Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00604)

2022 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- The Group realized revenue of HK$31.54 billion, representing a slight decrease of 1.6% over last year and remaining stable;
- The contracted sales amounted to approximately RMB19.21 billion, representing an increase of 0.6% over last year and outperforming the market;
- The property development business recorded revenue of HK$25.65 billion and the gross profit margin of property sales was approximately 37%, maintaining a relatively high level of profitability in the industry;
- Profit attributable to equity shareholders was HK$2.09 billion, with basic earnings per share of HK23.43 cents;
- 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$3.10 billion, with core earnings per share of HK34.87 cents;
- The average comprehensive interest rate of bank and other borrowings was 3.3%, reflecting better-than-market borrowing costs;
- The Board recommends the payment of a final dividend of HK12.00 cents per share. Together with the interim dividend paid of HK3.00 cents per share, total dividend for the year amounted to HK15.00 cents per share;
- The annual dividend payout ratio (based on core earnings) was 43%.

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 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December 2022 HK$'000	2021 HK$'000
Revenue	4	**31,540,226**	32,050,306
Cost of sales and services	5	**(20,847,656)**	(19,624,560)
Gross profit		**10,692,570**	12,425,746
Selling and distribution expenses	5	**(432,937)**	(399,135)
Administrative expenses	5	**(1,873,721)**	(1,552,156)
Decrease in fair value of financial assets at fair value through profit or loss		**(355,845)**	(6,374,271)
Losses result from changes in fair value of and transfer to investment properties		**(351,889)**	(405,651)
Impairment losses on goodwill		**–**	(365,457)
Net impairment losses on financial assets		**(77,138)**	(44,596)
Other expenses	5	**(310,744)**	(229,372)
Other income	6	**438,589**	194,769
Other gains	7	**1,811**	44,256
Operating profit		**7,730,696**	3,294,133
Finance income	8	**216,591**	247,787
Finance costs	8	**(971,689)**	(737,388)
Finance costs – net	8	**(755,098)**	(489,601)
Share of results of joint ventures and associates		**391,441**	843,446
Profit before income tax		**7,367,039**	3,647,978
Income tax expenses	9	**(4,911,695)**	(5,748,231)
Profit/(loss) for the year		**2,455,344**	(2,100,253)

	Note	Year ended 31 December 2022 HK$'000	2021 HK$'000
Profit/(loss) for the year is attributable to			
– Owners of the Company		**2,085,418**	(2,721,886)
– Non-controlling interests		**369,926**	621,633
		2,455,344	(2,100,253)
Earnings/(losses) per share for profit/(loss) attributable to owners of the Company (expressed in HK cents per share)			
Basic	*10*	**23.43**	(30.58)
Diluted	*10*	**23.43**	(30.58)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2022 HK$'000	2021 HK$'000
Profit/(loss) for the year	**2,455,344**	(2,100,253)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
– Share of other comprehensive income of joint ventures and associates	**(422,176)**	250,319
– Exchange differences on translation of foreign operations	**(5,673,487)**	2,765,352
Other comprehensive income for the year, net of tax	**(6,095,663)**	3,015,671
Total comprehensive (expense)/income for the year	**(3,640,319)**	915,418
Total comprehensive income attributable to:		
– Owners of the Company	**(3,563,040)**	149,167
– Non-controlling interests	**(77,279)**	766,251
	(3,640,319)	915,418

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December **2022** ***HK$'000***	2021 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**6,159,776**	6,347,209
Investment properties		**35,126,999**	37,327,911
Investments in joint ventures		**8,836,242**	8,887,001
Investments in associates		**5,610,595**	6,201,291
Intangible assets		**722,970**	518,112
Financial assets at fair value through profit or loss	*12*	**107,455**	489,639
Financial assets at fair value through other comprehensive income		**2,402**	4,256
Trade and other receivables	*13*	**419,737**	466,525
Deferred income tax assets		**3,335,319**	2,953,554
		60,321,495	63,195,498
Current assets			
Properties under development		**71,019,506**	51,176,858
Completed properties held for sale		**11,583,916**	18,235,085
Inventories		**342,177**	262,948
Trade and other receivables	*13*	**6,833,278**	7,114,269
Financial asset at fair value through profit or loss	*12*	**1,594**	1,807
Biological assets		**4,021**	3,799
Restricted cash and bank deposits		**1,693,335**	2,858,351
Cash and cash equivalents		**11,668,267**	19,917,256
		103,146,094	99,570,373
Total assets		**163,467,589**	162,765,871

	Note	As at 31 December 2022 HK$'000	2021 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*16*	**22,071,756**	22,071,756
Capital reserve		**59,019**	59,019
Other reserves		**3,157,152**	8,913,918
Retained earnings		**19,343,914**	18,130,233
		44,631,841	49,174,926
Non-controlling interests		**4,925,132**	5,194,954
Total equity		**49,556,973**	54,369,880
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*14*	**28,138,776**	26,138,203
Lease liabilities		**128,177**	254,873
Deferred income		**19,714**	22,148
Due to the immediate holding company		**699,483**	–
Due to the ultimate holding company		**–**	3,057,750
Deferred income tax liabilities		**7,899,606**	9,421,630
		36,885,756	38,894,604
Current liabilities			
Bank and other borrowings	*14*	**12,083,433**	11,959,031
Contract liabilities		**6,328,458**	13,892,262
Trade and other payables	*15*	**25,872,833**	17,100,876
Lease liabilities		**62,613**	140,842
Due to the immediate holding company		**2,454,966**	2,477,415
Due to the ultimate holding company		**18,312,783**	11,121,061
Tax payable		**11,909,774**	12,809,900
		77,024,860	69,501,387
Total liabilities		**113,910,616**	108,395,991
Total equity and liabilities		**163,467,589**	162,765,871

SHENZHEN INVESTMENT LIMITED

1 General information

Shenzhen Investment Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of the Company's registered office is located at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in property development, property investment, property management and manufacture operation.

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").

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Company's auditor, PricewaterhouseCoopers ("PwC"), to the amount set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"), and consequently no assurance has been expressed by PwC on this announcement.

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of 2022 annual results does not constitute the Group's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2022 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2022 and 2021. 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 Companies Ordinance.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards ("HKFRS") and the Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with applicable HKFRS and requirements under the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss ("FVTPL"), financial assets at fair value through other comprehensive income ("FVOCI"), and investment properties, which are measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16.
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37.
- Annual Improvements to HKFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to HKFRS 3.
- Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendment to HKFRS 16 (March 2021).
- Amendments to AG 5 Merger Accounting for Common Control Combinations.

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(iv) New or amended standards and interpretations not yet adopted

Certain new and revised standards, amendments to existing standards have been published that are not effective in current year and have not been early adopted by the Group.

		Effective for the annual periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKAS 1	Classification for liabilities as current or non-current	1 January 2024
Hong Kong Interpretation 5 (2020)	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKFRS 16	Lease liability in sales and lease back	1 January 2024
Amendments to HKAS 1	Non-current liabilities with Covenants	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or amended standards and interpretations, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

3 Segment information

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 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 products; and

(e) the "others" segment comprises, principally, the hotel operations, 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 is measured consistently with the Group's profit before taxation except that other income and other gains, finance costs, net fair value gain or 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 2022 and 2021 are set out below.

2022	**Property development** *HK$'000*	**Property investment** *HK$'000*	**Property management** *HK$'000*	**Manufacturing** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue from contracts with customers						
Recognised at a point of time	25,654,000	–	19,416	607,236	423,556	26,704,208
Recognised over time	–	–	2,831,548	–	1,147,655	3,979,203
Revenue from other sources						
Rental income	–	1,250,912	–	–	–	1,250,912
Total segment revenue	25,654,000	1,250,912	2,850,964	607,236	1,571,211	31,934,323
Inter-segment revenue	–	(55,073)	(224,208)	–	(114,816)	(394,097)
Revenue from external customers	25,654,000	1,195,839	2,626,756	607,236	1,456,395	31,540,226
Segment results before decrease in fair value of investment properties	7,603,891	496,958	203,904	70,920	(186,726)	8,188,947
Losses result from changes in fair value of and transfer to investment properties	–	(351,889)	–	–	–	(351,889)
Segment results after decrease in fair value of investment properties	7,603,891	145,069	203,904	70,920	(186,726)	7,837,058
Share of results of joint ventures and associates	425,514	(29,577)	23,222	–	(27,718)	391,441
Other income						438,589
Other gains						1,811
Fair value loss of financial assets measured at fair value through profit or loss, net						(355,845)
Corporate and other unallocated expenses						(190,917)
Finance costs – net						(755,098)
Profit before taxation						7,367,039

2022	**Property development** *HK$'000*	**Property investment** *HK$'000*	**Property management** *HK$'000*	**Manufacturing** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment assets	97,504,174	40,189,051	975,102	426,117	3,694,078	142,788,522
Coporate and other unallocated assets						20,679,067
Total assets						163,467,589
Segment liabilities	63,519,440	5,592,412	1,084,712	128,417	583,446	70,908,427
Corporate and other unallocated liabilities						43,002,189
Total liabilties						113,910,616
Other segment information:						
Depreciation and amortisation	167,375	65,165	49,625	7,525	152,647	442,337
Interests in associates	3,285,098	1,329,451	3,906	–	992,140	5,610,595
Interests in joint ventures	8,569,576	139,122	33,508	–	94,036	8,836,242
Additions to non-current segment assets during the year	61,102	311,168	429,308	–	320,049	1,121,627

