深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00604)

2020 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- The Group realized a revenue of HK$18,803.0 million, representing an increase of 26.0% over the last year;
- The Group realized a gross profit of HK$8,814.6 million, representing an increase of 72.0% over the last year;
- The property development business recorded property sales revenue of HK$14,079.6 million, representing an increase of 33.7% over the last year;
- Consolidated gross profit margin increased by 12.5 percentage points to 46.9% over the last year; gross profit margin of property sales increased by 15.8 percentage points to 52.8% over the last year;
- Fair value of investment properties and financial assets decreased by totally HK$1,146.6 million; if excluding the net effect of the changes in fair value of investment properties and financial assets of the Group, profit attributable to equity shareholders was HK$4,553.0 million, representing an increase of 48.7% over the last year;
- Profit attributable to equity shareholders was HK$3,722.9 million, and basic earnings per share were HK42.03 cents;
- Net gearing ratio (including all interest-bearing liabilities) was 41.7% and the average comprehensive interest rate in respect of its bank and other borrowings was 3.7%;
- The Board recommends the payment of a final dividend of HK11.00 cents per share. Together with the interim dividend of HK7.00 cents per share already paid, the total dividend for the whole year amounts to HK18.00 cents per share.

The board of directors (the "Board") of Shenzhen Investment Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	**2020** **$'000**	2019 *$'000*
Revenue	*5*	**18,803,011**	14,919,474
Cost of sales		**(9,988,431)**	(9,794,350)
Gross profit		**8,814,580**	5,125,124
Other income and gains	*6*	**2,133,520**	315,462
(Decrease)/increase in fair value of financial assets at fair value through profit or loss, net		**(469,433)**	340,676
(Decrease)/increase in fair value of investment properties		**(675,583)**	434,258
(Decrease)/increase in fair value upon transfer to investment properties		**(1,545)**	958,779
Selling and distribution expenses		**(319,443)**	(352,393)
Administrative expenses		**(1,032,961)**	(1,035,193)
Other operating expenses		**(577,779)**	(586,751)
Finance costs	*7*	**(992,038)**	(561,210)
Share of profits less losses of joint ventures and associates		**1,254,285**	2,045,785
Profit before taxation	*8*	**8,133,603**	6,684,537
Income tax expense	*9*	**(4,170,113)**	(2,307,247)
Profit for the year		**3,963,490**	4,377,290
Attributable to:			
Equity shareholders of the Company		**3,722,856**	4,062,796
Non-controlling interests		**240,634**	314,494
		3,963,490	4,377,290

		2020	2019
Earnings per share (HK cents)	*10*		
Basic		**42.03**	47.53
Diluted		**42.03**	47.53

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	2020	2019
	$'000	*$'000*
Profit for the year	**3,963,490**	4,377,290
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss:		
– Surplus on revaluation of investment property transferred from property, plant and equipment		
– Changes in fair value	**–**	61,221
– Income tax effect	**–**	(15,305)
	–	45,916
– Surplus on revaluation of leasehold land and buildings held for own use		
– Changes in fair value	**–**	485,070
– Income tax effect	**–**	(121,267)
	–	363,803
	–	409,719
Items that may be reclassified subsequently to profit or loss:		
– Share of other comprehensive income of joint ventures and associates	**415,545**	(185,026)
– Exchange differences on translation of foreign operations	**3,700,390**	(1,229,187)
	4,115,935	(1,414,213)
Other comprehensive income for the year, net of tax	**4,115,935**	(1,004,494)
Total comprehensive income for the year	**8,079,425**	3,372,796
Attributable to:		
Equity shareholders of the Company	**7,572,287**	3,119,739
Non-controlling interests	**507,138**	253,057
Total comprehensive income for the year	**8,079,425**	3,372,796

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Hong Kong dollars)

	Note	**2020**	2019
		$'000	*$'000*
Non-current assets			
Property, plant and equipment		**6,307,594**	6,103,243
Prepaid land lease payments		**33,486**	32,580
Goodwill		**381,982**	358,892
Investment properties		**35,650,870**	34,241,821
Interests in associates		**5,836,961**	5,319,511
Interests in joint ventures		**8,060,608**	6,811,843
Other financial assets	*13*	**7,606,248**	9,036,933
Deferred tax assets		**2,632,401**	1,802,630
Total non-current assets		**66,510,150**	63,707,453
Current assets			
Biological assets		**2,939**	2,205
Completed properties held for sale		**17,562,192**	21,457,104
Properties under development		**40,746,833**	22,277,161
Inventories		**176,558**	195,177
Trade receivables	*12*	**875,138**	593,612
Prepayments, deposits and other receivables		**7,654,310**	4,636,375
Other financial assets	*13*	**37,266**	31,095
Restricted cash		**2,543,969**	2,719,521
Cash and cash equivalents		**16,166,471**	9,653,239
Total current assets		**85,765,676**	61,565,489

	Note	2020 $'000	2019 $'000
Current liabilities			
Interest-bearing bank and other borrowings		**12,739,824**	8,406,211
Lease liabilities		**115,046**	103,476
Trade payables	*15*	**3,863,062**	2,625,609
Other payables and accruals		**10,966,533**	13,074,208
Contract liabilities		**19,718,224**	18,100,667
Due to the immediate holding company		**1,071,781**	562,926
Due to the ultimate holding company		**8,206,911**	1,936,473
Tax payable		**10,331,306**	6,247,561
Total current liabilities		**67,012,687**	51,057,131
Net current assets		**18,752,989**	10,508,358
Total assets less current liabilities		**85,263,139**	74,215,811
Non-current liabilities			
Interest-bearing bank and other borrowings		**18,088,589**	15,891,707
Lease liabilities		**340,587**	401,541
Deferred income		**29,114**	28,193
Due to the immediate holding company		**698,963**	700,920
Due to the ultimate holding company		**1,208,557**	–
Deferred tax liabilities		**9,491,481**	8,821,155
Total non-current liabilities		**29,857,291**	25,843,516
NET ASSETS		**55,405,848**	48,372,295
CAPITAL AND RESERVES			
Share capital		**22,071,756**	21,910,268
Reserves		**28,552,529**	22,564,388
Total equity attributable to equity shareholders of the Company		**50,624,285**	44,474,656
Non-controlling interests		**4,781,563**	3,897,639
TOTAL EQUITY		**55,405,848**	48,372,295

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

Shenzhen Investment Limited ("the Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The principal activities of the Company and its subsidiaries (collectively referred to as "the Group") are described in note 4.

In the opinion of the directors, the immediate holding company of the Company is Shum Yip Holdings Company Limited ("Shum Yip Holdings", 深業(集團)有限公司), which is a private company incorporated in Hong Kong. The ultimate holding company of the Company is 深業集團有限公司("Shum Yip Group"), which is a state-owned company established in Shenzhen, the People's Republic of China (the "PRC").

2 BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622) and will deliver the financial statements for the year ended 31 December 2020 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622).

The statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial information for the year ended 31 December 2020 included in this preliminary announcement comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the financial information is the historical cost basis except that the following assets are stated at their fair value:

- investment properties;
- leasehold land and buildings within property, plant and equipment;
- derivative financial instruments;
- equity investments; and
- biological assets.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of material*

None of these developments have had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments credited to profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

4 SEGMENT REPORTING

The Group manages its businesses by business units, which are organised based on their products and services. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments:

(a) the property development segment engages in the development of residential and commercial properties;

(b) the property investment segment invests in commercial properties for their rental income potential;

(c) the property management segment engages in the management of both properties developed by the Group and external parties;

(d) the manufacture segment engages in the manufacture and sale of industrial and commercial products; and

(e) the "others" segment comprises, principally, the hotel operations, manufacture and sale of aluminum alloy products and agricultural products, provision of construction services and other businesses.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets exclude unallocated assets such as deferred tax assets, restricted cash, cash and cash equivalents, other financial assets and other head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated liabilities such as interest-bearing bank and other borrowings, an amount due to the ultimate holding company, tax payable, an amount due to the immediate holding company, deferred tax liabilities and other head office and corporate liabilities as these liabilities are managed on a group basis.

Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before taxation from continuing operations. The adjusted profit before taxation from continuing operations is measured consistently with the Group's profit before taxation except that other income and gains, finance costs, net fair value gain/(loss) on financial assets measured at fair value through profit or loss as well as head office and corporate expenses are excluded from such measurement.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

2020	Property development $'000	Property investment $'000	Property management $'000	Manufacture $'000	Others $'000	Total $'000
Segment revenue:						
Sales to customers	14,079,639	1,223,195	2,225,947	347,293	926,937	18,803,011
Intersegment sales *(Note a)*	–	9,828	93,530	–	178,800	282,158
	14,079,639	1,233,023	2,319,477	347,293	1,105,737	19,085,169
Reconciliation						
Elimination of intersegment sales						(282,158)
Revenue						18,803,011
Segment results before decrease in fair value of investment properties	7,587,680	971,395	191,810	71,328	(14,771)	8,807,442
Decrease in fair value of investment properties	–	(675,583)	–	–	–	(675,583)
Decrease in fair value upon transfer to investment properties	–	(1,545)	–	–	–	(1,545)
Segment results after decrease in fair value of investment properties	7,587,680	294,267	191,810	71,328	(14,771)	8,130,314
Reconciliation						
Elimination of intersegment results						(548,915)
Other income and gains						2,133,520
Fair value loss on financial assets measured at fair value through profit or loss, net						(469,433)
Corporate and other unallocated expenses						(119,845)
Finance costs						(992,038)
Profit before taxation						8,133,603
Segment assets	76,799,217	41,870,169	920,456	169,820	3,529,809	123,289,471
Reconciliation						
Corporate and other unallocated assets						28,986,355
Total assets						152,275,826
Segment liabilities	39,452,988	4,933,344	755,803	130,204	946,439	46,218,778
Reconciliation						
Corporate and other unallocated liabilities						50,651,200
Total liabilities						96,869,978
Other segment information:						
Depreciation	104,304	40,609	30,925	4,689	95,126	275,653
Amortisation of prepaid land lease payments	–	–	–	–	1,192	1,192
Interests in associates	3,415,068	1,392,084	328	–	1,029,481	5,836,961
Interests in joint ventures	7,786,553	155,652	20,971	–	97,432	8,060,608
Additions to non-current segment assets during the year *(Note b)*	8,602	43,807	60,439	–	45,057	157,905

