Long-term equity investments

	31 December 2023	31 December 2022
Joint ventures	1,753,792,650.41	92,790,516.99
Associates	<u>8,070,375,716.63</u>	<u>8,383,350,424.35</u>
	9,824,168,367.04	8,476,140,941.34
Less: Provision for impairment of long-term equity investments	<u>-</u>	<u>-</u>
	<u>9,824,168,367.04</u>	<u>8,476,140,941.34</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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4 Notes to the consolidated financial statements (Continued)

(16) Long-term equity investments (Continued)

Associate/Joint venture

	Associate/Joint venture	31 December 2022	Movements in the current year				31 December 2023	Opening/Ending balance of provision for impairment
			Increase/(Decrease) in the current year	Share of net profit/(loss) under equity method	Cash dividends or profits declared to be distributed	Others		
Shanghai Shangshi North Bund Landmark Construction and Development Co., Ltd.	Associate	1,439,962,689.18	-	(1,580,916.45)	-	-	1,438,381,772.73	-
Hangzhou Hujian Urban Development and Construction Co., Ltd.	Associate	1,123,776,970.41	-	25,343,627.71	-	(868,951.46)	1,148,251,646.66	-
Shanghai Lingang New Area Jingang Xijiu Real Estate Co., Ltd. ("Jingang Xijiu")	Associate	925,373,336.60	-	86,390,410.63	-	(17,516,153.85)	994,247,593.38	-
Shanghai Jinjie Property Co., Ltd.	Associate	685,681,634.39	-	(5,194,182.11)	-	(380,421.84)	680,107,030.44	-
SCG Angong Equity Investment Fund Partnership Enterprise (Limited Partnership)	Associate	667,278,626.62	-	954,931.21	-	-	668,233,557.83	-
Yancheng Hujian Jinghai Enterprise Management Partnership (Limited Partnership)	Associate	640,986,605.62	-	(4,439,011.14)	-	(25,917,027.84)	610,630,566.64	-
Ningbo Tower Construction Development Co., Ltd.	Associate	520,234,987.73	-	(22,376,891.60)	-	(404,934.07)	497,453,162.06	-
Hangzhou Fuyang Qinwang Construction Development Co., Ltd.	Associate	306,754,652.89	30,000,000.00	15,970,034.02	-	-	352,724,686.91	-
Shanghai East Bund Construction Real Estate Development Co., Ltd.	Associate	192,450,424.12	135,000,000.00	6,266,194.47	-	(10,103,966.24)	323,612,652.35	-
Shanghai Baoyue Real Estate Co., Ltd.	Associate	-	323,400,000.00	(3,154,965.63)	-	-	320,245,034.37	-
Shanghai Park High Quality Development Private Equity Partnership (Limited Partnership)	Associate	207,998,911.80	61,000,000.00	(4,211,368.07)	-	-	264,787,543.73	-
Shanghai SEISYS Co., Ltd.	Associate	232,173,550.65	-	(29,714,762.95)	(6,000,000.00)	-	196,458,787.70	-
Shanghai Jianyihui Enterprise Management Partnership (Limited Partnership)	Joint venture	-	640,000,000.00	(3,717,616.26)	-	-	636,282,383.74	-
Fulton SCG Development LLC	Joint venture	589,444,678.27	(77,260,700.00)	14,414,797.14	-	10,998,724.82	537,597,500.23	-
Fulton SCG Development Phase II LLC	Joint venture	253,780,717.62	10,535,550.00	19,846,432.18	-	3,027,301.75	287,190,001.55	-
Other associates	Associate	597,452,638.45	30,789,905.30	(51,989,534.01)	-	(1,011,327.91)	575,241,681.83	-
Other joint ventures	Joint venture	92,790,516.99	182,434,927.24	38,171,265.20	(11,431,240.41)	(9,242,704.13)	292,722,764.89	-
		<u>8,476,140,941.34</u>	<u>1,335,899,682.54</u>	<u>80,978,444.34</u>	<u>(17,431,240.41)</u>	<u>(51,419,460.77)</u>	<u>9,824,168,367.04</u>	<u>-</u>

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4 Notes to the consolidated financial statements (Continued)

(17) Investment properties

Cost	Investment properties completed
31 December 2022	5,286,923,135.01
Increase in the current year	
Transfer from construction in progress	39,474,088.14
Transfer from fixed assets	72,569,930.91
Difference on translation of foreign currency financial statements	10,160,311.88
Others	170,589,810.87
Decrease in the current year	
Transfer to fixed assets	(1,176,708,937.31)
31 December 2023	4,403,008,339.50
Accumulated amortisation	
31 December 2022	(920,131,602.99)
Increase in the current year	
Provision	(161,654,372.17)
Transfer from fixed assets	(20,646,467.63)
Difference on translation of foreign currency financial statements	(1,095,993.15)
Decrease in the current year	
Transfer to fixed assets	264,896,457.15
31 December 2023	(838,631,978.79)
Carrying amount	
31 December 2023	3,564,376,360.71
31 December 2022	4,366,791,532.02

In 2023, the depreciation charged to investment properties was RMB 161,654,372.17 (2022: RMB 184,111,375.99).

As at 31 December 2023, the Group's investment properties with a carrying amount of RMB 1,361,774,254.24 pledged as collateral for its borrowings (Note 4(36)(b)).

(18) Fixed assets

	31 December 2023	31 December 2022
Fixed assets	<u>10,034,790,875.41</u>	<u>8,676,066,146.42</u>

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4 Notes to the consolidated financial statements (Continued)

(18) Fixed assets (Continued)

	Buildings	Machinery and equipment	Motor vehicles	Production equipment	Office equipment and other equipment	Temporary facility	Special equipment	Instrument and laboratory equipment	Total
Cost									
31 December 2022	8,425,401,257.68	3,923,108,638.37	412,896,701.73	1,071,296,274.06	1,181,343,994.25	6,214,124,311.95	405,849,512.02	255,753,668.59	21,889,774,358.65
Increase in the current year									
Purchases	490,205,356.05	81,098,521.78	27,565,210.70	116,712,893.40	69,378,688.81	1,508,136,811.58	5,748,922.37	38,953,223.52	2,337,799,628.21
Transfer from construction in progress	301,569,827.28	64,556,919.94	13,428,741.51	51,272,214.21	30,486,193.49	24,513,275.24	-	12,861,420.18	498,688,591.85
Business combinations involving entities not under common control	-	5,760,823.44	37,484.65	-	163,278.95	-	-	-	5,961,587.04
Transfer from investment properties	1,176,708,937.31	-	-	-	-	-	-	-	1,176,708,937.31
Difference on translation of foreign currency financial statements	34,384,216.87	20,557,099.31	2,808,259.75	143,022.33	2,557,758.21	-	2,510.10	33,030.82	60,485,897.39
Others	80,286,816.95	-	72,897.65	1,032,947.65	12,076.06	-	-	14,928,677.47	96,333,415.78
Decrease in the current year									
Disposals and scrapping	(9,484,042.78)	(83,251,501.10)	(42,584,668.77)	(25,127,911.19)	(67,646,143.64)	(859,988,242.29)	(116,357,108.16)	(27,200,356.02)	(1,231,639,973.95)
Transfer to investment properties (Note 4(17))	(72,569,930.91)	-	-	-	-	-	-	-	(72,569,930.91)
Others	(75,255,104.87)	-	(829,160.05)	(319,000.00)	(9,545,409.74)	-	-	-	(85,948,674.66)
31 December 2023	10,351,247,333.58	4,011,830,501.74	413,395,467.17	1,215,010,440.46	1,206,750,436.39	6,886,786,156.48	295,243,836.33	295,329,664.56	24,675,593,836.71

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4 Notes to the consolidated financial statements (Continued)

(18) Fixed assets (Continued)

	Buildings	Machinery and equipment	Motor vehicles	Production equipment	Office equipment and other equipment	Temporary facilities	Special equipment	Instrument and laboratory equipment	Total
Accumulated depreciation									
31 December 2022	(3,183,934,051.00)	(2,179,109,055.31)	(294,354,517.06)	(475,876,023.73)	(870,703,535.09)	(5,678,716,675.08)	(367,179,988.41)	(163,367,581.23)	(13,213,241,426.91)
Increase in the current year	-	-	-	-	-	-	-	-	-
Provision	(337,442,125.42)	(285,797,389.04)	(33,954,969.35)	(103,903,794.75)	(111,059,898.55)	(1,433,339,399.28)	(9,275,786.65)	(29,063,710.25)	(2,343,837,073.29)
Transfer from investment properties	(264,896,457.15)	-	-	-	-	-	-	-	(264,896,457.15)
Difference on translation of foreign currency financial statements	(6,626,658.66)	(10,281,851.63)	(850,001.31)	(68,003.21)	(1,772,206.65)	-	(2,658.41)	(34,083.86)	(19,635,463.73)
Others	-	-	(7,771.02)	(206,468.11)	(58,461.40)	-	-	(7,249,865.00)	(7,522,565.53)
Decrease in the current year									
Disposals and scrapping	5,530,634.19	73,002,146.48	35,797,454.24	11,483,360.33	59,671,753.39	859,988,242.29	110,516,460.22	4,587,490.37	1,160,577,541.51
Transfer to investment properties (Note 4(17)(i))	20,646,467.63	-	-	-	-	-	-	-	20,646,467.63
Others	18,718,711.64	-	805,654.59	-	8,048,435.26	-	-	-	27,572,801.49
31 December 2023	(3,748,003,478.77)	(2,402,186,149.50)	(292,564,149.91)	(568,570,929.47)	(915,873,913.04)	(6,252,067,832.07)	(265,941,973.25)	(195,127,749.97)	(14,640,336,175.98)
Provision for impairment									
31 December 2022	(428,759.51)	-	-	-	(38,025.81)	-	-	-	(466,785.32)
31 December 2023	(428,759.51)	-	-	-	(38,025.81)	-	-	-	(466,785.32)
Carrying amount									
31 December 2023	6,602,815,095.30	1,609,644,352.24	120,831,317.26	646,439,510.99	290,838,497.54	634,718,324.41	29,301,863.08	100,201,914.59	10,034,790,875.41
31 December 2022	5,241,038,447.17	1,743,999,583.06	118,542,184.67	595,420,250.33	310,602,433.35	535,407,636.87	38,669,523.61	92,386,087.36	8,676,066,146.42

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**NOTES TO THE FINANCIAL STATEMENTS
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4 Notes to the consolidated financial statements (Continued)

(18) Fixed assets (Continued)

(a) As at 31 December 2023, buildings with a carrying amount of approximately RMB 1,203,534,340.66 (a cost of RMB 1,460,208,008.66) were pledged as collateral for short-term borrowings of RMB 4,500,000.00 (Note 4(27)(c)) and long-term borrowings of RMB 941,216,477.32 (Note 4(36)(b)).

(b) In 2023, depreciation charged to fixed assets amounted to RMB 2,343,837,073.29 (2022: RMB 2,127,096,162.14), of which RMB 1,762,127,422.59, RMB 7,440,230.31, RMB 559,245,580.63 and RMB 15,023,839.76 were charged to cost of sales, selling and distribution expenses, general and administrative expenses, and research and development expenses, respectively.

(19) Construction in progress

	31 December 2023	31 December 2022
Construction in progress (a)	<u>1,186,378,562.31</u>	<u>1,072,957,620.49</u>

SHANGHAI CONSTRUCTION GROUP CO., LTD.

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4 Notes to the consolidated financial statements (Continued)

(19) Construction in progress (Continued)

(a) Construction in progress

	31 December 2023			31 December 2022		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
INVESTEL RESORT MGT	621,604,729.15	-	621,604,729.15	482,228,823.42	-	482,228,823.42
Expansion project of ball mill	311,601,373.60	-	311,601,373.60	284,984,427.98	-	284,984,427.98
Others	253,172,459.56	-	253,172,459.56	305,744,369.09	-	305,744,369.09
	<u>1,186,378,562.31</u>	<u>-</u>	<u>1,186,378,562.31</u>	<u>1,072,957,620.49</u>	<u>-</u>	<u>1,072,957,620.49</u>

(i) Movements of major construction in progress

Project name	Budget	31 December 2022	Increase in the current year	Transfer to fixed assets in the current year	31 December 2023	Proportion of investment to the budget (%)	Work progress	Accumulated capitalisation amount of borrowing costs	Source of funds
INVESTEL RESORT MGT	4,265,870,377.89	482,228,823.42	39,375,905.73	-	621,604,729.15	14.57%	14.57%	17,456,694.06	Borrowings and self-financing
Expansion project of ball mill	348,182,334.60	284,984,427.98	26,616,945.62	-	311,601,373.60	89.49%	89.49%	-	Self-financing
Total	<u>4,614,052,712.49</u>	<u>767,213,251.40</u>	<u>65,992,851.35</u>	<u>-</u>	<u>933,206,102.75</u>			<u>17,456,694.06</u>	

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4 Notes to the consolidated financial statements (Continued)

(20) Right-of-use assets

	Buildings	Machinery and equipment	Production equipment	Land use rights	Others	Total
Cost						
31 December 2022	2,165,837,868.51	447,991,847.35	863,864,144.99	700,261,890.31	8,492,705.38	4,186,448,456.54
Increase in the current year						
New lease contracts	660,656,248.59	161,668,737.20	416,967,878.48	142,102,573.91	7,154,239.83	1,388,549,678.01
Business combinations involving entities not under common control	337,827.05	-	-	-	-	337,827.05
Decrease in the current year						
Lease modification and termination	(352,713,412.70)	(111,007,277.05)	(55,766,578.72)	(48,515,576.71)	(7,161,290.03)	(575,164,135.21)
31 December 2023	2,474,118,531.45	498,653,307.50	1,225,065,444.75	793,848,887.51	8,485,655.18	5,000,171,826.39
Accumulated depreciation						
31 December 2022	(654,738,850.76)	(189,899,638.68)	(196,004,233.27)	(118,142,800.33)	(3,738,695.27)	(1,162,524,218.31)
Increase in the current year						
Accruals	(424,541,241.65)	(98,289,561.74)	(139,029,201.59)	(86,094,174.98)	(6,617,888.48)	(754,572,068.44)
Decrease in the current year						
Lease modification and termination	218,609,796.15	97,217,793.83	14,328,348.18	9,649,452.54	7,005,740.59	346,811,131.29
31 December 2023	(860,670,296.26)	(190,971,406.59)	(320,705,086.68)	(194,587,522.77)	(3,350,843.16)	(1,570,285,155.46)
Carrying amount						
31 December 2023	1,613,448,235.19	307,681,900.91	904,360,358.07	599,261,364.74	5,134,812.02	3,429,886,670.93
31 December 2022	1,511,099,017.75	258,092,208.67	667,859,911.72	582,119,089.98	4,754,010.11	3,023,924,238.23

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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4 Notes to the consolidated financial statements (Continued)

(21) Intangible assets

	Domestic land use rights	Overseas land ownership	Mineral resource exploration rights	PPP Franchise	Outsourcing business qualifications	Computer software	Customer relationship	Others	Total
Cost									
31 December 2022	1,634,025,539.16	1,627,399,654.52	1,301,537,298.12	389,645,755.12	270,140,031.69	134,919,467.93	78,650,000.00	343,132,129.40	5,779,449,875.94
Increase amount in the current year									
Purchases	-	-	474,086,715.88	-	-	9,937,516.00	-	500,714.00	484,524,945.88
Difference on translation of foreign currency financial statements	-	27,866,915.77	20,058,892.55	-	-	-	-	387,000.00	48,312,808.32
Decrease amount in the current year									
Disposals	(100,000.20)	-	-	-	-	(79,724.29)	-	(598,780.00)	(778,504.49)
31 December 2023	1,633,925,538.96	1,655,266,570.29	1,795,682,906.55	389,645,755.12	270,140,031.69	144,777,259.64	78,650,000.00	343,421,063.40	6,311,509,125.65
Accumulated amortisation									
31 December 2022	(349,704,651.86)	-	(873,377,372.89)	(53,358,804.81)	(35,491,308.46)	(109,504,271.42)	(27,633,783.84)	(75,350,216.12)	(1,524,420,409.40)
Increase amount in the current year									
Accruals	(37,325,427.83)	-	(216,571,618.26)	(19,204,939.44)	(33,814,308.44)	(9,436,594.49)	(13,031,107.23)	(7,349,847.39)	(336,733,843.08)
Difference on translation of foreign currency financial statements	-	-	(12,030,139.38)	-	-	-	-	-	(12,030,139.38)
Decrease in the current year									
Disposals	-	-	-	-	-	79,724.29	-	248,123.67	327,847.96
31 December 2023	(387,030,079.69)	-	(1,101,979,130.53)	(72,563,744.25)	(69,305,616.90)	(118,861,141.62)	(40,664,891.07)	(82,451,939.84)	(1,872,856,543.90)
Provision for impairment									
31 December 2022	-	-	(200,442,918.42)	-	-	-	-	(87,875,197.77)	(288,318,116.19)
Accruals	-	-	-	-	-	-	-	(10,167,740.00)	(10,167,740.00)
Difference on translation of foreign currency financial statements	-	-	(3,398,947.35)	-	-	-	-	(132,950.00)	(3,531,897.35)
31 December 2023	-	-	(203,841,865.77)	-	-	-	-	(98,175,887.77)	(302,017,753.54)
Carrying amount									
31 December 2023	1,246,895,459.27	1,655,266,570.29	489,861,910.25	317,082,010.87	200,834,414.79	25,916,118.02	37,985,108.93	162,793,235.79	4,136,634,828.21
31 December 2022	1,284,320,887.30	1,627,399,654.52	227,717,006.81	336,286,950.31	234,648,723.23	25,415,196.51	51,016,216.16	179,906,715.51	3,966,711,350.35

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4 Notes to the consolidated financial statements (Continued)

(21) Intangible assets (Continued)

In 2023, the amortisation of intangible assets amounted to RMB 336,733,843.08.

As at 31 December 2023, domestic land use rights with a carrying amount of approximately RMB 1,295,283,864.94 (a cost of RMB 1,300,116,882.48) were pledged as collateral for short-term borrowings of RMB 4,500,000.00 (Note 4(27)(c)) and long-term borrowings of RMB 556,964,948.78 (Note 4(36)(b)).

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4 Notes to the consolidated financial statements (Continued)

(22) Goodwill

	31 December 2022	Increase in the current year	Differences on translation of foreign currency financial statements	31 December 2023
Goodwill -				
Goodwill arising from the acquisition of Tianjin Housing Construction Development Group Co., Ltd. ("Tianjin Housing Construction")	299,178,127.18	-	-	299,178,127.18
Goodwill arising from the acquisition of Zala Mining	184,118,657.39		3,122,133.86	187,240,791.25
Goodwill arising from the acquisition of Shanghai Greenment Environmental Technologies Co., Ltd. ("Greenment")	157,972,503.81	-	-	157,972,503.81
Goodwill arising from the acquisition of SCG (Zhejiang) Water Conservancy and Hydropower Construction Co., Ltd. ("Zhejiang Water Conservancy")	100,524,405.10	-	-	100,524,405.10
Goodwill arising from the acquisition of other subsidiaries	47,030,775.89	270,145.94	-	47,300,921.83
	<u>788,824,469.37</u>	<u>270,145.94</u>	<u>3,122,133.86</u>	<u>792,216,749.17</u>
Less: Provision for impairment -				
Goodwill arising from the acquisition of Tianjin Housing Construction	(73,457,300.30)	(24,829,763.77)	-	(98,287,064.07)
Goodwill arising from the acquisition of Zala Mining	(184,118,657.39)	-	(3,122,133.86)	(187,240,791.25)
Goodwill arising from the acquisition of Greenment	-	-	-	-
Goodwill arising from the acquisition of Zhejiang Water Conservancy	(28,266,105.10)	-	-	(28,266,105.10)
Goodwill arising from the acquisition of other subsidiaries	(35,412,175.79)	-	-	(35,412,175.79)
	<u>(321,254,238.58)</u>	<u>(24,829,763.77)</u>	<u>(3,122,133.86)</u>	<u>(349,206,136.21)</u>
	<u>467,570,230.79</u>	<u>(24,559,617.83)</u>	<u>-</u>	<u>443,010,612.96</u>

When testing the goodwill for impairment, the Group compared the carrying amount and the recoverable amount of each of the relevant asset group or group of asset groups (including goodwill) and an impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount (Note 4(58)).

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4 Notes to the consolidated financial statements (Continued)

(22) Goodwill (Continued)

- (a) The Company acquired 51% of equity of Tianjin Housing Construction in October 2020 and generated goodwill of RMB 299,178,127.18. In 2023, in conducting the impairment assessment, the Group has compared the fair value less the cost of disposals of the relevant group of asset groups with the present value of the expected future cash flows, and used the fair value less the cost of disposals for determining the recoverable amount. A provision for impairment losses of RMB 24,829,763.77 and accumulated impairment losses of goodwill of RMB 98,287,064.07 have been recognised accordingly. Fair value less the cost of disposals for relevant group of asset groups was determined using the market method, involving the judgement made for replacement cost, residue ratio and comparable transaction price.
- (b) The main assumptions of usable value applied in calculating discounted future cash flows are as follows:

The Group determines the growth rates and the gross profit margins based on its past experience and forecast on future market development. The forecast period growth rates are based on the five-year approved budget, and the terminal growth rates represent the growth rates applied by management to extrapolate cash flows beyond the forecast period, which are consistent with those forecasts as set out in authoritative industry reports, and do not exceed the long-term average growth rate of each product. The discount rates used by the management are the pre-tax rates that are able to reflect the risks specific to the related asset group or group of asset groups.

The main assumptions applied by the Group in calculating discounted future cash flows in 2023 are as follows:

	Greenment	Zhejiang Water Conservancy
Forecast period growth rates	5.00% to 9.00%	3.00% to 17.86%
Terminal growth rates	0.00%	0.00%
Gross profit margin	29.17% to 35.39%	8.26%
Pre-tax discount rates	11.30%	12.65%
Recoverable amount	213,000,000.00	220,000,000.00

The main assumptions applied by the Group in calculating discounted future cash flows in 2022 are as follows:

	Greenment	Zhejiang Water Conservancy
Forecast period growth rates	-24.6% to 5.5%	3.00% to 4.78%
Terminal growth rates	0.00%	0.00%
Gross profit margin	31.98% to 39.43%	7.34%
Pre-tax discount rates	12.50%	14.40%

(23) Long-term prepaid expenses

	31 December 2022	Increase in the current year	Amortisation charged in the current year	Other decreases	31 December 2023
Improvements to right-of-use assets	450,795,098.11	66,173,635.61	(105,518,226.79)	(4,212,014.20)	407,238,492.73
Others	47,038,199.50	52,423,430.08	(17,620,336.59)	-	81,841,292.99
	<u>497,833,297.61</u>	<u>118,597,065.69</u>	<u>(123,138,563.38)</u>	<u>(4,212,014.20)</u>	<u>489,079,785.72</u>

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4 Notes to the consolidated financial statements (Continued)

(24) Deferred tax assets and deferred tax liabilities

(a) Deferred income tax assets before offsetting

	31 December 2023		31 December 2022	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Provision for asset impairment	8,893,944,630.25	1,606,695,946.49	7,767,927,750.93	1,458,274,319.13
Lease liabilities (Note 2(30))	3,313,346,357.47	745,093,955.08	2,924,590,253.69	671,031,107.84
Elimination of intra-group unrealised profit	812,780,987.71	203,265,207.65	467,458,561.04	115,508,653.25
Changes in fair value of the financial assets at fair value through profit or loss	254,737,030.67	87,720,743.77	120,907,313.81	30,211,198.68
Accrued expenses	205,273,879.83	51,318,469.97	342,163,992.18	62,554,814.54
Dismissal and post-employment benefits payable to employees	207,869,090.43	35,188,980.30	177,601,398.77	29,745,457.10
Changes in fair value of the financial assets at fair value through other comprehensive income	169,447,252.33	35,355,017.51	161,419,563.26	40,259,599.38
Deductible losses	119,560,347.33	19,474,107.84	141,025,011.23	23,566,616.76
Depreciation of fixed assets	40,568,406.56	7,615,116.17	1,815,506.80	453,876.70
Deferred income	100,525,316.82	16,656,556.19	-	-
Provisions	5,044,258.68	1,261,064.67	2,412,313.13	603,078.28
Others	114,406,168.96	18,290,648.29	19,377,728.80	3,944,371.14
	<u>14,237,503,727.04</u>	<u>2,827,935,813.93</u>	<u>12,126,699,393.64</u>	<u>2,436,153,092.80</u>
Including:				
Expected to be recovered within one year (inclusive)		2,134,837,254.42		1,885,158,789.09
Expected to be recovered after one year		<u>693,098,559.51</u>		<u>550,994,303.71</u>
		<u>2,827,935,813.93</u>		<u>2,436,153,092.80</u>

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4 Notes to the consolidated financial statements (Continued)

(24) Deferred tax assets and deferred tax liabilities (Continued)

(b) Deferred tax liabilities before offsetting

	31 December 2023		31 December 2022	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Right-of-use assets (Note 2(30))	3,246,100,367.60	731,663,330.35	2,898,477,627.54	650,424,687.26
Business combinations involving entities not under common control	1,465,470,332.74	370,195,694.79	1,733,088,863.04	433,285,850.52
Changes in fair value of the financial assets at fair value through profit or loss	553,639,201.10	138,413,007.86	579,605,929.42	144,895,017.98
Increase in assets appraisal	225,169,079.58	44,485,534.96	147,213,161.88	36,051,707.20
Changes in fair value of the financial assets at fair value through other comprehensive income	79,928,275.72	19,982,068.93	-	-
PPP project revenue	-	-	56,034,798.74	14,008,699.68
Depreciation of fixed assets	44,602,897.10	6,697,629.60	17,150,442.40	2,572,566.36
Others	253,263.56	63,315.88	-	-
	<u>5,615,163,417.40</u>	<u>1,311,500,582.37</u>	<u>5,431,570,823.02</u>	<u>1,281,238,529.00</u>
Including:				
Expected to be recovered within one year (inclusive)		224,673,685.41		222,917,897.90
Expected to be recovered after one year		<u>1,086,826,896.96</u>		<u>1,058,320,631.10</u>
		<u>1,311,500,582.37</u>		<u>1,281,238,529.00</u>

(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2023	31 December 2022
Deductible temporary differences	4,293,777,364.35	2,832,671,421.99
Deductible losses	<u>11,714,339,176.40</u>	<u>9,638,430,217.56</u>
	<u>16,008,116,540.75</u>	<u>12,471,101,639.55</u>

SHANGHAI CONSTRUCTION GROUP CO., LTD.