2021	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from contracts with customers						
Recognised at a point of time	26,830,979	–	–	456,448	419,231	27,706,658
Recognised over time	–	–	2,661,887	–	580,279	3,242,166
Revenue from other sources						
Rental income	–	1,521,631	–	–	–	1,521,631
Total segment revenue	26,830,979	1,521,631	2,661,887	456,448	999,510	32,470,455
Inter-segment revenue	(170,751)	(24,204)	(184,245)	–	(40,949)	(420,149)
Revenue from external customers	26,660,228	1,497,427	2,477,642	456,448	958,561	32,050,306
Segment results before decrease in fair value of investment properties	8,410,429	773,445	467,451	54,573	299,234	10,005,132
Losses result from changes in fair value of and transfer to investment properties	–	(405,651)	–	–	–	(405,651)
Segment results after decrease in fair value of investment properties	8,410,429	367,794	467,451	54,573	299,234	9,599,481
Share of results of joint ventures and associates	667,578	85,806	40,089	–	49,973	843,446
Other income						194,769
Other gains						44,256
Fair value loss of financial assets measured at fair value through profit or loss, net						(6,374,271)
Corporate and other unallocated expenses						(170,102)
Finance costs – net						(489,601)
Profit before taxation						3,647,978

2021	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	88,242,870	41,236,192	1,734,327	133,720	3,693,379	135,040,488
Coporate and other unallocated assets						27,725,383
Total assets						162,765,871
Segment liabilities	56,247,649	4,283,209	866,302	43,542	619,166	62,059,868
Corporate and other unallocated liabilities						46,336,123
Total liabilties						108,395,991
Other segment information:						
Depreciation and amortisation	149,411	58,171	44,299	6,717	136,264	394,862
Interests in associates	3,624,840	1,477,764	338	–	1,098,349	6,201,291
Interests in joint ventures	8,579,945	177,715	29,047	–	100,294	8,887,001
Additions to non-current segment assets during the year	35,333	179,937	248,253	–	185,072	648,595

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

4 Revenue

Revenue, represents sale of completed properties, commercial and industrial goods, rental income, property management fee income and others.

Revenue from contracts with customers by major products and service lines is as follows:

	2022	2021
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of properties	**25,654,000**	26,660,228
Property management service income	**2,626,756**	2,477,642
Sales of industrial goods	**607,236**	456,448
Others	**1,456,395**	958,561
	30,344,387	30,552,879
Revenue from other sources		
Rental income	**1,195,839**	1,497,427
	31,540,226	32,050,306

5 Expenses by nature

Expenses included in cost of sales and services, selling and distribution expenses, administrative expenses and other expenses were analysed as follows:

	2022	2021
	HK$'000	*HK$'000*
Cost of properties and inventories sold	**16,734,967**	15,915,974
Cost of services provided	**4,112,689**	3,708,586
Employee benefit expenses	**1,519,594**	1,266,633
Advertising and promotion costs	**131,734**	82,307
Other taxes and levies	**155,678**	78,593
Depreciation of property, plant and equipment	**127,378**	165,461
Amortisation of intangible assets	**3,035**	9,541
Auditors' remuneration		
– Audit services	**4,655**	4,818
– Non-audit services	**2,110**	1,325
Others	**673,218**	571,985
Total cost of sales and services, selling and distribution expenses, administrative expenses and other expenses	**23,465,058**	21,805,223

6 Other income

	2022	2021
	HK$'000	*HK$'000*
Interest income	**161,476**	102,073
Government grant	**46,055**	41,005
Relocation compensation income	**165,619**	–
Dividend income from financial assets at FVTPL	**2,090**	2,036
Others	**63,349**	49,655
	438,589	194,769

7 Other gains

	2022	2021
	HK$'000	*HK$'000*
Net gain on disposal of property, plant and equipment	**1,811**	12,281
Net gain on disposal of a subsidiary	**–**	31,975
	1,811	44,256

8 Finance costs – net

	2022	2021
	HK$'000	*HK$'000*
Finance income		
– Interest income from bank deposits	**(216,591)**	(247,787)
Finance costs:		
– Interest expenses of bank loans	**1,024,613**	762,493
– Interest expenses of other borrowings	**405,783**	242,587
– Lease liabilities	**10,759**	27,540
– Loans from the ultimate holding company	**565,184**	201,610
– Loans from the immediate holding company	**61,573**	29,467
– Loans from fellow subsidiaries	**71,536**	97,025
– Loans from a joint venture	**7,492**	4,781
– Loans from an other related company	**7,699**	7,968
– Loans from non-controlling interests	**425,142**	12,080
Total interest expense on financial liabilities not at fair value through profit or loss	**2,579,781**	1,385,551
Interest accrued on contract liabilities	**–**	187,682
	2,579,781	1,573,233
Less: amounts capitalised on qualifying assets	**(1,608,092)**	(835,845)
	971,689	737,388
Finance costs – net	**755,098**	489,601

Finance costs have been capitalised on qualifying assets at average rate of 3.85% for the year ended 31 December 2022 (2021: 3.2%).

9 Income tax expenses

(a) Income tax expense

	2022	2021
	HK$'000	*HK$'000*
Current income tax		
– Mainland China CIT	**2,165,554**	2,202,634
– Withholding tax on dividend	**112,208**	54,567
– LAT in Mainland China	**3,778,584**	4,078,029
	6,056,346	6,335,230
Deferred income tax		
– Mainland China CIT	**(824,491)**	(531,589)
– Withholding tax on dividend	**17,038**	159,808
– LAT in Mainland China	**(337,198)**	(215,218)
	(1,144,651)	(586,999)
	4,911,695	5,748,231

The provision for Hong Kong Profits Tax for the year ended 31 December 2022 is calculated at 16.5% (2021: 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 (2021: nil).

No provision for taxation has been recognised for companies incorporated in the British Virgin Islands ("BVI"), as they are not subject to any tax during the year (2021: nil).

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

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

Dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for Implementation of the Corporate Income Tax Law, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to a withholding income tax of 10%. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are qualified as tax residents of Hong Kong according to the tax treat arrangements between the PRC and Hong Kong.

During the year ended 31 December 2022 and 2021, deferred income tax liabilities had been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries in the PRC, as these earnings are expected to be distributed by the PRC subsidiaries and would be remitted to their overseas holding companies in the foreseeable future.

10 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021
Profit/(loss) attributable to the owners of the Company (HK$'000)	**2,085,418**	(2,721,886)
Weighted average number of ordinary shares in issue during the year	**8,899,105,992**	8,899,893,115

For the years ended 31 December 2022 and 2021, the effect of conversion of share option scheme were anti-dilutive and the diluted earnings per share for the year is therefore equal to the basic earnings per share.

11 Dividends

	2022	2021
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final dividend declared for 2021 – HK8 cents per share (2021: declared for 2020 – HK11 cents per share) *(note (a))*		
Cash	**711,903**	978,988
Interim dividend for 2022 – HK3 cents per share (2021: HK7 cents per share) *(note (b))*	**266,964**	622,993
	978,867	1,601,981

(a) The Company declared a final dividend of HK8.00 cents per share in respect of year ended 31 December 2021 amounted to approximately HK$711,903,000. The final dividend has been paid in cash on 6 July 2022.

The Company declared a final dividend of HK11.00 cents per share in respect of year ended 31 December 2020 amounted to approximately HK$978,988,000. The final dividend has been paid in cash on 8 July 2021.

(b) The Company declared an interim dividend of HK3.00 cents (2021: HK7.00 cents) per share amounted to HK$266,964,000 (2021: HK$622,993,000), which were fully paid in cash (2021: HK$622,993,000 were fully paid in cash).

(c) On 29 March 2023, the board of directors recommends a final dividend of HK12.00 cents per share, amounted to HK$1,067,855,000, for the year ended 31 December 2022. 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 2022 was calculated on the basis of 8,898,793,115 shares in issue as at 29 March 2023.

12 Financial assets at fair value through profit or loss

	2022 *HK$'000*	2021 *HK$'000*
Non-current:		
Financial assets measured at FVTPL		
– Listed equity investments in Mainland China	**26,851**	28,530
– Unlisted equity investments in Mainland China *(note (a))*	**80,604**	461,109
	107,455	489,639
Current:		
Financial assets measured at FVTPL		
Listed equity investments in Hong Kong	**1,594**	1,807

(a) The balance mainly represented the investments in Hengda Real Estate Group Company Limited ("Hengda Investments") of HK$80,604,000 (2021: HK$461,109,000). During the year ended 31 December 2022, there was a decrease in fair value in respect of Hengda Investments of HK$354,929,000 (2021: HK$6,374,889,000), which was recognised in the consolidated statement of profit or loss.

13 Trade and other receivables

	2022 *HK$'000*	2021 *HK$'000*
Included in non-current assets		
– Other receivables – net	**419,737**	466,525
Included in current assets		
– Trade receivables – net *(note (a))*	**2,180,070**	957,120
– Other receivables – net *(note (b))*	**4,394,087**	5,857,733
– Prepayments *(note (c))*	**259,121**	299,416
	6,833,278	7,114,269

As at 31 December 2022, the carrying value of trade and other receivables approximated their fair value.