2019	Property development $'000	Property investment $'000	Property management $'000	Manufacture $'000	Others $'000	Total $'000
Segment revenue:						
Sales to customers	10,531,572	1,070,991	2,099,290	333,867	883,754	14,919,474
Intersegment sales *(Note a)*	–	11,816	160,919	–	144,070	316,805
	10,531,572	1,082,807	2,260,209	333,867	1,027,824	15,236,279
Reconciliation						
Elimination of intersegment sales						(316,805)
Revenue						14,919,474
Segment results before increase in fair value of investment properties	4,684,229	688,102	225,340	22,729	(107,379)	5,513,021
Increase in fair value of investment properties	–	434,258	–	–	–	434,258
Increase in fair value upon transfer to investment properties	–	958,779	–	–	–	958,779
Segment results after increase in fair value of investment properties	4,684,229	2,081,139	225,340	22,729	(107,379)	6,906,058
Reconciliation						
Elimination of intersegment results						(94,022)
Other income and gains						315,462
Fair value gain on financial assets measured at fair value through profit or loss, net						340,676
Corporate and other unallocated expenses						(222,427)
Finance costs						(561,210)
Profit before taxation						6,684,537
Segment assets	56,051,271	37,228,889	679,786	141,929	4,942,869	99,044,744
Reconciliation						
Corporate and other unallocated assets						26,228,198
Total assets						125,272,942
Segment liabilities	26,047,724	5,312,184	1,072,814	85,148	1,185,403	33,703,273
Reconciliation						
Corporate and other unallocated liabilities						43,197,374
Total liabilities						76,900,647
Other segment information:						
Depreciation	97,141	35,827	35,480	4,763	98,276	271,487
Amortisation of prepaid land lease payments	–	–	–	–	1,141	1,141
Interests in associates	2,470,510	637,737	309	15,133	2,195,822	5,319,511
Interests in joint ventures	6,446,120	136,913	17,750	–	211,060	6,811,843
Additions to non-current segment assets during the year *(Note b)*	204,314	1,013,851	76,637	4,103	1,294,065	2,592,970

Note:

a. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

b. Additions to non-current segment assets during the year comprise additions to property, plant and equipment, prepaid land lease payments and investment properties.

As the Group generates substantially all of its revenue from customers domiciled in mainland China and most of its non-current assets are located in mainland China, no geographical information is presented.

5 REVENUE

Revenue, represents sale of properties, commercial and industrial goods, rental income, management fee income and others. All of the revenue of the Group is recognised at a point in time except for property management fee income, which is recognised over time.

(i) Disaggregation of revenue from contracts with customers by major products and service lines is as follows:

	2020	2019
	$'000	*$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sale of completed properties	**14,079,639**	10,531,572
Management fee income	**2,225,947**	2,099,290
Sale of commercial and industrial goods	**347,293**	333,867
Others	**926,937**	883,754
	17,579,816	13,848,483
Revenue from other sources		
Gross rental income from investment properties *(note (a))*		
– Lease payments that are fixed or depend on an index or a rate	**1,155,049**	1,035,235
– Variable lease payments that do not depend on an index or a rate	**68,146**	35,756
	18,803,011	14,919,474

Notes:

(a) During the year, the Group offered rent concessions to certain tenants as a direct consequence of COVID-19. These rent concessions amounted to $220,381,000 are accounted for as lease modifications, of which $89,665,000 has been recognised as a deduction to the gross rental income during the year.

The Group's customer base is diversified. For the year ended 31 December 2020, none of the customer with whom transactions have exceed 10% of the Group's revenue. For the year ended 31 December 2019, sales to the Group's largest customer amounted to approximately 11.48% of the Group's revenue.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2020, the aggregated amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied under the Group's existing contracts is $25,073,060,000 (2019: $25,939,073,000). This amount mainly represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers. The Group will recognise the expected revenue in future, in the case of the properties under development for sale, when the customers has the ability to direct the use of the property, which is expected to occur over the next 12 to 36 months.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for commercial and industrial goods and service contracts for property management such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under these contracts which had an original expected duration of one year or less.

6 OTHER INCOME AND GAINS

	2020	2019
	$'000	*$'000*
Interest income	**352,104**	217,983
Dividend income *(Note a)*	**1,626,639**	1,825
Government grant	**59,197**	20,703
Others	**95,580**	74,951
	2,133,520	315,462

Note a: The Group received dividends mainly from Hengda Real Estate Group Company Limited ("Hengda Real Estate") amounting to $1,626,542,000 in 2020. There was no such dividend received from Hengda Real Estate in 2019.

7 FINANCE COSTS

	2020	2019
	$'000	*$'000*
Interest on:		
Bank loans	**861,045**	1,000,809
Other borrowings	**187,042**	98,505
Lease liabilities	**22,383**	25,190
Loans from the ultimate holding company	**117,646**	117,054
Loans from the immediate holding company	**19,348**	33,213
Loans from fellow subsidiaries	**148,157**	123,033
Loans from a joint venture	**4,944**	24,338
Loans from an other related company	**7,322**	7,523
Loans from non-controlling shareholders	**–**	7,642
Total interest expense on financial liabilities not at fair value through profit or loss	**1,367,887**	1,437,307
Interest accrued on contract liabilities	**466,227**	420,343
Less: Interest expense capitalised into properties under development	**(842,076)**	(1,296,440)
	992,038	561,210

* The borrowing costs have been capitalised at a rate of 3.54% – 4.84% per annum (2019: 3.36% – 4.96%).

8 PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging/(crediting):

(a) Cost of sales

	2020	2019
	$'000	*$'000*
Cost of properties and inventories sold	**6,720,360**	6,632,462
Cost of services provided	**3,268,071**	3,161,888
	9,988,431	9,794,350

(b) Staff costs

	2020	2019
	$'000	*$'000*
Wages and salaries	**1,993,731**	1,756,027
Equity-settled share option expense	**10,525**	26,836
Retirement scheme contributions	**92,651**	156,235
	2,096,907	1,939,098

(c) Other items

	2020	2019
	$'000	*$'000*
Amortisation of prepaid land lease payments	**1,192**	1,141
Depreciation charge		
– owned property, plant and equipment	**196,248**	202,260
– right-of-use assets	**44,511**	33,259
	240,759	235,519
Variable lease payment not included in the measurement of lease liabilities	**2,811**	2,085
Impairment losses on property, plant and equipment *(Note)*	**117,427**	–
Impairment losses/(reversal of impairment losses)		
– trade receivables	**21,965**	16,625
– prepayments, deposits and other receivables	**32,758**	27,265
– other financial assets	**(56,628)**	(14,942)
Net foreign exchange loss	**59,333**	19,325
Rental income on investment properties less direct operating expenses of $331,224,000 (2019: $339,128,000)	**(891,971)**	(731,863)
Loss on disposal of property, plant and equipment	**1,683**	732
Auditor's remuneration		
– audit services	**6,050**	5,830

Note: During the year ended 31 December 2020, the Group's hotel operations in mainland China was adversely affected by the outbreak of COVID-19 and certain assets related to those operations have indications of impairment. With the assistance of Jones Lang LaSalle Corporate Appraisal Limited ("JLL"), an independent firm of professionally qualified property valuers, the Group assessed the recoverable amounts of those assets based on their value in use. Impairment losses of $117,427,000 were recognised in "Other operating expenses".

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax was made as the Group has no assessable profits arising in or derived from Hong Kong for year (2019: nil).

Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the BVI.

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% on their respective taxable income during the year.

PRC Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

	2020	2019
	$'000	*$'000*
Current tax:		
Mainland China CIT	**1,936,585**	960,133
Withholding tax on dividend	**164,194**	99,207
LAT in mainland China	**3,070,079**	862,442
Deferred tax		
Mainland China CIT	**(1,036,861)**	501,143
Withholding tax on dividend	**196,461**	5,081
LAT in mainland China	**(160,345)**	(120,759)
Total tax charge for the year	**4,170,113**	2,307,247

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $3,722,856,000 (2019: $4,062,796,000) and the weighted average of 8,858,380,832 ordinary shares (2019: 8,548,473,879) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	Number of shares	
	2020	2019
Issued ordinary shares at 1 January	**8,833,437,048**	8,413,711,807
Effect of shares issued in respect of scrip dividends	**24,943,784**	109,352,814
Effect of share options exercised	**–**	25,409,258
Weighted average number of ordinary shares at 31 December	**8,858,380,832**	8,548,473,879

(b) Diluted earnings per share

For the year ended 31 December 2020 and 2019, the effect of conversion of share option scheme was anti-dilutive and the diluted earnings per share for the year is therefore equal to the basic earnings per share.

11 DIVIDENDS

	2020	2019
	$'000	*$'000*
Dividends recognised as distribution during the year:		
Final dividend declared for 2019 – HK11.00 cents per share (2019: declared for 2018 – HK11.00 cents per share) *(i)/(ii)*		
Scrip shares	**161,488**	675,777
Cash	**810,190**	252,630
	971,678	928,407
Interim – HK7.00 cents (2019: HK7.00 cents) per ordinary share *(i)/(iii)*		
Scrip shares	**–**	478,407
Cash	**622,993**	129,054
	622,993	607,461
Dividends proposed after the end of the reporting period		
Final dividend of HK11.00 cents (2019: final dividend of HK11.00 cents) per ordinary share *(i)/(iv)*	**978,988**	971,678

(i) The shareholders are given the option of receiving these dividends wholly in cash, or wholly in new fully paid share(s) of the Company in lieu of cash, or partly in cash and partly in the form of scrip shares.

(ii) The Company declared a final dividend of HK11.00 cents per share in respect of year ended 31 December 2019 amounted to $971,678,000, of which $810,190,000 were paid in cash and the remaining balance of $161,488,000 were settled in the form of 66,456,067 scrip shares on 17 August 2020.

The Company declared a final dividend of HK11.00 cents per share in respect of year ended 31 December 2018 amounted to $928,407,000, of which $252,630,000 were paid in cash and the remaining balance of $675,777,000 were settled in the form of 237,949,329 scrip shares on 15 August 2019.

(iii) The Company declared an interim dividend of HK7.00 cents (2019:HK7.00 cents) per share in respect of year ended 31 December 2020 amounted to $622,993,000 (2019: $607,461,000), which were fully paid in cash (2019: $129,054,000 were paid in cash and the remaining balance $478,407,000 were settled in the form of 155,427,734 scrip shares) on 14 October 2020.

(iv) On 30 March 2021, the board of directors recommends a final dividend of HK11.00 cents per share for the year ended 31 December 2020 (2019: final dividends of HK11.00 cents per share), which will be fully paid in cash. The proposed final dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the end of the reporting period.

The amount of the final dividend for 2020 was calculated on the basis of 8,899,893,115 shares in issue as at 30 March 2021.