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4 Notes to the consolidated financial statements (Continued)

(24) Deferred tax assets and deferred tax liabilities (Continued)

- (d) Deductible losses that are not recognised as deferred tax assets will expire in the following years:

	31 December 2023	31 December 2022
2023	—	748,117,804.43
2024	1,463,969,738.53	1,503,328,844.17
2025	1,711,585,336.08	1,725,842,031.70
2026	1,955,165,887.51	1,960,701,391.47
2027 and subsequent years	6,583,618,214.28	3,700,440,145.79
	<u>11,714,339,176.40</u>	<u>9,638,430,217.56</u>

- (e) The net balances of deferred tax assets and deferred tax liabilities after offsetting are as follows:

	31 December 2023		31 December 2022	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax assets	878,765,992.93	1,949,169,821.00	825,578,968.96	1,610,574,123.84
Deferred tax liabilities	<u>878,765,992.93</u>	<u>432,734,589.44</u>	<u>825,578,968.96</u>	<u>455,659,560.04</u>

(25) Other non-current assets

	31 December 2023	31 December 2022
Contract assets (Note 4(9))	33,343,532,335.23	28,096,392,084.79
Time deposits	2,605,170,491.06	-
Buildings to be offset	209,842,904.00	209,842,904.00
Project reserves	204,450,377.80	85,862,393.44
Others	176,167,166.39	154,664,583.00
	<u>36,539,163,274.48</u>	<u>28,546,761,965.23</u>
Less: Provision for impairment of contract assets (Note 4(9))	(811,808,477.39)	(602,985,315.58)
Provision for other impairments	(66,268,330.03)	(66,268,330.03)
	<u>35,661,086,467.06</u>	<u>27,877,508,319.62</u>

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4 Notes to the consolidated financial statements (Continued)

(26) Provision for asset impairment and losses

	31 December 2022	Increase in the current year	Decrease in the current year				31 December 2023
			Reversal	Write-off	Disposals of subsidiaries	Others	
Provision for bad debts of notes receivable	105,908,803.76	13,038,549.58	(70,356,355.48)	-	-	-	48,590,997.86
Including: Provision for bad debts on an individual basis	-	-	-	-	-	-	-
Provision for bad debts on a collective basis	105,908,803.76	13,038,549.58	(70,356,355.48)	-	-	-	48,590,997.86
Provision for bad debts of accounts receivable	7,888,316,366.57	1,766,147,534.69	(362,795,016.61)	(9,700,872.27)	-	9,844.33	9,281,977,856.71
Including: Provision for bad debts on an individual basis	3,076,113,425.37	1,255,785,067.68	(109,216,592.00)	(6,261,767.77)	-	-	4,216,420,133.28
Provision for bad debts on a collective basis	4,812,202,941.20	510,362,467.01	(253,578,424.61)	(3,439,104.50)	-	9,844.33	5,065,557,723.43
Provision for bad debts of other receivables	528,567,792.91	13,773,841.31	(52,409,014.52)	(2,055,577.13)	-	0.29	487,877,042.86
Provision for bad debts of long-term receivables	501,577,486.71	26,661,042.23	-	-	-	1,961,101.91	530,199,630.85
Provision for decline in the value of inventories	1,571,248,962.97	287,347,306.73	-	(343,074,143.93)	(155,872,937.42)	-	1,359,649,188.35
Provision for impairment of contract assets	1,396,433,621.40	319,262,425.73	(87,371,497.79)	-	-	1,801,001.33	1,630,125,550.67
Provision for impairment of fixed assets	466,785.32	-	-	-	-	-	466,785.32
Provision for impairment of intangible assets	288,318,116.19	10,167,740.00	-	-	-	3,531,897.35	302,017,753.54
Provision for impairment of goodwill	321,254,238.58	24,829,763.77	-	-	-	3,122,133.86	349,206,136.21
Provision for impairment of other non- current assets	66,268,330.03	-	-	-	-	-	66,268,330.03
	<u>12,668,360,504.44</u>	<u>2,461,228,204.04</u>	<u>(572,931,884.40)</u>	<u>(354,830,593.33)</u>	<u>(155,872,937.42)</u>	<u>10,425,979.07</u>	<u>14,056,379,272.40</u>

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(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (Continued)

(26) Provision for asset impairment and losses

	31 December 2021	Increase in the current year	Decrease in the current year				31 December 2022
			Reversal	Write-off	Disposals of subsidiaries	Others	
Provision for bad debts of notes receivable	403,256,520.27	-	(297,347,716.51)	-	-	-	105,908,803.76
Including: Provision for bad debts on an individual basis	-	-	-	-	-	-	-
Provision for bad debts on a collective basis	403,256,520.27	-	(297,347,716.51)	-	-	-	105,908,803.76
Provision for bad debts of accounts receivable	6,179,419,284.85	1,860,941,156.79	(76,710,466.28)	(8,754,839.46)	(371,181.23)	(66,207,588.10)	7,888,316,366.57
Including: Provision for bad debts on an individual basis	2,077,617,568.53	1,075,206,323.12	(76,710,466.28)	-	-	-	3,076,113,425.37
Provision for bad debts on a collective basis	4,101,801,716.32	785,734,833.67	-	(8,754,839.46)	(371,181.23)	(66,207,588.10)	4,812,202,941.20
Provision for bad debts of other receivables	516,002,535.22	16,422,266.95	(3,856,544.34)	-	(464.92)	-	528,567,792.91
Provision for bad debts of long-term receivables	390,402,918.33	111,174,568.38	-	-	-	-	501,577,486.71
Provision for decline in the value of inventories and impairment of contract fulfilment costs	1,393,796,913.81	424,922,810.22	-	(247,470,761.06)	-	-	1,571,248,962.97
Provision for impairment of contract assets	1,027,200,394.17	374,103,914.96	(4,937,189.72)	-	-	66,501.99	1,396,433,621.40
Provision for impairment of investment properties	63,577,063.52	-	-	-	(63,577,063.52)	-	-
Provision for impairment of fixed assets	466,785.32	-	-	-	-	-	466,785.32
Provision for impairment of intangible assets	271,013,637.88	-	-	-	-	17,304,478.31	288,318,116.19
Provision for impairment of goodwill	287,541,808.31	43,684,329.14	-	-	(25,540,269.96)	15,568,371.09	321,254,238.58
Provision for impairment of other non- current assets	-	-	-	-	-	66,268,330.03	66,268,330.03
	<u>10,532,677,861.68</u>	<u>2,831,249,046.44</u>	<u>(382,851,916.85)</u>	<u>(256,225,600.52)</u>	<u>(89,488,979.63)</u>	<u>33,000,093.32</u>	<u>12,668,360,504.44</u>

SHANGHAI CONSTRUCTION GROUP CO., LTD.

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4 Notes to the consolidated financial statements (Continued)

(27) Short-term borrowings

	31 December 2023	31 December 2022
Pledged borrowings (a)	4,346,275,138.98	2,430,369,986.77
Guaranteed borrowings (b)	2,766,674,188.92	836,662,384.71
Unsecured borrowings	2,539,606,820.91	4,560,263,049.68
Mortgaged borrowings (c)	4,500,000.00	8,000,000.00
Entrusted borrowings from related parties	-	1,752,326,041.67
Pledged and guaranteed borrowings	-	400,777,777.78
	<u>9,657,056,148.81</u>	<u>9,988,399,240.61</u>

(a) As at 31 December 2023, pledged bank borrowings of RMB 4,346,275,138.98 (31 December 2022: RMB 2,430,369,986.77) included short-term borrowings of RMB 2,809,356,405.19 (31 December 2022: RMB 2,089,035,831.03) as obtained from the discounting of domestic letter of credit; short-term borrowings of RMB 527,279,445.77 (31 December 2022: RMB 73,435,936.43) as obtained from the discounting of trade acceptance notes; short-term borrowings of RMB 539,045,628.26 as obtained from the discounting of electronic debt claims; short-term borrowings of RMB 470,593,659.76 (31 December 2022: RMB 267,898,219.31) as obtained from the long-term receivables with a carrying amount of RMB 770,317,966.74 as collateral.

(b) As at 31 December 2023, guaranteed bank borrowings of RMB 993,061,965.29, RMB 1,698,534,737.52 and RMB 75,077,486.11 were guaranteed by the Company, SCG General (the parent company of the Company), and the Company and Jiangsu Guangya Construction Group Co., Ltd., respectively.

(c) As at 31 December 2023, mortgaged bank borrowings totalled RMB 4,500,000.00 (31 December 2022: RMB 8,000,000.00) and were pledged by long-term assets including the following fixed assets and intangible assets.

	31 December 2023		31 December 2022	
	Cost	Net book value	Cost	Net book value
Fixed asset - buildings	26,226,343.92	18,518,575.60	26,226,343.92	19,372,923.40
Intangible assets	15,836,199.32	11,844,157.62	15,836,199.32	12,240,062.58
Total	<u>42,062,543.24</u>	<u>30,362,733.22</u>	<u>42,062,543.24</u>	<u>31,612,985.98</u>

(d) As at 31 December 2023, the interest rate of short-term borrowings of the Group ranged from 2.40% to 6.88%.

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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4 Notes to the consolidated financial statements (Continued)

(28) Notes payable

	31 December 2023	31 December 2022
Trade acceptance notes	2,560,314,876.70	4,807,141,186.60
Bank acceptance notes	3,347,767,338.91	7,806,632,727.39
Irrevocable domestic letter of credit	-	796,266,438.40
	<u>5,908,082,215.61</u>	<u>13,410,040,352.39</u>

(29) Accounts payable

	31 December 2023	31 December 2022
Payables to third parties	171,343,979,213.49	156,029,135,089.97
Payables to related parties	743,846,565.32	831,824,257.55
	<u>172,087,825,778.81</u>	<u>156,860,959,347.52</u>

- (i) As at 31 December 2023, accounts payable with ageing over one year amounted to RMB 14,295,102,734.58, which were mainly project expenses payable.

(30) Contract liabilities

	31 December 2023	31 December 2022
Advances for projects	25,418,470,664.50	23,332,489,154.04
Advances for sales of properties	8,221,207,590.45	3,758,615,015.26
Advances for goods	1,911,726,504.81	2,899,352,034.43
Others	45,314,338.24	28,230,076.82
	<u>35,596,719,098.00</u>	<u>30,018,686,280.55</u>

The carrying amount of contract liabilities of RMB 29,794,850,424.10 as at 31 December 2022 was realised as revenue in 2023.

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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4 Notes to the consolidated financial statements (Continued)

(31) Employee benefits payable

	31 December 2023	31 December 2022
Short-term employee benefits payable (a)	1,259,230,575.19	1,090,864,513.30
Defined contribution plans payable (b)	56,507,861.67	65,155,359.14
Termination benefits payable	939,389.29	180,000.00
	<u>1,316,677,826.15</u>	<u>1,156,199,872.44</u>

(a) Short-term employee benefits

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Wages and salaries, bonus, allowances and subsidies	983,159,980.99	11,654,555,130.32	(11,496,127,091.73)	1,141,588,019.58
Staff welfare	-	438,637,985.05	(438,613,290.93)	24,694.12
Social security contributions	42,156,054.87	953,212,698.62	(964,848,829.69)	30,519,923.80
Including: Medical insurance and maternity insurance	40,293,075.74	898,080,423.51	(909,753,077.18)	28,620,422.07
Work injury insurance	1,862,979.13	55,132,275.11	(55,095,752.51)	1,899,501.73
Housing funds	27,643,695.35	946,902,056.54	(949,499,790.24)	25,045,961.65
Labour union funds and employee education funds	30,731,138.65	295,501,834.05	(293,416,579.74)	32,816,392.96
Short-term paid absences	3,850.00	-	(3,850.00)	-
Other short-term employee benefits	7,169,793.44	379,506,160.82	(379,996,725.18)	6,679,229.08
Long-term employee benefits payable to be settled within one year	-	22,556,354.00	-	22,556,354.00
	<u>1,090,864,513.30</u>	<u>14,690,872,219.40</u>	<u>(14,522,506,157.51)</u>	<u>1,259,230,575.19</u>

(b) Defined contribution plans

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Basic pensions	60,657,707.83	1,444,371,206.81	(1,452,271,005.93)	52,757,908.71
Unemployment insurance	2,862,881.53	45,773,401.75	(46,049,639.74)	2,586,643.54
Payment of enterprise annuity	1,634,769.78	183,154,343.70	(183,625,804.06)	1,163,309.42
	<u>65,155,359.14</u>	<u>1,673,298,952.26</u>	<u>(1,681,946,449.73)</u>	<u>56,507,861.67</u>

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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4 Notes to the consolidated financial statements (Continued)

(32) Taxes payable

	31 December 2023	31 December 2022
Land value increment tax	1,634,518,860.25	2,548,515,393.98
Enterprise income tax payable	1,129,511,305.05	1,187,055,017.13
VAT payable	639,015,189.33	1,128,389,240.16
Individual income tax	146,565,842.31	197,304,138.54
City maintenance and construction tax	117,385,838.79	99,042,186.11
Educational surcharge	86,847,923.40	74,678,880.36
Property tax	14,791,745.18	14,518,323.24
Resource tax	8,356,488.49	24,685,061.95
Others	115,908,174.28	107,495,925.70
	<u>3,892,901,367.08</u>	<u>5,381,684,167.17</u>

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4 Notes to the consolidated financial statements (Continued)

(33) Other payables

	31 December 2023	31 December 2022
Performance guarantees	8,907,865,368.97	6,468,563,942.55
Current accounts with third parties	6,817,325,805.46	4,011,705,754.15
Current accounts with related parties	2,435,275,663.07	800,473,503.29
Deposits and guarantees	1,795,928,706.83	2,760,554,153.28
Demolition and relocation compensation	361,634,651.54	347,385,575.05
Accrued expenses	288,055,968.71	169,478,523.70
Reserve payment for house	220,419,587.80	932,988,706.65
Risk fund for project contracting	170,508,799.30	61,994,611.78
Employee security fund	91,745,233.97	1,428,929.34
Property maintenance funds	24,158,532.44	25,039,262.62
Dividends payable	23,732,674.97	35,557,776.24
Others	2,943,025,102.96	3,245,680,985.09
	<u>24,079,676,096.02</u>	<u>18,860,851,723.74</u>

(a) As at 31 December 2023, other payables with ageing over 1 year are as follows:

	31 December 2023	Reason for failure in repayment
Security deposit and performance guarantees	<u>4,636,109,476.16</u>	Part of uncompleted projects with relatively longer periods

(34) Non-current liabilities to be settled within one year

	31 December 2023	31 December 2022
Long-term borrowings to be settled within one year (Note 4(36))	10,455,602,962.58	10,502,333,815.56
Debentures payable to be settled within one year (Note 4(37))	190,268,605.28	43,635,903.96
Lease liabilities to be settled within one year (Note 4(38))	614,774,142.64	655,663,805.61
Long-term payables to be settled within one year (Note 4(39))	627,581.86	481,373,215.19
	<u>11,261,273,292.36</u>	<u>11,683,006,740.32</u>

(35) Other current liabilities

	31 December 2023	31 December 2022
Output VAT to be recognised	<u>1,268,011,196.59</u>	<u>1,054,837,530.32</u>

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4 Notes to the consolidated financial statements (Continued)

(36) Long-term borrowings

	31 December 2023	31 December 2022
Guaranteed borrowings (a)	27,452,093,495.70	30,279,923,932.27
Mortgaged borrowings (b)	21,097,962,389.33	21,726,894,761.34
Unsecured borrowings	4,693,971,467.89	5,149,713,022.40
Pledged borrowings (c)	3,858,924,887.33	4,218,031,230.63
Pledged and guaranteed borrowings (a)	4,206,651,666.18	3,613,986,477.80
Entrusted borrowings from related parties (d)	1,081,087,500.00	1,481,919,444.46
Mortgaged and guaranteed borrowings (a)	260,392,455.55	644,872,422.22
	<u>62,651,083,861.98</u>	<u>67,115,341,291.12</u>
Less: Long-term borrowings to be settled within one year (Note 4(34))		
Guaranteed borrowings	(6,718,971,211.57)	(5,237,649,463.72)
Unsecured borrowings	(1,237,362,300.69)	(1,577,952,714.40)
Mortgaged borrowings	(836,920,477.15)	(2,234,798,879.91)
Pledged borrowings	(823,544,836.33)	(770,270,059.65)
Entrusted borrowings from related parties	(401,087,500.00)	(481,919,444.46)
Pledged and guaranteed borrowings	(397,324,181.29)	(168,870,831.20)
Pledged and guaranteed borrowings	(40,392,455.55)	(30,872,422.22)
	<u>(10,455,602,962.58)</u>	<u>(10,502,333,815.56)</u>
	<u>52,195,480,899.40</u>	<u>56,613,007,475.56</u>

- (a) As at 31 December 2023, guaranteed bank borrowings of RMB 12,811,098,505.27, RMB 13,932,724,990.43 and RMB 708,270,000.00 were guaranteed by the Company, SCG General (the parent company of the Company), and SCG AMERICA GROUP INC (a subsidiary of the Company).

Pledged and guaranteed bank borrowings of RMB 3,064,077,286.50 were guaranteed by SCG General (the parent company of the Company) and pledged by the Group's long-term receivables with a carrying amount of RMB 3,284,922,377.64, accounts receivable with a carrying amount of RMB 475,986,215.86, other non-current assets with a carrying amount of RMB 123,033,258.15, non-current assets to be settled within one year with a carrying amount of RMB 338,442,460.28 and intangible assets with a carrying amount of RMB 101,571,663.78. Pledged and guaranteed bank borrowings of RMB 1,142,574,379.68 were guaranteed by the Company and pledged by the Group's long-term receivables with a carrying amount of RMB 628,173,217.69, other non-current assets with a carrying amount of RMB 1,032,703,503.74 and non-current assets to be settled within one year with a carrying amount of RMB 71,216,460.59.

Pledged and guaranteed bank borrowings of RMB 260,392,455.55 were guaranteed by SCG General (the parent company of the Company) and pledged by the Group's fixed assets with a carrying amount of RMB 300,241,253.25 (cost of RMB 517,476,817.41).

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4 Notes to the consolidated financial statements (Continued)

(36) Long-term borrowings (Continued)

- (b) As at 31 December 2023, mortgaged borrowings totalled RMB 21,097,962,389.33 and were pledged by assets including the following inventories, investment properties, fixed assets and intangible assets.

	31 December 2023	
	Cost	Net book value
Inventories	10,368,579,170.40	9,555,078,910.84
Investment properties	1,675,333,171.18	1,361,774,254.24
Fixed assets	1,407,755,320.82	1,166,497,189.46
Intangible assets	1,284,280,683.16	1,283,439,707.32
Financing-lease assets leased	223,710,000.00	220,504,689.58
Total	<u>14,959,658,345.56</u>	<u>13,587,294,751.44</u>

- (c) As at 31 December 2023, pledged bank borrowings of RMB 3,858,924,887.33 were pledged by the Group's long-term receivables with a carrying amount of RMB 4,560,682,104.89, accounts receivable with a carrying amount of RMB 11,968,256.34, other non-current assets with a carrying amount of RMB 2,141,115,652.88 and non-current assets to be settled within one year with a carrying amount of RMB 190,510,365.39.
- (d) As at 31 December 2023, the Group's entrusted borrowings from related parties included the following long-term borrowings provided by the parent company of the Company and commercial banks entrusted by related parties.

Borrower	Balance at 31 December 2023
SCG General	400,527,777.78
Shanghai International Tendering Co., Ltd.	400,427,777.78
CHINA SFECO GROUP	180,000,000.00
SCG General	<u>100,131,944.44</u>
	<u>1,081,087,500.00</u>

- (e) As at 31 December 2023, the Group had no overdue long-term borrowings and the interest rate of long-term borrowings ranged from 2.7% to 8.98%.

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4 Notes to the consolidated financial statements (Continued)

(37) Debentures payable

	31 December 2022	Issuance/Reclassification in the current year	Interest withdrawn by par value	Premium and discount amortisation	Repayment in the current year	Difference on translation of foreign currency financial statements	31 December 2023
Overseas debentures denominated in USD	4,164,912,557.32	-	99,003,008.17	9,368,077.42	(94,819,950.00)	64,352,290.34	4,242,815,983.25
Ping An Securities - SCG's asset- backed special plan for resettlement housing	-	2,500,000,000.00	95,120,290.41	-	(142,824,582.19)	-	2,452,295,708.22
Medium-term note at first stage in 2020 of Shanghai Construction Group Co., Ltd.	2,039,500,000.00	-	79,000,000.00	-	(79,000,000.00)	-	2,039,500,000.00
Kaiyuan - SCG Real Estate Platinum Building Asset-backed Special Plan	-	1,014,294,758.89	36,217,888.61	-	(43,222,808.61)	-	1,007,289,838.89
	<u>6,204,412,557.32</u>						<u>9,741,901,530.36</u>
Less: Debentures payable to be settled within one year (Note 4(34))	<u>(43,635,903.96)</u>						<u>(190,268,605.28)</u>
	<u>6,160,776,653.36</u>						<u>9,551,632,925.08</u>

Details of the debentures are as follows:

	Par value	Nominal interest rate	Date of issue	Maturity	Issued amount	Default or not
Overseas debentures denominated in USD (a)	USD 600,000,000.00	2.25%	16 June 2020	5 years	USD 600,000,000.00	No
Ping An Securities - SCG's asset-backed special plan for resettlement housing (b)	2,500,000,000.00	3.42%	20 March 2023	6 years	2,640,000,000.00	No
Medium-term note at first stage in 2020 of Shanghai Construction Group Co., Ltd. (c)	2,000,000,000.00	3.95%	7 August 2020	5 years	2,000,000,000.00	No
Kaiyuan - SCG Real Estate Platinum Building Asset-backed Special Plan (d)	1,001,000,000.00	Floating interest rate	11 September 2020	21 years	1,001,000,000.00	No

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4 Notes to the consolidated financial statements (Continued)

(37) Debentures payable

- (a) The Group issued five-year overseas debentures in Hong Kong Stock Exchange (HKEX) in June 2020 amounting to USD 600,000,000.00. The interest of such debentures is calculated by adopting the simple interest method on an annual basis at a fixed annual interest rate of 2.25%. Interest will be paid every 6 months and the principal will be paid on maturity date.
- (b) The Group issued six-year overseas debentures in Shenzhen Stock Exchange in March 2023 amounting to RMB 2,640,000,000.00. The interest of such debentures is calculated by adopting the simple interest method on an annual basis at a fixed annual interest rate of 3.42%. Interest will be paid every year and principal will be paid according to the repayment schedule. As at 31 December 2023, the principal and interest of the Group's debentures payable within one year amounted to RMB 122,295,708.22, and such debentures were presented in the non-current liabilities to be settled within one year.
- (c) The Group issued five-year medium-term notes in National Association of Financial Market Institutional Dealers in August 2020 amounting to RMB 2,000,000,000.00. The interest of such notes is calculated by adopting the simple interest method on an annual basis at a fixed annual interest rate of 3.95%. Interest will be paid every 6 months and the principal will be paid on maturity date. As at 31 December 2023, the interest of the Group's debentures payable within one year amounted to RMB 39,500,000.00, and such debentures were presented in the non-current liabilities to be settled within one year.
- (d) The Group issued twenty-one-year debentures in the Shanghai Stock Exchange in September 2020 amounting to RMB 1,001,000,000.00, including senior tranche Class A with an issue size of RMB 1.00 billion and senior tranche Class B with an issue size of 1 million. The interest of such debentures is calculated by adopting the simple interest method without the fixed annual interest rate. Interest will be paid every year according to the amount during specific repayment periods, which is determined based on the expected return of asset-backed securities on a time proportion basis and relevant taxes after the special scheme is successfully established. As at 31 December 2023, the principal and interest of the Group's debentures payable within one year amounted to RMB 24,289,838.89, and such debentures were presented in the non-current liabilities to be settled within one year.
- (e) As at 31 December 2023, debentures payable of RMB 3,459,585,547.11 were pledged by the Group's inventories with a carrying amount of RMB 281,869,521.96, investment properties of RMB 336,305,996.17 and accounts receivable with a carrying amount of RMB 122,444,217.00.