(a) Details of trade receivables are as follows:

	2022 *HK$'000*	2021 *HK$'000*
Trade receivables	**2,348,697**	1,123,799
Less: provision for loss allowance	**(168,627)**	(166,679)
Trade receivables – net	**2,180,070**	957,120

The Group normally 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. 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 2022, the Group's trade receivables with a net carrying value of approximately HK$51,404,000 (31 December 2021: HK$2,747,000) was pledged to secure other borrowings granted to the Group.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the contract date, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 1 year	**2,100,863**	614,895
1 to 2 years	**79,179**	353,807
2 to 3 years	**22,299**	117,936
over 3 years	**146,356**	37,161
	2,348,697	1,123,799

None of whom contributed 10% or more of the Group's total revenue during the years ended 31 December 2022 and 2021.

(b) Details of other receivables are as follows:

	2022	2021
	HK$'000	*HK$'000*
Due from the ultimate holding company	**28,865**	28,132
Due from the immediate holding company	**1,185**	1,295
Due from non-controlling interests	**506,352**	1,253,673
Loans to joint ventures	**566,585**	954,248
Loans to associates	**–**	11,008
Others *(i)*	**3,616,294**	3,866,163
	4,719,281	6,114,519
Less: allowance for impairment	**(325,194)**	(256,786)
Other receivables – net	**4,394,087**	5,857,733

(i) Others mainly included deposits and current accounts due from fellow subsidiaries of the Group and the third parties.

(c) Details of prepayments are as follows:

	2022	2021
	HK$'000	*HK$'000*
For acquisitions of land	**30,076**	200,110
For construction costs and construction materials	**186,231**	68,358
Others	**42,814**	30,948
	259,121	299,416

14 Bank and other borrowings

	2022	2021
	HK$'000	*HK$'000*
Non-current		
Bank loans – secured	**461,159**	–
Bank loans – unsecured	**18,023,270**	19,378,413
Other borrowings – secured CMBS *(note (a))*	**9,654,347**	6,759,790
	28,138,776	26,138,203
Current		
Bank loans – secured	**89,832**	90,509
Bank loans – unsecured	**11,859,576**	11,811,770
Other borrowings – secured CMBS *(note (a))*	**134,025**	56,752
	12,083,433	11,959,031
	40,222,209	38,097,234

All of the non-current interest-bearing borrowings are carried at amortised cost.

The Group has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting period.

(a) At 31 December 2022, other borrowings included Commercial Mortgage-backed Securities ("CMBS") as below:

At 16 June 2020, RMB1,900,000,000 (equivalent to HK$2,127,050,000) was issued in China Interbank Bond Market, which was secured by certain property, plant and equipment, investment properties and its receivables of future rental incomes. The interest rate of the CMBS classified as Priority Level with a principal amount of RMB1,800,000,000 was fixed at 3.31% per annum. The term of the CMBS 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 rate of the CMBS or repurchase the outstanding balance, and the holders of the CMBS shall be entitled to require the Group to redeem the outstanding balance.

At 1 March 2021, RMB1,800,000,000 (equivalent to HK$2,015,100,000) was issued in China Interbank Bond Market, which was secured by certain property, plant and equipment, investment properties and its receivables of future rental incomes. The interest rate of the CMBS classified as Priority Level with a principal amount of RMB1,790,000,000 was fixed at 3.88% per annum. The term of the CMBS was 18 years. At the end of the third year, the sixth year and the ninth year, the Group shall be entitled to adjust the interest rate of the CMBS or repurchase the outstanding balance, and the holders of the CMBS shall be entitled to require the Group to redeem the outstanding balance.

At 7 May 2021, RMB2,000,000,000 (equivalent to HK$2,239,000,000) was issued in China Interbank Bond Market, which was secured by certain property, plant and equipment, investment properties and its receivables of future rental incomes. The interest rate of the CMBS classified as Priority Level with a principal amount of RMB1,999,000,000 was fixed at 3.80% per annum. The term of the CMBS was 18 years.

At 24 February 2022, RMB3,200,000,000 (equivalent to HK$3,582,400,000) was issued in China Interbank Bond Market, which was secured by investment properties and its receivables of future rental incomes. The interest rate of the CMBS classified as Priority Level with a principal amount of RMB3,190,000,000 was fixed at 3.40% per annum. The term of the CMBS was 18 years.

15 Trade and other payables

	2022	2021
	HK$'000	*HK$'000*
Current liabilities		
Trade payables *(note (a))*	**6,335,130**	4,408,200
Other payables and accruals *(note (b))*	**19,074,245**	12,357,967
Other taxes payable *(note (c))*	**463,458**	334,709
	25,872,833	17,100,876

(a) Trade payables

The ageing analysis of the trade payables based on invoice date was as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 1 year	**5,098,345**	3,777,339
1 to 2 years	**735,675**	416,455
2 to 3 years	**380,447**	109,712
Over 3 years	**120,663**	104,694
	6,335,130	4,408,200

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

(b) Other payables and accruals

Other payables and accruals mainly included deposits from property buyers and current accounts due to joint ventures, associates, fellow subsidiaries and non-controlling interests of the Group.

	2022	2021
	HK$'000	*HK$'000*
Accruals and other payables	**8,781,853**	8,745,771
Loans from a joint venture	**228,904**	124,757
Loans from fellow subsidiaries	**1,803,046**	2,683,482
Loans from an other related company	**175,189**	191,401
Loans from non-controlling interests	**8,085,253**	612,556
	19,074,245	12,357,967

(c) Other taxes payable

Other taxes payable mainly included output value-added taxes related to receipt in advance from customers, value-added taxes payable and other taxes.

16 Share capital

	2022	2021
	HK$'000	*HK$'000*
Issued and fully paid:		
8,898,793,115 (31 December 2021: 8,899,893,115) ordinary shares	**22,071,756**	22,071,756

During the year, the Company repurchased a total of 1,100,000 of its shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$1,854,000 (inclusive of transaction costs) which was paid fully out of the Company's retained earnings in accordance with Section 257 of the Hong Kong Companies Ordinance. All repurchased shares were cancelled during the year. The total amount paid for the repurchase of the shares has been charged to retained earnings of the Company.

17 Financial guarantees

	2022	2021
	HK$'000	*HK$'000*
Financial guarantees to purchasers of the Group's properties *(note (a))*	**6,926,523**	5,805,194
Financial guarantees to related parties of the Group *(note (b))*	**1,400,718**	1,272,646

(a) 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 obtained the individual property ownership certificate.

The directors consider that in case of default in payments, the net realizable 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) As at 31 December 2022, the Group has given guarantees amounted to HK$1,400,718,000 (31 December 2021: HK$1,272,646,000) in respect of bank loans and other borrowings to Guangzhou Pik Sum Real Estate Development Company Limited, Taizhou Shum Yip Investment Development Limited and Shum King Company Limited, all of which are joint ventures of the Group.

18 Commitments

Capital commitments outstanding at 31 December 2022 not provided for were as follows:

	2022	2021
	HK$'000	*HK$'000*
Commitments in respect of the acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**8,324,329**	13,095,757

As disclosed in the Company's announcement dated 14 July 2017, the Group agreed a maximum capital contribution to a related party, Shum King Company Limited, of HK$3,000,000,000 for its development of a piece of land in Hong Kong. As at 31 December 2022, the Group had an outstanding capital commitment to Shum King Company Limited of HK$1,757,500,000 (31 December 2021: HK$1,847,500,000).

19 Related-party transactions

In addition to the financial guarantees provided to joint ventures and the capital commitments provided to a joint venture, the Group had the following significant related party transactions:

(a) Financing arrangements

(i) The Group entered certain financing arrangements with its related parties.

	2022	2021
	HK$'000	*HK$'000*
Loans from the ultimate holding company	**15,543,349**	9,725,718
Loans from the immediate holding company	**2,549,483**	1,901,569
Loans from fellow subsidiaries	**1,803,046**	2,683,482
Loans from a joint venture	**228,904**	124,757
Loans from an other related company	**175,189**	191,401
Loans from non-controlling interests	**8,085,253**	612,556
	28,385,224	15,239,483

Except for balances of HK$110,950,000 which are interest-free (2021: HK$121,217,000), the remaining balances bear interests at rates ranging from 1.94% to 6.65% per annum (2021: 1.29% to 4.65% per annum).

(ii) The Group also provides loans to its related parties.

	2022	2021
	HK$'000	*HK$'000*
Loans to joint ventures	**566,585**	954,248
Loans to associates	**–**	11,008
Loans to non-controlling interests	**451,573**	1,195,388
	1,018,158	2,160,644

The related interest income from the joint ventures and associates for the year ended 31 December 2022 were HK$132,910,000 (2021: HK$100,947,000) and nil (2021: HK$478,000) respectively.

The balances are interest bearing at rates ranging from 5.00% to 8.00% per annum (year ended 31 December 2021: from 4.90% to 8.00% per annum).

(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 year to 3 years. During the year ended 31 December 2022, the amounts of rent payable by the Group under these leases to its immediate holding company, fellow subsidiaries and associates were HK$13,306,000 (year ended 31 December 2021: HK$13,518,000), nil (year ended 31 December 2021: HK$1,954,000) and HK$29,368,000 (year ended 31 December 2021: HK$30,156,000) respectively. The related interest expenses from its immediate holding company, fellow subsidiaries and associates for the year ended 31 December 2022 were HK$265,000 (year ended 31 December 2021: HK$630,000), nil (year ended 31 December 2021: HK$1,115,000) and HK$1,612,000 (year ended 31 December 2021: HK$3,102,000) respectively.

(ii) The Group also entered into a lease arrangement with its ultimate holding company as a lessor. For the year ended 31 December 2022, the rental income in respect of the lease arrangement was HK$8,246,000 (year ended 31 December 2021: HK$9,508,000).