12 TRADE RECEIVABLES

	2020	2019
	$'000	*$'000*
Trade receivables	**1,037,538**	725,876
Less: loss allowance	**(162,400)**	(132,264)
	875,138	593,612

Under normal circumstances, the Group does not grant any credit terms to its customers for the sale of properties. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2020, the Group's trade receivables with a net carrying value of approximately $3,785,000 (2019: nil) was pledged to secure other borrowings granted to the Group (note 14).

An aged analysis of the trade receivables as at the end of the reporting period, based on the contract date and net of provision, is as follows:

	2020	2019
	$'000	*$'000*
Within one year	**701,438**	438,893
One to two years	**136,539**	122,226
Two to three years	**37,161**	32,493
	875,138	593,612

13 OTHER FINANCIAL ASSETS

	2020	2019
	$'000	*$'000*
Current:		
Financial assets measured at fair value through profit or loss ("FVPL")		
– Listed equity investments in Hong Kong	**1,982**	2,367
Financial assets measured at amortised cost		
– Finance lease receivables due within one year	**36,005**	29,296
Less: loss allowance	**(721)**	(568)
	35,284	28,728
	37,266	31,095

	2020	2019
	$'000	*$'000*
Non-current:		
Financial assets measured at FVPL		
– Listed equity investments in mainland China	**26,935**	31,801
– Unlisted equity investments in mainland China *(note (i))*	**6,737,000**	6,191,000
– Derivative financial instrument *(note (i))*	**–**	597,221
	6,763,935	6,820,022
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity investments in mainland China	**3,989**	3,748
Financial assets measured at amortised cost		
– Finance lease receivables	**122,746**	144,210
– Other long-term assets *(note (ii))*	**752,984**	2,157,680
Less: loss allowance	**(37,406)**	(88,727)
	838,324	2,213,163
	7,606,248	9,036,933

Notes:

(i) The balance mainly represented the Group's equity investment and derivative financial instruments arising from Hengda Real Estate Group Company Limited and its controlling parities ("Hengda Investments") of $6,737,000,000 (2019: $6,788,221,000), the details of which are set out below:

On 31 May 2017, 28 June 2017 and 6 November 2017, the Group entered into investment agreements ("Investment Agreements") with Guangzhou Kailong Real Estate Company Limited ("Kailong Real Estate"), Hengda Real Estate, both of which are subsidiaries of China Evergrande Group, and Mr. Hui Ka Yan ("Mr. Hui", a director and controlling shareholder of China Evergrande Group). Pursuant to the Investment Agreements, the Group agreed to contribute RMB5,500,000,000 (equivalent to $6,337,100,000) to the capital of Hengda Real Estate for acquisition of approximately 2.0522% of the enlarged equity interest of Hengda Real Estate at the date of contribution, which was subsequently diluted to 1.7626% of the enlarged equity interest of Hengda Real Estate after the capital contributions from other investors in November 2017.

Hengda Real Estate is undergoing a major assets reorganisation such that Kailong Real Estate, as the holding company of Hengda Real Estate, will become the controlling shareholder of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd., a company listed on the Shenzhen Stock Exchange, after the major assets reorganisation ("Proposed Reorganisation"). If the Proposed Reorganisation of Hengda Real Estate is not completed by 31 January 2020 ("Listing Deadline") and the failure to complete is not caused by reasons attributable to the Group, the Group is entitled to have the right ("Hengda Option Right") within two months of the expiry of the Listing Deadline to demand Kailong Real Estate to either:

(i) buy back the entire equity interest in Hengda Real Estate held by the Group at the original amount of capital contributed by it, provided that Kailong Real Estate may choose not to buy back such equity interest from the Group, in which case, the Group will have the right to request Mr. Hui to buy back the entire equity interest held by the Group at the original amount of capital contributed by it; or

(ii) transfer additional shares, which are equivalent to 50% of the equity interest held by the Group in Hengda Real Estate on the signing of the compensation agreement (excluding any additional equity interest acquired by the Group after the date of the Investment Agreements), to the Group at nil consideration.

In addition, under the terms of the Investment Agreements, Kailong Real Estate and Hengda Real Estate have undertaken to the Group that the net profit of Hengda Real Estate for the three financial years of 2017, 2018 and 2019 ("Performing Undertaking Period") shall not be less than RMB24.3 billion, RMB50 billion and RMB55 billion, respectively. If the net profit of Hengda Real Estate for any financial year in the Performance Undertaking Period is less than the amount for that financial year, the proportional dividend to be paid by Hengda Real Estate to the Group will be adjusted upward in accordance with the formulae specified in the Investment Agreements ("the Minimum Dividend Payment Mechanism").

The Group has undertaken to Hengda Real Estate and its holding company, Kailong Real Estate, that it will not transfer its interests in Hengda Real Estate or create any encumbrances over such interests without the consent of Kailong Real Estate for a period of three years from completion of the capital contribution.

On 13 January 2020, the Group, Kailong Real Estate, Hengda Real Estate and Mr. Hui entered into a supplemental investment agreement pursuant to which the parties thereto have agreed to amend certain terms of the Investment Agreements as follows:

(i) Original Listing Deadline has been extended from 31 January 2020 to 31 January 2021;

(ii) Kailong Real Estate and Hengda Real Estate have further undertaken to the Group that the amount of net profit of Hengda Real Estate for financial year 2020 will not be less than RMB60 billion; and

(iii) the same Minimum Dividend Payment Mechanism provided for in the Investment Agreements in respect of the financial years of 2017, 2018 and 2019 will also apply to the financial year of 2020.

On 22 November 2020, the Group, Kailong Real Estate, Hengda Real Estate and Mr. Hui entered into a supplemental investment arrangement pursuant to which the Group has exercised the Hengda Option Right under the Investment Agreements, and as the Proposed Reorganisation has been terminated before the Original Listing Deadline, the parties thereto have further agreed to make a few clarification and supplemental changes to the terms of the Investment Agreements as follows:

(i) The Group will continue to hold the equity interest of Hengda Real Estate and its equity interest was increased to 2.6439% according to the supplemental agreement. The 2020 dividends of equity interest in Hengda Real Estate held by the Group shall be governed by the supplemental agreement signed on 13 January 2020;

(ii) Kailong Real Estate (or its designated third party) may propose to the Group to buy back the equity interest in Hengda Real Estate held by the Group at RMB5.5 billion ("Share Buy-back") before 31 December 2023 which is subject to the Company's review and approval in accordance with relevant regulatory requirements including those applicable to state-owned assets and listed companies. And, in the case the application is being approved, the Group and Kailong Real Estate will proceed to process the Share Buy-back in accordance with the prescribed procedures.

During the year ended 31 December 2020, there was an decrease in fair value in respect of Hengda Investments of $462,499,000 (2019: increase in fair value of $342,297,000), which was recognised in the consolidated statement of profit or loss.

(ii) As at 31 December 2020, other long-term assets mainly represented non-current receivables from a government authority of $590,005,000 (2019: $1,007,088,000), loans to a joint venture of $115,255,000 (2019: $1,051,665,000) and associates of $12,678,000 (2019: $12,994,000).

14 PLEDGE OF ASSETS

Bank loans amounting to $2,592,251,000 (2019: $383,208,000) were secured by certain of the Group's assets as below:

(i) trade receivables with a net carrying amount of approximately $3,785,000 (2019: nil);

(ii) land and buildings in mainland China with a net carrying amount of approximately $261,040,000 (2019: $605,816,000);

(iii) properties under development with a net carrying amount of approximately $2,972,440,000 (2019: $1,086,976,000); and

(iv) investment properties with a net carrying amount of approximately $2,438,662,000 (2019: $498,181,000).

In addition, Shum Yip Group, the ultimate holding company, has guaranteed certain of the Group's bank loans of $1,782,300,000 as at 31 December 2020 (2019: $2,790,750,000).

At 31 December 2020, other borrowings included Senior Commercial Mortgage-backed Notes ("CMBN") of RMB1,800,000,000 (equivalent to $2,137,572,000) issued in China Interbank Bond Market on 16 June 2020, which were secured by certain land and buildings, investment properties and its future rental incomes. The interest rates of the CMBN classified as Priority Level with a principal amount of RMB1,800,000,000 was fixed at 3.28% per annum. The term of the CMBN was 20 years. At the end of the third year, the sixth year and the ninth year, the Group shall be entitled to adjust the interest rates of the CMBN or repurchase the outstanding balance, and the holders of the CMBN shall be entitled to require the Group to redeem the outstanding balance.

15 TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020	2019
	$'000	*$'000*
Within one year	**3,252,855**	2,026,082
One to two years	**136,725**	124,859
Two to three years	**107,048**	106,228
Over three years	**366,434**	368,440
	3,863,062	2,625,609

The total amounts of the trade payables are non-interest-bearing. All the trade payables are expected to be settled within one year.

16 COMMITMENTS

Capital commitments outstanding at 31 December 2020 not provided for in the financial information were as follows:

	2020	2019
	$'000	*$'000*
Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**4,974,251**	4,600,678

In addition to this, as disclosed in the Company's announcement dated 14 July 2017, the Group agreed a maximum capital contribution to a related party, Shum King Limited, of $3,000,000,000 for its development of a piece of land in Hong Kong. As at 31 December 2020, the Group had an outstanding capital commitment to Shum King of $1,906,000,000 (2019: $1,971,500,000).

17 CONTINGENT LIABILITIES

(a) Financial guarantees to purchasers of the Group's properties

As at 31 December 2020, the Group has given guarantees to a maximum extent of approximately $9,122,402,000 (2019: $5,144,838,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the buyer of the Group's properties obtain the individual property ownership certificate.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty and therefore no provision has been made in connection with the guarantees.

(b) Financial guarantees to related parties of the Group

As at 31 December 2020, the Group has given guarantees amounted to RMB1,351,672,000 (2019: RMB1,344,292,000) in respect of bank loans and other borrowings to Pik Sum and Taizhou Shum Yip, both of which are joint ventures of the Group.

18 RELATED PARTY TRANSACTIONS

In addition to the financial guarantee received from the ultimate holding company disclosed in note 14, the financial guarantees provided to joint ventures disclosed in note 17(b) and the capital commitments provided to a joint venture disclosed in note 16, the Group had the following related party transactions:

(a) Financing arrangements

(i) The Group entered into certain financing arrangements with its related parties which are unsecured, interest-free and have no fixed terms of repayment, except for the balances of $9,514,902,000 (31 December 2019: $6,587,557,000) which are interest-bearing, unsecured and have fixed terms of repayment ranging from one to three years..