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4 Notes to the consolidated financial statements (Continued)

(38) Lease liabilities

	31 December 2023	31 December 2022
Lease liabilities	3,366,439,777.75	3,075,542,678.05
Less: Non-current liabilities to be settled within one year (Note 4(34))	(614,774,142.64)	(655,663,805.61)
	<u>2,751,665,635.11</u>	<u>2,419,878,872.44</u>

(a) As at 31 December 2023 and 31 December 2022, future cash outflows to which the Group was potentially exposed that were not included in the lease liabilities comprised the following:

(i) As at 31 December 2023, the future minimum lease payments of short-term leases and low-value asset leases adopting the practical expedient were RMB 87,048,763.92 and RMB 2,671,029.97, respectively, which should be paid within one year.

(39) Long-term payables

	31 December 2023	31 December 2022
Compensation for demolition	113,820,396.01	34,702,095.02
Performance guarantees payable	121,418,603.26	124,570,209.82
Kaiyuan - SCG Real Estate Platinum Building Asset-backed Special Plan (a)	-	1,014,294,758.89
Debt restructuring of Jinrong Asset	-	401,588,888.88
Financial leasing of CMB	-	56,037,744.51
Others	38,719,329.16	33,687,421.93
	<u>273,958,328.43</u>	<u>1,664,881,119.05</u>
Less: Long-term payables to be settled within one year (Note 4(34))	(627,581.86)	(481,373,215.19)
	<u>273,330,746.57</u>	<u>1,183,507,903.86</u>

(a) As at 31 December 2023, the debt balance of Kaiyuan - SCG Real Estate Platinum Building Asset-backed Special Plan was presented in debentures payable.

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4 Notes to the consolidated financial statements (Continued)

(40) Provisions

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Pending litigation	<u>50,934,954.39</u>	<u>75,073,084.03</u>	<u>-</u>	<u>126,008,038.42</u>

As at 31 December 2023, the maximum liability of the financial guarantees provided by the Group to related parties and third parties was RMB 2,465,228,165.35. The above amounts represent the maximum losses that could be caused to the Group as a result of default by related parties and third parties. Based on the financial position of the above related parties and the financial counter-guarantees provided by other related parties, the Group determines that there was no significant credit risk associated with the above financial guarantee contracts, and therefore no financial guarantee contract losses are provided.

(41) Deferred income

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Government grants (a)	135,520,556.45	121,868,982.78	(42,131,733.29)	215,257,805.94
Others	<u>2,750,848.76</u>	<u>-</u>	<u>(433,287.31)</u>	<u>2,317,561.45</u>
	<u>138,271,405.21</u>	<u>121,868,982.78</u>	<u>(42,565,020.60)</u>	<u>217,575,367.39</u>

(a) Government grants

	31 December 2022	Increase in the current year	Decrease in the current year Other income	31 December 2023
Asset related project	73,106,041.57	88,396,359.45	(9,274,698.24)	152,227,702.78
Income related project	<u>62,414,514.88</u>	<u>33,472,623.33</u>	<u>(32,857,035.05)</u>	<u>63,030,103.16</u>
	<u>135,520,556.45</u>	<u>121,868,982.78</u>	<u>(42,131,733.29)</u>	<u>215,257,805.94</u>

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4 Notes to the consolidated financial statements (Continued)

(42) Long-term employee benefits payable

	31 December 2023	31 December 2022
Post-employment benefits - net liabilities of defined benefit plans	216,996,032.00	224,815,164.00
Other long-term benefits	20,801,340.00	24,693,981.00
Less: Payable within one year	(22,556,354.00)	-
	<u>215,241,018.00</u>	<u>249,509,145.00</u>

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4 Notes to the consolidated financial statements (Continued)

(43) Share capital

		Movements in the current year					
	31 December 2022	New shares issued	Share donation	Conversion of reserves into share	Others	Sub-total	31 December 2023
RMB-denominated ordinary shares	8,904,397,728.00	-	-	-	(18,457,984.00)	(18,457,984.00)	8,885,939,744.00

On 9 May 2023, pursuant to the resolutions of the Company's first extraordinary general meeting and the 32nd session of the 8th Board of Directors in 2019, the Company repurchased and wrote off 18,457,984 treasury shares in the special securities account due to the expiration of the three years after the completion of SCG's shares repurchase, which led to the reduction of share capital by RMB 18,457,984.00. The difference between the repurchase price and the written-off share capital was included in the capital surplus of RMB 45,246,784.29 (Note 4(44)(49)).

		Movements in the current year					
	31 December 2021	New shares issued	Share donation	Conversion of reserves into share	Others	Sub-total	31 December 2022
RMB-denominated ordinary shares	8,904,397,728.00	-	-	-	-	-	8,904,397,728.00

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4 Notes to the consolidated financial statements (Continued)

(44) Capital surplus

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Share premium (Note 4(43))	1,527,330,202.31	-	(45,246,784.29)	1,482,083,418.02
Other capital surplus - Transfer of capital surplus recognised under previous “Accounting System for Business Enterprises”	341,194,292.95	-	-	341,194,292.95
Balance of relocation compensation granted by the government for the relocation for the public interest	922,901,701.39	-	-	922,901,701.39
	<u>2,791,426,196.65</u>	<u>-</u>	<u>(45,246,784.29)</u>	<u>2,746,179,412.36</u>
	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Share premium	1,618,140,046.61	-	(90,809,844.30)	1,527,330,202.31
Other capital surplus - Transfer of capital surplus recognised under previous “Accounting System for Business Enterprises”	341,194,292.95	-	-	341,194,292.95
Balance of relocation compensation granted by the government for the relocation for the public interest	922,901,701.39	-	-	922,901,701.39
	<u>2,882,236,040.95</u>	<u>-</u>	<u>(90,809,844.30)</u>	<u>2,791,426,196.65</u>

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4 Notes to the consolidated financial statements (Continued)

(45) Other equity instruments

	Date of issue	Interest rate	Par value
2018 Renewable corporate bonds (Phase II) publicly issued by Shanghai Construction Group Co., Ltd. (a)	October 2016	5.45%	-
Agreement on Renewable Creditor's Right Investment of Perpetual Collective Fund Trust Plan of SITI Shanghai Construction Co., Ltd. (Phase I) (b)	August 2020	5.30%	1,840,000,000.00
Agreement on Renewable Creditor's Right Investment of Perpetual Collective Fund Trust Plan of SITI Shanghai Construction Co., Ltd. (Phase II) (b)	August 2020	5.30%	1,350,000,000.00
Agreement on Renewable Creditor's Right Investment of Perpetual Collective Fund Trust Plan of SITI Shanghai Construction Co., Ltd. (Phase III) (b)	August 2020	5.25%	1,810,000,000.00
Medium-term note at first stage in 2021 of Shanghai Construction Group Co., Ltd. (c)	August 2021	3.50%	2,000,000,000.00
Medium-term note at second stage in 2021 of Shanghai Construction Group Co., Ltd. (c)	November 2021	3.49%	2,000,000,000.00
Medium-term note at first stage in 2023 of Shanghai Construction Group Co., Ltd. (d)	July 2023	4.07%	1,500,000,000.00
			<u>10,500,000,000.00</u>

(a) 2018 Renewable corporate bonds publicly issued by Shanghai Construction Group Co., Ltd.

On 24 October 2016, the Company received a document (ZJXK [2016] No.2388) from the China Securities Regulatory Commission, which allows its public issuance of no more than RMB 5 billion to qualified investors. The Company made such issuance twice in 2018, and the total amount of issue was RMB 1,500,000,000.00. In 2023, the Company decided not to exercise the renewal option upon the expiration of the 5-year issue period and repaid the principal of the bonds of RMB 1,500,000 000.00 on 10 October 2023.

(b) Perpetual Collective Fund Trust Plan of SITI Shanghai Construction Co., Ltd.

The Company issued the perpetual collective fund trust plan with the total issue amount of RMB 5,000,000,000.00 in August 2020, and such plan will be redeemed by the Company in 2025 or the subsequent periods. According to the terms of the issuance, the initial investment term of the perpetual collective fund plan is 5 years. After the initial investment term of each investment fund expires, a continuous investment period will be extended for such investment fund each year. The trust plan actually transferred the investment fund of RMB 1,840,000,000.00, RMB 1,350,000,000.00 and RMB 1,810,000,000.00 to the Company on 14 August 2020, 27 September 2020 and 12 January 2021, respectively.

The above trust plans are continuing for a long term until the actual redemption by the Group in accordance with the terms of issuance and are due when the Group voluntarily redeem them in accordance with the terms of issuance. Unless any event within the control of the Group that triggers the mandatory payment of interest occurs, on each of the distribution payment dates, the Group may elect to defer any distribution including any arrears of distribution and any additional distribution amount which has been deferred to the next distribution payment date. The distribution deferral is not subject to any limit as to the number of times that distribution and arrears of distribution can be deferred. The above trust plans qualify for the recognition of equity instruments and are recognised in shareholders' equity.

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4 Notes to the consolidated financial statements (Continued)

(45) Other equity instruments (Continued)

- (c) In August 2021 and November 2021, the Company issued medium-term notes, which totalled RMB 4,000,000,000.00.

The above medium-term notes are continuing for a long term until the actual redemption by the Group in accordance with the terms of issuance and are due when the Group redeem them in accordance with the terms of issuance. The redemption right of the above medium-term notes is owned by the Group and the investors do not have the resale right. Unless any event within the control of the Group that triggers the mandatory payment of interest occurs, on each of the distribution payment dates, the Group may elect to defer any distribution including any arrears of distribution and any additional distribution amount which has been deferred to the next distribution payment date. The distribution deferral is not subject to any limit as to the number of times that distribution and arrears of distribution can be deferred. The above medium-term notes qualify for the recognition of equity instruments and are recognised in shareholders' equity.

- (d) In July 2023, the Company issued medium-term notes, which totalled RMB 1,500,000,000.00.

The above medium-term notes are continuing for a long term until the actual redemption by the Group in accordance with the terms of issuance and are due when the Group redeem them in accordance with the terms of issuance. The redemption right of the above medium-term notes is owned by the Group and the investors do not have the resale right. Unless any event within the control of the Group that triggers the mandatory payment of interest occurs, on each of the distribution payment dates, the Group may elect to defer any distribution including any arrears of distribution and any additional distribution amount which has been deferred to the next distribution payment date. The distribution deferral is not subject to any limit as to the number of times that distribution and arrears of distribution can be deferred. The above medium-term notes qualify for the recognition of equity instruments and are recognised in shareholders' equity.

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4 Notes to the consolidated financial statements (Continued)

(46) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2023			
	31 December 2022	Attributable to the parent company after tax	31 December 2023	Pre-tax amount	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority interests after tax
Other comprehensive income items which will not be reclassified to profit or loss							
Changes in fair value of investments in other equity instruments	(115,323,890.12)	75,003,080.80	(40,320,809.32)	99,500,181.60	24,886,650.80	75,003,080.80	(389,550.00)
Changes arising from remeasurement of defined benefit plans	(38,318,162.92)	(5,775,424.62)	(44,093,587.54)	(6,179,595.99)	(404,171.37)	(5,775,424.62)	-
Other comprehensive income items which will be reclassified to profit or loss							
Share of other comprehensive income of the investee accounted for using equity method which will be reclassified to profit or loss	1,572,612.94	-	1,572,612.94	-	-	-	-
Differences on translation of foreign currency financial statements	32,540,982.71	(103,805,585.53)	(71,264,602.82)	(80,361,845.14)	-	(103,805,585.53)	23,443,740.39
	<u>(119,528,457.39)</u>	<u>(34,577,929.35)</u>	<u>(154,106,386.74)</u>	<u>12,958,740.47</u>	<u>24,482,479.43</u>	<u>(34,577,929.35)</u>	<u>23,054,190.39</u>
	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2022			
	31 December 2021	Attributable to the parent company after tax	31 December 2022	Pre-tax amount	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority interests after tax
Other comprehensive income items which will not be reclassified to profit or loss							
Changes in fair value of investments in other equity instruments	(151,792,619.95)	36,468,729.83	(115,323,890.12)	48,184,077.49	12,060,797.66	36,468,729.83	(345,450.00)
Changes arising from remeasurement of defined benefit plans	(44,912,852.86)	6,594,689.94	(38,318,162.92)	7,488,774.00	894,084.06	6,594,689.94	-
Other comprehensive income items which will be reclassified to profit or loss							
Share of other comprehensive income of the investee accounted for using equity method which will be reclassified to profit or loss	1,572,612.94	-	1,572,612.94	-	-	-	-
Differences on translation of foreign currency financial statements	71,221,339.60	(38,680,356.89)	32,540,982.71	13,545,698.96	-	(38,680,356.89)	52,226,055.85
	<u>(123,911,520.27)</u>	<u>4,383,062.88</u>	<u>(119,528,457.39)</u>	<u>69,218,550.45</u>	<u>12,954,881.72</u>	<u>4,383,062.88</u>	<u>51,880,605.85</u>

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4 Notes to the consolidated financial statements (Continued)

(47) Surplus reserve

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Statutory surplus reserve	<u>2,427,202,402.86</u>	<u>248,046,088.14</u>	<u>-</u>	<u>2,675,248,491.00</u>
	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Statutory surplus reserve	<u>2,176,200,969.54</u>	<u>251,001,433.32</u>	<u>-</u>	<u>2,427,202,402.86</u>

In accordance with the *Company Law of the People's Republic of China* and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulates to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. According to the resolution of the Board of Directors, in 2023, the Company appropriated 10% of the net profit to the statutory surplus reserve, amounting to RMB 248,046,088.14 (2022: 10% of the net profit, amounting to RMB 251,001,433.32).

(48) Undistributed profits

	2023	2022
Undistributed profits at the beginning of the year	16,004,618,761.18	16,677,709,479.48
Add: Net profit attributable to the shareholders of the parent company in the current year	1,557,863,416.17	1,355,684,964.02
Less: Appropriation to statutory surplus reserve	(248,046,088.14)	(251,001,433.32)
Dividends payable to the Company's shareholders (a)	(444,296,987.20)	(1,288,461,262.88)
Equity attributable to holders of other equity instruments in the current year	<u>(559,449,775.03)</u>	<u>(489,312,986.12)</u>
Undistributed profits at the end of the year	<u>16,310,689,326.98</u>	<u>16,004,618,761.18</u>

- (a) In accordance with the resolution of the general meeting dated 30 June 2023, the Company proposed a cash dividend to the shareholders at RMB 0.05 per share, amounting to RMB 444,296,987.20 calculated by 8,885,939,744 issued shares.

In accordance with the resolution of the Board of Directors dated 22 April 2024, the Company proposed a cash dividend to the shareholders at RMB 0.06 per share, amounting to RMB 533,156,384.64 calculated by 8,885,939,744 issued shares. The resolution is pending for approval of the general meeting (Note 12(2)).

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4 Notes to the consolidated financial statements (Continued)

(49) Treasury stock

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Treasury stock	<u>63,704,768.29</u>	<u>-</u>	<u>(63,704,768.29)</u>	<u>-</u>
	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Treasury stock	<u>63,704,768.29</u>	<u>-</u>	<u>-</u>	<u>63,704,768.29</u>

In accordance with the write-off of treasury stock referred to in Note 4(43)(44), due to the expiration in 2023 of the three years after the completion of the share repurchase, the treasury stock was written off and the amount of RMB 63,704,768.29 was adjusted accordingly.

(50) Special reserve

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Work safety expenses	<u>10,839,668.60</u>	<u>5,669,639,953.44</u>	<u>(5,665,530,875.96)</u>	<u>14,948,746.08</u>
	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Work safety expenses	<u>8,637,748.43</u>	<u>4,494,993,376.05</u>	<u>(4,492,791,455.88)</u>	<u>10,839,668.60</u>

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4 Notes to the consolidated financial statements (Continued)

(51) Revenue and cost of sales

	2023	2022
Revenue from main operations	303,531,097,579.21	284,985,918,626.75
Revenue from other operations	1,096,548,307.12	1,050,696,033.13
	<u>304,627,645,886.33</u>	<u>286,036,614,659.88</u>
	2023	2022
Cost of sales of main operations	276,889,446,203.25	259,367,522,573.23
Cost of sales of other operations	721,288,594.37	800,759,372.67
	<u>277,610,734,797.62</u>	<u>260,168,281,945.90</u>

(a) Details of revenue and cost of sales are as follows:

	2023		2022	
	Revenue	Cost of sales	Revenue	Cost of sales
Building construction	264,965,200,341.82	245,112,642,396.88	246,627,326,778.61	228,462,423,151.65
Sales of goods	19,419,730,026.34	16,663,516,878.66	15,706,102,981.26	13,319,124,684.41
Real estate development	8,332,096,714.56	8,246,358,776.63	13,321,842,282.48	12,545,561,968.13
Design consulting	5,858,037,718.42	4,481,862,554.76	5,312,908,096.31	3,596,568,311.25
Urban construction investment	1,722,121,117.29	172,166,789.41	1,707,701,230.92	255,982,322.56
Rental income	400,803,182.27	246,323,965.16	438,208,355.71	351,798,864.55
Revenue from rendering of services	3,929,656,785.63	2,687,863,436.12	2,922,524,934.59	1,636,822,643.35
	<u>304,627,645,886.33</u>	<u>277,610,734,797.62</u>	<u>286,036,614,659.88</u>	<u>260,168,281,945.90</u>

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4 Notes to the consolidated financial statements (Continued)

(51) Revenue and cost of sales (Continued)

(b) The Group's revenue is disaggregated as follows by the reporting segment and the time of transfer of products and services (Note 8):

2023								
	Building, contracting, design and construction	Building industry	Real estate development	Complete equipment and other merchandise trade	Investment and construction of urban infrastructure	Engineering project management consultation and labour dispatching as well as other businesses	Gold sales business	Total
Revenue from main operations	270,823,238,060.24	16,757,550,328.37	8,332,096,714.56	1,701,254,776.24	1,722,121,117.29	3,233,911,660.78	960,924,921.73	303,531,097,579.21
Including: Recognised at a point in time	-	16,757,550,328.37	8,332,096,714.56	1,701,254,776.24	-	-	960,924,921.73	27,751,826,740.90
Recognised over a period of time	270,823,238,060.24	-	-	-	1,722,121,117.29	3,233,911,660.78	-	275,779,270,838.31
Revenue from other operations	43,202,596.90	5,931,462.69	110,642,426.04	-	838,472.58	935,933,348.91	-	1,096,548,307.12
	<u>270,866,440,657.14</u>	<u>16,763,481,791.06</u>	<u>8,442,739,140.60</u>	<u>1,701,254,776.24</u>	<u>1,722,959,589.87</u>	<u>4,169,845,009.69</u>	<u>960,924,921.73</u>	<u>304,627,645,886.33</u>
2022								
	Building, contracting, design and construction	Building industry	Real estate development	Complete equipment and other merchandise trade	Investment and construction of urban infrastructure	Engineering project management consultation and labour dispatching as well as other businesses	Gold sales business	Total
Revenue from main operations	251,940,234,874.92	13,515,984,714.33	13,321,842,282.48	1,124,414,205.78	1,707,701,230.92	2,310,037,257.17	1,065,704,061.15	284,985,918,626.75
Including: Recognised at a point in time	-	13,515,984,714.33	13,321,842,282.48	1,124,414,205.78	-	-	1,065,704,061.15	29,027,945,263.74
Recognised over a period of time	251,940,234,874.92	-	-	-	1,707,701,230.92	2,310,037,257.17	-	255,957,973,363.01
Revenue from other operations	33,276,400.08	18,546,500.78	140,400,500.52	-	5,512,000.08	852,960,631.67	-	1,050,696,033.13
	<u>251,973,511,275.00</u>	<u>13,534,531,215.11</u>	<u>13,462,242,783.00</u>	<u>1,124,414,205.78</u>	<u>1,713,213,231.00</u>	<u>3,162,997,888.84</u>	<u>1,065,704,061.15</u>	<u>286,036,614,659.88</u>

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4 Notes to the consolidated financial statements (Continued)

(52) Taxes and surcharges

	2023	2022
City maintenance and construction tax	290,895,674.68	273,901,137.69
Educational surcharge	225,332,586.06	212,894,829.55
Stamp tax	180,186,769.46	175,928,444.00
Property and land value increment tax	102,742,853.84	410,791,817.34
Resource tax	56,113,337.32	59,084,302.78
Others	62,335,754.30	64,597,903.86
	<u>917,606,975.66</u>	<u>1,197,198,435.22</u>

(53) Selling and distribution expenses

	2023	2022
Employee benefits and welfare	329,866,859.90	311,566,142.49
Commission agency fee	231,251,239.35	294,230,218.82
Advertising and promotion expenses	62,551,113.58	54,730,255.78
Office expenses	44,954,555.43	33,710,547.78
Business transportation costs	9,513,804.05	5,673,773.57
Depreciation and amortisation	7,440,230.31	4,590,202.65
Others	81,860,364.90	87,169,896.68
	<u>767,438,167.52</u>	<u>791,671,037.77</u>

SHANGHAI CONSTRUCTION GROUP CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS
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[English translation for reference only]**4 Notes to the consolidated financial statements (Continued)****(54) General and administrative expenses**

	2023	2022
Employee benefits and welfare	5,679,806,574.30	5,290,581,893.22
Depreciation and amortisation	706,993,162.76	606,061,528.92
Office expenses	413,714,480.88	352,208,812.00
Business transportation costs	92,298,759.65	56,115,350.46
Insurance premiums	54,812,379.07	42,801,472.25
Entertainment expenses	39,955,675.01	34,084,893.53
Repair charge	19,616,010.63	17,966,321.24
Others	794,325,275.42	640,252,217.53
	<u>7,801,522,317.72</u>	<u>7,040,072,489.15</u>

(55) Research and development expenses

	2023	2022
Direct expenses on materials	4,332,816,610.39	4,061,704,988.65
Personal expenses	1,687,836,808.33	1,691,540,849.84
Maintenance and renovation expenses	351,770,591.70	199,098,026.43
Depreciation expenses	101,026,534.78	45,041,690.20
Rental expenses	95,541,644.11	42,276,261.36
Amortisation of intangible assets	12,257,386.45	5,353,731.49
Others	4,233,845,647.24	4,139,847,561.05
	<u>10,815,095,223.00</u>	<u>10,184,863,109.02</u>

In 2023, the Group's expenditure on research and development activities was research and development expenses, and there was no development expenditure eligible for capitalisation (2022: Nil).

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4 Notes to the consolidated financial statements (Continued)

(56) Financial expenses

	2023	2022
Interest costs on borrowings (i)	3,579,744,214.06	4,051,758,676.61
Add: Interest costs on lease liabilities	134,861,769.34	114,436,889.74
Less: Amounts capitalised on qualifying assets	(557,379,292.70)	(700,056,827.78)
Sub-total	3,157,226,690.70	3,466,138,738.57
Less: Interest income	(946,380,133.76)	(790,675,903.43)
Exchange gains or losses	(54,386,252.52)	(110,058,521.20)
Others	238,855,945.31	159,923,221.72
	<u>2,395,316,249.73</u>	<u>2,725,327,535.66</u>

- (i) The Group recognised the cash obtained from the discount of notes receivable that did not satisfy the derecognition criteria as short-term borrowings (Note 4(27)) and the interests thereon was calculated based on the effective interest rate method and included as borrowing interest expenses.