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

(c) Other related party transactions

(i) The Group entered into arrangements with its ultimate holding company, fellow subsidiaries and an associate in which the Group provides management services (training and property management) on their behalf. For the year ended 31 December 2022, the management fee income in respect of the management services provided to the ultimate holding company, fellow subsidiaries and the associate were HK$4,563,000, HK$3,001,000 and nil respectively (year ended 31 December 2021: HK$4,527,000, HK$2,477,000 and HK$466,000).

(ii) The Group entered into arrangements with its ultimate holding company 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 2022, the management fee income in respect of these management services was HK$837,000 (year ended 31 December 2021: HK$888,000).

(iii) The Group entered into the Development and Construction Services Agreement with the parent of its non-controlling interest. The parent of its non-controlling interest will provide development, construction, marketing and other services to the Group. The service fee shall be determined and accrued and payable by the Group to the parent of its non-controlling interest. For the year ended 31 December 2022, the cost in respect of these services was HK$84,979,000, included value-added tax (year ended 31 December 2021: nil).

(iv) The Group entered into the Digital Platform Development Agreements and the Digital Platform Repair and Maintenance Services Agreements with its ultimate holding company and fellow subsidiaries for the provision of services of development and maintenance of digital platforms and systems. For the year ended 31 December 2022, the service fee income in respect of the development and maintenance services provided to the ultimate holding company and fellow subsidiaries were HK$9,828,000 and HK$5,651,000 respectively (year ended 31 December 2021: nil and nil).

(v) During the year ended 31 December 2022, the Group provided development and construction services to the subsidiaries of its joint venture, Tian An Cyber Park (Group) Co.,Ltd, the relevant revenue earned is HK$142,821,000 (year ended 31 December 2021: HK$49,070,000).

(vi) The prices for the above mentioned transactions with related parties were determined based on mutual agreement between the parties.

(d) Compensation of key management personnel of the Group

	2022	2021
	HK$'000	*HK$'000*
Short term employee benefits	**21,751**	21,820
Post-employment benefits	**2,851**	2,793
Share-based payments	**676**	626
Total compensation paid to key management personnel	**25,278**	25,239

CHAIRMAN'S STATEMENT

Looking back on 2022, against the backdrop of slowing global economic growth, China efficiently coordinated pandemic prevention and control with economic and social development, achieving stable economic operation and steady improvement in development quality, while maintaining social stability. Although the impact of the pandemic on the economy has gradually weakened, the triple pressure of domestic demand contraction, supply shock and weakening expectations on economic operation still exist. Affected by the macro environment, the real estate industry experienced a deep adjustment in 2022. The cycle of inventory clearance was prolonged, liquidity risks for real estate enterprises intensified, and the wait-and-see sentiment among homebuyers became stronger as the release of medium – to long-term demand weakened. To promote the healthy development of the real estate market, the central government has repeatedly introduced favorable regulation and control policies and supported local city-based policies to release space.

Focusing on the "14th Five-Year Plan" strategy, the Group is committed to transforming and upgrading itself into a technology-based industrial group with a focus on integrated urban development and operation, and investment and services in the technology industry, while promoting the steady development of its property business and actively promoting the expansion of its integrated operation business and strengthening the cultivation of innovative businesses. Amid the severe downturn in the industry, the Group adhered to a general keynote of "improving management for prudent growth" and promoted the "year of management improvement" initiative step by step. The Group has fully implemented the overall requirements of "preventing the epidemic, stabilizing the economy, and ensuring safety in development", overcoming difficulties and achieving steady progress in the real estate business. The comprehensive operation business has undergone a transformation and achieved rapid development, while the innovative business has accelerated its growth. The Group has achieved effective qualitative improvement on the road of transformation and high-quality development, which is not easy.

2022 Business Review

Annual Results

During the year, the Group realized revenue of HK$31.54 billion, representing a decrease of 1.6% over last year. Gross profit was HK$10.69 billion, with overall gross profit margin of 33.9%. Profit attributable to equity shareholders of the Company was HK$2.09 billion, and basic earnings per share was HK23.43 cents. 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$3.10 billion. The Board recommends the payment of a final dividend of HK12.00 cents per share for 2022 in cash.

Prudent Growth in Real Estate Business

Against the backdrop of the recurring COVID-19 and market downturn, the Group intensified the development of the real estate business as a principal business, enabling it to work as a ballast of operating results.

Contracted sales remained positive growth. Notwithstanding a nearly 40% year-on-year sales decline in 100 key cities, the Group maintained strengthened marketing innovation and key projects promotion. It achieved contracted sales for the year of approximately RMB19.21 billion (equivalent to approximately HK$22.35 billion), representing an increase of 0.6% over last year, which far outperformed the industry. Among other commercial properties, Bay Front, UpperHills, Zhifeng Tower and Boying Tower concluded bulk transactions with a turnover of approximately RMB8 billion (equivalent to approximately HK$9.3 billion); and among other residential properties, Cloud Center, Starry Lakeshore and Longwan Mansion achieved outstanding sales performance, of which Park Mansion was sold out immediately upon launch, becoming a benchmark property in the Guangming New Area of Shenzhen.

The efficiency of development carryforward was improved. During the year, despite the impact of the recurring pandemic in many places, the Group optimized the process, kept a tight grip on construction schedule and accelerated the project construction. The Shenzhen Park Mansion was launched for sale in 11 months after land acquisition, which represents the fastest launch speed in the Group; and with the smooth carryforward of Sky Park, Starry Lakeshore and other projects, the Group realized sales revenue from real estate development of approximately HK$25.65 billion, representing a decrease of 3.8% over last year. Gross profit margin of real estate development was maintained at a high level of approximately 37%.

More desirable project deployment was achieved. The Group successfully won the bids for five land plots located in Shanghai Jiading District, Shenzhen Longhua District, Shenzhen Longgang District, Taizhou High-Tech Zone and Ma'anshan Cihu High-Tech Zone by means of open market auction, industrial land application, and linked primary and secondary development, increasing its land reserve by approximately 0.74 million square meters worth over RMB20 billion. The Group insists on deep cultivation of high-energy cities, consolidating resource reserves, optimizing land reserve structure, with the land reserve area in the Greater Bay Area accounting for 65%, and the land reserve area in the Yangtze River Delta region rising to 15%. 80% of the Group's land reserve is located in the two most developed regions of the Chinese economy.

The industrial real estate model has shown effectiveness. The Group has established an industrial space carrier and built core industrial capabilities. It has created high-tech industrial parks in Shanghai, Jiangyin, and Ma'anshan in the Yangtze River Delta region, demonstrating the layout of the industrial-city ecology and providing strong spatial protection for the development of the manufacturing industry. The Jiangyin Science and Technology Innovation Park has successfully implemented the "launch and deal" model, while the Ma'anshan Science and Technology Park has sold 80% of its factory space and has attracted over 20 advanced manufacturing companies. The industrial-city innovation model has achieved dual output in attracting investment and generating profits.

Double-quality products are crafted to be more refined. The Group has established a standardized system that integrates "product + management + technology", focusing on the four dimensions of "humanistic community", "healthy housing", "modern aesthetics", and "comfortable living", and building a product concept with "happiness" as the core value. With great care, high-quality products are created, and the types and quality of standardized products are further optimized through their application in the Luxury Mansion and Upper Coast projects.

Vigorous development of the comprehensive operation business

In 2021, with the positioning of "serving the city", the Group completed the integration of its urban integrated operation business and continuously improve the management level to create Shum Yip Property Operations Group Co., Ltd ("Shum Yip Operations") to be an integrated urban operation service provider with comprehensive competitiveness and brand influence. With nearly 40 years of resilient development, Shum Yip Operations conducted its business around the positioning of "full format, full service, and full customer" and formed a diversified growth momentum. Shum Yip Operations was listed among the Top 100 Property Service Enterprises China 2022 (No. 20) (2022中國物業服務百強企業第 20 位) by the China Index Academy and Top State-Owned Property Management Companies by Comprehensive Strength (No. 7) (國有物業服務企業綜合實力第 7 名) by the China Property Management Research Institution. In February 2023, Shum Yip Operations formally applied for the listing of H shares on The Stock Exchange of Hong Kong Limited.

The main business of Shum Yip Operations covers urban, industrial park, residential property and commercial operation and management services, with a total area under management of approximately 68.23 million sq.m., representing an increase of 16% compared with last year. The business covers 14 provinces and 47 cities across China, with approximately 67.3% of the project area in the Greater Bay Area. With a diversified business portfolio and strong market expansion, the non-residential sector accounted for 62.4% of the total area and the projects of independent third-party accounted for 72.3% of the total area, both of which were higher than those of the industry.

In terms of city services, Shum Yip Operations has developed the first "property city" project in Shenzhen and participated in the compilation of the "Property Management City Operation Standard" Group Standard of China. At present, our property city business owns total area under management of more than 20 million square meters, and the effectiveness of governance has been widely recognized. The Baolong Street property city project in Shenzhen was awarded "China Property Management Excellence Benchmark Project" (中國物業管理卓越標桿項目) by the China Property Management Research Institution. At the same time, Shum Yip Operations was awarded "China's Leading Enterprise in Smart City Services" (中國智慧城市服務領先企業) by the China Index Academy for the second consecutive year in 2022.