(ii) The Group also provides loans to its related parties which are unsecured, interest-free and have no fixed terms of repayment, except for balances of $2,048,011,000 (31 December 2019: $2,860,786,000) which are interest-bearing, unsecured and have fixed terms of repayment ranging from one to four years. At 31 December 2020, the Group's loans to joint ventures and associates were $2,148,692,000 (31 December 2019: $3,032,524,000) and $1,188,000 (31 December 2019: $14,076,000) respectively. The related interest income from the joint ventures and associates for the year ended 31 December 2020 were $117,688,000 (2019: $161,895,000) and $520,000 (2019: $494,000) respectively.

(b) Leasing arrangements

(i) The Group entered into leases in respect of certain leasehold properties from its related parties, with lease terms ranging from 1 years to 5 years. During the year ended 31 December 2020, the amounts of rent payable by the Group under these leases to its immediate holding company, fellow subsidiaries and associates were $10,785,000 (2019: $4,972,000), $4,842,000 (2019: $3,460,000) and $25,988,000 (2019: $29,475,000) respectively.

(ii) The Group also entered into a lease arrangement with its ultimate holding company as a lessor. For the year ended 31 December 2020, the rental income in respect of the lease arrangement was $8,373,000 (2019: $13,038,000).

(iii) The prices for the above transactions were determined based on mutual agreement between the parties.

(c) Other related party transactions

(i) On 2 July 2020, the Group entered into an acquisition agreement with Shum Yip Group, pursuant to which Shum Yip Group agreed to sell and the Group agreed to purchase 52.848% equity interest in Shum Yip Jinzhi Logistic Development Co., Ltd. ("Jinzhi Logistic"), at a consideration of RMB537,380,000 (equivalent to HK$638,514,000). The transaction was completed in September 2020.

(ii) The Group entered into arrangement with its ultimate holding company and fellow subsidiaries in which the Group provides management services on its behalf in respect of certain agricultural lands and property development projects. For the year ended 31 December 2020, the management fee income in respect of these management services was $1,142,000 (2019: $1,985,000).

(iii) The Group entered into arrangement with its fellow subsidiaries in which the Group provides IT system services. For the year ended 31 December 2020, the services fee income in respect of these services was $1,800,000 (2019: nil)

(iv) During the year ended 31 December 2020, the Group sold products to its joint ventures of $267,243,000 (2019: $24,822,000).

(v) The prices for the above transactions were determined based on mutual agreement between the parties.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	2020	2019
	$'000	*$'000*
Short-term employee benefits	**18,222**	16,094
Post-employment benefits	**2,501**	2,619
Equity settled share option expense	**2,821**	6,586
	23,544	25,299

19 REVIEW OF RESULTS

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

CHAIRMAN'S STATEMENT

In 2020, COVID-19 outbreak swept across the globe giving a heavy blow to the global economy and bringing profound impact on social development. In the early stage of the epidemic, China took unconventional approaches to effectively contain the epidemic. With the establishment of an effective and regular epidemic prevention and control system, the implementation of a moderate package of macro stimulus policies and the promotion of comprehensive resumption of work and production, China took the lead in getting out of the epidemic dilemma and was the only major economy in the world to see positive growth this year.

With the implementation of the macro policies, the real estate market gradually mitigated the impact of the COVID-19 in the second quarter, with stable and orderly overall development. "House is a place to live instead of a tool for speculation" and "taking policies according to the local conditions" were still the main keynote in real estate sector. In the second half of the year, the "Three Red Lines" regulations were introduced, followed by increasingly tightened financing supervision. Shenzhen Government introduced the "New Eight Rules" real estate market regulation policy, enabling the supply of commercial housing to grow steadily, the housing market turnover to increase significantly throughout the year, and the price to rise slightly. Affected by the economic situation, the office market witnessed higher vacancy rate and reduced rent.

During the pandemic outbreak, the Group has proactively shouldered its social responsibility as a state-owned enterprise by fighting against the pandemic in the frontline, maintaining and managing the safety of its residential communities and industrial parks, and taking active actions to waive rent to weather the hardship together with customers. At the same time, the Group actively promoted the resumption of work and production, ensured the on-schedule completion of projects, and innovated and expanded land resources. It achieved satisfactory performance in the tough environment.

2020 Results

During the year, the Group achieved a turnover of HK$18,803.0 million, representing an increase of 26.0% over the last year. Gross profit was HK$8,814.6 million, representing an increase of 72.0% over the last year. Profit attributable to equity shareholders of the Company was HK$3,722.9 million, representing a decrease of 8.4% over the last year. If excluding the net effect of changes in fair value of investment properties attributable to the Group and fair value of financial assets, profit attributable to equity shareholders of the Company was HK$4,553.0 million, representing an increase of 48.7% over the last year. Basic earnings per share were HK42.03 cents, representing a decrease of 11.6% over the last year. The Board recommends the payment of a final dividend of HK11.00 cents per share for 2020 in cash.

Ensured On-Schedule Construction Progress of Key Projects, with Significant Increase in Sales Revenue

During the year, the Group overcame the impact of the delay in construction caused by the epidemic by stepping up efforts to promote the progress of key projects. The Group ensured the on-schedule occupation of its key projects, including Shum Yip Zhongcheng and Taifu Square. During the year, the Group recorded real estate sales revenue of HK$14.08 billion, representing an increase of 33.7% over the last year. The occupied projects realized high profitability and the gross profit margin of real estate development was 52.8%, creating remarkable returns for shareholders.

Steady Sales

During the year, the Group made great efforts to promote sale, overcome the adverse factors such as the continuous tightening of regulatory policies and the delay of the sale of some projects due to the epidemic and achieved contracted sales of approximately RMB14.5 billion, of which the projects in the Greater Bay Area accounted for approximately 74%. The residential project Parkview Bay was sold out and Ma'anshan Shum Yip Huafu was the top-selling project in locality. With a block trade of approximately RMB3.56 billion of contracted sales achieved, office projects such as Terra Licheng and Zhifeng Building have delivered outstanding performance amid the sluggish office building market in Shenzhen.

Outstanding Performance Achieved in the Operation of Property Lease Business

During the year, business operation was more difficult under the epidemic. Together with the unfavorable business environment and the increased supply of office buildings, the average occupancy rate of office buildings in Shenzhen market dropped to approximately 75%, and the rental of Grade A office buildings went down by approximately 12.8%. The office lease market witnessed a relative downturn. During the pandemic outbreak, the Group has proactively shouldered its social responsibility as a state-owned enterprise. In this regard, the Group waived rent for the enterprises within the industrial parks and commercial tenants in the shopping malls for 2 months, and waived rent for private educational institutions and other tenants for 3 months to overcome difficulties together with our customers in concerted efforts.

Despite the impaired macro environment and the short-term impact of rent exemption measures on rental sources of existing properties, the Group has maintained the stability of its leasing business through a variety of means. By the end of 2020, the Group managed to maintain the vacancy rate of its existing properties (excluding parking lots) at about 10% by constantly improving its operation and service quality, and thus enhancing customer stickiness and brand image of the Group. In addition, the Group has improved the unit rent of some properties through upgrading and transforming the existing properties, innovating and optimizing the business structure and other measures, and the operation of its investment properties was obviously better than the market level. Furthermore, the Group actively solicited clients for its commercial projects and new projects. At present, the leased out rate of the three major shopping malls of the Group was above 90%, and the commercial rent has increased significantly. Through unremitting efforts, the Group has offset the impact of rent waive by generating income from new properties and optimizing and improving unit rent. The rental income for the year amounted to HK$1.22 billion, representing an increase of 14.2% over the last year. After excluding the accounting impact of rent waive adjustment, the actual rental income increased 2.0% over the last year.

Expansion of Quality Land Resources

The Group continues to focus on the Guangdong-Hong Kong-Macao Greater Bay Area, intensify its development in Shenzhen and plan for its business presence in key first-tier and second-tier cities. Further, it has made a breakthrough in resources acquisition. During the year, the newly increased land reserve area was about 631,000 square meters, with an investment of approximately RMB6.34 billion, and the increase in saleable value was approximately RMB13.4 billion.

The Group has been proactively stocking projects in the Guangdong-Hong Kong-Macao Greater Bay Area. During the year, the Group completed the acquisition of the 52.848% equity interest of Shum Yip Jinzhi Logistics Development Co., Ltd. held by its ultimate holding company at a consideration of approximately RMB537 million and through the acquisition, it obtained the Jinyuan Building, Zhifeng Building in Luohu District, Shenzhen and other urban renewal resources in Shenzhen, which started a new round of asset injection. Besides, the Group won the project in Hengli Island, Nansha, Guangzhou with a total construction area of 232,000 square meters by auction at a price of RMB4 billion. In addition, the Group also kicked off the analysis on the land acquisition in respect of the land held by its ultimate holding company in Shahu, Pingshan District, Shenzhen.

Meanwhile, the Group actively planned for its business presence in key second-tier cities. During the year, the Group acquired two pieces of land in Chengdu. Among them, the Chenghua District plot is located in the core downtown area within the second ring road of Chengdu, a prime geographical location with strong commercial atmosphere. It has a capacity building area of approximately 68,000 square meters. The land premium for the plot was RMB1.15 billion. The other plot is in Qingbaijiang District, Chengdu City with a capacity building area of approximately 284,000 square meters. The land premium for this plot was RMB650 million. This land is evidence that the Group has realized resources acquisition by way of industrial introduction with competitive costs.

Accelerated Development of Operation and Service

During the year, the Group accelerated the development of property service and park operation business with 66 newly expanded park and property management projects and a newly signed area of more than 8 million square meters. In addition, the new business type of "property management city" has been gradually implemented in Huafu Community and Meilin Community of Futian District, Pingshan Community and Longtian Community of Pingshan District, Jihua Community of Longgang District and Baguang Area of Dapeng District in Shenzhen, being an important initiative for the operation and service sectors of the Group to realize rapid development.

Equity Interests in Hengda Real Estate

The Group, as a strategic investor, contributed RMB5.5 billion for investment in the equity interests in Hengda Real Estate in 2017 to support its reorganization in the domestic capital market. Hengda Real Estate announced the termination of the reorganization in the year, and the Group holds equity interests of Hengda Real Estate according to the terms stipulated in the original investment agreement with its shareholding ratio increases to 2.6439%.

During the year, Hengda Real Estate paid the Group a dividend for 2018 of approximately RMB790 million and a dividend for 2019 of approximately RMB660 million. The two batches of dividend amounted to approximately RMB1.45 billion in aggregate have been recognized during the year.