(57) Expenses by nature

The cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are listed as follows by nature:

	2023	2022
Changes in inventories of finished goods and work in progress	7,425,762,734.20	10,079,770,789.92
Consumed raw materials and low value consumables, etc.	88,991,522,721.49	76,935,530,195.20
Labour and subcontracting costs	168,052,027,144.16	159,076,414,811.79
Indirect construction costs	2,958,950,957.38	2,721,519,905.69
Depreciation and amortisation expenses	3,719,935,920.36	3,356,757,848.70
Rental	1,111,691,761.11	761,641,783.09
Others	24,734,899,267.16	25,253,253,247.45
	<u>296,994,790,505.86</u>	<u>278,184,888,581.84</u>

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4 Notes to the consolidated financial statements (Continued)

(58) Asset impairment losses

	2023	2022
Losses on decline in the value of inventories	287,347,306.73	424,922,810.22
Impairment of contract assets	231,890,927.94	369,166,725.24
Impairment of goodwill	24,829,763.77	43,684,329.14
Impairment of intangible assets	10,167,740.00	-
	<u>554,235,738.44</u>	<u>837,773,864.60</u>

(59) Credit impairment losses

	2023	2022
Losses on bad debts of accounts receivable	1,403,352,518.08	1,784,230,690.51
Losses on bad debts of long-term receivables	26,661,042.23	111,174,568.38
Reversal of bad debts of notes receivable	(57,317,805.90)	(297,347,716.51)
(Reversal of)/Losses on bad debts of other receivables	(38,635,173.21)	12,565,722.61
	<u>1,334,060,581.20</u>	<u>1,610,623,264.99</u>

(60) Other income

	2023	2022
Government grants	661,021,910.18	147,985,610.73
- Asset related	9,274,698.24	-
- Income related	651,747,211.94	147,985,610.73
Additional deduction of input VAT	29,449,907.55	8,131,120.43
Refund of service fee for withholding IIT	12,767,663.12	17,424,231.14
VAT reduction and exemption	912,905.33	14,139.45
	<u>704,152,386.18</u>	<u>173,555,101.75</u>

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4 Notes to the consolidated financial statements (Continued)

(61) Investment income

	2023	2022
Investment income earned during the holding period of other non-current financial assets	101,690,025.12	47,910,077.93
Investment income/(losses) from long-term equity investments under equity method	80,978,444.34	(17,975,122.90)
Investment income earned during the holding period of financial assets held for trading	25,565,589.85	38,290,635.22
Interest income earned during the holding period of debt investments	5,747,996.91	6,031,428.71
Investment income from disposals of long-term equity investments	2,577,063.58	896,577,541.42
Dividend income earned during the holding period of investments in other equity instruments	2,450,757.72	9,447,953.22
Losses on discount of financing receivables qualifying for derecognition (Note 4(5))	(21,470,125.12)	-
Losses on discount and factoring of receivables measured at amortised cost	(18,766,235.58)	-
Investment income on disposals of other non-current financial assets	-	51,650,976.24
Investment losses from disposals of financial assets held for trading	-	(737,829.54)
Others	7,626,502.69	(1,254,638.20)
	<u>186,400,019.51</u>	<u>1,029,941,022.10</u>

(62) Gains or losses on changes in fair value

	2023	2022
Losses from changes in fair value of other non-current financial assets	116,885,936.50	284,812,654.16
Losses from changes in fair value of financial assets held for trading	139,155,748.16	592,137,272.12
	<u>256,041,684.66</u>	<u>876,949,926.28</u>

(63) Gains on disposals of assets

	2023	2022	Amount recognised in non-recurring profit or loss in 2023
Gains on disposals of fixed assets	8,365,941.00	21,650,916.39	8,365,941.00
Disposals of right-of-use assets	5,306,191.04	1,920,864.27	5,306,191.04
Losses on disposals of intangible assets	1,093,044.63	268,394.03	1,093,044.63
	<u>14,765,176.67</u>	<u>23,840,174.69</u>	<u>14,765,176.67</u>

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4 Notes to the consolidated financial statements (Continued)

(64) Non-operating income

	2023	2022	Amount recognised in non- recurring profit or loss in 2023
Revenue from liquidated damages and fines	22,594,805.77	30,365,215.58	22,594,805.77
Government grants	-	469,368,799.59	-
Others	31,262,393.95	43,548,032.29	31,262,393.95
	<u>53,857,199.72</u>	<u>543,282,047.46</u>	<u>53,857,199.72</u>

(a) Details of government grants

	2023	2022
Asset related	-	2,816,255.44
Income related	-	466,552,544.15
	<u>-</u>	<u>469,368,799.59</u>

(65) Non-operating expenses

	2023	2022	Amount recognised in non- recurring profit or loss in 2023
Expenses on fines and overdue fines	54,242,749.21	30,493,114.31	54,242,749.21
Compensation expenses	109,996,456.83	57,037,984.00	109,996,456.83
Others	16,382,350.83	15,869,378.20	16,382,350.83
	<u>180,621,556.87</u>	<u>103,400,476.51</u>	<u>180,621,556.87</u>

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4 Notes to the consolidated financial statements (Continued)

(66) Income tax expenses

	2023	2022
Current income tax calculated based on tax law and related regulations	1,653,495,546.05	1,376,939,295.53
Current income tax filing difference	29,382,999.61	(221,909,786.58)
Deferred income tax	(386,748,142.05)	(563,994,160.25)
	<u>1,296,130,403.61</u>	<u>591,035,348.70</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is set out as below:

	2023	2022
Total profit	<u>2,954,147,375.99</u>	<u>2,271,070,920.78</u>
Income tax calculated at applicable tax rates	744,002,802.27	567,767,730.20
Effect of different tax rates applicable to subsidiaries	(328,441,026.90)	(296,934,868.96)
Derecognition of expired prepaid income tax	204,793,509.00	-
Effect of adjustment to income tax for prior periods	29,382,999.61	(221,909,786.58)
Interest on perpetual debts	(122,328,246.53)	(112,486,002.09)
Income not subject to tax	(54,558,603.71)	(27,193,699.59)
Costs, expenses and losses not deductible for tax purposes	88,432,238.66	24,862,333.51
Impact of changes in tax rate on the balance of deferred income tax at the beginning of the period	4,446,209.51	7,181,633.21
Utilisation of previously unrecognised deductible temporary differences and deductible losses	(85,372,534.92)	(89,722,643.31)
Deductible temporary differences and deductible losses for which no deferred tax asset was recognised	1,124,952,064.61	1,115,913,507.13
Additional deduction of research and development expenses and others	(225,045,862.44)	(253,408,392.86)
Partnership's income tax expenses assumed by the shareholder	(84,133,145.55)	(123,034,461.96)
Income tax expenses	<u>1,296,130,403.61</u>	<u>591,035,348.70</u>

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4 Notes to the consolidated financial statements (Continued)

(67) Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the consolidated net profit attributable to ordinary shareholders of the parent company by weighted average number of outstanding ordinary shares of the parent company:

	2023	2022
Consolidated net profit attributable to shareholders of the parent company	1,557,863,416.17	1,355,684,964.02
Less: Equity attributable to holders of other equity instruments	(499,836,483.37)	(489,312,986.12)
Consolidated net profit attributable to ordinary shareholders of the parent company	1,058,026,932.80	866,371,977.90
Weighted average number of outstanding ordinary shares of the Company	8,885,939,744.00	8,885,939,744.00
Basic earnings per share	0.12	0.10
Including:		
- Basic earnings per share from continuing operations:	0.12	0.10
- Basic earnings per share for discontinued operations:	-	-

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. There were no dilutive potential ordinary shares in the Company in 2023 (2022: Nil). Therefore, diluted earnings per share equalled basic earnings per share.

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4 Notes to the consolidated financial statements (Continued)

(68) Notes to the cash flow statement

There are no situations where the Group presents cash flows on a net basis and significant cash flow items are set out below:

(a) Cash received relating to other operating activities

	2023	2022
Receipt of guarantees	4,231,044,159.74	1,770,447,552.51
Receipt of current accounts with all parties	2,103,506,361.13	5,244,243,997.79
Receipt of principal of construction funds of BT and PPP projects of the owner	1,350,024,798.26	1,808,998,954.82
Receipt of government grants	694,710,640.16	652,929,338.17
Others	1,488,659,353.78	1,432,580,180.91
	<u>9,867,945,313.07</u>	<u>10,909,200,024.20</u>

(b) Cash paid relating to other operating activities

	2023	2022
Payment of operating expenses	9,078,866,709.02	9,598,163,958.10
Payment of deposits and guarantees	3,130,353,925.37	2,022,500,496.02
Payment of current accounts with all parties	587,810,778.98	4,705,503,316.61
Payment of funds of BT and PPP projects	167,006,321.35	3,382,186,259.34
Others	1,766,642,307.89	2,284,070,561.78
	<u>14,730,680,042.61</u>	<u>21,992,424,591.85</u>

(c) Cash received from disposals of investments

	2023	2022
Proceeds from disposals of other non-current financial assets	478,922,985.00	1,344,611,266.49
Proceeds from disposals of investments in other equity instruments	14,619,883.04	32,163,742.69
Recovery of financial assets held for trading	-	43,726,683.58
Recovery of associates	-	64,010,100.00
Recovery of structured deposits	-	14,953,681.59
	<u>493,542,868.04</u>	<u>1,499,465,474.35</u>

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4 Notes to the consolidated financial statements (Continued)

(68) Notes to the cash flow statement

(d) Cash paid to acquire investments

	2023	2022
Capital increase to joint ventures and associates	1,230,725,455.30	2,464,573,200.00
Cash paid to purchase financial instruments	616,556,351.34	782,698,149.63
	<u>1,847,281,806.64</u>	<u>3,247,271,349.63</u>

(e) Cash received relating to other investing activities

	2023	2022
Recovery of held-to-maturity fixed deposits	2,760,806,250.14	3,790,998,665.63
Receipt of compensations for demolition and relocation	408,009,208.42	24,820,078.74
Repayment of borrowings from associates	871,140,000.60	-
Receipt of interest income	279,848,220.87	811,016,268.62
Others	240,620.78	1,302,650.68
	<u>4,320,044,300.81</u>	<u>4,628,137,663.67</u>

(f) Cash paid relating to other investing activities

	2023	2022
Principal of fixed deposits to be held to maturity	4,191,673,087.21	3,227,732,907.05
Borrowings provided to associates	868,397,251.93	-
Payment of expenses related to land relocation	350,060,213.78	355,210.38
	<u>5,410,130,552.92</u>	<u>3,228,088,117.43</u>

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4 Notes to the consolidated financial statements (Continued)

(68) Notes to the cash flow statement (Continued)

(g) Cash received relating to other financing activities

	2023	2022
Receipt of related party borrowings	2,044,967,694.88	-
Receipt of trust guarantee funds	51,560,000.00	-
	<u>2,096,527,694.88</u>	<u>-</u>

(h) Cash paid relating to other financing activities

	2023	2022
Payment of financing, repayment of related party borrowings, creditor's right transfer and factoring	3,143,509,263.89	392,676,666.90
Payment of lease liabilities	779,698,116.37	767,793,998.35
Payment of relevant expenses on issuance of debentures	24,333,962.26	20,010,337.58
Payment of capital reduction to minority shareholders of subsidiaries	-	59,998,541.54
Cost paid for acquisition of minority interests	-	111,814,800.00
	<u>3,947,541,342.52</u>	<u>1,352,294,344.37</u>

In 2023, total cash outflows for leases paid by the Group amounted to RMB 1,891,389,877.48 which is classified as cash paid relating to financing activities for repayments of lease liabilities and operating activities for the remainder.

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4 Notes to the consolidated financial statements (Continued)

(69) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	2023	2022
Net profit	1,658,016,972.38	1,680,035,572.08
Add/Less: Asset impairment losses	554,235,738.44	837,773,864.60
Credit impairment losses	1,334,060,581.20	1,610,623,264.99
Depreciation of fixed assets and investment properties	2,505,491,445.46	2,312,046,073.77
Depreciation of right-of-use assets	754,572,068.44	746,734,941.13
Amortisation of intangible assets	336,733,843.08	193,858,387.23
Amortisation of long-term prepaid expenses	123,138,563.38	104,118,446.57
Gains on disposals of fixed assets, intangible assets and other long-term assets	(14,765,176.67)	(23,840,174.69)
Losses on scrapping of fixed assets	2,405,390.06	2,948,305.47
Losses on changes in fair value	256,041,684.66	876,949,926.28
Financial expenses	2,938,610,554.29	2,620,206,978.14
Investment income	(186,400,019.51)	(1,029,941,022.10)
Increase in deferred tax assets	(338,595,697.16)	(387,478,114.64)
Decrease in deferred tax liabilities	(22,924,970.60)	(176,516,045.61)
Decrease in inventories	4,763,971,211.70	5,533,580,783.59
Increase in operating receivables	(7,286,634,043.75)	(13,305,954,431.93)
Increase in operating payables	13,603,298,103.51	7,362,357,387.70
Net cash flows from operating activities	<u>20,981,256,248.91</u>	<u>8,957,504,142.58</u>

As at 31 December 2023, the carrying amount of the relevant assets derecognised by the Group was RMB 109,734,533,093.18 due to the settlement of accounts payable with contract assets and other non-current assets. In addition, other significant operating, investing and financing activities that do not involve cash receipts and payments are as follows:

	2023	2022
Purchase of inventories by bank acceptance notes	2,081,184,966.37	3,562,220,566.99
Increase in right-of-use assets in the current period	1,390,551,168.78	1,253,735,103.38
Recovery of investments in fixed assets	428,445,700.00	-
	<u>3,900,181,835.15</u>	<u>4,815,955,670.37</u>

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4 Notes to the consolidated financial statements (Continued)

(69) Supplementary information to the cash flow statement (Continued)

(a) Supplementary information to the cash flow statement (Continued)

Net increase/(decrease) in cash and cash equivalents

	2023	2022
Cash at the end of the year	90,399,522,130.55	80,884,964,281.28
Less: Cash at the beginning of the year	(80,884,964,281.28)	(77,095,477,715.85)
Net increase in cash and cash equivalents	<u>9,514,557,849.27</u>	<u>3,789,486,565.43</u>

(b) Disposals of subsidiaries

	2023	2022
Cash and cash equivalents received in the current year from disposals of subsidiaries in the current year	1,752,384,827.12	1,047,690,168.48
Including: Shanghai Construction Jialong Real Estate Co., Ltd.	-	310,421,121.77
Shanghai Jiading Hi-Tech Park Construction Co., Ltd.	-	285,694,690.63
Shanghai Dahao Real Estate Co., Ltd.	-	451,574,356.08
Tianjin Jinyue Real Estate Development Company Limited	1,028,256,896.31	-
Jiangxi Jianhao Real Estate Co., Ltd.	724,127,930.81	-
Less: cash and cash equivalents held by subsidiaries on date of losing control	(50,349,715.07)	(87,347,281.29)
Net proceeds from disposals of subsidiaries	<u>1,702,035,112.05</u>	<u>960,342,887.19</u>

In 2023, the amount received from disposals of subsidiaries was RMB 1,752,384,827.12. The net assets of subsidiaries were RMB 1,749,807,763.54 and gains on disposals were RMB 2,577,063.58.

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4 Notes to the consolidated financial statements (Continued)

(69) Supplementary information to the cash flow statement (Continued)

(c) Movements of liabilities arising from financing activities

	Bank borrowings (including the portion to be settled within one year)	Debentures payable (including the portion to be settled within one year)	Lease liabilities (including the portion to be settled within one year)	Total
31 December 2022	77,103,740,531.73	6,204,412,557.32	3,075,542,678.05	86,383,695,767.10
Cash received from financing activities	17,706,410,629.28	2,500,000,000.00	-	20,206,410,629.28
Cash paid for financing activities	(26,570,971,072.65)	(421,867,340.80)	(779,698,116.37)	(27,772,536,529.82)
Interest accrued in the current year	3,174,740,190.56	405,004,023.50	134,861,769.34	3,714,605,983.40
Changes that do not involve cash receipts and payments	894,700,434.42	1,054,352,290.34	935,733,446.73	2,884,786,171.49
31 December 2023	<u>72,308,620,713.34</u>	<u>9,741,901,530.36</u>	<u>3,366,439,777.75</u>	<u>85,416,962,021.45</u>

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4 Notes to the consolidated financial statements (Continued)

(69) Supplementary information to the cash flow statement (Continued)

(d) Cash and cash equivalents

	31 December 2023	31 December 2022
Cash	90,399,522,130.55	80,884,964,281.28
Including: Cash on hand	3,148,933.35	6,726,999.03
Cash at bank that can be readily drawn on demand	90,296,629,491.88	80,817,391,091.56
Other cash balances that can be readily drawn on demand	99,743,705.32	60,846,190.69
Cash and cash equivalents at the end of the year	<u>90,399,522,130.55</u>	<u>80,884,964,281.28</u>

(70) Monetary items denominated in foreign currencies

	31 December 2023		
	Balance in foreign currencies	Translated exchange rate	Balance in RMB
Cash at bank and on hand -			
USD	232,354,256.25	7.0827	1,645,695,490.74
TTD	154,769,091.91	1.0460	161,888,470.14
MOP	29,423,288.47	0.8792	25,868,955.22
JPY	441,351,474.94	0.0502	22,155,844.04
HKD	19,460,285.78	0.9087	17,683,561.69
MYR	7,449,818.85	1.5452	11,511,460.09
KZT	709,188,353.85	0.0156	11,063,338.32
EUR	1,183,598.97	7.8592	9,302,141.03
CAD	1,715,787.00	5.3673	9,209,143.57
ERN	17,221,767.50	0.4722	8,132,118.61
SGD	1,166,476.35	5.3771	6,272,259.98
Others			3,530,606.31
			<u>1,932,313,389.74</u>

	31 December 2023		
	Balance in foreign currencies	Translated exchange rate	Balance in RMB
Accounts receivable -			
USD	49,198,449.92	7.0827	348,457,861.25
CAD	12,008,020.00	5.3673	64,450,645.75
MOP	61,314,329.41	0.8792	53,907,558.42
HKD	40,741,619.13	0.9087	37,021,909.30
TTD	33,904,253.77	1.0460	35,463,849.44
			<u>539,301,824.16</u>

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4 Notes to the consolidated financial statements (Continued)

(70) Monetary items denominated in foreign currencies (Continued)

	31 December 2023		
	Balance in foreign currencies	Translated exchange rate	Balance in RMB
Other receivables -			
USD	56,482,934.78	7.0827	400,051,682.17
HKD	122,091,357.18	0.9087	110,944,416.27
KZT	5,565,135,290.38	0.0156	86,816,110.53
CAD	2,831,233.00	5.3673	15,196,076.88
Others			2,583,066.71
			<u>615,591,352.56</u>
Other payables -			
USD	379,219,676.10	7.0827	2,685,899,199.91
CAD	41,205,647.00	5.3673	221,163,069.14
TTD	289,802,729.04	1.0460	303,133,654.58
HKD	312,883,974.16	0.9087	284,317,667.32
MOP	72,351,708.85	0.8792	63,611,622.42
Others			522,592.00
			<u>3,558,647,805.37</u>
Long-term borrowings -			
USD	234,669,104.32	7.0827	<u>1,662,090,865.17</u>
Debentures payable -			
USD	600,000,000.00	7.0827	<u>4,249,620,000.00</u>
Accounts payable -			
MOP	476,984,289.59	0.8792	419,364,587.41
USD	16,820,449.12	7.0827	119,134,194.98
CAD	13,082,757.00	5.3673	70,219,081.65
HKD	43,252,701.62	0.9087	39,303,729.96
UZS	14,759,558,857.76	0.0006	8,855,735.31
Others			2,565,345.96
			<u>659,442,675.27</u>
Short-term borrowings -			
USD	180,000,000.00	7.0827	<u>1,274,886,000.00</u>
Non-current liabilities to be settled within one year -			
USD	370,137,354.39	7.0827	<u>2,621,571,839.94</u>

Foreign currencies in which the above monetary items are denominated refer to all currencies other than RMB (the scope of which is different from items denominated in foreign currencies in Note 14(1)(a)).

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5 Changes in the scope of consolidation

(1) Disposals of subsidiaries

(a) Information relating to disposals of subsidiaries in the current year is summarised as follows:

Name of subsidiaries	Disposal price	Disposal ratio	Method of disposal	Timing of losing control	Basis for judgement of timing of losing control	Difference between the disposal price and the share in net assets of the subsidiary in consolidated financial statements corresponding to the investment disposed
Tianjin Jinyue Real Estate Development Company Limited	1,028,256,896.31	100.00%	Equity transfer	December 2023	Change of control actually completed	1,622,650.71
Jiangxi Jianhao Real Estate Co., Ltd.	724,127,930.81	100.00%	Equity transfer	December 2023	Change of control actually completed	954,412.87
Total	<u>1,752,384,827.12</u>					<u>2,577,063.58</u>

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5 Changes in the scope of consolidation (Continued)

(1) Disposals of subsidiaries (Continued)

(b) The information of gains or losses on disposals is as follows:

(i) Jiangxi Jianhao Real Estate Co., Ltd.

The calculation of gains or losses on disposals is as follows:

	Amount
Consideration received from the disposal	724,127,930.81
Less: Share of net assets of Jiangxi Jianhao Real Estate Co., Ltd. in the consolidated financial statements	(723,173,517.94)
Investment income from the disposal	<u>954,412.87</u>

(ii) Tianjin Jinyue Real Estate Development Company Limited

The calculation of gains or losses on disposals is as follows:

	Amount
Consideration received from the disposal	1,028,256,896.31
Less: Share of net assets of Tianjin Jinyue Real Estate Development Company Limited in the consolidated financial statements	(1,026,634,245.60)
Investment income from the disposal	<u>1,622,650.71</u>

(2) There were no changes in the scope of consolidation of secondary subsidiaries in the current year. Please refer to Note 6(1)(a) for the secondary subsidiaries within the scope of consolidation. The Company has numerous subsidiaries at the third level and below, which are not listed here.

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6 Equity in other entities

(1) Equity in subsidiaries

(a) Structure of the enterprise group

Only the Company's secondary subsidiaries are listed here. The Company has numerous subsidiaries at all levels, not all of which are listed.