Shum Yip Operations' commercial operation services cover commercial complexes, office buildings, community businesses, hotels, etc. Its subsidiary commercial complex, UpperHills, has introduced around 40 "first-store" national or regional brands. Nine Fortune 500 companies have settled in the office buildings, ranking second in Shenzhen and being named as one of the top five excellent complexes in Shenzhen, receiving the Golden Mall award in the industry. After one year of operation, Mandarin Oriental Hotel Shenzhen has been awarded the 2023 Forbes Travel Guide Five-Star Award, becoming the first and only luxury hotel in Shenzhen to receive this honor. The first Galeries Lafayette department store in South China had a trial operation at the end of the year, further promoting the international brand effect of UpperHills.

Accelerated Innovative Business Development

The Group focused on the functional positioning of "serving industries and serving people's livelihood", accelerating the development of innovative businesses such as high-tech manufacturing and high-tech agriculture, gradually forming a finite-diversified industrial layout, and opening up new prospects for transformation and development.

In terms of high-tech manufacturing, the Group's subsidiary, Shenzhen Jinghua Displays Electronics Co., Ltd. ("Jinghua"), is a national-level high-tech enterprise and a "specialized, refined, unique, and new" small and medium-sized enterprise in Shenzhen. Focusing on display products and intelligent controllers, Jinghua has established a model of "headquarters + OEM production base + research and development center" and has become a leading enterprise in the field of intelligent display control solution services. In 2022, its sales revenue and net profit increased by 41% and 112%, respectively.

In the field of high-tech agriculture, Agricultural Science Company under its umbrella is innovating and transforming, aiming at the "14th Five-Year Plan" for agricultural development and taking "high-tech agriculture + characteristic agricultural tourism" as the leading direction to build an agricultural industrial system. In 2022, the revenue of the agricultural sector was about HK$400 million, an increase of more than 80% year-on-year. The company efficiently laid out agricultural industrial parks, and the XinFeng modern functional agricultural industrial park and Shum Yip Jinnong project were successfully put into operation. With a high starting point, the company is creating a "Four Seasons" agricultural tourism series, responding to the call of the national rural revitalization strategy, achieving the integration of the three industries, and establishing the Four Seasons Agricultural Tourism project in the Greater Bay Area. With high standards, the company is forging its core competitiveness, obtaining 15 authorized patents in the field of smart agriculture, using technology development as a moat and providing intellectual and professional support for the industry. Feng Nong You Pin has successfully been selected as a key agricultural leading enterprise in Shenzhen. The "NongwoFeng" brand has a variety of 200 products, with sales reaching RMB250 million.

Significant improvement in management effectiveness

In response to the transformation of the real estate industry from a high-turnover model to high-quality development, The Group has launched the "Year of Management Improvement" action to further amplify the advantages of management efficiency and risk prevention, highlighting the strategic determination and foresight for long-term stable development.

The Group continues to improve its level of professionalism and operating efficiency. The Group has focused on internal development this year, systematizing processes and institutional systems, promoting process optimization in investment, development, marketing, operation, asset management, etc., further enhancing the degree of business specialization and standardization, strengthening cost control, shortening the development cycle, and improving operational efficiency and value creation ability.

The Group also continues to enhance its human resources. The Group has optimized its organizational structure, introduced multiple measures to attract scarce talents, improved its high-quality professional teams, and enhanced overall functionality. Deep reforms in performance evaluations have been undertaken, constructing a strong incentive and hard-constraint performance management system, effectively playing a leading role.

The Group is also continuing to deepen the digital empowerment of its business. The Group's digital transformation has been implemented, yielding results in customer demand, product innovation, resource matching, process restructuring, and other aspects. The Group has been solidly promoting the construction of digital technology infrastructure, empowering business innovation with technology, and landing multiple data application scenarios. The IoT platform has connected more than 2,500 devices, and breakthroughs have been achieved in business scenarios for smart park operations based on the IoT platform.

Smooth and Efficient Financing Channels

During the year, the Group has always maintained a robust financial position with stronger financing efforts and obtained foreign debt facilities of US$650 million. It raised HK$5 billion syndicate loan to replace the HK$3.5 billion syndicated loan that was about to mature, resulting in a reduction in the fixed-interest portion of the synthetic cost; and issued RMB3.2 billion CMBS products with a maturity of 18 years and a preferential coupon rate of 3.4%, being the largest issuance size and the lowest interest rate among the CMBS products issued by municipality-owned enterprises. The average comprehensive interest rate of bank and other borrowings was 3.3%, which were controlled at a low level in the industry. Against the backdrop of a cooling real estate market, the Group fortified centralized and coordinated capital management by counting every nickel and dime, giving full play to the efficiency of capital use, providing effective business support and safeguarding capital.

Fulfilling social responsibility and implementing sustainable development

In 2022, the Group consistently remembered its environmental, social, and governance responsibilities, adhering to the vision of "innovative constructor of industrial cities, wealthy livelihood operator". It actively responded to the national "dual carbon" goals and integrated the concepts of "ecology, greenness, and health" into project management and operations to implement sustainable development. The Group adhered to the talent philosophy of "morality first, talent utilization, and excellence", built a high-quality talent team, promoted the common development of employees and the company, and adhered to the service principle of "customer first", providing customers with more convenient and high-quality services. The Group actively participated in the construction of harmonious communities, further building a social governance pattern of co-construction, co-governance, and sharing. The Group followed the management philosophy of "being rigorous, orderly, standardized, and efficient", cultivated a clean corporate culture, and improved corporate governance.

The Group valued the suggestions and opinions put forward by all stakeholders, established internal and external communication channels, and ensured efficient communication with stakeholders, committed to creating long-term value for stakeholders such as owners, tenants, investors, business partners, employees, and communities. In terms of ESG issue management, The Group's performance in green buildings, health and safety, product quality and safety, and corporate governance continued to be outstanding. The Group also maintained a good rating on the MSCI-ESG index, and was honored with the "Best ESG Award" and "Best Investor Relations Project" at the China Outstanding IR Awards. This demonstrates the capital market's high recognition of the Group's ESG management and reflects the Group's long-term development advantages in business and management. In the current year, the Group has optimized its ESG governance structure and management methods, ensuring that the Group's sustainable development strategy plays a positive role in all aspects, achieving the Group's goals and prospects.

Market Outlook

Industry explores new development model as the recovery of real estate market

Real estate is a pillar industry for Chinese economy, and has a significant impact on economic growth, employment, tax income, resident wealth and financial stability. In order to promote a virtuous cycle and the stable and healthy development of the real estate industry, policy will focus on preventing and resolving the risks existed in high-quality leading real estate enterprises in an effective manner and preventing disorderly expansion, while strengthening the development of housing security system, supporting the demand of first – and second-time homebuyers and promoting a smooth transition of the real estate to a new development model, allowing the industry to get back to basics of wellbeing under the circumstances of "house is a place to live instead of a tool for speculation". Since the fourth quarter of 2022, policies to support real estate enterprises to mitigate financial risk have continued to increase, which improved the financing environment for the real estate sector and effectively controlled credit risks. Under the influence of epidemic mitigation and policy support, the larger housing transaction volume after the Spring Festival this year as a result of the prevailing market practice of seeking high sales volume at lower prices released a bottoming-out signal, the real estate market is showing signs of recovery and the market confidence is expected to be gradually restored.

The real estate industry is undergoing a great reshuffle, and the past development and operation mode of "high debt, high leverage and high turnover" is no longer sustainable. Under the new mode, the market is shifting its focus from large-scale new constructions to the quality improvement of existing properties and the restructuring of new properties and the establishment of a long-term effectiveness mechanism for both renting and purchasing. The underlying logic of the operations of real estate enterprises will continue to transit to the refined management of products and services, value enhancement of inventory assets and high-quality development of enterprises.

Promising market for innovative businesses

Intelligent display controller industry is a subdivision of the high-tech manufacturing industry. The intelligent display controller is a necessary device for smart IoT and intelligent development, with certain quite typical applications covering intelligent automobile, intelligent furniture and electric tool. In recent years, the major developed countries and China's relevant policies clearly have put forward to encourage enterprises to use the IoT, artificial intelligence and other technologies to promote the intelligent upgrading of various electronic products, which is a clear prospect of the intelligent controller industry under the technical context of the IoT's rapid penetration. Electronic control device products own a market around trillion-dollars and benefit from the Internet of Everything, while showing a relatively high growth trend.

At this year's "Two Sessions", it was proposed that "building a strong agricultural nation is the foundation of building a socialist modernization strong country, and promoting agricultural modernization is an inevitable requirement for high-quality development". Accelerating the construction of a strong agricultural nation is a necessary requirement to meet the needs of people's beautiful lives. The country has put forward higher requirements for improving the quantity, quality, and diversity of agricultural product supply, including vigorously developing agricultural leisure tourism and ecological conservation. The future market demand is expected to further increase. The Group is confident in developing high-quality fruit and vegetable, high-end flowers, food testing, and specialty agro-tourism businesses.

2023 Business Plan

In 2023, the Group will continue to adhere to the principle of steady operation and actively promote the steady growth of its real estate business, rapid expansion of its operation business, and more breakthroughs in its innovative business. The Group will make every effort to promote high-quality development and navigate through the industry adjustment period, economic cycles, and seek steady progress.

Real estate business

In terms of development and sales, the Group will strengthen project construction management and control, ensure that projects are launched and completed according to plan. It will actively promote contract sales, accelerate sales, and speed up capital recovery. Thanks to the increase in land resources in the past two years, the Group's available-for-sale value is sufficient this year, with a total available-for-sale value of over RMB45 billion and a contract sales target of RMB23 billion, representing a planned increase of about 20%.