Maintain Sound Financial Position

Under the increasingly stringent financial regulation environment in real estate, the Group made initiative plans to strengthen its integrated fund planning and financial management. By means of debt replacement and optimization of loan portfolio, the Group has improved the capital efficiency and reduced the borrowing costs, with the average comprehensive interest rate of the Group's bank and other borrowings at 3.7%. As at 31 December 2020, net gearing ratio (inclusive of all interest-bearing liabilities) maintained at a low level of 41.7%. All indicators of the "Three Red Lines" fell into the green level. Furthermore, the Group innovated its financing channels, and completed the issuance of Commercial Mortgage-backed Notes ("CMBN") with Times Technology Building as the underlying asset with an issue amount of RMB1.9 billion, among which, the coupon rate of the senior notes was 3.28%, which expanded financial resources for further development of the Group.

The Group will continue to seek high-quality assets, improve operational efficiency, optimize the structure of its profit model and improve its profitability to create sustained and steady returns for shareholders.

Outlook

Economic Outlook

Leveraging on strong institutional advantages and effective enforcement, China has achieved great victories in the epidemic prevention and control, and took the lead in economic recovery. At present, the global landscape and economic order have been undergoing unprecedented changes in a century. The international environment is complex and full of uncertainties. However, with the successful development and application of the vaccine, the global epidemic is expected to be gradually under control in 2021 and the world economy will see recovery. In the new development pattern where domestic cycle dominates and the domestic cycle and international cycle mutually promote, the endogenous driving forces, such as technological innovation, industrial chain layout and expanding domestic demand will replace the unconventional stimulus policies to become the basic force of domestic economic development.

As the economic development returns to normal track, "House is a place to live instead of a tool for speculation" and "taking policies according to the local conditions" are still the main keynote of real estate policies. Financial supervision on the real estate market will be strengthened continuously, and supply-side reform of the land market will be launched to promote stable and orderly development of the real estate market. The policy of "Three Red Lines" will make real estate enterprises slow down their short-term investment and financing and speed up cash turnover. The policy of centralized land supply in popular cities brings challenges to real estate enterprises in terms of land acquisition planning, capital management, products and sales, which will further promote the integration of the industry and push enterprises to seek changes in operation mode.

Guangdong-Hong Kong-Macao Greater Bay Area

The Guangdong-Hong Kong-Macao Greater Bay Area is equipped with complete industrial system and cluster development capability and embraces innovation enterprises and innovation elements. Against the backdrop of "dual-driven" and domestic and international dual circulation development, Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area will strengthen independent technological innovation and industrial chain security to form a better innovative ecological industry chain, and the synergy effect of the Guangdong-Hong Kong-Macao Greater Bay Area on industries, capital and talents will be further enhanced. Under the keynote of "House is a place to live instead of a tool for speculation", Shenzhen and the Greater Bay Area adopt strict real estate control policies and the government is determined to curb speculation. Shenzhen has successively introduced score-based lottery rules, which guide the new house sales should be weighted toward households in need, and reference price system for second-hand houses to guide the second-hand house market. In addition, Shenzhen gradually increases the supply of commercial housing. With the implementation of the policies and the reform of the supply structure, we believe that the real estate market in Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area will realize sound and stable development in a long term.

Mapping out the Blueprint for the Coming Five Years to Realize Transformation and Optimization and Gain Profound Strength

The Group, as an enterprise with years of operation experience in the Guangdong-Hong Kong-Macao Greater Bay Area, will actively integrate into the national strategy and achieve mutual development with the rapid development of the country and the region. Leveraging on the efforts of strategic focus and transformation in the past five years, the asset quality and structure of the Group have been continuously improved, the profitability has been maintained at a high level, the net debt ratio has been maintained at a low level, and the Group has reserved abundant financial resources.

In the coming five years, the Group will make comprehensive transformation and upgrading. Positioned as an "innovation-builder of the city and industry", it will endeavor to transform into a technology-based industry group focusing on the development of urban complex and investment in technology industry, so as to assist the development of the innovative industry in the Greater Bay Area. The Group will continue to implement "transformation, optimization and improvement" based on its real estate business featuring deep root in the Greater Bay Area and distinctive features. The Group will accelerate the expansion of comprehensive urban operation business that covers a variety of business forms and serves urban upgrading. It will also enhance the industrial park business, form an industrial ecosystem through space construction, industry introduction, intelligent operation, investment incubation etc., and create an endless value cycle of industry and city innovation. Besides, it will increase its efforts in the investment and development in the technology industry to empower the transformation and upgrade of products and businesses. After transformation and optimization in the next five years, the Group will form a diversified sector, empower different business sectors by through capital market means such as injection, cultivation and spin-off, build a group of listed companies and release value.

According to the Group's planning blueprint, the Group's land reserve, sales revenue and profits will double in the next five years, the Group will fortify its efforts to acquire land reserves in Shenzhen, the Greater Bay Area and key first-tier and second-tier cities and the land reserves of the Group will reach more than 10 million square meters in the next five years, income from development and sales and rental will maintain a compound annual growth rate of 20% per annum, the Group will accelerate the development of the urban operation service business with revenue from operations increasing to triple to quintuple of the current level in the coming five years and spinning off of the urban operation business for listing at an appropriate timing. The Group will enhance its industrial park services, cultivate 2-3 listed companies in the science and technology industry and create an industrial space-service-investment ecology. While promoting accelerated performance, the Group will gradually increase the proportion of revenue from operation, industrial parks and scientific and technological services, and maintain a reasonable debt ratio and stable dividends, and create satisfactory returns for shareholders.

Focusing on the Greater Bay Area, Intensifying Development in Shenzhen and Increasing Resources Acquisition through Multiple Channels

In the coming five years, the Group will give full play to its strategic positioning and financial advantages, increase investment in Shenzhen, the Guangdong-Hong Kong-Macao Greater Bay Area and key first-tier and second-tier cities, accelerate the expansion of land resources and projects through multiple channels, select the resource acquisition mode suitable for its own development and proceed at multiple fronts. First, deepen the in-depth cooperation with the ultimate holding company to increase land reserves in Shenzhen and the Greater Bay Area; Second, take the Shengzhen Baguang International Biology Valley (深圳壩光國際生物谷) and Longhua Future City Scenario Pilot Zone (龍華未來城市場景實驗區) as the guide, give full play to the core advantages of industrial planning, industrial introduction and industrial park operation, connect with the government, and expand industrial park resources; Third, give full play to the Group's experience in regional planning and urban renewal, optimize the cooperation model, and actively seek urban renewal opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area; Fourth, improve market-based resources acquisition approaches and expand resources flexibly through various means such as mergers and acquisitions, cooperative development and real estate funds.

Accelerating Business Development in the First Year of the Period of "14th Five-Year Plan"

The year of 2021 marks the first year of the 14th five-year period of the Group. The Group will pay close attention to the changes of policies and markets and make every effort to promote the operation of the Group. The annual saleable value of the Group for 2021 is approximately RMB32 billion, and the contracted sales target for the year is RMB18 billion, representing an increase of 24% over the year 2020. The Group will take initiative to explore the relationship between future industry and future urban space, increase investment in the design and research of whole house intelligence and smart house products, and make high-quality products. The Group will speed up the acquisition of land projects, and strive to increase project resources of more than 1.5 million square meters of construction area in the Greater Bay Area and key first-tier and second-tier cities through cooperation with the parent company, urban renewal, cooperation with the government and enterprises, industrial land application, mergers and acquisitions, and open market auctions. The Group will continue to optimize the business structure of investment properties, increase commercial operating income, promote the investment attraction of Shum Yip UpperHills, Shum Yip Zhongcheng, Taifu Square and other projects, and strive to achieve the target of 20%-30% growth in rental income. Furthermore, the Group will accelerate the business expansion of the operation and service sectors, expand the "property management city" business and serve the city on the basis of the operation and service of traditional residential communities and industrial parks, and strive to achieve the target of over 30% growth.

Through continuous efforts, the Group will seize the historic opportunity of development, steadily improve our capabilities for city servicing and industrial chain, resource acquisition and professional operating, to achieve sustainable development and create value and more satisfactory returns for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Results

The year 2020 was full of uncertainties. The COVID-19 had a profound impact on economic and social development. At the beginning of the year, the epidemic had an impact on the operation of real estate enterprises. With the implementation of the overall macro policies, the real estate market gradually overcame the impact of the COVID-19 in the second quarter, with stable and orderly overall development. "House is a place to live instead of a tool for speculation" and "taking policies according to the local conditions" were still the main keynote in real estate sector. In the second half of the year, the "Three Red Lines" regulations were introduced, followed by increasingly tightened financing supervision. The control over the real estate market in Shenzhen and other places was upgraded. The transaction volume of the housing market in Shenzhen increased significantly throughout the year, while the office market was affected by the economic situation, with a higher vacancy rate and a decline in the overall rental level. Despite of the constantly changing external environment, the Group steadily implemented various operations and achieved good performance.

During the year, the Group realized revenue of approximately HK$18,803.0 million, representing an increase of 26.0% over the last year. The overall gross profit margin was 46.9%, representing an increase of approximately 12.5 percentage points over the last year. Gross profit was HK$8,814.6 million, representing an increase of 72.0% over the last year. Profit attributable to equity shareholders of the Company was HK$3,722.9 million, representing a decrease of 8.4% over the last year. If excluding the net effect of changes in fair value of investment properties attributable to the Group and changes in fair value of financial assets, profit attributable to equity shareholders of the Company was HK$4,553.0 million, representing an increase of 48.7% over the last year. Basic earnings per share were HK42.03 cents, representing a decrease of 11.6% over the last year.

Property Development Business

Sales Revenue Booked

During the year, the Group recorded property sales area booked of approximately 432,000 square meters (excluding interests attributable to the major associates of the Group), representing a decrease of 16.9% over the last year, and achieved net revenue from property sales of approximately RMB12,511.9 million (equivalent to HK$14,079.6 million) (net of value-added tax), representing an increase of 33.7% over the last year. Gross profit margin of property development and sales was 52.8%, representing an increase of 15.8 percentage points over the last year. During the year, the percentage of Shenzhen projects over the sales revenue booked was 75.1%. During the year, the average gross profit margin of projects of the Group in Shenzhen was approximately 55.4%, whereas the average gross profit margin of projects in other cities was approximately 43.0%.