Name of subsidiaries	Principal place of business	Place of incorporation	Registered capital	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
Shanghai Construction No.1 (Group) Co., Ltd.	Shanghai	Shanghai	RMB 1,000,000,000.00	Building construction	100%	-	Business combinations under common control
Shanghai Construction No.2 (Group) Co., Ltd.	Shanghai	Shanghai	RMB 1,000,000,000.00	Building construction	100%	-	Business combinations under common control
Shanghai Construction No.4 (Group) Co., Ltd.	Shanghai	Shanghai	RMB 1,000,000,000.00	Building construction	100%	-	Business combinations under common control
Shanghai Construction No.5 (Group) Co., Ltd.	Shanghai	Shanghai	RMB 1,000,000,000.00	Building construction	100%	-	Business combinations under common control
Shanghai Construction No.7 (Group) Co., Ltd.	Shanghai	Shanghai	RMB 1,000,000,000.00	Building construction	100%	-	Business combinations under common control
Shanghai Building Decoration Engineering Group Co., Ltd.	Shanghai	Shanghai	RMB 800,000,000.00	Building construction	100%	-	Business combinations under common control
Shanghai Construction Design and Research General Institute Co., Ltd.	Shanghai	Shanghai	RMB 150,000,000.00	Building design	100%	-	Business combinations under common control
Shanghai Construction Real Estate Co., Ltd.	Shanghai	Shanghai	RMB 3,900,000,000.00	Real estate development	100%	-	Business combinations under common control
Shanghai Construction Jinshan Construction Development Co., Ltd.	Shanghai	Shanghai	RMB 200,000,000.00	Real estate development	-	70%	Establishment
Shanghai Yueheng Construction Development Co., Ltd.	Shanghai	Shanghai	RMB 140,000,000.00	Real estate development	50%	50%	Establishment
Shanghai Construction Building Materials Technology Group Co., Ltd.	Shanghai	Shanghai	RMB 300,000,000.00	Building industry	97%	3%	Business combinations under common control
Shanghai Huadong Construction Machinery Factory Co., Ltd.	Shanghai	Shanghai	RMB 200,000,000.00	Production and sales of building construction machinery	100%	-	Business combinations under common control
Shanghai Installation Engineering Group Co., Ltd.	Shanghai	Shanghai	RMB 500,000,000.00	Building construction	100%	-	Business combinations under common control
Shanghai SINKO Air Conditioning Equipment Co., Ltd.	Shanghai	Shanghai	RMB 355,000,000.00	Production and sales of air conditioning equipment	50%	-	Business combinations not under common control
Shanghai Foundation Engineering Group Co., Ltd.	Shanghai	Shanghai	RMB 800,000,000.00	Building construction	100%	-	Business combinations under common control
Shanghai Mechanised Construction Group Co., Ltd.	Shanghai	Shanghai	RMB 800,000,000.00	Building construction	100%	-	Business combinations under common control
Shanghai Gardens (Group) Co., Ltd.	Shanghai	Shanghai	RMB 500,000,000.00	Building construction	100%	-	Business combinations under common control
SCG Dalian Construction Engineering Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	RMB 6,000,000.00	Investment and construction of urban infrastructure	100%	-	Establishment

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6 Equity in other entities (Continued)

(1) Equity in subsidiaries (Continued)

(a) Structure of the enterprise group (Continued)

Name of subsidiaries	Principal place of business	Place of incorporation	Registered capital	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
SCG Changzhou Wujin Viaduct Construction Co., Ltd.	Changzhou, Jiangsu	Changzhou, Jiangsu	RMB 400,000,000.00	Investment and construction of urban infrastructure	100%	-	Establishment
Shanghai Municipal Engineering Design Institute (Group) Co., Ltd.	Shanghai	Shanghai	RMB 1,500,000,000.00	Building design	100%	-	Business combinations under common control
SCG (Zhejiang) Water Conservancy and Hydropower Construction Co., Ltd.	Shaoxing, Zhejiang	Shaoxing, Zhejiang	RMB 230,000,000.00	Building construction	100%	-	Business combinations not under common control
Shaoxing Tongdasheng Water Technology Co., Ltd.	Shaoxing, Zhejiang	Shaoxing, Zhejiang	RMB 28,000,000.00	Building construction	100%	-	Establishment
China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	Shanghai	Shanghai	RMB 300,000,000.00	Domestic and overseas project contracting, import and export agency business	100%	-	Business combinations under common control
SCG America Group Inc.	Delaware, USA	Delaware, USA	RMB 119,000,000.00	Building construction	100%	-	Establishment
SCG Kunshan Middle-ring Road Construction Co., Ltd.	Kunshan, Jiangsu	Kunshan, Jiangsu	RMB 3,450,000,000.00	Investment and construction of urban infrastructure	70%	30%	Establishment
SCG Jiangxi Jiulonghu Municipal Engineering Design Co., Ltd.	Nanchang, Jiangxi	Nanchang, Jiangxi	RMB 70,000,000.00	Investment and construction of urban infrastructure	60%	40%	Establishment
Zhuhai Shenhai Construction Engineering Co., Ltd.	Zhuhai, Guangdong	Zhuhai, Guangdong	RMB 6,000,000.00	Building construction	100%	-	Establishment
SCG Taizhou Tianxu Line Construction Co., Ltd.	Taizhou, Jiangsu	Taizhou, Jiangsu	RMB 10,000,000.00	Investment and construction of urban infrastructure	60%	40%	Establishment
SCG Changzhou Wujin Jinwu Road Construction Co., Ltd.	Changzhou, Jiangsu	Changzhou, Jiangsu	RMB 180,000,000.00	Investment and construction of urban infrastructure	70%	30%	Establishment
Shanghai International Tourism Resort Engineering Construction Co., Ltd.	Shanghai	Shanghai	RMB 50,000,000.00	Building construction	100%	-	Business combinations under common control
Shanghai Municipal Engineering Design Institute (Group) Co., Ltd.	Shanghai	Shanghai	RMB 1,500,000,000.00	Building design	100%	-	Business combinations under common control
SCG (Zhejiang) Water Conservancy and Hydropower Construction Co., Ltd.	Shaoxing, Zhejiang	Shaoxing, Zhejiang	RMB 230,000,000.00	Building construction	100%	-	Business combinations not under common control
SCG Nanchang Qianhu Construction Co., Ltd.	Nanchang, Jiangxi	Nanchang, Jiangxi	RMB 673,000,000.00	Investment and construction of urban infrastructure	60%	40%	Establishment
SCG Yibin Daxikou Construction Co., Ltd.	Yibin, Sichuan	Yibin, Sichuan	RMB 10,000,000.00	Investment and construction of urban infrastructure	60%	40%	Establishment

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6 Equity in other entities (Continued)

(1) Equity in subsidiaries (Continued)

(a) Structure of the enterprise group (Continued)

Name of subsidiaries	Principal place of business	Place of incorporation	Registered capital	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
SCG Chengdu Construction Engineering Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	RMB 140,000,000.00	Investment and construction of urban infrastructure	70%	30%	Establishment
SCG Wenzhou Oujiangkou Construction Co., Ltd.	Wenzhou, Zhejiang	Wenzhou, Zhejiang	RMB 2,560,000,000.00	Investment and construction of urban infrastructure	100%	-	Establishment
SCG Wenzhou Qidu Bridge Construction Co., Ltd.	Wenzhou, Zhejiang	Wenzhou, Zhejiang	RMB 500,000,000.00	Investment and construction of urban infrastructure	100%	-	Establishment
SCG Investment Co., Ltd.	Shanghai	Shanghai	RMB 3,000,000,000.00	Investment management	100%	-	Establishment
SCG Overseas Holdings Co., Ltd.	Hong Kong, China	Hong Kong, China	HKD 1,250,000.00	Investment management	100%	-	Establishment
SCG (Caribbean) Co., Ltd.	Port of Spain, Trinidad and Tobago	Trinidad and Tobago	TTD 6,356,100.00	Building construction	100%	-	Establishment
SCG (Canada) Co., Ltd.	Alberta, Canada	Alberta, Canada	CAD 100,000.00	Building construction	100%	-	Establishment
SCG Yiyun Technology Co., Ltd.	Shanghai	Shanghai	RMB 10,000,000.00	Information service	100%	-	Establishment
SCG E-commerce Co., Ltd.	Shanghai	Shanghai	RMB 100,000,000.00	E-commerce	100%	-	Establishment
SCG (Cambodia) Co., Ltd.	Toul Kork, Cambodia	Toul Kork, Cambodia	USD 1,000,000.00	Building construction	100%	-	Establishment
SCG Meishan Construction Engineering Co., Ltd.	Meishan, Sichuan	Meishan, Sichuan	RMB 2,273,000,000.00	Investment and construction of urban infrastructure	100%	-	Establishment
Zhaoqing Huijian Railway Station Complex Construction Development Co., Ltd.	Zhaoqing, Guangdong	Zhaoqing, Guangdong	RMB 457,800,000.00	Investment and construction of urban infrastructure	95%	-	Establishment
Sihui Huijian Road Reconstruction Construction Development Co., Ltd.	Zhaoqing, Guangdong	Zhaoqing, Guangdong	RMB 380,000,000.00	Investment and construction of urban infrastructure	90%	-	Establishment
Changzhou Jintan Mount Maoshan Tourism Avenue Construction Co., Ltd.	Changzhou, Jiangsu	Changzhou, Jiangsu	RMB 716,210,000.00	Investment and construction of urban infrastructure	70%	-	Establishment
Nanjing Qiaoyuan Construction Management Co., Ltd.	Nanjing, Jiangsu	Nanjing, Jiangsu	RMB 295,100,000.00	Investment and construction of urban infrastructure	100%	-	Establishment
Jining Fenghuangtai Construction Co., Ltd.	Jining, Shandong	Jining, Shandong	RMB 179,120,000.00	Investment and construction of urban infrastructure	36%	54%	Establishment
Shanghai Heyu Intellectual Property Agency Co., Ltd.	Shanghai	Shanghai	RMB 500,000.00	Business service	100%	-	Establishment

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6 Equity in other entities (Continued)

(1) Equity in subsidiaries (Continued)

(a) Structure of the enterprise group (Continued)

Name of subsidiaries	Principal place of business	Place of incorporation	Registered capital	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
Huzhou Zhili Cultural and Sports Center Construction Development Co., Ltd.	Huzhou, Zhejiang	Huzhou, Zhejiang	RMB 251,940,000.00	Investment and construction of urban infrastructure	63%	27%	Establishment
SCG Wenzhou Oujiangkou Traffic Engineering Construction Co., Ltd.	Wenzhou, Zhejiang	Wenzhou, Zhejiang	RMB 491,280,000.00	Investment and construction of urban infrastructure	95%	-	Establishment
Zhuhai Jinwan District Jianjin Ecological City Construction Co., Ltd.	Zhuhai, Guangdong	Zhuhai, Guangdong	RMB 512,160,000.00	Investment and construction of urban infrastructure	100%	-	Establishment
SCG Equipment Engineering Co., Ltd.	Shanghai	Shanghai	RMB 15,000,000.00	Building construction	100%	-	Business combinations under common control
SCG Yibin Cuiping Construction Co., Ltd.	Yibin, Sichuan	Yibin, Sichuan	RMB 10,000,000.00	Investment and construction of urban infrastructure	100%	-	Business combinations not under common control
Shanghai Minchuan Sports Development Co., Ltd.	Shanghai	Shanghai	RMB 91,864,300.00	Investment and construction of urban infrastructure	56%	24%	Establishment
Rizhao Hujian Urban Development and Construction Co., Ltd.	Rizhao, Shandong	Rizhao, Shandong	RMB 345,740,000.00	Investment and construction of urban infrastructure	63%	27%	Establishment
Qingdao Rail Transit Park Hujian Investment Development Co., Ltd.	Qingdao, Shandong	Qingdao, Shandong	RMB 956,340,000.00	Investment and construction of urban infrastructure	90%	-	Establishment
Hainan Hujian Construction Co., Ltd.	Haikou, Hainan	Haikou, Hainan	RMB 110,000,000.00	Building construction	100%	-	Establishment
Tianjin Housing Construction Development Group Co., Ltd.	Tianjin	Tianjin	RMB 1,000,000,000.00	Real estate development	51%	-	Business combinations not under common control
Shanghai Jianxie Vocational Skills Training Co., Ltd.	Shanghai	Shanghai	RMB 1,000,000.00	Vocational skills training	100%	-	control
Shanghai Construction Smart Construction Co., Ltd.	Shanghai	Shanghai	RMB 500,000,000.00	Building construction	100%	-	Establishment
Xiamen Shangjian Construction Group Co., Ltd.	Xiamen, Fujian	Xiamen, Fujian	RMB 100,100,000.00	Building construction	51%	49%	Other acquisition
SCG (Hainan) Investment Co., Ltd.	Haikou, Hainan	Haikou, Hainan	RMB 800,000,000.00	Building construction and investment	100%	-	Establishment
SCG Environmental Technology Co., Ltd.	Shanghai	Shanghai	RMB 500,000,000.00	Building construction and technology service	76%	24%	Establishment
Hangzhou Hujian Construction Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	RMB 10,000,000.00	Building construction	100%	-	Establishment

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6 Equity in other entities (Continued)

(1) Equity in subsidiaries (Continued)

(b) Subsidiaries with significant minority interests

The Group determines the subsidiaries with significant minority interests by taking into account factors such as whether the subsidiaries are listed companies, the proportion of their minority interests to the Group's consolidated shareholders' equity, and the proportion of profit or loss attributable to minority shareholders to the Group's consolidated net profit, which are set out below:

Name of subsidiaries	Shareholding of minority shareholders	Profit or loss attributable to minority shareholders for the year ended 31 December 2023	Dividends distributed to minority shareholders for the year ended 31 December 2023 (i)	Minority interests as at 31 December 2023
Shanghai Jianfan Enterprise Management Partnership (Limited Partnership) ("Jianfan")	79.98%	186,071,045.56	(186,078,115.13)	3,999,490,871.35
Shanghai Jianyi Enterprise Management Partnership (Limited Partnership) ("Jianyi")	79.98%	168,401,796.06	(168,411,390.93)	3,997,492,239.98
Tianjin Housing Construction	49.00%	(421,068,112.71)	-	(1,519,378,719.26)

(i) All dividends declared to minority shareholders for the year ended 31 December 2023 were paid during the year.

Major financial information of material non-wholly-owned subsidiaries of the Group is listed below:

	31 December 2023					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jianfan	463,451.38	5,000,000,000.00	5,000,463,451.38	-	-	-
Jianyi	475,713.51	4,997,750,000.00	4,998,225,713.51	-	-	-
Tianjin Housing Construction	17,308,988,252.82	3,575,442,583.32	20,884,430,836.14	(22,581,302,414.90)	(1,288,826,251.63)	(23,870,128,666.53)

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6 Equity in other entities (Continued)

(1) Equity in subsidiaries (Continued)

(b) Subsidiaries with significant minority interests (Continued)

Major financial information of material non-wholly-owned subsidiaries of the Group is listed below (Continued):

31 December 2022								
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities		
Jianfan	472,288.08	5,000,000,000.00	5,000,472,288.08	-	-	-		
Jianyi	483,496.00	4,997,750,000.00	4,998,233,496.00	-	-	-		
Tianjin Housing Construction	18,798,770,560.78	3,584,151,817.14	22,382,922,377.92	(21,937,603,867.32)	(2,569,469,954.11)	(24,507,073,821.43)		
2023								
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Jianfan	-	232,581,831.03	-	(11,346.60)	-	232,568,086.65	232,568,086.65	(11,473.66)
Jianyi	-	210,506,456.18	-	(11,786.60)	-	210,822,424.44	210,822,424.44	(6,983.54)
Tianjin Housing Construction	4,216,130,163.66	(860,751,386.88)	(795,000.00)	941,745,776.04	6,001,366,669.28	(955,688,171.23)	(956,393,171.23)	2,616,736,668.29

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6 Equity in other entities (Continued)

(2) Equity in joint ventures and associates

(a) Basic information for material joint ventures and associates

The Group identifies material joint ventures and associates by taking into account factors such as whether the joint ventures and associates are listed companies, the proportion of their carrying amounts to the Group's consolidated net assets, and the proportion of the income from long-term equity investments accounted for under the equity method to the Group's consolidated net profit, which are set out below:

	Principal place of business	Place of incorporation	Nature of business	Shareholding (%)	
				Direct	Indirect
Associate -					
Jingang Xijiu	Shanghai	Shanghai	Real estate development	49%	-

The Group accounts for the above equity investments using the equity method.

(b) Summarised financial information for material associates

	31 December 2023	31 December 2022
	Jingang Xijiu	Jingang Xijiu
Current assets	5,442,424,319.59	2,481,910,827.09
Non-current assets	85,821,305.94	1,623,389.97
Total assets	<u>5,528,245,625.53</u>	<u>2,483,534,217.06</u>
Current liabilities	3,463,421,651.60	568,404,386.96
Non-current liabilities	-	-
Total liabilities	<u>3,463,421,651.60</u>	<u>568,404,386.96</u>
Equity attributable to shareholders of the parent company	2,064,823,973.93	1,915,129,830.10
Share of net assets based on shareholding (i)	1,011,763,747.23	938,413,616.75
Adjustments		
- Unrealised profits from internal transactions	(17,516,153.85)	
Carrying amount of equity investments in associates	994,247,593.38	938,413,616.75
Revenue	1,177,977,757.80	-
Net profit	176,306,960.46	(3,621,858.49)
Other comprehensive income	-	-
Total comprehensive income	176,306,960.46	(3,621,858.49)

- (i) The Group calculates share of net assets in proportion of the shareholding based on the amount attributable to the parent company of associates in their consolidated financial statements, which has taken into account the impacts of both the fair value of the identifiable net assets and liabilities of the associates upon acquisition of investments in associates and the unification of accounting policies adopted by the associates to those adopted by the Group. The assets involved in the transactions between the Group and associates do not constitute a business.

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6 Equity in other entities (Continued)

(2) Equity in joint ventures and associates (Continued)

(c) Summarised financial information for immaterial joint ventures and associates

	2023	2022
Joint ventures:		
Aggregated carrying amount of investments	1,753,792,650.41	92,790,516.99
Aggregate of the following items in proportion		
Net profit (i)	68,714,878.26	45,513,774.82
Other comprehensive income (i)	14,026,026.57	-
Total comprehensive income	82,740,904.83	45,513,774.82
Associates:		
Aggregated carrying amount of investments	7,076,128,123.26	7,457,977,087.75
Aggregate of the following items in proportion		
Net profit (i)	(74,126,844.56)	(28,483,475.85)
Other comprehensive income (i)	-	69,693,897.51
Total comprehensive income	(74,126,844.56)	41,210,421.66

- (i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisitions of investments in joint ventures and associates and the alignment of accounting policies.

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7 Equity in structured entities not included in the scope of consolidated financial statements

Please refer to Note 4(15).

8 Segment information

The reportable segments of the Group are the business units that provide different products or services, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies and the Group, therefore, separately manages the production and operation activities of each reportable segment and evaluates their respective operating results for resources allocation and performance assessment.

The Group identified 7 reportable segments as follows:

- The building, contracting, design, and construction segment is responsible for building construction and survey and design in the fields of housing engineering, infrastructure engineering, professional engineering, and building decoration;
- The real estate development segment is responsible for development and construction, sales, leasing and property management of real estate.
- The building industry segment is responsible for production and sales of concrete and precast components and steel structures.
- The investment and construction of urban infrastructure segment is responsible for investment and construction of municipal infrastructure projects in the form of PPP (i.e., Public-Private Partnership);
- The complete equipment and other goods services segment is responsible for sales of complete equipment and other goods;
- The gold sales business segment is responsible for gold mining and gold sales of Zala Mining;
- The engineering project management consultation and labour dispatching as well as other businesses segment is responsible for provision of engineering project management consultation, labour dispatching and other business services.

Inter-segment transfer prices are measured by reference to selling prices to third parties. The assets are allocated based on the operations of the segments and the physical locations of the assets. The liabilities are allocated based on the operations of the segments. Expenses indirectly attributable to the segments are allocated based on the proportion of each segment's revenue.

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8 Segment information (Continued)

(a) Segment information as at and for the year ended 31 December 2023 is as follows:

	Building, contracting, design and construction	Real estate development	Building industry	Investment and construction of urban infrastructure	Complete equipment and other merchandise trade	Gold sales business	Engineering project management consultation and labour dispatching as well as other businesses	Unallocated	Offset of segments	Total
Revenue from external customers	270,866,440,657.14	8,442,739,140.60	16,763,481,791.06	1,722,959,589.87	1,701,254,776.24	960,924,921.73	4,169,845,009.69	-	-	304,627,645,886.33
Inter-segment revenue	2,359,778,490.69	33,984,070.63	12,190,740,148.24	-	243,266,175.04	-	1,760,552,153.68	-	(16,588,321,038.28)	-
Cost of sales	249,833,265,666.47	10,401,521,583.30	26,659,779,494.82	172,166,789.41	1,857,688,960.87	584,854,157.34	4,383,733,540.95	-	(16,282,275,395.54)	277,610,734,797.62
Investment income/(losses) from associates and joint ventures								80,978,444.34	-	80,978,444.34
Credit impairment losses and asset impairment losses	913,162,359.99	123,477,730.90	792,907,824.30	40,874,795.04	8,877,216.63	-	19,802,459.97	-	(10,806,067.19)	1,888,296,319.64
Depreciation and amortisation expenses	2,428,560,736.43	146,644,811.48	836,817,987.85	38,216,821.83	17,201,044.87	111,784,460.00	212,620,882.56	-	(71,910,824.66)	3,719,935,920.36
Total profit/(loss)								5,637,548,451.65	(2,683,401,075.66)	2,954,147,375.99
Income tax expenses								1,289,103,784.86	7,026,618.75	1,296,130,403.61
Net profit/(loss)								4,348,444,666.79	(2,690,427,694.41)	1,658,016,972.38
Total assets	318,452,967,384.30	73,778,841,984.47	43,338,356,439.27	37,616,986,464.53	2,265,501,970.36	1,835,112,793.99	36,470,367,608.90	-	(131,680,475,729.92)	382,077,658,915.90
Total liabilities	261,292,512,573.71	66,268,222,400.46	38,845,610,586.46	24,555,468,576.64	1,767,096,588.43	851,407,206.61	17,847,671,659.05	-	(80,559,774,188.78)	330,868,215,402.58
Long-term equity investments in associates and joint ventures								9,824,168,367.04	-	9,824,168,367.04
Increase/(Decrease) in non-current assets (i)	5,431,913,964.98	(38,560,966.41)	781,202,503.66	(19,095,947.15)	19,182,250.21	91,499,414.73	237,805,561.13	-	2,491,934,646.63	8,995,881,427.78

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8 Segment information (Continued)

(a) Segment information as at and for the year ended 31 December 2022 is as follows:

	Building, contracting, design and construction	Real estate development	Building industry	Investment and construction of urban infrastructure	Complete equipment and other merchandise trade	Gold sales business	Engineering project management consultation and labour dispatching as well as other businesses	Unallocated	Offset of segments	Total
Revenue from external customers	251,973,511,275.00	13,462,242,783.00	13,534,531,215.11	1,713,213,231.00	1,124,414,205.78	1,065,704,061.15	3,162,997,888.84	-	-	286,036,614,659.88
Inter-segment revenue	4,333,445,900.00	44,216,100.00	9,275,575,000.00	32,594,100.00	209,820,100.00	129,549,800.00	3,634,907,500.00	-	(17,660,108,500.00)	-
Investment losses from associates and joint ventures								(17,975,122.90)	-	(17,975,122.90)
Asset impairment losses and credit impairment losses	1,429,026,500.00	434,558,600.00	529,915,500.00	81,401,900.00	295,000.00	-	100,466,500.00	-	(127,266,870.41)	2,448,397,129.59
Depreciation and amortisation expenses	2,244,965,600.00	201,514,600.00	620,987,500.00	21,805,900.00	24,323,500.00	100,204,200.00	237,162,000.00	-	(94,205,451.30)	3,356,757,848.70
Total profit								4,802,733,300.00	(2,531,662,379.22)	2,271,070,920.78
Income tax expenses								553,122,600.00	37,912,748.70	591,035,348.70
Net profit								4,249,610,700.00	(2,569,575,127.92)	1,680,035,572.08
Total assets	299,111,643,700.00	76,614,489,600.00	35,835,113,900.00	36,111,594,400.00	3,260,642,200.00	1,630,453,400.00	39,311,135,700.00	-	(125,071,453,806.76)	366,803,619,093.24
Total liabilities	247,440,412,900.00	64,441,334,200.00	31,123,118,600.00	23,224,768,700.00	2,649,076,700.00	858,312,500.00	22,420,331,400.00	-	(76,433,788,607.95)	315,723,566,392.05
Long-term equity investments in associates and joint ventures								8,476,140,941.34	-	8,476,140,941.34
Increase in non-current assets (i)	3,552,872,600.00	600,674,400.00	534,104,000.00	1,438,581,600.00	7,676,500.00	82,881,600.00	215,057,800.00	-	(53,845,738,900.00)	(47,413,890,400.00)

(i) Non-current assets excludes financial assets, long-term equity investments and deferred tax assets.

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9 Related parties and related party transactions

(1) Information of the parent company

(a) General information of the parent company

	Place of incorporation	Nature of business
SCG General	Shanghai	Construction of construction works, non-residential real estate leasing and housing leasing

The Company's ultimate controlling party is SCG General.

(b) Registered capital and changes in registered capital of the parent company

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
SCG General	<u>3,000,000,000</u>	<u>-</u>	<u>-</u>	<u>3,000,000,000</u>

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2023		31 December 2022	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
SCG General	<u>30.26%</u>	<u>30.26%</u>	<u>30.19%</u>	<u>30.19%</u>

(2) Information of subsidiaries

The general information and other related information of subsidiaries are set out in Note 6(1).