In terms of project expansion, given the limited profit margin in the current open increment market and the increasing difficulty of land acquisition, the Group will fully leverage its core advantages in industrial planning and capital cost, focus on the Greater Bay Area and key high-energy cities, actively seize the development opportunities of district planning and urban renewal, and conduct deployment in projects which need low investment in the current period but may obtain large-scale high-quality resources after successful incubation. It will accelerate the pre-project work of the Longgang Henggang South and Guangming Shangcun benefit integration projects in Shenzhen, implement project implementation paths, and realize the transformation of land reserve resources. At the same time, the Group will accurately participate in public market bidding, and select high-quality projects that are suitable for sales and have good economic benefits.

In terms of holding property operations, the Group will continue to promote asset transformation and upgrading, optimize the format structure of investment properties, seize market development opportunities in the post-epidemic era, increase investment promotion efforts, build a refined operation system, and continuously improve asset value. The Group currently holds 1.79 million square meters of stock properties, contributing approximately HKD1.2 billion in rental income per year. The quality of assets and the level of sustained returns continue to improve, and the conditions for transforming to a new development model through asset securitization have been met. The Group will actively seize the opportunities of public REITs and private REITs, explore asset securitization to revitalize stock assets, and optimize the overall resource allocation of the Group.

Integrated city operations

The Group will achieve growth through diversification: it will continue to leverage its third-party expansion advantages and expand market share by using its brand and reputation; it will deepen its presence in urban service sub-sectors, focus on expanding property and urban projects, strengthen cooperation with local state-owned enterprises, and provide customized services for cities and industrial parks to promote its urban service business nationwide; it will build a refined commercial management system, strengthen full-value chain control of commercial assets, and continuously improve revenue in operating malls and hotels; it will work with the Group's happiness business to expand diversified value-added services, optimize service quality, and improve customer experience; it will improve digital management, devote itself to reducing costs and improving labor efficiency, and improve profitability; it will closely monitor its M&A plans and achieve scale expansion and development.

Innovative business

The high-tech manufacturing company Jinghua will continue to increase its investment in new product research and development for intelligent display controllers. With display and electronic control components as its core products, the company will increase investment in high-gross-profit products such as capacitive touch screens, optical bonding integration, electronic control components (OEM/ODM), and low-power displays in various niche markets. The company will also actively explore product markets to achieve high-speed growth in revenue and profits, and seek to accelerate its development through the capital market.

Supported by "technology + capital", a high-tech agricultural enterprise Agricultural Science Company serves the national strategy and people's livelihood and build a domestic first-class agricultural science and technology enterprise group. It will accelerate the cultivation of a number of agricultural listed companies and leading agricultural enterprises, enhance the influence of agricultural brands, and achieve non-linear growth through technical cooperation and capital operation. It is expected that the business scale will show a geometric growth trend in the next few years, ranking among the leading enterprises in the domestic industry.

2023 is a crucial year for implementing the "14th Five-Year Plan" and laying the foundation for the future. The Group will firmly grasp the fundamental requirements of high-quality development, comprehensively enhance management, continuously promote business transformation and upgrading, and deepen internal strength. In the real estate business, the Group will actively adapt to new models of real estate, carefully craft high-quality personalized products and services, improve the operational efficiency and asset value of holding properties, explore asset securitization and asset activation. With key projects such as Guangming Science City, Baguang Bio Valley, and the cooperation between Shenzhen and Hong Kong as an opportunity, the Group will seize opportunities for coordinated benefits, implement high-quality resources, integrate area planning, industry introduction and service, and urban upgrading into development and construction, and promote comprehensive innovation in industrial and urban development. In terms of urban comprehensive operation, the Group will build the "Shum Yip" service brand, construct a city operation service system, achieve scale development, and build new growth drivers. In terms of innovative business, the Group will increase the layout of high-end manufacturing, agricultural technology, and other innovative businesses, increase exploration, investment and cultivation of the technology industry, and enable technology to upgrade products and transform businesses. After the transformation and optimization of the "14th Five-Year Plan", the Group will form a limited diversification layout, synergistically develop high-quality development among business sectors, continuously improve enterprise value and return, and give back to shareholders and investors.

"Strive for excellence with great determination and vigor". The Group will adopt a "start running and sprinting" mentality, become firmly determined and courageously move forward. Through persistent efforts, the Group aims to build sustainable development and value creation capabilities, comprehensively promote high-quality development, make greater contributions to social and economic development and urban development, and create ideal returns for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Results

In 2022, the real estate industry as a whole has entered a downward cycle, with mounting pressure and impact on both supply side and demand side of the market and intensified liquidity risk existed in some real estate enterprises. The real estate industry has undergone a deep adjustment under the policy keynote of "house is a place to live instead of a tool for speculation". During the year, the central government released positive signals several times to set a positive tone, optimize regulation and control policies, further enrich and improve the policy toolbox, and support the implementation of city-based policies to promote the healthy development of the real estate market. Generally, the current market has gradually completed bottoming out, but full recovery is a long way off and market confidence still needs to be boosted. Amid the severe downturn in the industry, the Group adhered to a general keynote of "improving management for prudent growth" and focused on the strategic planning under the "14th Five-Year Plan" to promote the "year of management improvement" initiative step by step. By overcoming the adverse impact of the industry downturn and other obstacles, the Group has achieved qualitative and effective improvement in all areas of work, and seen new progress and results.

During the year, the Group realized turnover of HK$31,540.2 million, remaining stable with a slight decrease of 1.6% as compared to last year. Gross profit was HK$10,692.6 million, with overall gross profit margin of 33.9%. Profit attributable to equity shareholders of the Company was HK$2,085.4 million, and basic earnings per share was HK23.43 cents, showing a turnaround from loss attributable to equity shareholders due to a significant non-cash loss incurred on financial assets 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$3,102.7 million.

Property Development Business

Sales Revenue Booked

During the year, the Group recorded property sales area booked of approximately 730 thousand square meters (excluding interests attributable to the major associates of the Group), remaining stable as compared to last year, and achieved revenue from property sales of approximately HK$25,654.0 million (equivalent to approximately RMB22,045.2 million), representing a decrease of 3.8% over last year. Gross profit margin of property development and sales was 36.6%, representing a decrease of 3.7 percentage points over last year. Guangzhou and Shenzhen projects contributed 54% of the sales revenue booked. During the year, the average gross profit margin of projects of the Group in Guangzhou and Shenzhen was approximately 45.8%, whereas the average gross profit margin of projects in other cities was approximately 26.9%.

Property Sales Booked in 2022

Property Name	Type	City	Booked Area (sq.m.)	Net Sales (RMB'000)
Cloud Center	Residential	Shenzhen	30,121	1,229,500
UpperHills	Residential/office/innovative industrial building	Shenzhen	55,370	1,858,961
Parkview Bay	Residential	Shenzhen	310	35,855
Terra Licheng	Innovative industrial building	Shenzhen	27,084	1,477,908
Boying Tower	Office	Shenzhen	6,508	768,053
Taifu Square	Office/apartment	Shenzhen	5,145	268,174
Zhifeng Tower	Office	Shenzhen	32,659	1,008,373
Sky Park	Office/apartment/residential	Shenzhen	42,342	5,215,399
Moon River Palace	Residential	Guangzhou	95	3,030
Garden Hills	Residential/commercial	Huizhou	12,865	257,549
Wanlin Lake	Residential/commercial	Huizhou	383	3,564
Gaobangshan	Residential/commercial	Huizhou	20,789	240,272
Bustling City	Residential	Foshan	6,841	129,224
Shum Yip City	Residential	Foshan	13,878	239,651
Starry Lakeshore	Residential	Dongguan	77,059	3,380,257
Saina Bay	Commercial	Heyuan	269	1,914
Heron Mansion	Residential	Changsha	84,178	1,081,250
Ruicheng	Residential/commercial	Changsha	549	9,696
Nanhu Rose Bay	Residential/villa/commercial	Wuhan	616	29,462
Yihu Rose Garden	Residential	Chengdu	1,626	15,048
Shum Yip Huating	Residential	Chengdu	39,925	735,863
Upper Life	Residential	Nanjing	8,637	208,221
Longwan Mansion	Residential	Nanjing	28,382	1,265,681
Qinglong Mansion	Residential	Nanjing	12,253	346,909
Wu'ai Bus Station Expansion Project	Residential	Shenyang	59	79
Splendid City	Residential/commercial	Taizhou	22,037	299,043
Royal Spring Garden	Villa	Chaohu	256	5,232
Ma'anshan Shum Yip Huafu	Residential	Ma'anshan	175,260	1,725,182
Shenma Industrial Park	Plant	Ma'anshan	24,901	75,728
Parking space *(Note)*	Parking space	Parking space	–	130,121
Total			**730,397**	**22,045,199**

Note: 3,427 parking spaces were sold.

Contracted Sales

During the year, the Group realized contracted sales area of approximately 820,000 square meters and contracted sales amount of approximately RMB19,209.3 million (equivalent to approximately HK$22,353.8 million). The average price per square meter was approximately RMB23,317. The contracted sales were mainly attributable to Zhongshan Bay Front which realized contracted sales of approximately RMB6,755.9 million, Shenzhen Park Mansion which was sold out immediately upon launch and realized contracted sales of approximately RMB2,184.2 million; Shenzhen Cloud Center which realized contracted sales of approximately RMB1,972.4 million; and Shenzhen UpperHills which realized contracted sales of approximately RMB1,934.1 million. Sales of the Group remained stable throughout the year, slightly increasing by 0.6% over last year and outperforming the market.