Property Sales Booked in 2020

Property Name	Type	City	Booked Area (sq.m.)	Net Sales (RMB ' 000)	Unit Price (RMB/sq.m.)
Shum Yip Dongling	Residential	Shenzhen	5,299	314,927	59,426
Shum Yip Zhongcheng	Residential/ apartment	Shenzhen	56,755	6,730,368	118,586
Guanlan Rose Garden	Office	Shenzhen	387	8,914	23,016
UpperHills	Apartment	Shenzhen	1,268	167,862	132,384
Bofeng Building	Office	Shenzhen	69	2,952	42,813
Shum Yip Taifu Square	Office/apartment	Shenzhen	38,949	2,162,039	55,509
Jiangyue Bay	Residential	Guangzhou	381	6,465	16,951
Euro-view Garden	Shop	Dongguan	2,815	21,464	7,625
Gaobangshan No. 1	Residential/shop	Huizhou	80,317	778,912	9,698
Garden Hills	Residential/shop	Huizhou	59,507	501,923	8,435
Wanlin Lake	Residential/shop	Huizhou	2,489	25,436	10,221
Shum Yip City	Residential/shop	Foshan	13,370	261,045	19,525
Saina Bay	Villa/shop	Heyuan	1,181	11,316	9,579
Shum Yip Rui Cheng	Residential/shop	Changsha	27,982	203,454	7,271
Shum Yip Xihui	Shop	Changsha	3,108	21,502	6,918
Yihu Rose Garden	Residential	Chengdu	25,662	205,591	8,012
Jinxiu Workshop	Shop	Chengdu	1,790	27,103	15,138
Nanhu Rose Bay	Shop	Wuhan	162	6,641	40,896
Ma'anshan Shum Yip Huafu	Residential/shop	Ma'anshan	105,048	908,946	8,653
Royal Spring Garden	Residential	Chaohu	5,073	81,592	16,083
Parking space sales *(Note)*	Parking space		–	63,446	–
Total			**431,612**	**12,511,898**	

Note: 439 parking spaces were sold.

Contracted Sales

During the year, the Group realized contracted sales area of approximately 567,000 square meters and contracted sales income of approximately RMB14.46 billion. The average price per square meter was RMB25,521. The contracted sales were mainly attributable to the residential project of Parkview Bay in Shenzhen which realized a contracted sale of approximately RMB3.53 billion, the office building project of Shum Yip Terra Licheng in Shenzhen which realized bulk sales of RMB2.15 billion and the office building project of Shum Yip Zhifeng Building in Shenzhen which realized bulk sales of RMB1.41 billion. Besides, sales of the Group' s projects in the third-tier and fourth-tier cities beat the expectations.

By geographical location, projects in the Greater Bay Area accounted for 74% of the realized contracted sales, 15% was contributed by projects in the second-tier cities, and the rest 11% was in the third-tier and fourth-tier cities. By the types of products, residential products accounted for 58% of the realized contracted sales, and commercial products (including office and apartment) accounted for 42%.

Contracted Sales in 2020

	City	Type	Sales Area (sq.m.)	Sales* (RMB ' 000)
Shum Yip Dongling	Shenzhen	Complex	5,299	330,270
Shum Yip Zhongcheng	Shenzhen	Complex	9,562	1,040,000
Shum Yip Zhifeng Building	Shenzhen	Office	42,722	1,408,260
Bofeng Building	Shenzhen	Office	68	2,974
Shum Yip Taifu Square	Shenzhen	Complex	9,381	607,108
Shum Yip Terra Licheng	Shenzhen	Complex	36,623	2,154,787
Parkview Bay	Shenzhen	Residential	35,578	3,529,517
UpperHills	Shenzhen	Complex	1,268	176,250
Tanglang City**	Shenzhen	Complex	4,974	329,769
Jiangyue Bay	Guangzhou	Residential	275	6,226
Gaobangshan No. 1	Huizhou	Residential	45,129	500,635
Garden Hills	Huizhou	Residential	36,213	315,189
Wanlin Lake	Huizhou	Residential	7,084	35,008
Shum Yip Qishan Yayuan	Foshan	Residential	800	16,377
Shum Yip City	Foshan	Residential	17,387	306,956
Saina Bay	Heyuan	Residential	614	6,089

	City	Type	Sales Area (sq.m.)	Sales* (RMB ' 000)
Shum Yip Qinglong Mansion	Nanjing	Residential	478	13,545
Shum Yip Upper Life	Nanjing	Residential	34,778	905,128
Shum Yip Heron Mansion	Changsha	Residential	66,356	900,636
Shum Yip Rui Cheng	Changsha	Residential	25,481	188,880
Shum Yip Xihui	Changsha	Residential	2,302	11,558
Yihu Rose Garden	Chengdu	Residential	10,427	96,140
Nanhu Rose Bay	Wuhan	Complex	190	17,141
Changzhou Shum Yip Huafu	Changzhou	Residential	924	2,212
Ma'anshan Shum Yip Huafu	Ma'anshan	Residential	95,476	911,046
Splendid City	Taizhou	Residential	77,290	650,407
Total			**566,679**	**14,462,108**

* Including parking space sales.

** The project was co-developed with Shenzhen Metro Group, as to 50% owned by the Group, and it is accounted using equity method.

Project Development

During the year, the Group had a new construction area of approximately 748,000 square meters and a completed area of approximately 768,000 square meters.

New Construction Projects in 2020

Property Name	City	Type	Total GFA (sq.m.)	Saleable Area (sq.m.)
Chengdu Chenghua Haibinwan Project	Chengdu	Residential	59,131	40,958
Taifu Square Phase 2	Shenzhen	Complex	106,106	41,909
Tuen Mun (Land Plot 520)	Hong Kong	Residential	43,938	43,938
Shum Yip Songhu Yuncheng Garden	Dongguan	Residential	170,081	117,040
Garden Hills Phase 3.2.2	Huizhou	Residential	147,984	108,543
Gaobangshan Phase 2.2	Huizhou	Residential	160,169	116,899
Nanjing Hexi 2019G77 Project	Nanjing	Residential	60,727	40,671
Total			**748,136**	**509,958**

Completed Projects in 2020

Property Name	City	Type	Total GFA (sq.m.)	Saleable Area (sq.m.)
Shum Yip Rui Cheng Phase 3.2	Changsha	Residential	66,505	48,521
Shum Yip Garden Hills Phase 3.2.1	Huizhou	Residential	87,617	80,346
Shum Yip Gaobangshan Phase 2.1	Huizhou	Residential	192,347	142,488
Yihu Rose Garden – Longjing	Chengdu	Residential	45,026	40,174
Terra Licheng	Shenzhen	Complex	133,248	101,763
Chaohu South Phase 2	Chaohu	Residential	7,421	7,161
Ma'anshan Shum Yip Huafu Phase 2.2 (North)	Ma'anshan	Residential	235,600	181,952
Total			**767,764**	**602,405**

Expansion of Land Resources

The Group continues to focus on the Guangdong-Hong Kong-Macao Greater Bay Area, intensify its development in Shenzhen and plan for its business presence in key first-tier and second-tier cities. Further, the Group has made a breakthrough in resources acquisition.

In May 2020, the Group won the bid for a piece of residential land in Henglu North, Shuanglin, Chenghua District（成華區雙林北橫路）, Chengdu City at a consideration of RMB1.15 billion with an average floor area price of approximately RMB16,800 per square meter. The project has a site area of approximately 23,000 square meters and a capacity building area of approximately 68,000 square meters, of which 31,000 square meters and 23,000 square meters were planned to be built into foreign-style houses and low-rise residential buildings, respectively.

In June 2020, the Group, by way of industrial introduction, acquired a piece of commercial and residential land, i.e. the Phoenix New Town in Qingbaijiang District, Chengdu City with an average floor area price of approximately RMB2,300 per square meter at a consideration of RMB650 million. The project has a site area of approximately 114,000 square meters and a capacity building area of approximately 284,000 square meters, of which 139,000 square meters and 145,000 square meters were planned to be built into residential buildings as well as commercial and office buildings, respectively.

In July 2020, the Group acquired 52.8485% equity interest of Shum Yip Jinzhi held by Shum Yip Group, the ultimate holding company of the Company, at a consideration of approximately RMB537 million. Through the acquisition, the Group obtained a range of high quality assets in Luohu District, Shenzhen.

In August 2020, the Group acquired the land plot of Hengli Island, Nansha, Guangzhou with an average floor area price of approximately RMB19,140 per square meter at a consideration of RMB4.005 billion plus the construction of 23,000 square meters of subsided talents housing. The project has a site area of 66,000 square meters and a capacity building area of 232,000 square meters, including 202,000 square meters for saleable housing and 23,000 square meters for subsided talents housing.

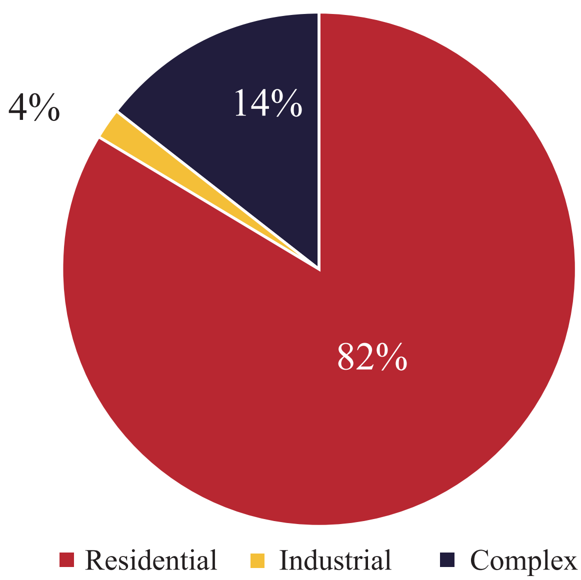
Land Reserves

By the end of December 2020, the Group had land reserves with an aggregate planned gross floor area (GFA) of approximately 4.36 million square meters (interested in 3.78 million square meters), and a capacity building area of 3.29 million square meters (interested in 2.89 million square meters), of which, the projects under construction had a total planned GFA of approximately 1.95 million square meters and a capacity building area of 1.45 million square meters. The capacity building area of land reserve in the first-tier and second-tier cities and in the Greater Bay Area accounted for 64% and 50% of its total capacity building area respectively. Besides, the value of completed properties in stock amounted to approximately RMB14.78 billion.

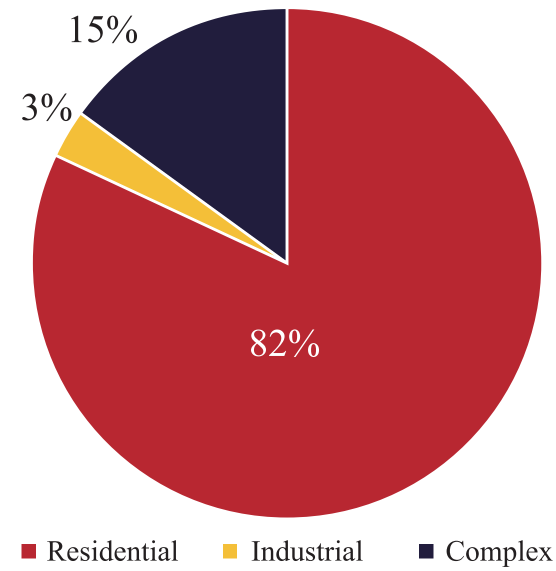
In the future, the Group will continue to focus on the Greater Bay Area, and intensify its development in Shenzhen by proactively seeking for project resources and also opportunities to invest in quality projects in the major first-tier and second-tier cities.