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9 Related parties and related party transactions (Continued)

(3) Information of joint ventures and associates

Except for information of those material joint ventures and associates disclosed in Note 6, information of other joint ventures and associates that have related party transactions with the Group is as follows:

Name of joint ventures or associates	Relationship with the Group
Suzhou Jianjia Building Component Product Co., Ltd.	Joint venture of the Company
Wuxi Jian'an Building Component Product Co., Ltd.	Joint venture of the Company
Sino-Singapore Tianjin Eco-City Environment & Green Construction Testing Center Co., Ltd.	Joint venture of the Company
Tianjin Huagui Real Estate Development Co., Ltd.	Associate of the Company
Nanjing Aojian Property Co., Ltd.	Joint venture of the Company
Shanghai MBT&SCG High-Tech Construction Chemical Co., Ltd.	Associate of the Company
Shanghai Metro Shield Equipment Engineering Co., Ltd.	Associate of the Company
Fulton SCG Development LLC	Joint venture of the Company
Hangzhou Fuyang Qinqiang Construction Development Co., Ltd.	Associate of the Company
Hangzhou Hujian Urban Development and Construction Co., Ltd.	Associate of the Company
Ningbo Tower Construction Development Co., Ltd.	Associate of the Company
Shanghai East Bund Construction Real Estate Development Co., Ltd.	Associate of the Company
Shanghai SEISYS Co., Ltd.	Associate of the Company
Wuxi Jinghongyuan Supply Chain Management Co., Ltd.	Associate of the Company
Tianjin Binhai New Area Linbi Real Estate Development Co., Ltd.	Associate of the Company
Tianjin Jinxi Huacheng Real Estate Co., Ltd.	Associate of the Company
Shanghai Hedi Investment Center (Limited Partnership)	Associate of the Company
Zhejiang Shangjia Construction Co., Ltd.	Associate of the Company
Shanghai Jinxie Property Co., Ltd.	Associate of the Company
Yancheng Chonghai Urban Development and Construction Co., Ltd.	Associate of the Company
Shanghai Shangshi North Bund Landmark Construction and Development Co., Ltd.	Associate of the Company
Shanghai Baoyue Real Estate Co., Ltd.	Associate of the Company
Shanghai Jianyueming Enterprise Management Co., Ltd.	Subsidiary of an associate of the Company
Shanghai Cenqin Enterprise Management Co., Ltd.	Subsidiary of an associate of the Company

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9 Related parties and related party transactions (Continued)

(4) Information of other related parties

	Relationship with the Group
Shanghai Construction No.1 Industrial Co., Ltd.	Controlled by the same parent company
Shanghai Construction No.2 Industrial Co., Ltd.	Controlled by the same parent company
Shanghai Construction No.4 Industrial Co., Ltd.	Controlled by the same parent company
Shanghai Construction No.5 Industrial Co., Ltd.	Controlled by the same parent company
Shanghai Yijian Building Technology Consulting Co., Ltd.	Controlled by the same parent company
Shanghai Dongqing Construction Labor Services Co., Ltd.	Controlled by the same parent company
Shanghai Qunli Industrial Co., Ltd.	Controlled by the same parent company
Shanghai Fengjing Landscape Industrial Co., Ltd.	Controlled by the same parent company
Shanghai Flower&Tree Co., Ltd.	Controlled by the same parent company
Shanghai Construction Hospital	Others
Shanghai Chengjiehua Construction Engineering Consulting Co., Ltd.	Controlled by the same parent company
Shanghai Engineering Construction Consultant & Supervision Co., Ltd.	Controlled by the same parent company
CHINA SFECO GROUP	Controlled by the same parent company
Shanghai Tuobolaite Real Estate Co., Ltd.	Controlled by the same parent company
Shanghai Shenwei Construction Decoration Engineering Co., Ltd.	Controlled by the same parent company
Shanghai Di Jiu Security Service Co., Ltd.	Controlled by the same parent company
Shanghai International Tendering Co., Ltd.	Controlled by the same parent company
Shanghai Construction No. 5 (Group) Co., Ltd.- Industrial Company	Controlled by the same parent company
Shanghai Construction Education Training Service Center Co., Ltd.	Controlled by the same parent company
SCG International (Caribbean) Co., Ltd.	Controlled by the same parent company
Shanghai Construction No.7 Industrial Co., Ltd.	Controlled by the same parent company
SCG (H.K.) LIMITED	Controlled by the same parent company
Tianjin Jinyue Real Estate Development Company Limited	Controlled by the same parent company

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9 Related parties and related party transactions (Continued)

(5) Related party transactions

(a) Purchase of goods and receipt of services:

		2023	2022
Shanghai Dongqing Construction Labour Services Co., Ltd.	Cost of subcontract works	1,274,741,742.11	1,380,242,304.83
Shanghai SEISYS Co., Ltd.	Cost of subcontract works	285,428,740.94	152,695,919.07
Shanghai MBT&SCG High-Tech Construction Chemical Co., Ltd.	Cost of subcontract works	117,606,216.74	93,614,414.01
Shanghai Metro Shield Equipment Engineering Co., Ltd.	Cost of subcontract works	53,494,577.84	15,552,466.64
Shanghai Di Jiu Security Service Co., Ltd.	Purchase of goods and services	48,770,563.24	50,518,460.34
Shanghai Qunli Industrial Co., Ltd.	Cost of subcontract works	39,636,497.01	83,648,067.34
Shanghai Construction Hospital	Purchase of goods and services	15,102,862.50	3,127,006.50
Shanghai Chengjiehua Construction Engineering Consulting Co., Ltd.	Purchase of goods and services	14,234,245.33	3,184,816.98
Suzhou Jianjia Building Component Product Co., Ltd.	Purchase of goods and services	11,134,681.98	-
Wuxi Jinghongyuan Supply Chain Management Co., Ltd.	Purchase of goods and services	4,786,092.50	939,855.00
Shanghai Construction Education Training Service Center Co., Ltd.	Purchase of goods and services	4,454,802.26	615,099.64
Shanghai Construction No.2 Industrial Co., Ltd.	Purchase of goods and services	4,372,517.93	3,796,265.02
Shanghai Construction No.1 Industrial Co., Ltd.	Purchase of goods and services	4,221,823.12	6,135,916.25
Shanghai Construction No.4 Industrial Co., Ltd.	Purchase of goods and services	4,116,657.86	4,201,400.08
SCG General	Purchase of goods and services	3,835,585.57	2,740,553.88
Shanghai Yijian Building Technology Consulting Co., Ltd.	Purchase of goods and services	3,707,174.79	4,143,363.36
Shanghai Engineering Construction Consultant & Supervision Co., Ltd.	Purchase of goods and services	1,827,854.00	12,182,104.03
Shanghai Flower&Tree Co., Ltd.	Purchase of goods and services	1,760,762.88	914,479.98
Shanghai Fengjing Landscape Industrial Co., Ltd.	Purchase of goods and services	1,119,904.91	4,066.62
Shanghai Construction No. 5 (Group) Co., Ltd.-Industrial Company	Purchase of goods and services	1,097,966.61	149,193.49
Shanghai International Tendering Co., Ltd.	Purchase of goods and services	609,830.74	9,750,728.12
Others	Purchase of goods and services	1,180,177.08	949,976.86
		<u>1,897,241,277.94</u>	<u>1,829,106,458.04</u>

The actual amount of the Group's purchase of goods and receipt of services in 2023 was less than the approved estimated transaction amount of RMB 2,013 million.

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9 Related parties and related party transactions (Continued)

(5) Related party transactions (Continued)

(b) Sales of goods and rendering of services:

	Content of related party transactions	2023	2022
Hangzhou Hujian Urban Development and Construction Co., Ltd.	Revenue from subcontract works	620,432,203.75	481,823,981.39
Shanghai East Bund Construction Real Estate Development Co., Ltd.	Revenue from subcontract works	375,375,721.24	225,473,375.05
Shanghai Shangshi North Bund Landmark Construction and Development Co., Ltd.	Revenue from subcontract works	267,864,746.75	-
Shanghai Jinjie Property Co., Ltd.	Revenue from subcontract works	197,230,219.41	-
Ningbo Tower Construction Development Co., Ltd.	Revenue from subcontract works	165,435,317.38	170,831,934.06
Shanghai Tuobolaite Real Estate Co., Ltd.	Rendering of services	152,358,490.57	-
Yancheng Chonghai Urban Development and Construction Co., Ltd.	Revenue from subcontract works	119,391,352.20	453,146,878.86
Shanghai Fengjing Landscape Industrial Co., Ltd.	Rendering of services	47,450,180.54	129,742,591.60
Hangzhou Fuyang Qinwang Construction Development Co., Ltd.	Revenue from subcontract works	35,197,008.60	37,914,423.81
Suzhou Jianjia Building Component Product Co., Ltd.	Sales of goods	20,888,486.39	15,390,424.09
Shanghai Construction No.1 Industrial Co., Ltd.	Rendering of services	18,033,306.42	9,107,089.85
Shanghai Construction Hospital	Rendering of services	8,286,406.47	18,688,436.96
Shanghai Construction No.2 Industrial Co., Ltd.	Revenue from subcontract works	7,871,470.70	3,224,445.15
Shanghai Construction No.4 Industrial Co., Ltd.	Sales of goods	6,512,613.21	169,577,671.61
SCG General	Rendering of services	5,262,055.47	32,466,149.29
Zhejiang Shangjia Construction Co., Ltd.	Revenue from subcontract works	4,571,486.97	81,386,364.71
Tianjin Jinyue Real Estate Development Company Limited	Rendering of services	3,411,068.11	-
CHINA SFECO GROUP	Rendering of services	2,894,271.96	1,380,237.70
Shanghai Flower&Tree Co., Ltd.	Rendering of services	2,645,688.93	758,093.33
Shanghai Di Jiu Security Service Co., Ltd.	Rendering of services	1,992,564.17	922,694.00
Shanghai Engineering Construction Consultant & Supervision Co., Ltd.	Rendering of services	1,867,019.60	1,005,735.50
Shanghai International Tendering Co., Ltd.	Sales of goods	1,332,944.40	6,834,028.51
Shanghai Construction Education Training Service Center Co., Ltd.	Rendering of services	570,968.77	3,518,933.81
Shanghai Construction No.5 Industrial Co., Ltd.	Revenue from subcontract works	449,691.51	10,800,050.94
Shanghai Construction No. 5 (Group) Co., Ltd.-Industrial Company	Sales of goods	312,333.01	70,423,244.95
Shanghai Metro Shield Equipment Engineering Co., Ltd.	Revenue from subcontract works	248,450.00	1,530,384.10
Wuxi Jian'an Building Component Product Co., Ltd.	Sales of goods	31,076.92	1,281,767.91
Sino-Singapore Tianjin Eco-City Environment & Green Construction Testing Center Co., Ltd.	Rendering of services	1,528,832.70	2,235,101.64
Others		1,443,319.37	2,236,412.56
		<u>2,070,889,295.52</u>	<u>1,931,700,451.38</u>

SHANGHAI CONSTRUCTION GROUP CO., LTD.

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9 Related parties and related party transactions (Continued)

(5) Related party transactions (Continued)

(c) Leases

Rental income with the Group as the lessor:

Name of the lessor	Type of the leased asset	2023	2022
CHINA SFECO GROUP	Office building	5,405,645.98	4,659,994.52
Tianjin Jinxi Huacheng Real Estate Co., Ltd.	Housing	1,563,669.76	3,634,020.30
Shanghai Construction No.4 Industrial Co., Ltd.	Site	1,500,000.00	750,000.00
Shanghai Construction Holdings Group Co., Ltd.	Housing	1,283,230.47	1,283,230.47
Shanghai Construction No.2 Industrial Co., Ltd.	Housing	1,199,046.28	1,138,895.20
Others	Housing	536,082.44	684,229.53
		<u>11,487,674.94</u>	<u>12,150,370.02</u>

Lease payments with the Group as the lessee:

Name of the lessor	Type of the leased asset	2023	2022
Shanghai Construction Holdings Group Co., Ltd.	Land use rights and housing	28,555,679.02	15,140,624.67
Shanghai Construction No.1 Industrial Co., Ltd.	Housing and construction machinery	17,031,670.31	16,225,457.69
Shanghai Construction No.2 Industrial Co., Ltd.	Housing	11,729,975.76	11,644,714.08
Shanghai Construction No.7 Industrial Co., Ltd.	Housing	8,637,847.86	2,874,182.05
Shanghai Construction No.4 Industrial Co., Ltd.	Housing	1,283,761.91	5,015,412.85
Shanghai Construction Hospital	Housing	1,266,666.66	1,092,857.15
Shanghai Fengjing Landscape Industrial Co., Ltd.	Housing	231,666.66	1,135,302.20
		<u>68,737,268.18</u>	<u>53,128,550.69</u>

Increase in right-of-use assets with the Group as the lessee:

Name of the lessor	Type of the leased asset	2023	2022
Shanghai Construction No.1 Industrial Co., Ltd.	Construction machinery and housing	63,040,793.72	784,763.91
Shanghai Construction No.4 Industrial Co., Ltd.	Housing	3,448,725.54	5,403,439.28
Shanghai Fengjing Landscape Industrial Co., Ltd.	Housing	-	2,591,744.82
Shanghai Flower&Tree Co., Ltd.	Housing	-	1,017,937.45
		<u>66,489,519.26</u>	<u>9,797,885.46</u>

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9 Related parties and related party transactions (Continued)

(5) Related party transactions (Continued)

(c) Leases (Continued)

Interest costs on lease liabilities with the Group as the lessee:

Lessor	2023	2022
SCG General	5,383,503.10	5,844,170.96
Shanghai Construction No.2 Industrial Co., Ltd.	3,394,690.15	3,763,307.78
Shanghai Construction No.7 Industrial Co., Ltd.	2,869,754.05	2,032,319.47
Shanghai Construction No.1 Industrial Co., Ltd.	2,324,387.54	1,537,646.38
Shanghai Construction No.4 Industrial Co., Ltd.	2,256,566.94	2,497,895.71
Others	190,428.71	187,989.44
	<u>16,419,330.49</u>	<u>15,863,329.74</u>

Lease payments for short-term leases and low value leases directly recognised in profit or loss for the current period with the Group as the lessee:

Lessor	2023	2022
Shanghai Construction No.5 Industrial Co., Ltd.	2,353,316.70	2,580,681.90
Shanghai Fengjing Landscape Industrial Co., Ltd.	1,651,423.89	-
Shanghai Construction Hospital	1,200,887.95	1,260,932.35
Others	894,232.06	294,214.53
	<u>6,099,860.60</u>	<u>4,135,828.78</u>

(d) Guarantees

The Group as the guarantor:

Guarantee	Amount	Starting date	Expiration date	Guarantee been fulfilled
Ningbo Tower Construction Development Co., Ltd.	79,800,000.00	11 July 2022	10 November 2023	Yes
Suzhou Jianjia Building Component Product Co., Ltd.	37,000,000.00	29 March 2022	30 September 2023	Yes
Suzhou Jianjia Building Component Product Co., Ltd.	10,000,000.00	11 October 2023	11 October 2024	No
Suzhou Jianjia Building Component Product Co., Ltd.	12,000,000.00	28 June 2023	27 June 2024	No
Suzhou Jianjia Building Component Product Co., Ltd.	10,000,000.00	12 May 2023	11 May 2024	No
Suzhou Jianjia Building Component Product Co., Ltd.	<u>5,000,000.00</u>	30 August 2023	29 August 2024	No

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9 Related parties and related party transactions (Continued)

(5) Related party transactions (Continued)

(d) Guarantees (Continued)

The Group as the guarantee

Guarantor	Amount	Starting date	Expiration date	Guarantee been fulfilled
SCG General	4,830,521,306.08	2014	February 2030	No
SCG General	4,700,000,000.00	2020	December 2023	No
SCG General	3,700,974,339.96	2017	May 2030	No
SCG General	2,973,420,737.52	2020	December 2024	No
SCG General	1,310,393,052.82	2019	September 2033	No
SCG General	800,000,000.00	2019	December 2030	No
SCG General	518,532,000.00	2020	December 2035	No
SCG General	269,940,122.68	2020	December 2031	No
SCG General	198,100,000.00	2021	May 2031	No
SCG General	163,371,641.94	2020	October 2038	No
SCG General	2,436,000,000.00	2018	December 2023	Yes
SCG General	22,355,820.00	2020	January 2023	Yes
SCG General	11,320,347.12	2018	June 2023	Yes
	<u>21,934,929,368.12</u>			

(e) Borrowings provided by related parties to the Group:

2023

Shanghai International Tendering Co., Ltd.	400,000,000.00
SCG General	100,000,000.00
	<u>500,000,000.00</u>

(f) Borrowings repaid by the Group to related parties:

2023

Shanghai Tuobolaite Real Estate Co., Ltd.	1,750,000,000.00
SCG General	700,000,000.00
Shanghai International Tendering Co., Ltd.	200,000,000.00
	<u>2,650,000,000.00</u>

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9 Related parties and related party transactions (Continued)

(5) Related party transactions (Continued)

(g) Borrowings provided by the Group to related parties:

2023

Shanghai Baoyue Real Estate Co., Ltd.	340,305,000.00
Hangzhou Hujian Urban Development and Construction Co., Ltd.	522,840,978.63
Fulton SCG Development LLC	5,251,273.30
	<u>868,397,251.93</u>

(h) Borrowings repaid by related parties to the Group:

2023

Shanghai Jinxie Property Co., Ltd.	329,852,219.88
Shanghai Baoyue Real Estate Co., Ltd.	294,000,000.00
Hangzhou Hujian Urban Development and Construction Co., Ltd.	236,092,835.27
Shanghai Cenqin Enterprise Management Co., Ltd.	9,694,945.45
Shanghai Hedi Investment Center (Limited Partnership)	1,500,000.00
	<u>871,140,000.60</u>

(i) Interest expenses

2023

2022

Shanghai Tuobolaite Real Estate Co., Ltd.	59,193,833.33	60,054,166.67
SCG General	51,880,555.55	52,962,499.99
Shanghai International Tendering Co., Ltd.	12,240,277.78	11,152,777.79
CHINA SFECO GROUP	5,541,500.00	4,836,250.00
	<u>128,856,166.66</u>	<u>129,005,694.45</u>

(j) Interest income

2023

2022

Hangzhou Hujian Urban Development and Construction Co., Ltd.	7,849,643.85	-
Fulton SCG Development LLC	419,148.00	19,395,829.34
	<u>8,268,791.85</u>	<u>19,395,829.34</u>

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9 Related parties and related party transactions (Continued)

(5) Related party transactions (Continued)

(k) Remuneration of key management

	2023	2022
Remuneration of key management	<u>13,842,000.00</u>	<u>20,420,800.00</u>

(l) Advances for equity transfer

	2023	2022
Shanghai Jianyueming Enterprise Management Co., Ltd.	<u>151,500,000.00</u>	<u>-</u>

(6) Balances with related parties

	31 December 2023		31 December 2022	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable				
Shanghai Shangshi North Bund Landmark Construction and Development Co., Ltd.	143,674,236.19	7,183,711.81	-	-
Shanghai Jinxie Property Co., Ltd.	61,178,218.73	3,058,910.94	47,883,217.70	2,394,160.89
Fulton SCG Development LLC	58,509,004.58	-	37,114,352.91	-
Shanghai Fengjing Landscape Industrial Co., Ltd.	38,584,399.56	1,929,219.98	38,482,795.00	10,567.50
SCG General	28,981,132.38	8,438,994.41	44,538,144.20	10,089,491.82
Tianjin Jinxi Huacheng Real Estate Co., Ltd.	26,620,629.15	6,984,263.63	24,916,229.15	6,632,250.13
Hangzhou Hujian Urban Development and Construction Co., Ltd.	15,179,798.10	847,489.91	44,052,790.15	2,202,639.51
Zhejiang Shangjia Construction Co., Ltd.	14,978,592.92	1,383,578.50	58,529,444.90	3,742,704.29
Ningbo Tower Construction Development Co., Ltd.	13,992,007.92	699,600.40	18,600,897.16	930,044.86
Shanghai Metro Shield Equipment Engineering Co., Ltd.	10,579,415.47	1,601,298.57	12,646,259.26	1,649,783.28
Tianjin Jinyue Real Estate Development Company Limited	9,547,073.27	902,792.75	-	-
Suzhou Jianjia Building Component Product Co., Ltd.	2,731,825.68	109,273.03	13,774,855.90	550,994.24
Tianjin Eco-City Environment & Green Construction Testing Center Co., Ltd.	2,667,562.68	185,878.13	1,250,000.00	62,500.00
Shanghai Construction Hospital	562,304.09	281,152.05	1,804,728.13	343,273.25
Shanghai Construction No.4 Industrial Co., Ltd.	67,460.17	6,746.02	128,768,564.63	6,438,428.23
Shanghai Construction No.1 Industrial Co., Ltd.	27,507.96	1,375.40	4,092,644.57	225,118.79
Wuxi Jian'an Building Component Product Co., Ltd.	-	-	1,448,397.73	57,935.91
Others	2,945,655.63	204,725.03	1,667,920.70	125,471.28
	<u>430,826,824.48</u>	<u>33,819,010.56</u>	<u>479,571,242.09</u>	<u>35,455,363.98</u>

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9 Related parties and related party transactions (Continued)

(6) Balances with related parties (Continued)

	31 December 2023		31 December 2022	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Other receivables				
Fulton SCG Development LLC	356,704,922.60	-	351,034,501.30	-
Hangzhou Hujian Urban Development and Construction Co., Ltd.	294,597,787.21	-	3,925,891.92	196,286.25
Tianjin Huagui Real Estate Development Co., Ltd.	122,464,777.22	6,123,238.86	122,464,777.22	6,123,238.86
Tianjin Binhai New Area Linbi Real Estate Development Co., Ltd.	106,580,788.77	5,329,039.44	106,580,788.77	5,329,039.44
Ningbo Tower Construction Development Co., Ltd.	15,943,000.01	797,150.00	2,790,000.00	139,500.00
Shanghai Metro Shield Equipment Engineering Co., Ltd.	1,020,000.00	51,000.00	2,020,000.00	101,000.00
Suzhou Jianjia Building Component Product Co., Ltd.	982,172.40	39,286.90	1,557,594.85	62,303.79
CHINA SFECO GROUP	770,398.20	-	2,439.12	-
Shanghai International Tendering Co., Ltd.	510,442.94	174,745.96	5,007,002.00	247,500.00
Shanghai Jinxie Property Co., Ltd.	-	-	329,852,219.88	16,492,610.99
Shanghai Cenqin Enterprise Management Co., Ltd.	-	-	9,694,945.45	484,747.27
Shanghai Hedi Investment Center(Limited Partnership)	-	-	1,500,000.00	75,000.00
Others	379,537.13	18,264.11	462,679.48	20,990.50
	<u>899,953,826.48</u>	<u>12,532,725.27</u>	<u>936,892,839.99</u>	<u>29,272,217.10</u>

31 December 2023 31 December 2022

Advances to suppliers

Suzhou Jianjia Building Component Product Co., Ltd.	11,633,013.08	-
Shanghai Metro Shield Equipment Engineering Co., Ltd.	1,000,000.00	4,000,000.00
Others	62,801.71	18,510.50
	<u>12,695,814.79</u>	<u>4,018,510.50</u>

31 December 2023 31 December 2022

Other non-current assets

Shanghai Baoyue Real Estate Co., Ltd.	<u>46,305,000.00</u>	-
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9 Related parties and related party transactions (Continued)

(6) Balances with related parties (Continued)

	31 December 2023	31 December 2022
Notes payable		
Shanghai MBT&SCG High-Tech Construction Chemical Co., Ltd.	8,409,615.00	4,000,000.00
Shanghai Dongqing Construction Labor Services Co., Ltd.	2,016,637.62	4,200,885.15
Shanghai Construction No.1 Industrial Co., Ltd.	1,392,900.00	-
Shanghai Qunli Industrial Co., Ltd.	-	9,028,251.30
	<u>11,819,152.62</u>	<u>17,229,136.45</u>
	31 December 2023	31 December 2022
Accounts payable		
Shanghai Dongqing Construction Labor Services Co., Ltd.	389,634,867.15	511,523,846.20
Shanghai MBT&SCG High-Tech Construction Chemical Co., Ltd.	154,227,936.35	156,519,961.96
Shanghai SEISYS Co., Ltd.	80,662,746.59	59,460,163.54
Shanghai Metro Shield Equipment Engineering Co., Ltd.	29,571,040.52	11,831,537.48
Shanghai Construction No.4 Industrial Co., Ltd.	19,147,355.35	18,729,107.98
Shanghai Qunli Industrial Co., Ltd.	15,881,567.37	22,933,118.51
Shanghai Construction No. 5 (Group) Co., Ltd.-Industrial Company	14,570,986.10	158,145.10
Suzhou Jianjia Building Component Product Co., Ltd.	12,582,190.64	-
Shanghai Di Jiu Security Service Co., Ltd.	10,131,994.32	11,769,917.38
SCG General	-	7,684,682.07
Shanghai Construction No.1 Industrial Co., Ltd.	6,471,079.55	11,349,286.68
Shanghai Flower&Tree Co., Ltd.	2,714,849.22	3,909,363.57
Wuxi Jinghongyuan Supply Chain Management Co., Ltd.	2,662,385.00	1,470,190.00
Shanghai Chengjiehua Construction Engineering Consulting Co., Ltd.	2,455,600.00	3,250,600.00
Shanghai Engineering Construction Consultant & Supervision Co., Ltd.	918,622.28	1,793,310.93
Shanghai Construction No.5 Industrial Co., Ltd.	883,770.00	2,510,272.63
Shanghai Shenwei Construction Decoration Engineering Co., Ltd.	-	4,530,000.00
Others	1,329,574.88	1,974,316.62
	<u>743,846,565.32</u>	<u>831,397,820.65</u>