By geographical location, projects in the Greater Bay Area accounted for 88% of contracted sales, 9% of which was contributed by projects in the second-tier provincial capital cities, and 3% in other cities. By the types of products, residential products accounted for 91% of contracted sales, and non-residential products (including office, apartment and industrial park) accounted for 9%.

Contracted Sales in 2022*

	City	Type	Sales Area (sq.m.)	Sales** (RMB'000)
Natural City	Shenzhen	Residential	17,825.15	621,976.10
Sky Park	Shenzhen	Apartment	1,776.74	269,692.60
Cloud Center	Shenzhen	Residential	44,837.16	1,972,351.80
Shum Yip Taifu Square	Shenzhen	Apartment	2,468.40	146,892.10
Terra Licheng	Shenzhen	Office (including industrial R&D and warehousing)	1,037.47	51,951.40
UpperHills	Shenzhen	Office (including industrial R&D and warehousing)	63,004.47	1,934,104.10
Tanglang City ***	Shenzhen	Apartment	285.73	22,034.90
Shum Yip Parkview Bay	Shenzhen	Residential	501.64	61,984.80
Park Mansion	Shenzhen	Residential	48,238.24	2,184,162.50
Boying Tower	Shenzhen	(including industrial R&D and warehousing)	25,913.37	832,725.40
Zhifeng Tower	Shenzhen	Office (including industrial R&D and warehousing)	4,541.60	144,706.40

	City	Type	Sales Area (sq.m.)	Sales** (RMB'000)
Shum Yip Scenery Bay	Guangzhou	Residential	7,267.24	268,556.40
Shum Yip Bustling City	Foshan	Residential	345.84	6,902.20
Shunde Shum Yip City	Foshan	Residential	7,835.32	121,036.50
Gaobangshan No. 1	Huizhou	Residential	17,330.44	197,952.40
Garden Hills	Huizhou	Residential	17,524.29	123,878.80
Wanlin Lake	Huizhou	Residential	2,485.44	9,000.60
Starry Lakeshore	Dongguan	Residential	36,370.19	1,353,018.60
Oujing City	Dongguan	Parking space	780.00	11,490.00
Bay Front	Zhongshan	Residential, office	415,472.00	6,755,874.60
Saina Bay	Heyuan	Residential	269.42	2,280.20
Longwan Mansion	Nanjing	Residential, Commercial	18,605.99	928,887.50
Qinglong Mansion	Nanjing	Residential	2,174.29	67,302.50
Nanwan Mansion	Nanjing	Residential	2,459.34	115,356.60
Shum Yip Heron Mansion	Changsha	Residential	6,884.05	99,842.00
Shum Yip Ruicheng Xihui	Changsha	Residential	2,048.68	19,529.10
Shum Yip North Shore	Chengdu	Residential	2,230.36	16,409.60
Shum Yip Huating	Chengdu	Residential	16,116.17	319,735.40
Shum Yip Yihu Rose Garden	Chengdu	Residential	1,441.62	5,721.20
Taiyun Mansion	Wuhan	Residential	6,165.59	118,109.60
Changzhou Shum Yip Huafu	Changzhou	Parking space	528.75	1,211.00
Shenyue Bay	Jiangyan	Residential	10,728.78	82,928.60
Shum Yip Yunqi Garden	Taizhou	Residential	7,704.22	130,971.70
Royal Spring Garden	Chaohu	Residential	255.61	5,306.30
Ma'anshan Shum Yip Huafu	Ma'anshan	Commercial, Parking space	8,844.47	134,952.20
Shenma East China Industrial Technology Industrial Park	Ma'anshan	Industrial	21,520.44	70,420.00
Total			**823,818.51**	**19,209,255.70**

* As all the contracted sales took place in Mainland China, the contracted sales figures are expressed in Renminbi.

** Sales includes the sales of parking lots.

*** 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 2,774 thousand square meters, decreasing by 30% over last year and a completed area of approximately 1,131 thousand square meters, increasing by 37% over last year.

New Construction Projects in 2022

	City	Type	New Construction Area (sq.m.'000)
Cloud Center Phase 2 Xinhongcheng North Land Plot	Shenzhen	Residential	131.7
Shum Yip Chuangzhi Building	Shenzhen	Industrial	51.2
Shum Yip Shanglinyuan Renewal Project	Shenzhen	Complex	62.8
Shenzhen Qianhai Upper Coast	Shenzhen	Residential	300.0
Guangming Park Mansion Project	Shenzhen	Residential	132.0
Shum Yip Taifu Yinying Square	Shenzhen	Complex	130.0
Shum Yip Zhongshan Future Gate Project	Zhongshan	Complex	819.3
Huizhou Yunqi Mansion Lujiangli Land Plot	Huizhou	Residential	170.0
Qingbaijiang Shum Yip Taifu Square	Chengdu	Complex	217.4
Longquanyi Project	Chengdu	Complex	223.6
Shum Yip Taiyue Mansion	Chengdu	Residential	100.0
Changsha Taohualing Phase 1 North Land Plot	Changsha	Residential	100.0
Nanjing Hexinan Land G111 Project	Nanjing	Residential	80.0
Hanlinlu Land Plot 18 Project	Shenyang	Complex	68.4
Jiangyin Project Phase 1	Wuxi	Industrial	130.0
Taizhou Yunqi Garden	Taizhou	Residential	57.8
Total			**2,774.2**

Completed Projects in 2022

	City	Type	Completed Area (sq.m.'000)
Cloud Center Phase 1	Shenzhen	Residential	194.5
Qingshuihe International Auto Logistics Industrial Park Phase 4	Shenzhen	Industrial	43.0
Huizhou Nanfang Gaobangshan Garden 1#, Phase 2.2	Huizhou	Residential	160.2
Huizhou Garden Hills Phase 3.2.2	Huizhou	Residential	147.0
Dongguan Starry Lakeshore	Dongguan	Residential	169.6
Lishui Qishan Yayuan	Foshan	Residential	79.1
Shum Yip Nanwan Mansion	Nanjing	Residential	60.0
Ma'anshan Shum Yip Huafu Phase 2 Group 2 South District	Ma'anshan	Residential	225.8
Shenma East China Technology Industrial Park	Ma'anshan	Industrial	52.6
Total			**1,131.8**

Expansion of Land Resources

In 2022, adhering to the strategy of "selecting the best among the best", the Group took right opportunities and acquired 5 land lots in 4 cities, including Shenzhen, Shanghai, Taizhou and Ma'anshan, through land market auctions, industrial land application, and linked primary and secondary development. With an equity investment of approximately RMB6,870.1 million (equivalent to approximately HK$7,994.7 million), the new projects cover a total site area of approximately 310,000 square meters, with a total capacity building area of approximately 740,000 square meters and an estimated value of over RMB20,000.0 million.

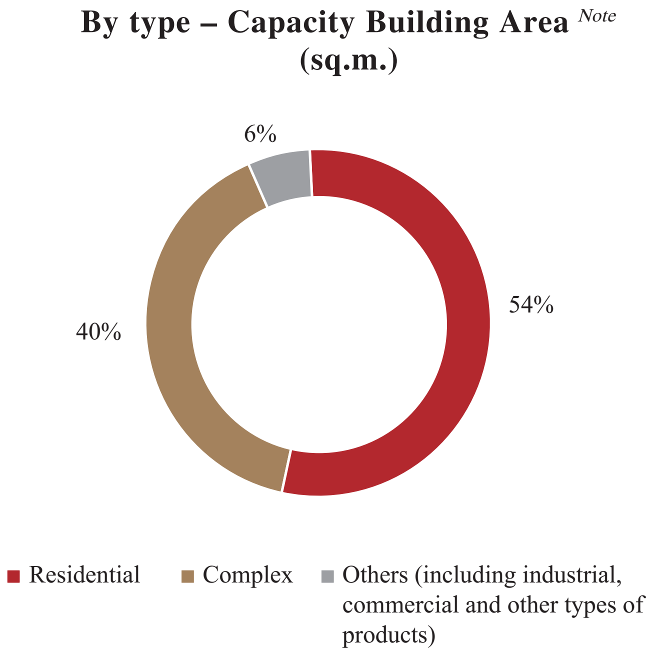
Expansion of Land Resources in 2022

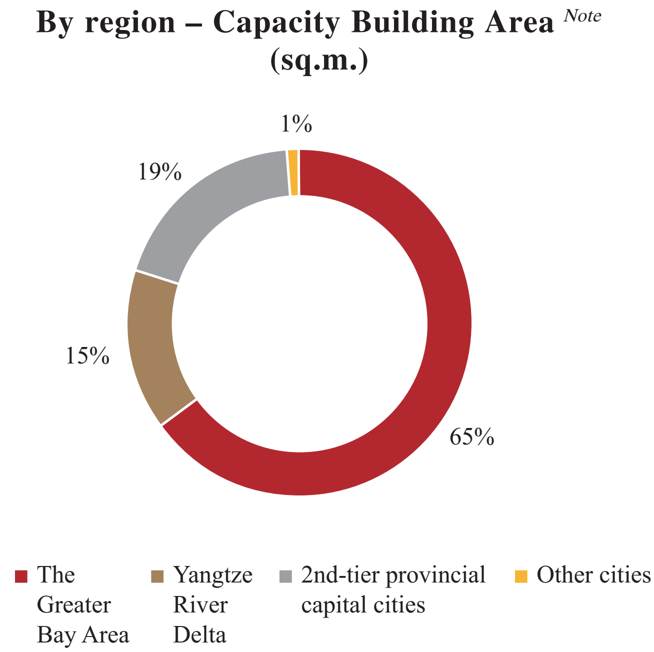
Project Name	City	Project Equity Ratio	Type	Total land price (RMB'000)	Site Area (sq.m.)	Capacity Building Area (sq.m.)
Luxury Mansion	Shenzhen	51%	Residential	3,780,000	26,114	135,790
Tairui Mansion	Shenzhen	51%	Residential	2,937,000	29,360	153,427
Shum Yip Huxi Shangju	Shanghai	100%	Residential	1,639,700	43,129	86,257
Taizhou Medical Hi-Tech Zone Land Plot	Taizhou	100%	Residential	1,781,000	146,738	250,998
Ma'anshan Shenma Cihu Industrial Park	Ma'anshan	100%	Industrial	23,760	67,108	111,221
Total				**10,161,460**	**312,449**	**737,693**