Distribution of Land Reserves (As at 31 December 2020)

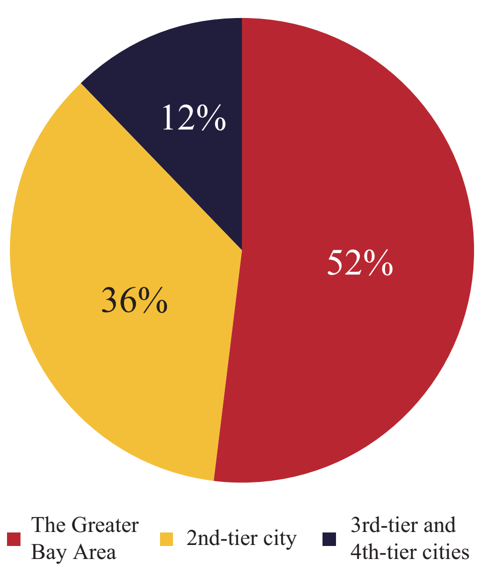
By type – Planned GFA Note 1
(sq.m.)



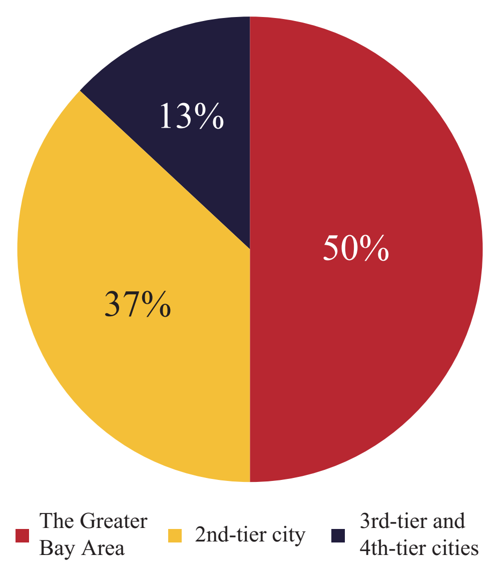
By type – Capacity Building Area Note 2
(sq.m.)



By Region – Planned GFA Note 1
(sq.m.)



By Region – Capacity Building Area Note 2
(sq.m.)



Notes

1. Planned GFA: the sum of the gross floor area of all the floors above and under the ground of a single building or buildings within the scope of the land for construction.

2. Capacity building area: the sum of the gross floor area which is used in the calculation of the plot ratio within the land for construction.

Property Investment

As at 31 December 2020, the Group has investment properties of approximately 1.29 million square meters, of which 81.8% is located in Shenzhen. During the pandemic outbreak, the Group has proactively took its social responsibility as a state-owned enterprise. In this regard, the Group exempted rent for the enterprises within the industrial parks and commercial tenants in the shopping malls for 2 months, and exempted rent for private educational institutions and other tenants for 3 months. The impact of rent exemption is made in the accounting adjustments based on the amortisation in the lease term. Although the rental income of the existing investment properties has decreased significantly due to the implementation of the rent exemption policy, the negative impact of rent exemption has been completely offset by the Group's efforts to generate income from new properties and optimize and improve unit rent. During the year, the Group recorded an income from property investment of approximately HK$1,223.2 million, representing an increase of approximately 14.2% over the last year. Excluding the impact of accounting adjustments on exempted rental amortization, the actual rental income was approximately HK$1,092.5 million, representing an increase of approximately 2.0% over the last year. The gross profit margin of property investment business was approximately 72.9%, representing an increase of 4.6 percentage points over the last year.

Due to the fact that the overall office building rental market was sluggish in Shenzhen impacted by the pandemic, the Group recorded a revaluation decrease in the fair value of its investment property portfolio of HK$677.1 million during the year.

Urban Integrated Operation Business

The urban integrated operation business of the Group includes commercial operation business, property management business, intelligent park operation business and property management city business. During the year, the area of urban integrated operation business of the Group was approximately 46.88 million square meters. The urban integrated operation business contributed approximately HK$2,225.9 million to the revenue of the Group, representing an increase of 6.0% over the of last year. During the year, the urban integrated sector of the Group added approximately 66 park and property management projects, increasing more than 8 million square meters of management area, and the property management urban sector added 6 projects, covering an area of approximately 5 million square meters. Furthermore, its mixed-ownership reform was being propelled orderly.

Since March 2020, the commercial operation management companies had actively assisted all the major commercial tenants in the resumption of work and conducted online and offline campaigns to increase foot traffic, so as to boost sales. At present, operation of all the shopping malls runs well. More precisely, the occupancy rates of UpperHills, Tanglang City and Shum Yip Dongling are 93%, 92% and 90%, respectively, whereas the new commercial project of Taifu Square is available for leasing now.

Properties under the management of our property management companies was approximately 42.3 million square meters, mainly in the Pearl River Delta, Yangtze River Delta and Central China, covering governmental authorities, offices, residence communities and villas. During the year, our property management companies acquired 63 new projects of approximately 6.44 million square meters in Guangdong, Jiangxi, Jiangsu and other areas.

The Intelligent Park Operation Company manages approximately 4.58 million square meters of properties in industrial park which are mainly located in the Guangdong-Hong Kong-Macao Greater Bay Area. During the year, the Intelligent Park Operation Company expanded Baguang Biological Valley, Hengming Industrial Park and other projects, with a new management area of approximately 1.67 million square meters.

Our property management companies and intelligent park operation companies have actively explored "property management city" as a new urban management model to deliver a demonstration reform project in market-oriented and professionalized urban management and operation. Currently, efforts have been made in Huafu Community and Meilin Community of Futian District, Pingshan Community and Longtian Community of Pingshan District, Jihua Community of Longgang District and Baguang Area of Dapeng District in Shenzhen to implement the development roadmap in serving the city, being an important initiative for property management companies and intelligent park operation and management companies to realize rapid development.

Hotel Operation Business

The Group owns five hotels in operation and one hotel under construction. Those in operation are Suzhou Marriott Hotel (with 293 guest rooms), Chaohu Shum Yip Bantang Hot Spring Hotel (with 20 spring villas), Holiday Inn Resort Chaohu Hot Spring (with 203 guest rooms), Muji Hotel (with 79 guest rooms) in UpperHills, Shenzhen and Tanglang City Project Hotel in Shenzhen (with 200 guest rooms), which is co-developed with Shenzhen Metro Group. The hotel under construction is Mandarin Oriental Shenzhen (with 190 guest rooms planned).

During the year, the business operation of hotel industry was unsatisfactory due to the severe impact from the pandemic. The Group's hotels recorded operating income (included under other operating segment) of approximately HK$116.5 million, representing a decrease of 41.2% over the last year.

Manufacturing Business

The Group's manufacturing business mainly represents the LCD manufacturing and metal materials processing business held by the companies under the Group over the years. During the year, the manufacturing business recorded operating income of approximately HK$347.3 million, representing an increase of 4.0% over the last year.

Performance of Major Joint Ventures and Associates

During the year, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) made a profit contribution of HK$395.6 million to the Group, representing an increase of 241.9% over the last year. The principal activity of the company is to assist local government in primary land development. During the year, the local government arranged for transfer or return of land of approximately 172,000 square meters.

Shenzhen Langtong Property Development Company Limited (a 50% owned company of the Group) made a net profit contribution of HK$23.4 million, representing a decrease of 96.2% over the last year. The company and Shenzhen Metro Group jointly developed Shenzhen's Tanglang City Project.

Shenzhen Tianan Cyber Park (Group) Co., Ltd. (a 37.5% owned company of the Group) made a net profit contribution of HK$326.9 million to the Group, representing a decrease of 29.6% over the last year.

During the year, the associates invested by the Group performed as expected. Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK$465.2 million to the Group, representing a decrease of 43.3% over the last year.

Other Income and Gains

During the year, the Group's other income and gains were HK$2,133.5 million, representing an increase of 576.3% over the last year. During the year, other income was mainly attributable to the dividend for 2018 of approximately HK$885 million (equivalent to RMB790 million) and the dividend for 2019 of approximately HK$742 million (equivalent to RMB660 million) paid by Hengda Real Estate to the Group.

Other Operating Expense

During the year, other operating expense amounting to HK$577.8 million, representing a decrease of 1.53% over the last year, mainly includes the provision for impairment recognised on fixed assets of approximately HK$117 million, which was one-off. In 2019, the other operating expense mainly represents the deficits on fixed assets revaluation amounted to approximately HK$268.3 million.

Significant Investment

On 31 May 2017, the Group, through Shenzhen Shum Yip Shenheng Investment Co., Ltd.（深圳市深業深恒投資有限公司）(“Shum Yip Shenheng”, formerly known as 馬鞍山市茂文科技工業園有限公司(Ma’anshan Maowen Technology Park Co. Ltd.)）, a wholly owned subsidiary of the Company, entered into an investment agreement (the “Investment Agreement”) with Guangzhou Kailong Real Estate Company Limited (“Kailong Real Estate”) and Hengda Real Estate Group Company Limited (“Hengda Real Estate”) (both being subsidiaries of China Evergrande Group) to contribute an amount of RMB5.50 billion to the capital of Hengda Real Estate in exchange for 1.7626% equity interests in Hengda Real Estate. Hengda Real Estate is a company established in China with limited liabilities and principally engaged in property development in China.

Under the terms of the Investment Agreement, Kailong Real Estate and Hengda Real Estate have undertaken that the net profit of Hengda Real Estate for 2017, 2018 and 2019 shall not be less than RMB24.3 billion, RMB50.0 billion and RMB55.0 billion, respectively. Hengda Real Estate will distribute at least 68% of its net profit under the performance undertaking period to its shareholders in cash, till the entering into a reorganization agreement (i.e. the listing of Hengda Real Estate in China as an A-share company through reorganization of China Evergrande Group). Pursuant to the Investment Agreement, Hengda Real Estate has paid dividends of approximately RMB28.41 billion, RMB44.61 billion and RMB27.52 billion respectively for 2017, 2018 and 2019 to all shareholders. In the second half of 2018, the Group received dividends of approximately RMB0.5 billion for 2017, while in January and July 2020, the Group received dividends of approximately RMB0.79 billion for 2018 and approximately RMB0.66 billion for 2019, respectively.