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9 Related parties and related party transactions (Continued)

(6) Balances with related parties (Continued)

	31 December 2023	31 December 2022
Long-term borrowings		
Shanghai International Tendering Co., Ltd.	400,000,000.00	-
SCG General	100,000,000.00	1,000,000,000.00
	<u>500,000,000.00</u>	<u>1,000,000,000.00</u>
	31 December 2023	31 December 2022
Long-term borrowings to be settled within one year		
SCG General	401,187,500.00	101,583,333.34
Shanghai International Tendering Co., Ltd.	427,777.78	200,336,111.12
	<u>401,615,277.78</u>	<u>301,919,444.46</u>
	31 December 2023	31 December 2022
Short-term borrowings		
Shanghai Tuobolaite Real Estate Co., Ltd.	-	1,752,326,041.67
	31 December 2023	31 December 2022
Other payables		
Shanghai Jinxie Property Co., Ltd.	818,300,000.00	-
Shanghai East Bund Construction Real Estate Development Co., Ltd.	360,000,000.00	-
SCG General	273,625,822.34	207,577,798.14
Shanghai Dongqing Construction Labor Services Co., Ltd.	251,950,427.23	257,706,695.06
Yancheng Chonghai Urban Development and Construction Co., Ltd.	212,000,000.00	-
Nanjing Aojian Property Co., Ltd.	163,065,789.47	-
Shanghai Jianyueming Enterprise Management Co., Ltd.	151,500,000.00	-
SCG International (Caribbean) Co., Ltd.	83,696,561.04	82,054,414.91
Shanghai Construction No.4 Industrial Co., Ltd.	70,146,485.83	147,337,462.00
SCG (H.K.) LIMITED	34,342,265.80	-
Shanghai Fengjing Landscape Industrial Co., Ltd.	6,966,306.82	4,204,173.33
Shanghai Qunli Industrial Co., Ltd.	3,812,608.90	3,236,480.47
CHINA SFECO GROUP	2,358,960.03	1,544,088.76
Shanghai Flower&Tree Co., Ltd.	1,416,833.33	606,000.00
Shanghai SEISYS Co., Ltd.	713,600.00	1,032,577.00
Shanghai Tuobolaite Real Estate Co., Ltd.	-	81,500,000.00
Hangzhou Hujian Urban Development and Construction Co., Ltd.	-	13,000,000.00
Others	1,380,002.28	673,813.62
	<u>2,435,275,663.07</u>	<u>800,473,503.29</u>

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9 Related parties and related party transactions (Continued)

(6) Balances with related parties (Continued)

	31 December 2023	31 December 2022
Lease liabilities		
SCG General	88,745,452.29	108,701,710.35
Shanghai Construction No.1 Industrial Co., Ltd.	67,484,818.23	9,450,636.67
Shanghai Construction No.2 Industrial Co., Ltd.	62,142,183.14	70,977,185.79
Shanghai Construction No.4 Industrial Co., Ltd.	40,356,319.15	43,833,604.06
Shanghai Construction No.7 Industrial Co., Ltd.	34,617,037.37	40,339,225.18
Shanghai Fengjing Landscape Industrial Co., Ltd.	600,859.92	605,176.52
	<u>293,946,670.10</u>	<u>273,907,538.57</u>
	31 December 2023	31 December 2022
Lease liabilities to be settled within one year		
SCG General	15,762,150.23	15,942,097.90
Shanghai Construction No.1 Industrial Co., Ltd.	2,874,500.18	15,262,234.78
Shanghai Construction No.2 Industrial Co., Ltd.	8,835,002.65	8,335,285.61
Shanghai Construction No.4 Industrial Co., Ltd.	4,980,712.28	5,743,524.48
Shanghai Construction No.7 Industrial Co., Ltd.	3,596,207.75	3,596,207.75
Shanghai Fengjing Landscape Industrial Co., Ltd.	1,278,735.92	2,059,203.32
Shanghai Construction Hospital	1,252,982.35	-
Shanghai Flower&Tree Co., Ltd.	-	1,034,691.92
	<u>38,580,291.36</u>	<u>51,973,245.76</u>

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10 Contingencies

As at 31 December 2023, in the course of daily business, the Group was involved in some disputes, lawsuits or claims with subcontractors and suppliers. After consulting the relevant legal counsel and reasonably estimating the results of these pending disputes, lawsuits or claims by management of the Company, the Group had accrued corresponding reserves for disputes, lawsuits or claims that were likely to cause losses to the Group.

The Group had no other significant pending lawsuit or arbitration, and no provisions were made for the cases as management believed that the claims of the opposing parties were less likely to be well founded or the trial results of the disputes, lawsuits or claims could not be reasonably estimated currently.

As at 31 December 2023, the amount of the periodic joint liability guarantee provided by the Group on mortgage loans issued by banks to house buyers was RMB 473,174,906.55 (31 December 2022: RMB 1,606,362,129.87). During the period, if the house buyer fails to repay the mortgage loans, the Group may bear the periodic joint liability guarantee to pay such mortgage loans to the bank on behalf of the buyer. In such circumstances, the Group may, in accordance with provisions of relevant purchase contracts, recover the above advances by disposing the relevant properties on a priority basis. Therefore, the Group expects that the related credit risk is very low.

11 Commitments

(1) Capital commitments

- (a) As at 31 December 2023, the Group had no significant capital commitments required to be disclosed.

12 Events after the balance sheet date

- (1) As approved by CSRC Zheng Jian Xu Ke [2024] No. 351, the Company completed the public issuance of renewable corporate bonds (Phase 1) to professional investors for 2024 on 23 March 2024. The issue size of the bonds of Category I (24 Hujian Y1, code: 240782.SH) in this phase was RMB 1 billion at a nominal interest rate of 2.73%, and the issue size of the bonds of Category II (24 Hujian Y2, code: 240783.SH) was RMB 3 billion at a nominal interest rate of 3.05%.
- (2) In accordance with the resolution at the Board of Directors' meeting dated 22 April 2024, the Board of Directors proposed a dividend in the amount of RMB 533,156,384.64 to the shareholders, which is yet to be approved at the general meeting and not recorded as a liability in the financial statements for the current year (Note 4(48)).

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13 Operating lease proceeds after the balance sheet date

As the lessor, the Group's undiscounted lease payments receivable after the balance sheet date are as follows:

	31 December 2023	31 December 2022
Within 1 year	190,131,955.11	144,493,260.47
1 to 2 years	137,079,799.36	122,039,245.03
2 to 3 years	75,423,361.09	100,253,861.18
3 to 4 years	103,596,471.19	47,599,152.07
4 to 5 years	77,299,522.57	84,244,779.69
Over 5 years	154,917,086.21	215,031,414.20
	<u>738,448,195.53</u>	<u>713,661,712.64</u>

14 Financial instruments and risks

The Group's activities expose it to a variety of financial risks, which mainly comprise market risk (primarily including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The above financial risks and the Group's risk management policies to mitigate the risks are as follows:

The Board of Directors is responsible for planning and establishing the Group's risk management framework, formulating the Group's risk management policies and related guidelines, and overseeing the implementation of risk management measures. The Group has established risk management policies to identify and analyse the risks faced by the Group, which clearly define specific risks and cover many aspects such as market risk, credit risk and liquidity of risk management. The Group regularly assesses the market environment and changes in the Group's business activities to determine whether the risk management policies and systems need to be updated. The risk management of the Group is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, assesses and avoids risks through close cooperation with other business departments of the Group. The internal audit department of the Group periodically conducts audits on risk management control and procedures, and reports the results to the Audit Committee of the Group.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in the Chinese mainland and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to USD and HKD. The Group is responsible for continuously monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk.

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14 Financial instruments and risks (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

As at 31 December 2023, the financial assets denominated in foreign currencies, which are held by the subsidiaries of the Group, whose recording currencies are RMB, are expressed in RMB as follows:

	31 December 2023			Total
	USD	HKD	Others	
Financial assets denominated in foreign currencies -				
Cash at bank and on hand	757,314,386.27	-	66,964,546.30	824,278,932.57
Other receivables	7,569,564.80	-	-	7,569,564.80
Accounts receivable	100,016.72	-	-	100,016.72
	<u>764,983,967.79</u>	<u>-</u>	<u>66,964,546.30</u>	<u>831,948,514.09</u>
Financial liabilities denominated in foreign currencies -				
Accounts payable	50,875,549.51	-	-	50,875,549.51
Other payables	16,576,741.34	-	-	16,576,741.34
	<u>67,452,290.85</u>	<u>-</u>	<u>-</u>	<u>67,452,290.85</u>

As at 31 December 2023, for financial assets, contract assets, financial liabilities and lease liabilities denominated in USD in the subsidiaries whose recording currency are RMB, if the RMB had strengthened/weakened by 5% against the USD while all other variables had been held constant, the Group's profit before tax would be approximately RMB 34,876,583.85 lower/higher.

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14 Financial instruments and risks (Continued)

(1) Market risk (Continued)

(b) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term bank borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2023, the Group's short-term borrowings, borrowings to be settled within one year and long-term interest-bearing borrowings were mainly borrowings with floating rates, amounting to RMB 57,565,786,237.94.

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest costs with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During 2023, the Group did not enter into any interest rate swap agreements.

As at 31 December 2023, if interest rates on the floating rate borrowings had risen/fallen by 50 basis points while all other variables had been held constant, the Group's profit before tax would have been approximately RMB 287,828,931.19 lower/higher respectively.

(c) Other price risk

The Group's other price risk arises mainly from various investments in equity instruments with a risk of changes in the prices of the equity instruments.

As at 31 December 2023, if the prices of investments in equity instruments had risen/fallen by 5% while all other variables had been held constant, the Group's net profit and other comprehensive income would have been approximately RMB 231,649,321.32 and RMB 54,839,013.83 higher/lower respectively.

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14 Financial instruments and risks (Continued)

(2) Credit risk

Credit risk mainly arises from cash at bank and on hand, notes receivable, accounts receivable, financing receivables, other receivables, contract assets, debt investments, long-term receivables and financial guarantee contracts. As at the balance sheet date, the carrying amount of the Group's financial assets represented the maximum exposure of the Group. The maximum off balance sheet credit risk exposures were the maximum amounts for the fulfilment of financial guarantee obligations of RMB 2,938,376,071.90.

The Group expects that there is no significant credit risk associated with cash at bank and on hand since they are deposited at state-owned banks and other large or medium size listed banks with good reputation and high credit rating, and there will be almost no significant losses from non-performance by these banks.

The Group's debt investments are mainly fixed income bonds with high credit rating. The Group has set the overall investment quota to limit the credit exposure, and reviewed and approved the investment quota annually. The Group will regularly monitor the credit risk exposure of debenture investment, changes in credit ratings of bonds and other relevant information, to ensure the overall credit risk of the Group is manageable.

The Group has policies to limit the credit exposure on notes receivable, accounts receivable, contract assets, financing receivables, other receivables and long-term receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will chase settlement by using written payment reminders, shorten/cancel credit periods or acquire preserved assets, to ensure the overall credit risk of the Group is limited to a controllable extent.

In addition, financial guarantees may expose the Group to credit risks from the default of counterparties. The Group has established strict application and approval requirements on financial guarantees, considering information including internal and external credit ratings, continuously monitor the credit exposure and changes in credit ratings of counterparties and other relevant information, to ensure the overall credit risk of the Group is manageable.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department at headquarters level. The Group monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs; continuously monitors whether the covenant terms in borrowing agreements are complied with; and maintains sufficient headroom on the Group's committed undrawn banking facilities from major financial institutions so as to meet the short-term and long-term liquidity requirements.

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14 Financial instruments and risks (Continued)

(3) Liquidity risk (Continued)

As at the balance sheet date, the undiscounted contractual cash flows of the Group's financial liabilities, analysed by their maturity dates, are as below:

	31 December 2023				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	13,002,974,183.30	-	-	-	13,002,974,183.30
Notes payable	5,908,082,215.61	-	-	-	5,908,082,215.61
Accounts payable	172,087,825,778.81	-	-	-	172,087,825,778.81
Other payables	24,079,676,096.02	-	-	-	24,079,676,096.02
Other current liabilities	1,268,011,196.59	-	-	-	1,268,011,196.59
Long-term borrowings	18,204,313,464.46	10,184,895,785.77	18,008,088,085.45	21,034,686,091.99	67,431,983,427.67
Debentures payable	186,822,297.42	2,332,797,184.35	7,130,439,853.05	886,940,644.44	10,536,999,979.26
Lease liabilities	761,584,842.19	684,660,118.99	1,251,179,029.02	846,436,998.12	3,543,860,988.32
Long-term payables	158,547,970.67	27,938,815.68	376,571,926.39	27,938,815.68	590,997,528.42
	<u>235,657,838,045.07</u>	<u>13,230,291,904.79</u>	<u>26,766,278,893.91</u>	<u>22,796,002,550.23</u>	<u>298,450,411,394.00</u>

- (i) As at the balance sheet date, the Group's financial guarantees provided to external parties are analysed below based on the maximum amounts and the earliest periods in which the guarantees could be called:

	31 December 2023				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial guarantees	<u>862,416,033.86</u>	<u>2,075,960,038.04</u>		-	<u>2,938,376,071.90</u>

As at 31 December 2023, the Group's financial guarantees provided to external parties included guarantees of RMB 473,147,906.55 for small owners.

	31 December 2022				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial guarantees	<u>621,916,000.00</u>	<u>388,000,000.00</u>	<u>1,064,000,000.00</u>	<u>79,800,000.00</u>	<u>2,153,716,000.00</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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15 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: Unobservable inputs for the asset or liability.

(1) Assets and liabilities measured at fair value on a recurring basis

As at 31 December 2023, the assets measured at fair value on a recurring basis are analysed by the abovementioned three levels as below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading -				
Investments in equity instruments held for trading	1,478,251,499.86	-	-	1,478,251,499.86
Financing receivables -				
Notes receivable	-	-	744,650,986.71	744,650,986.71
Other non-current financial assets -				
Investments in equity instruments	-	-	3,154,734,926.56	3,154,734,926.56
Others	-	-	197,297,972.26	197,297,972.26
Investments in other equity instruments -				
Equity instruments	-	-	1,096,780,276.67	1,096,780,276.67
Total	<u>1,478,251,499.86</u>	<u>-</u>	<u>5,193,464,162.20</u>	<u>6,671,715,662.06</u>

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[English translation for reference only]**15 Fair value estimates (Continued)****(1) Assets and liabilities measured at fair value on a recurring basis (Continued)**

As at 31 December 2022, the assets measured at fair value on a recurring basis are analysed by the abovementioned three levels as below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading -				
Investments in equity instruments held for trading	1,614,029,125.31	-	-	1,614,029,125.31
Financing receivables -				
Notes receivable	-	-	591,561,489.37	591,561,489.37
Other non-current financial assets -				
Investments in equity instruments	-	-	3,506,013,553.53	3,506,013,553.53
Others	-	-	229,863,011.79	229,863,011.79
Investments in other equity instruments -				
Equity instruments	-	-	610,363,553.59	610,363,553.59
Total	<u>1,614,029,125.31</u>	<u>-</u>	<u>4,937,801,608.28</u>	<u>6,551,830,733.59</u>

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There is no transfer between Level 1 and Level 2 for the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation techniques. The valuation models used mainly comprise discounted cash flow model and guideline publicly-traded comparable method. The inputs for the valuation technique mainly include price to book ratio of comparable companies and discount rate.

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**SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
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15 Fair value estimates (Continued)

(1) Assets and liabilities measured at fair value on a recurring basis (Continued)

The movements in Level 3 assets and liabilities are analysed below:

	31 December 2022	Purchases	Disposals	Settlements	Transfer into Level 3	Transfer out of Level 3	Total gains or losses for the current period		31 December 2023	Changes in unrealised gains or losses included in profit or loss for the current year with respect to assets still held as at 31 December 2023 - gains or losses on changes in fair value
							Gains or losses recognised in profit or loss (a)	Gains or losses recognised in other comprehensive income		
Financial assets										
Financing receivables -										
Notes receivable	591,561,489.37	744,650,986.71	(591,561,489.37)	-	-	-	-	-	744,650,986.71	-
Other non-current financial assets -										
Financial assets at fair value through profit or loss	3,735,876,565.32	201,931,237.33	(468,888,967.32)	-	-	-	(116,885,936.51)	-	3,352,032,898.82	(116,885,936.51)
Investments in other equity instruments -										
Equity instruments	610,363,553.59	401,536,424.52	(14,619,883.04)	-	-	-	-	99,500,181.60	1,096,780,276.67	—
Total financial assets	<u>4,937,801,608.28</u>	<u>1,348,118,648.56</u>	<u>(1,075,070,339.73)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116,885,936.51)</u>	<u>99,500,181.60</u>	<u>5,193,464,162.20</u>	<u>(116,885,936.51)</u>
Total assets	<u>4,937,801,608.28</u>	<u>1,348,118,648.56</u>	<u>(1,075,070,339.73)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116,885,936.51)</u>	<u>99,500,181.60</u>	<u>5,193,464,162.20</u>	<u>(116,885,936.51)</u>

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15 Fair value estimates (Continued)

(1) Assets and liabilities measured at fair value on a recurring basis (Continued)

	31 December 2021	Purchases	Disposals	Settlement	Transfer into Level 3	Transfer out of Level 3	Total gains or losses for the current period		31 December 2022	Changes in unrealised gains or losses included in profit or loss for the current year with respect to assets still held as at 31 December 2022 - gains or losses on changes in fair value
							Gains or losses recognised in profit or loss (a)	Gains or losses recognised in other comprehensive income		
Financial assets										
Financing receivables -										
Notes receivable	544,084,651.46	47,476,837.91	-	-	-	-	-	-	591,561,489.37	-
Other non-current financial assets -										
Financial assets at fair value through profit or loss	3,756,625,611.02	-	(20,000,000.00)	-	-	-	(749,045.70)	-	3,735,876,565.32	(749,045.70)
Investments in other equity instruments -										
Equity instruments	592,277,031.69	2,066,187.10	(32,163,742.69)	-	-	-	-	48,184,077.49	610,363,553.59	-
Total financial assets	4,892,987,294.17	49,543,025.01	(52,163,742.69)	-	-	-	(749,045.70)	48,184,077.49	4,937,801,608.28	(749,045.70)
Total assets	4,892,987,294.17	49,543,025.01	(52,163,742.69)	-	-	-	(749,045.70)	48,184,077.49	4,937,801,608.28	(749,045.70)

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15 Fair value estimates (Continued)

(1) Assets and liabilities measured at fair value on a recurring basis (Continued)

The movements in Level 3 assets and liabilities are analysed below (Continued):

- (a) Gains or losses recognised in profit or loss are included in the income statement under the item of gains on changes in fair value.
- (b) The Finance Department of the Group is responsible for carrying out the valuation of financial assets and financial liabilities. The above valuation results are independently verified and accounted for by the Finance Department of the Group. The information disclosed in relation to the fair value is prepared based on the verified valuation.

Information about the Level 3 fair value measurements is as follows:

	Fair value as at 31 December 2023	Valuation technique	Inputs			
			Name	Scope/ weighted average	Relationship with fair value	Observable/ Unobservable
Financing receivables -						
Notes receivable	744,650,986.71	Income approach	Discount rates	3%	Negative correlation	Unobservable
Other non-current financial assets -						
Equity instruments	3,154,734,926.56	Market approach	Price to book ratio (P/B)	1.00	Positive correlation	Unobservable
Others	197,297,972.26	Market approach	Price to book ratio (P/B)	1.00	Positive correlation	Unobservable
Investments in other equity instruments -						
Equity instruments	<u>1,096,780,276.67</u> <u>5,193,464,162.20</u>	Market approach	Price to book ratio (P/B)	1.00	Positive correlation	Unobservable
	Fair value as at 31 December 2022	Valuation technique	Inputs			
			Name	Scope/ weighted average	Relationship with fair value	Observable/ Unobservable
Financing receivables -						
Notes receivable	591,561,489.37	Income approach	Discount rates	3%	Negative correlation	Unobservable
Other non-current financial assets -						
Equity instruments	3,506,013,553.53	Market approach	Price to book ratio (P/B)	1.00	Positive correlation	Unobservable
Others	229,863,011.79	Market approach	Price to book ratio (P/B)	1.00	Positive correlation	Unobservable
Investments in other equity instruments -						
Equity instruments	<u>610,363,553.59</u> <u>4,937,801,608.28</u>	Market approach	Price to book ratio (P/B)	1.00	Positive correlation	Unobservable

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15 Fair value estimates (Continued)

- (2) Assets and liabilities not measured at fair value but for which their fair values are disclosed

Financial assets and liabilities measured at amortised cost mainly include cash at bank and on hand, receivables, non-current assets, debt investments, long-term receivables, short-term borrowings, payables, non-current liabilities to be settled within one year, lease liabilities, long-term borrowings, debentures payable and long-term payables.

The carrying amounts of the other financial assets not measured at fair value are reasonably approximate their fair values.

The fair value of debentures payable that are traded in an active market is determined at the quoted market price, and categorised within Level 1 of the fair value hierarchy. The fair value of debt investments, long-term receivables, long-term borrowings, long-term payables and lease liabilities that are not traded in an active market is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, and categorised within Level 3 of the fair value hierarchy.

16 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is calculated as 'shareholders' equity' as shown in the consolidated balance sheet. The Group is not subject to any external mandatory capital requirements, and monitors its capital on the basis of debt-to-asset ratio.

As at 31 December 2023 and 31 December 2022, the Group's debt-to-asset ratio is as follows:

	31 December 2023	31 December 2022
Debt-to-asset ratio	<u>86.60%</u>	<u>86.07%</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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17 Notes to the Company's financial statements

(1) Accounts receivable

	31 December 2023	31 December 2022
Accounts receivable	6,218,009,485.37	6,530,992,168.34
Less: Provision for bad debts	(651,718,100.45)	(644,122,464.51)
	<u>5,566,291,384.92</u>	<u>5,886,869,703.83</u>

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2023	31 December 2022
Within 1 year	4,859,015,469.13	5,423,406,656.53
1 to 2 years	769,738,415.17	693,799,870.59
2 to 3 years	308,040,623.85	107,690,185.47
3 to 4 years	52,981,901.92	123,449,177.41
4 to 5 years	66,847,789.87	88,057,022.62
Over 5 years	161,385,285.43	94,589,255.72
	<u>6,218,009,485.37</u>	<u>6,530,992,168.34</u>

(b) As at 31 December 2023, the five largest accounts receivable and contract assets aggregated by debtor are analysed as follows:

	Balance of accounts receivable	Balance of contract assets	Provision for bad debts	% of total balance
Total balance of the five largest accounts receivable and contract assets	<u>721,322,339.99</u>	<u>1,944,328,446.78</u>	<u>31,584,646.14</u>	<u>14.74%</u>

(c) In 2023, the Company had no accounts receivable derecognised due to transfer of financial assets.

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17 Notes to the Company's financial statements (Continued)

(1) Accounts receivable (Continued)

(d) Provision for bad debts

For accounts receivable, the Company recognises the loss provision based on the lifetime ECL regardless of whether there is any significant financing component.

The provision for bad debts of accounts receivable is analysed by categories as follows:

	31 December 2023				31 December 2022			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	% of total balance	Amount	Provision ratio	Amount	% of total balance	Amount	Provision ratio
Provision for bad debts on an individual basis								
(i)	443,920,902.33	7.14%	226,235,724.26	50.96%	510,688,254.83	7.82%	220,175,323.82	43.11%
Provision for bad debts on a collective basis								
(ii)	5,774,088,583.04	92.86%	425,482,376.19	7.37%	6,020,303,913.51	92.18%	423,947,140.69	7.04%
	<u>6,218,009,485.37</u>	<u>100.00%</u>	<u>651,718,100.45</u>	<u>10.48%</u>	<u>6,530,992,168.34</u>	<u>100.00%</u>	<u>644,122,464.51</u>	<u>9.86%</u>

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17 Notes to the Company's financial statements (Continued)

(1) Accounts receivable (Continued)

(d) Provision for bad debts (Continued)

(i) As at 31 December 2023, accounts receivable for which the related provision for bad debts was provided on an individual basis are analysed as follows:

	Gross carrying amount	Lifetime ECL rates	Provision for bad debts	Reason
Accounts receivable 1	282,576,117.82	55.42%	156,590,406.49	Expected risk of recovery
Accounts receivable 2	85,967,291.75	25.00%	21,491,822.93	Expected risk of recovery
Accounts receivable 3	28,519,378.92	55.00%	15,685,658.41	Expected risk of recovery
Accounts receivable 4	22,823,386.43	70.00%	15,976,370.50	Expected risk of recovery
Accounts receivable 5	21,720,315.24	70.00%	15,204,220.67	Expected risk of recovery
Others	2,314,412.17	55.62%	1,287,245.26	Expected risk of recovery
	<u>443,920,902.33</u>		<u>226,235,724.26</u>	

As at 31 December 2022, accounts receivable for which the related provision for bad debts was provided on an individual basis are analysed as follows:

	Gross carrying amount	Lifetime ECL rates	Provision for bad debts	Reason
Accounts receivable 1	275,845,738.33	40.00%	110,338,295.33	Expected risk of recovery
Accounts receivable 2	105,967,291.75	50.00%	52,983,645.88	Expected risk of recovery
Accounts receivable 3	53,196,346.32	25.00%	13,299,086.58	Expected risk of recovery
Accounts receivable 4	28,519,378.92	40.00%	11,407,751.57	Expected risk of recovery
Accounts receivable 5	22,823,386.43	70.00%	15,976,370.50	Expected risk of recovery
Others	24,336,113.08	66.45%	16,170,173.96	Expected risk of recovery
	<u>510,688,254.83</u>		<u>220,175,323.82</u>	

(ii) Provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

Group - Building, contracting, design and construction:

	31 December 2023			31 December 2022		
	Gross carrying amount	Provision for bad debts		Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount	Amount	Lifetime ECL rates	Amount
Within 1 year	4,498,248,193.80	5.05%	227,195,593.33	5,223,784,456.32	5.00%	261,183,195.11
1 to 2 years	474,466,792.50	9.87%	46,834,360.00	354,362,302.94	10.00%	35,445,188.73
2 to 3 years	269,610,936.05	15.00%	40,441,640.40	88,720,699.07	15.00%	13,308,104.87
3 to 4 years	52,847,701.92	20.00%	10,569,540.39	123,441,877.41	19.99%	24,676,775.46
4 to 5 years	66,782,489.87	29.74%	19,862,265.83	8,752,980.77	30.00%	2,625,894.23
Over 5 years	161,157,952.40	50.00%	80,578,976.24	173,415,964.53	50.00%	86,707,982.29
	<u>5,523,114,066.54</u>		<u>425,482,376.19</u>	<u>5,972,478,281.04</u>		<u>423,947,140.69</u>

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

17 Notes to the Company's financial statements (Continued)

(1) Accounts receivable (Continued)

(d) Provision for bad debts (Continued)

(ii) Provision for bad debts made on a collective basis for accounts receivable is analysed as follows (Continued):

Group - Subsidiaries:

	31 December 2023			31 December 2022		
	Gross carrying amount	Provision for bad debts		Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount	Amount	Lifetime ECL rates	Amount
Within 1 year	237,321,750.40	-	-	34,452,100.47	-	-
1 to 2 years	731,234.11	-	-	12,786,518.00	-	-
2 to 3 years	12,526,518.00	-	-	134,200.00	-	-
3 to 4 years	134,200.00	-	-	65,300.00	-	-
4 to 5 years	65,300.00	-	-	195,513.99	-	-
Over 5 years	195,513.99	-	-	192,000.01	-	-
	<u>250,974,516.50</u>	-	-	<u>47,825,632.47</u>	-	-

(iii) The provision for bad debts in the current year amounted to RMB 52,386,545.46, of which RMB 44,790,909.52 was collected or reversed.

(iv) There was no balance of accounts receivable written off in the current year.

(2) Other receivables

	31 December 2023	31 December 2022
Receivables from subsidiaries	16,316,728,928.22	14,533,948,504.31
Guarantees and deposits	410,312,894.24	406,666,557.49
Dividends receivable	305,369,291.58	305,369,291.58
Others	502,966,630.77	545,078,744.95
	<u>17,535,377,744.81</u>	<u>15,791,063,098.33</u>
Less: Provision for bad debts	<u>(133,057,149.82)</u>	<u>(42,025,724.91)</u>
	<u>17,402,320,594.99</u>	<u>15,749,037,373.42</u>

(a) The ageing of other receivables is analysed as follows:

	31 December 2023	31 December 2022
Within 1 year	5,454,209,101.47	7,680,892,495.07
1 to 2 years	3,742,372,137.12	3,885,128,407.41
2 to 3 years	3,113,368,224.48	3,634,589,513.90
Over 3 years	5,225,428,281.74	590,452,681.95
	<u>17,535,377,744.81</u>	<u>15,791,063,098.33</u>

SHANGHAI CONSTRUCTION GROUP CO., LTD.

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17 Notes to the Company's financial statements (Continued)

(2) Other receivables (Continued)

(b) Loss provision and changes in gross carrying amount

The provision for bad debts of other receivables is analysed by categories as follows:

	31 December 2023				31 December 2022			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	% of total balance	Amount	Provision ratio	Amount	% of total balance	Amount	Provision ratio
Provision for bad debts on an individual basis (i)	10,559,224,909.81	60.22%	90,951,526.85	0.86%	-	-	-	-
Provision for bad debts on a collective basis (ii)	6,976,152,835.00	39.78%	42,105,622.97	0.60%	15,791,063,098.33	100.00%	42,025,724.91	0.27%
	<u>17,535,377,744.81</u>	<u>100.00%</u>	<u>133,057,149.82</u>	<u>0.76%</u>	<u>15,791,063,098.33</u>	<u>100.00%</u>	<u>42,025,724.91</u>	<u>0.27%</u>

SHANGHAI CONSTRUCTION GROUP CO., LTD.

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(All amounts in RMB Yuan unless otherwise stated)
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17 Notes to the Company's financial statements (Continued)

(2) Other receivables (Continued)

(b) Loss provision and changes in gross carrying amount (Continued)

As at 31 December 2023 and 31 December 2022, the Group did not have other receivables at Stage 3. Other receivables at Stage 1 and Stage 2 are analysed as follows:

(i) As at 31 December 2023, other receivables for which the related provision for bad debts was provided on an individual basis are analysed as follows:

Stage 2	Gross carrying amount	12-month ECL rates	Provision for bad debts	Reason
Receivables from subsidiaries	10,559,224,909.81	0.86%	90,951,526.85	Expected risk of recovery

(ii) As at 31 December 2023 and 31 December 2022, other receivables for which the related provision for bad debts was provided on a collective basis are all within Stage 1, which are analysed as follows:

	31 December 2023			31 December 2022		
	Gross carrying amount	Loss provision		Gross carrying amount	Loss provision	
	Amount	Amount	Provision ratio	Amount	Amount	Provision ratio
Group of deposits and guarantees	410,312,894.24	20,514,860.34	5.00%	406,666,557.49	20,234,086.82	4.98%
Other ageing groups	6,565,839,940.76	21,590,762.63	0.33%	15,384,396,540.84	21,791,638.09	0.14%
	<u>6,976,152,835.00</u>	<u>42,105,622.97</u>	<u>0.60%</u>	<u>15,791,063,098.33</u>	<u>42,025,724.91</u>	<u>0.27%</u>

(c) The provision for bad debts in 2023 amounted to RMB 91,031,424.91, and there was no provision for bad debts collected or reversed.

(d) There were no other receivables written off in the current year.

(e) As at 31 December 2023, the five largest other receivables aggregated by debtor are analysed as follows:

	Nature	Balance	Ageing	% of total balance	Provision for bad debts
Other receivables 1	Receivables from subsidiaries	10,559,224,909.81	Within 4 years	60.22%	90,951,526.85
Other receivables 2	Receivables from subsidiaries	1,220,351,302.83	Within 3 years	6.96%	-
Other receivables 3	Receivables from subsidiaries	932,270,290.41	Within 3 years	5.32%	-
Other receivables 4	Receivables from subsidiaries	766,781,593.04	Within 3 years	4.37%	-
Other receivables 5	Receivables from subsidiaries	616,018,781.99	Within 5 years	3.51%	-
		<u>14,094,646,878.08</u>		<u>80.38%</u>	<u>90,951,526.85</u>

SHANGHAI CONSTRUCTION GROUP CO., LTD.

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FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)
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17 Notes to the Company's financial statements (Continued)

(3) Contract assets

	31 December 2023	31 December 2022
Contract assets	11,870,896,562.02	12,616,961,330.05
Less: Provision for impairment of contract assets	(125,147,530.44)	(130,812,206.79)
Less: Contract assets included in other non-current assets	<u>(3,338,369,631.25)</u>	<u>(3,010,131,499.56)</u>
	<u>8,407,379,400.33</u>	<u>9,476,017,623.70</u>

- (a) For contract assets, the Company recognises the lifetime ECL regardless of whether there exists a significant financing component.
- (b) As at 31 December 2023, the Company's contract assets for which the related provision for bad debts was provided on an individual basis are analysed as follows:

	Gross carrying amount	Lifetime ECL rates	Provision for impairment	Reason
Contract assets 1	128,015,932.64	55.42%	70,940,414.51	Expected risk of recovery
Contract assets 2	11,641,367.92	25.89%	3,013,899.57	Expected risk of recovery
Contract assets 3	3,631,307.47	70.00%	2,541,915.23	Expected risk of recovery
Contract assets 4	2,239,573.93	70.00%	1,567,701.75	Expected risk of recovery
Others	<u>485,132.80</u>	55.00%	<u>266,823.04</u>	Expected risk of recovery
	<u>146,013,314.76</u>		<u>78,330,754.10</u>	

SHANGHAI CONSTRUCTION GROUP CO., LTD.

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(All amounts in RMB Yuan unless otherwise stated)
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17 Notes to the Company's financial statements (Continued)

(3) Contract assets (Continued)

- (c) As at 31 December 2023, contract assets for which the related provision for asset impairment losses was provided on a collective basis were analysed as follows:

Group - Contract assets:

	31 December 2023		
	Gross carrying amount	Provision for asset impairment	
	Amount	Lifetime ECL rates	Amount
Not overdue	11,724,883,247.26	0.40%	46,816,776.34

As at 31 December 2022, contract assets for which the related provision for asset impairment losses was provided on a collective basis were analysed as follows:

Group - Contract assets:

	31 December 2022		
	Gross carrying amount	Provision for asset impairment	
	Amount	Lifetime ECL rates	Amount
Not overdue	12,393,335,861.71	0.45%	56,104,152.45

(4) Long-term equity investments

	31 December 2023	31 December 2022
Subsidiaries (a)	40,353,158,152.34	33,731,687,619.15
Associates (b)	2,922,806,360.43	2,846,176,231.39
	43,275,964,512.77	36,577,863,850.54
Less: Provision for impairment of long-term equity investments	-	-
	43,275,964,512.77	36,577,863,850.54

SHANGHAI CONSTRUCTION GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB Yuan unless otherwise stated)
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17 Notes to the Company's financial statements (Continued)

(4) Long-term equity investments (Continued)

(a) Subsidiaries (Continued)

	31 December 2022	Movements in the current year		31 December 2023	Ending balance of provision for impairment	Cash dividends declared in the current year
		Increase	Decrease			
Shanghai Construction Jiulong Real Estate Co., Ltd.	6,344,697,874.20	-	-	6,344,697,874.20	-	-
Shanghai Construction Real Estate Co., Ltd.	4,241,019,533.97	-	-	4,241,019,533.97	-	-
SCG Investment Co., Ltd.	3,038,076,145.82	-	-	3,038,076,145.82	-	-
Shanghai Municipal Engineering Design Institute (Group) Co., Ltd.	1,322,980,428.40	1,000,000,000.00	-	2,322,980,428.40	-	884,706,835.00
Shanghai Beiji Enterprise Management Partnership (Limited Partnership)	-	1,294,885,119.70	-	1,294,885,119.70	-	-
Shanghai Construction Building Materials Technology Group Co., Ltd.	1,231,128,715.02	-	-	1,231,128,715.02	-	146,955,000.00
Shanghai Construction No.4 (Group) Co., Ltd.	1,112,642,250.98	-	-	1,112,642,250.98	-	302,468,500.00
Shanghai Construction No.5 (Group) Co., Ltd.	1,000,000,000.00	-	-	1,000,000,000.00	-	97,642,900.00
Shanghai Construction No.1 (Group) Co., Ltd.	1,000,000,000.00	-	-	1,000,000,000.00	-	124,867,166.17
Shanghai Construction No.7 (Group) Co., Ltd.	1,000,000,000.00	-	-	1,000,000,000.00	-	12,624,420.00
Shanghai Construction No.2 (Group) Co., Ltd.	1,000,000,000.00	-	-	1,000,000,000.00	-	128,880,200.00
Shanghai Jianfan Enterprise Management Partnership (Limited Partnership)	-	1,000,000,000.00	-	1,000,000,000.00	-	-
Shanghai Jianyi Enterprise Management Partnership (Limited Partnership)	-	999,750,000.00	-	999,750,000.00	-	-
Shanghai Xijiu Enterprise Management Partnership (Limited Partnership)	-	937,966,797.00	-	937,966,797.00	-	-
SCG Meishan Construction Engineering Co., Ltd.	909,200,000.00	-	-	909,200,000.00	-	-
Qingdao Rail Transit Park Hujian Investment Development Co., Ltd.	765,000,000.00	95,706,000.00	-	860,706,000.00	-	103,253,542.95
Shanghai Mechanized Construction Group Co., Ltd.	815,085,073.89	-	-	815,085,073.89	-	403,624,908.20
Shanghai Foundation Engineering Group Co., Ltd.	462,013,442.48	300,000,000.00	-	762,013,442.48	-	-
SCG (Jiangsu) Shanghai Steel Structure	698,500,750.00	-	-	698,500,750.00	-	36,367,322.22
Shanghai Gardens (Group) Co., Ltd.	612,193,782.45	-	-	612,193,782.45	-	194,952,586.27
Shanghai Building Decoration Engineering Group Co., Ltd.	600,000,000.00	-	-	600,000,000.00	-	103,253,542.95
Sub-total	26,152,537,997.21	5,628,307,916.70	-	31,780,845,913.91	-	2,539,596,923.76

SHANGHAI CONSTRUCTION GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

17 Notes to the Company's financial statements (Continued)

(4) Long-term equity investments (Continued)

(a) Subsidiaries (Continued)

	31 December 2022	Movements in the current year			Ending balance of provision for impairment	Cash dividends declared in the current year
		Increase	Decrease	31 December 2023		
Shanghai Installation Engineering Group Co., Ltd.	546,782,623.08	-	-	546,782,623.08	-	68,347,598.96
SCG Wenzhou Qidu Bridge Construction Co., Ltd.	475,000,000.00	-	-	475,000,000.00	-	-
SCG Wenzhou Oujiangkou Traffic Engineering Construction Co., Ltd.	412,300,000.00	54,416,000.00	-	466,716,000.00	-	-
Changzhou Jintan Mount Maoshan Tourism Avenue Construction Co., Ltd.	465,500,000.00	-	-	465,500,000.00	-	-
SCG Jianheng Equity Investment Funds Partnership (Limited Partnership)	-	450,000,000.00	-	450,000,000.00	-	-
Zhaoqing Huijian Railway Station Complex Construction Development Co., Ltd.	434,818,440.00	-	-	434,818,440.00	-	-
China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	424,883,645.48	-	-	424,883,645.48	-	15,000,000.00
SCG Nanchang Qianhu Construction Co., Ltd.	403,800,000.00	-	-	403,800,000.00	-	-
SCG Changzhou Wujin Viaduct Construction Co., Ltd.	400,000,000.00	-	-	400,000,000.00	-	-
SCG Environmental Technology Co., Ltd.	383,800,000.00	-	-	383,800,000.00	-	-
Sihui Huijian Road Reconstruction Construction Development Co., Ltd.	341,962,000.00	-	-	341,962,000.00	-	-
Shanghai Zhongcheng Financial Leasing Co., Ltd.	341,599,000.00	-	-	341,599,000.00	-	-
Shanghai Huadong Construction Machinery Factory Co., Ltd.	321,984,504.14	-	-	321,984,504.14	-	-
SCG Wenzhou Oujiangkou Construction Co., Ltd.	152,293,355.12	137,975,000.00	-	290,268,355.12	-	-
SCG (Zhejiang) Water Conservancy and Hydropower Construction Co., Ltd.	251,000,000.00	-	-	251,000,000.00	-	-
Shanghai Machinery Complete Equipment (Group) Co., Ltd.	234,779,239.64	-	-	234,779,239.64	-	-
Zhuhai Jinwan District Jianjin Ecological City Construction Co., Ltd.	232,333,600.00	-	-	232,333,600.00	-	-
Others	1,756,313,214.48	477,771,616.49	(127,000,000.00)	2,107,084,830.97	-	19,865,649.24
Sub-total	7,579,149,621.94	1,120,162,616.49	(127,000,000.00)	8,572,312,238.43	-	103,213,248.20
	33,731,687,619.15	6,748,470,533.19	(127,000,000.00)	40,353,158,152.34	-	2,642,810,171.96

SHANGHAI CONSTRUCTION GROUP CO., LTD.

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(All amounts in RMB Yuan unless otherwise stated)
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17 Notes to the Company's financial statements (Continued)

(4) Long-term equity investments (Continued)

(b) Associates

	31 December 2022	Movements in the current year				31 December 2023	Opening/ending balance of provision for impairment
		Increase in investments	Share of net profit/(loss) under equity method	Others	Provision for impairment		
Hangzhou Hujian Urban Development and Construction Co., Ltd.	1,123,776,970.41	-	25,343,627.71	-	-	1,149,120,598.12	-
Ningbo Tower Construction Development Co., Ltd.	520,234,987.73	-	(22,376,891.60)	-	-	497,858,096.13	-
Hangzhou Fuyang Qinwang Construction Development Co., Ltd.	306,754,652.89	30,000,000.00	15,970,034.02	-	-	352,724,686.91	-
Shanghai Park High Quality Development Private Equity Partnership (Limited Partnership)	207,972,391.58	61,000,000.00	(4,184,847.85)	-	-	264,787,543.73	-
Other associates	687,437,228.78	29,400,000.00	(32,604,765.40)	(25,917,027.84)	-	658,315,435.54	-
	<u>2,846,176,231.39</u>	<u>120,400,000.00</u>	<u>(17,852,843.12)</u>	<u>(25,917,027.84)</u>	<u>-</u>	<u>2,922,806,360.43</u>	<u>-</u>

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

17 Notes to the Company's financial statements (Continued)

(5) Revenue and cost of sales

	2023	2022
Revenue from main operations	54,702,108,031.86	55,143,843,955.68
Revenue from other operations	89,280,940.87	844,882,117.69
	<u>54,791,388,972.73</u>	<u>55,988,726,073.37</u>

	2023	2022
Cost of sales of main operations	53,299,115,817.34	53,789,753,091.72
Cost of sales of other operations	63,127,149.94	39,533,048.42
	<u>53,362,242,967.28</u>	<u>53,829,286,140.14</u>

(a) Details of revenue are as follows:

	2023		2022	
	Revenue	Cost of sales	Revenue	Cost of sales
Building construction	54,691,778,131.33	53,293,979,909.86	55,195,558,849.93	53,788,729,459.84
Leases	13,980,724.40	5,073,704.33	14,617,866.43	4,325,840.66
Engineering project management consultation and labour dispatching as well as other businesses	85,630,117.00	63,189,353.09	778,549,357.01	36,230,839.64
	<u>54,791,388,972.73</u>	<u>53,362,242,967.28</u>	<u>55,988,726,073.37</u>	<u>53,829,286,140.14</u>

SHANGHAI CONSTRUCTION GROUP CO., LTD.

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(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

17 Notes to the Company's financial statements (Continued)

(5) Revenue and cost of sales (Continued)

(b) The Company's revenue is disaggregated as follows:

		2023		
		Building, contracting, design and construction	Engineering project management consultation and labour dispatching as well as other businesses	Total
Revenue from main operations		54,691,778,131.33	10,329,900.53	54,702,108,031.86
Including: Recognised at a point in time		-	-	-
Recognised over a period of time		54,691,778,131.33	10,329,900.53	54,702,108,031.86
Revenue from other operations		36,754,862.99	52,526,077.88	89,280,940.87
Total		54,728,532,994.32	62,855,978.41	54,791,388,972.73
		2022		
		Building, contracting, design and construction	Engineering project management consultation and labour dispatching as well as other businesses	Total
Revenue from main operations		55,142,384,497.93	1,459,457.75	55,143,843,955.68
Including: Recognised at a point in time		-	-	-
Recognised over a period of time		55,142,384,497.93	1,459,457.75	55,143,843,955.68
Revenue from other operations		28,106,552.49	816,775,565.20	844,882,117.69
Total		55,170,491,050.42	818,235,022.95	55,988,726,073.37

SHANGHAI CONSTRUCTION GROUP CO., LTD.

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FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)
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17 Notes to the Company's financial statements (Continued)

(6) Investment income

	2023	2022
Investment income from long-term equity investments under cost method	2,539,556,629.01	2,382,696,116.93
Interest income from entrusted loans	689,137,202.29	-
Investment income earned during the holding period of other non-current financial assets	88,610,749.55	106,794,526.02
Investment income earned during the holding period of financial assets held for trading	10,942,180.05	18,236,966.75
Investment (losses)/income from long-term equity investments under equity method	(43,769,870.95)	40,626,418.67
Investment income on disposals of other non-current financial assets	-	51,650,976.24
Interest income earned during the holding period of investments in other equity instruments	-	5,847,953.22
Interest income earned during the holding period of debt investments	-	2,762,758.51
	<u>3,284,476,889.95</u>	<u>2,608,615,716.34</u>

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

1 Statement of non-recurring profit or loss for the year ended 31 December 2023

Statement of non-recurring profit or loss for the year ended 31 December 2023

	2023
Profit or loss from disposals of non-current assets	14,921,267.94
Government grants recognised in profit or loss for the current period	688,687,754.83
Profit or loss from debt restructuring	(1,323,420.30)
Except for the effective hedging activities related to the ordinary activities, losses arising from changes in fair value of financial assets and financial liabilities held, and profit or loss arising from disposals of financial assets and financial liabilities.	(256,041,684.66)
Reversal of provision for impairment of receivables and contract assets tested for impairment on an individual basis	182,025,652.80
Interest income from external borrowings	8,268,791.85
Other non-operating income and expenses excluding the above items	(124,343,384.84)
	<u>512,194,977.62</u>
Effect of income tax	(92,954,900.58)
Effect on minority interests (net of tax)	<u>34,200,923.91</u>
	<u>453,441,000.95</u>

(1) Basis for preparation of non-recurring profit or loss for the year ended 31 December 2023

CSRC issued the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-Recurring Profit and Loss (2023 Revision)* ("2023 Explanatory Announcement No. 1") in 2023, which was required to be implemented since the date of issuance. The Group prepares the statement of non-recurring profit or loss for the year ended 31 December 2023 in accordance with the requirements of the 2023 Explanatory Announcement No. 1.

Under the requirements of the 2023 Explanatory Announcement No. 1, non-recurring profit or loss refers to that arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to happen frequently and would have an influence on the financial statements users' making economic decisions based on the financial performance and profitability of an enterprise.

The implementation of the 2023 Explanatory Announcement No. 1 has no significant impact on the non-recurring profit or loss for the year ended 31 December 2022.

SHANGHAI CONSTRUCTION GROUP CO., LTD.

**SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Statement of non-recurring profit or loss for the year ended 31 December 2022

	2022
Profit or loss from disposals of non-current assets	489,022,326.18
Government grants recognised in profit or loss for the current period	626,496,854.89
Profit or loss from debt restructuring	(1,254,638.20)
Except for the effective hedging activities related to the ordinary activities, losses arising from changes in fair value of financial assets and financial liabilities held, and profit or loss arising from disposals of financial assets and financial liabilities.	(826,036,779.58)
Reversal of provision for impairment of receivables and contract assets tested for impairment on an individual basis	85,504,200.34
Other non-operating income and expenses excluding the above items	(26,538,923.17)
	<u>347,193,040.46</u>
Effect of income tax	119,702,143.71
Effect on minority interests (net of tax)	13,494,462.07
	<u>480,389,646.24</u>

- (1) Basis for preparation of statement of non-recurring profit or loss for the year ended 31 December 2022

The Group prepares the statement of non-recurring profit or loss for the year ended 31 December 2022 in accordance with relevant requirements of the 2008 Explanatory Announcement No. 1.

3 Net assets income rate and earnings per share

	Weighted average net assets income rate (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2023	2022	2023	2022	2023	2022
Net profit attributable to ordinary shareholders of the Company	3.50	2.86	0.12	0.10	0.12	0.10
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	2.00	1.29	0.07	0.04	0.07	0.04