On 13 January 2020, Shum Yip Shenheng, Kailong Real Estate, Hengda Real Estate and Mr. Hui Ka Yan entered into a supplementary investment agreement in relation to the Investment Agreement to extend the original listing deadline of the proposed reorganization by one year (i.e. from 31 January 2020 to 31 January 2021) and, as a result of the extension of the original listing deadline, to extend the scope of performance undertaking and indemnity and the minimum dividend payment mechanism to cover the financial year of 2020 (i.e. one additional year). To this end, Kailong Real Estate and Hengda Real Estate further undertake to Shum Yip Shenheng that the amount of net profit of Hengda Real Estate for the financial year ending 31 December 2020 will not be less than RMB60 billion.

On 22 November 2020, Shum Yip Shenheng, Kailong Real Estate, Hengda Real Estate and Mr. Hui Ka Yan entered into the fifth supplementary agreement to the Investment Agreement in view of the termination of the proposed reorganization before the listing deadline. Shum Yip Shenheng agreed to hold Hengda Real Estate equity according to the terms stipulated in the Investment Agreement, and its shareholding ratio in Hengda Real Estate increased to 2.6439%. The dividend for year 2020 will be paid according to the undertakings in the Investment Agreement.

According to the requirements under accounting standards, the equity interests held by the Group in Hengda Real Estate was included as financial assets through profit or loss in the financial statements and accounted for at fair value, with changes in fair value recognized in profit or loss for the period. As at 31 December 2020, the fair value of the said financial assets was HK$6,737.0 million, representing 4.43% of the total assets of the Group. During the year, profits or losses arising from changes in fair value amounted to approximately HK$462.5 million.

The net profit of Hengda Real Estate for 2017, 2018 and 2019 was RMB42.00 billion, RMB72.24 billion and RMB42.87 billion, respectively. Since its investment in Hengda Real Estate in June 2017, the Group, as a financial investor, received total dividends of RMB1.95 billion from Hengda Real Estate, representing accumulated return on investment of approximately 35.5%.

Financing

As at 31 December 2020, the Group's total bank and other borrowings amounted to HK$30,828.4 million (31 December 2019: HK$24,297.9 million), of which HK$28,000.9 million were floating rate loans, and the remaining were fixed-rate loans. Long-term loans amounted to HK$18,088.6 million, representing approximately 58.7% of total borrowings, and short-term loans were HK$12,739.8 million, representing approximately 41.3% of total borrowings. Offshore borrowings amounted to HK$17,410.5 million, representing approximately 56.5% of total borrowings, and the remaining were onshore borrowings denominated in Renminbi, representing approximately 43.5% of total borrowings.

With the gradual implementation of the "Three Red Lines" regulations, the external financing environment continues to tighten. As at 31 December 2020, the Group's asset-liability ratio, excluding advance receipts, was 58.2%, the net gearing ratio was 23.9% (the liabilities only including bank loans and other borrowings) and the short-term cash debt ratio was 1.47 times (the liabilities only including bank loans and other borrowings), all fell into the green level of the "Three Red Lines" (綠檔). In 2021, the Group will replace the short-term loans that are about to due, and continue to improve the short-term cash debt ratio.

During the year, the Group implemented financing innovation, and the CMBN issuance with Times Technology Tower, a property owned by the Group, as the underlying asset was completed with an issue amount of RMB1.9 billion, among which, the coupon rate of the senior notes was 3.28%. During the year, the average comprehensive interest rate of the Group in respect of its bank and other borrowings was approximately 3.7% per annum, representing a decrease of 1.0 percentage point from the whole of last year.

As at 31 December 2020, the Group's cash balance (including restricted cash) was HK$18,710.4 million (31 December 2019: HK$12,372.8 million), of which approximately 73.6% and 23.3% were denominated in Renminbi and USD respectively, and the remaining in Hong Kong dollars.

As at 31 December 2020, the Group had net assets (excluding non-controlling interests) of HK$50,624.3 million (31 December 2019: HK$44,474.7 million). The net gearing ratio with the liabilities including bank loans and other borrowings only was 23.9% and the net gearing ratio with the liabilities including loan from shareholders of the parent company and all other interest-bearing liabilities was 41.7%, representing an increase of 1.0 percentage point over the end of last year.

Key Financial Indicators

HK$ million	**As at 31 December 2020**	As at 31 December 2019
Bank and other borrowings	**30,828.4**	24,297.9
– Long-term borrowings	**18,088.6**	15,891.7
– Short-term borrowings	**12,739.8**	8,406.2
Due to the immediate holding company	**1,770.7**	1,263.8
Due to the ultimate holding company	**9,415.5**	1,936.5
Cash (including restricted cash)	**18,710.4**	12,372.8
Net gearing ratio with the liabilities including bank and other borrowings only	**23.9%**	26.8%
Net gearing ratio with the liabilities including all interest-bearing liabilities	**41.7%**	40.7%

Effect of Exchange Rate Fluctuation

The Group's assets are mainly denominated in Renminbi. 43.5% of the bank and other borrowings are denominated in Renminbi, while 56.5% are offshore HK$ borrowings. HK$ is adopted as the reporting currency in the Group's financial statements. The effect of the increase in RMB exchange rate on the Group's finance was mainly reflected in the appreciation of the asset and earnings denominated in Renminbi against HK$, the reporting currency. During the year, such fluctuations in the asset and earnings denominated in Renminbi against HK$, the reporting currency, resulted in a gain of HK$3,700.4 million in other comprehensive income. The Group will closely monitor and proactively avert foreign exchange risk through various ways.

Pledge of Assets and Contingent Liabilities

As at 31 December 2020, the Group had total loans of HK$2,592.3 million (31 December 2019: HK$383.2 million) that were pledged with assets (please refer to note 14 to the financial information for details).

As at 31 December 2020, the Group has given guarantees amounted to RMB1,351.7 million in respect of bank loans and other borrowings to Guangzhou Pik Sum Real Estate Development Company Limited and Taizhou Shum Yip Investment Development Limited, both are joint ventures of the Group (please refer to note 17 to the financial information for details).

Impacts of COVID-19 Pandemic

In 2020, the global economy was severely hit by the COVID-19. Amidst the complex market environment brought by the COVID-19, the Group proactively shouldered its social responsibility by taking active actions to weather the hardship together with homeowners and tenants. The Group has actively promoted the resumption of work and production while maintaining stable results with rising trend. In 2021, the epidemic will be under control in China, and the management believes that the impact of the epidemic will be gradually reduced. The Group will endeavor to promote all business activities under normal prevention and control.

In terms of sales, due to the impact of epidemic prevention and control, the sales centers of the Group were temporarily closed in February 2020, which significantly affected the contracted sales in January and February 2020. In view of the epidemic situation, the Group, in line with the epidemic prevention and control needs, launched an online sales platform, which enables the customers to inquire, subscribe and sign contracts online. Thus, the sale of projects can still be properly carried out while guaranteeing public security. For the whole year, due to the epidemic, the saleable value has been reduced compared to the original plan, and the contracted sales have also been affected to a certain extent. The annual planned sales value was adjusted to about RMB28 billion according to the adjusted business plan, and the contracted sales realised for the year was about RMB14.5 billion, with the selling rate basically the same as the previous year.

In terms of rental income, the Group, together with its ultimate holding company, Shum Yip Group Limited, actively responded to the requirements of Shenzhen Municipal Government and the State-owned Assets Supervision and Administration Commission (SASAC), to weather the hardship together with enterprises by implementing rent waive measures. At the beginning of the epidemic, the Group waived rent for the non-state-owned enterprises, scientific research institutions, medical institutions and individual industrial and commercial households for two months, followed by an extension of another month of rent-waive period for private educational institutions and other tenants. The rent waive measures benefited more than 7,000 enterprises and individual industrial and commercial households.

In terms of construction schedule, in order to strengthen the epidemic prevention and control work, all construction sites of the Group were suspended in February 2020, and all construction projects resumed no earlier than 1 March 2020. The construction schedule was affected to some extent, and the construction of about 6% of the project value was delayed. However, according to the construction schedule in 2020, the delayed resumption of work did not have a significant impact on the important engineering nodes of the key projects planned to be completed in 2020.

With respect to capital, the Group had sufficient capital and the reduction of pre-sale had no significant impact on the liquidity of the Group, while in terms of short-term debt, the Group had multiple resources of financing available with sufficient current fund and no pressure on liquidity. As at the end of 2020, the cash balance of the Group was approximately HK$18.71 billion.

Employees and Remuneration Policy

As at 31 December 2020, the Group employed 20,452 employees (2019:19,444) of whom 21 were stationed in Hong Kong (mainly managerial and finance related personnel), and the rest were in mainland China. The total remuneration for the year ended 31 December 2020 (excluding remuneration of the Directors) amounted to approximately HK$2,075.2 million (2019: HK$1,919.7 million).

Employee benefits and bonuses are based on their individual performance, the Group's profit condition, benefit level of the industry and the current market condition. The remuneration packages are reviewed on an annual basis to ensure internal equity and its competitiveness in the market. In driving performance, we also grant share options, under the share option scheme of the Group, to employees based on individual performance and the results of the Group.

DIVIDEND

The Board recommends the payment of a final dividend of HK11.00 cents per share for the year ended 31 December 2020 (2019: a final dividend of HK11.00 cents per share), which subject to the approval by the shareholders at the forthcoming annual general meeting of the Company ("Annual General Meeting"), will be payable in cash on or about Thursday, 8 July 2021 to shareholders whose names appear on the register of members of the Company on Friday, 11 June 2021. Together with the interim dividend of HK7.00 cents per share already paid, the total dividend for the year ended 31 December 2020 amounts to HK18.00 cents per share (2019: HK18.00 cents per share).

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday, 1 June 2021. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 26 May 2021 to Tuesday, 1 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 25 May 2021.

To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 10 June 2021 to Friday, 11 June 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 9 June 2021.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year 2020.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WU Wai Chung, Michael and Dr. WONG Yau Kar, David. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the 2020 final results.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the year.

APPRECIATION

We take this opportunity to express our gratitude to our investors and shareholders for their trust and support and to thank our colleagues on the Board and the staff members of the Group for their hard work, loyal service and contributions during the year.

By Order of the Board
SHENZHEN INVESTMENT LIMITED
LU Hua
Chairman

Hong Kong, 30 March 2021

As at the date of this announcement, the Board comprises 8 directors, of which Dr. LU Hua, Mr. HUANG Wei, Ms. CAI Xun, Mr. DONG Fang and Mr. LIU Shichao are the executive directors of the Company and Mr. WU Wai Chung, Michael, Mr. LI Wai Keung and Dr. WONG Yau Kar, David are the independent non-executive directors of the Company.