Land Reserves

By the end of 2022, the Group had land reserves with a capacity building area of approximately 6.60 million square meters, of which, the projects not commenced had a capacity building area of approximately 1.36 million square meters, the projects under construction had a capacity building area of approximately 4.39 million square meters and the completed but unsettled projects had a capacity building area of approximately 0.85 million square meters. The reserve structure remained reasonable and healthy, with land reserve in the Greater Bay Area, the Yangtze River Delta region and the second-tier provincial capital cities accounting for 65%, 15% and 19% of the total capacity buildings area respectively. Besides, the value of completed properties in stock amounted to approximately HK$11,583.9 million.

Distribution of Land Reserves (As at 31 December 2022)





Note: 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 Business

As at 31 December 2022, the Group had investment properties of approximately 1.79 million square meters. During the year, the Group recorded an income from property investment of approximately HK$1,195.8 million, representing a decrease of approximately 20% over last year, which was mainly due to the rent concessions provided to the relevant business tenants during the pandemic. The gross profit margin of property investment business was approximately 69%, representing a decrease of 5.5 percentage points over last year. The Group recorded a revaluation decrease in the fair value of its investment property portfolio of HK$351.9 million during the year.

Urban Integrated Operation Business

The Group's urban integrated operations business, comprising urban and industrial park property management, residential property management, commercial operation and property management services, had total contracted area under management of approximately 71.05 million square meters and total area under management of approximately 68.23 million square meters, of which approximately 72.3% was attributable to independent third-party projects and 62.4% was attributable to non-residential properties, both higher than the average in the industry. During the year, revenue from the urban integrated operations business amounted to approximately HK$2,626.8 million. Relying on its industry-leading comprehensive strength and widely-recognized service, the Group was listed among the "Top 100 Property Service Enterprises China 2022 (No. 20)" (2022中國物業服務百強企業第20位) by the China Index Academy, "Top State-Owned Property Management Companies by Comprehensive Strength (No. 7)" (國有物業服務企業綜合實力第7名) by the China Property Management Research Institution, etc.

Among the projects under management operated by Shum Yip Operations, the urban and industrial park service projects, residential property service projects and commercial operation and management service projects accounted for 56.5%, 37.7% and 5.8% of the total area under management respectively. During the year, the Group expanded net new contracted area under management of approximately 9.88 million square meters, and net new area under management of approximately 9.52 million square meters in Guangdong, Hunan, Jiangxi, Anhui, Jiangsu, etc., and won the bids for several large-scale projects, including Shenzhen and Zhaoqing Mobile, the premium office premises -Changsha New Hunan Building, and the West Bay National Major Instrument Science Park, further enhancing its third-party expansion strength.

In the area of commercial operation, the Group focuses on the market trend to identify consumer trends and upgrade brand. It took multi-pronged measures to design brand events, engaged leading IPs and organized over 200 wonderful events in collaboration with multiple parties, enabling the Group to increase brand exposure via various medias. During the year, with boosted customer traffic, the Group posted record-high sales performance. The first Galeries Lafayette in South China commenced trial operation and a number of global Top 500 companies moved into UpperHills, Shenzhen during the year. All shopping malls have been operated well, with a significant increase in customer traffic and occupancy, and significant progress has also been made in respect of investment promotion, as aggregately more than 150 new shops opened in our commercial projects.

In the area of property management city business, the Group operates in a careful manner and strives to set an industry benchmark. It has established the "Property Management City Enterprise Standard System" to build a property management city operation model with Shum Yip characteristics. During the year, the Group acquired net new property city projects of RMB650 million, increasing net total area under management by 7.70 million square meters. It won the bids for Longhua Street project and Yuanling district project in Shenzhen successively and further consolidated its leading position in the market share of property management city business in Shenzhen. The Group was awarded "China's Leading Enterprise in Smart City Services" (中國智慧城市服務領先企業) for the second consecutive year for its widely-recognized outstanding street and community operation services. Besides, the Group's Baolong Street property management city project was awarded "China Property Management Excellence Benchmark Project" (中國物業管理卓越標桿項目) by the China Property Management Research Institution, aiming to build a four-party integration model of "street + community + city housekeeper + social body" for a butterfly effect.

Hotel Operation Business

The Group owns five hotels in operation, namely Suzhou Marriott Hotel (with 302 guest rooms), Chaohu Shum Yip Bantang Hot Spring Hotel (with 27 spring villas), Holiday Inn Resort Chaohu Hot Spring (with 203 guest rooms), Muji Hotel (with 79 guest rooms) in UpperHills, Shenzhen, and Mandarin Oriental Shenzhen (with 178 guest rooms). In particular, the Mandarin Oriental Shenzhen which was opened in early 2022 was awarded the "Forbes Five Star" in 2023, being the first and only hotel winning such honour in Shenzhen. During the year, the Group achieved revenue from hotel operation (included under other operating segment) of approximately HK$287.7 million, representing an increase of 69.6% over last year.

Industrial Manufacturing Business

During the year, the manufacturing business realized operating income of approximately HK$607.2 million, representing an increase of 33% over last year. The Group's manufacturing business mainly represents the LCM manufacturing, metal materials processing and electronic control system operated by its subsidiary Shenzhen Jinghua Displays Electronics Co., Ltd. over the years. It has collaborated with over 30 global Top 500 and leading customers in segment markets, with products widely used in industry, home appliances, communications, consumption, medical and automobile fields.

Performance of Major Joint Ventures and Associates

During the year, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) contributed profit of HK$229.8 million to the Group, decreasing by 22.7% over last year. The principal activity of the company is to assist local government in primary land development.

Shenzhen Langtong Property Development Company Limited (a 50% owned company of the Group) incurred loss of HK$2.0 million. It is the project company that has developed Shenzhen Tanglang City in collaboration with Shenzhen Metro Group.

Shenzhen Tianan Cyber Park (Group) Co., Ltd. (a 37.5% owned company of the Group) contributed net profit of HK$248.6 million to the Group, representing an increase of 6.9% over last year.

Road King Infrastructure Limited, an associate invested by the Group (1098.HK), incurred loss of HK$133.8 million.

Financial Assets

On 31 May 2017, the Group contributed an amount of RMB5.50 billion to the capital of Hengda Real Estate Group Company Limited ("Hengda Real Estate") and held 2.6439% equity interests in Hengda Real Estate.

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. Affected by industry fluctuations, a provision was made on the loss of such financial assets of approximately 6,374.9 million last year, upon which, the book fair value of the said financial assets amounted to HK$461.1 million. As at 31 December 2022, the Group made a provision for fair value losses of approximately HK$354.9 million, which did not affect the cash flow and daily operation of the Group.

Financing

As at 31 December 2022, the Group's total bank and other borrowings amounted to HK$40,222.2 million (31 December 2021: HK$38,097.2 million), of which HK$22,355.9 million were floating rate loans, and the remaining were fixed-rate loans. Long-term loans amounted to HK$28,138.8 million, representing approximately 70% of total borrowings, and short-term loans were HK$12,083.4 million, representing approximately 30% of total borrowings. Borrowings denominated in Hong Kong dollars amounted to HK$16,351.3 million, and Renminbi borrowings amounted to HK$23,870.9 million.

During the period, the Group proactively raised funds and promoted financing innovation. It obtained a three-year syndicated loan of HK$5 billion and replaced the original syndicated loan of HK$3.5 billion. Besides, the Group issued CMBS products of RMB3.2 billion with a preferential coupon rate of 3.4%, being the largest issuance size and the lowest issuance rate among the CMBS products issued by the municipality-owned enterprises. During the year, the average comprehensive interest rate of the Group's bank and other borrowings was approximately 3.3% per annum, representing an increase of 0.3 percentage point over last year, remaining at a lower level in the industry.

As at 31 December 2022, the Group's cash balance was HK$13,361.6 million (including restricted cash) (31 December 2021: HK$22,775.6 million), of which approximately 90.7% were denominated in Renminbi, and the remaining in US dollar and Hong Kong dollar.

As at 31 December 2022, the Group had net assets (excluding non-controlling interests) of HK$44,631.8 million (31 December 2021: HK$49,174.9 million). The net gearing ratio (net debt divided by equity attributable to owners of the Company) was 60.2%, representing an increase of 29 percentage points over the end of last year.

Key Financial Indicators

HK$ million	**As at 31 December 2022**	As at 31 December 2021
Bank and other borrowings	**40,222.2**	38,097.2
—Long-term borrowings	**28,138.8**	26,138.2
—Short-term borrowings	**12,083.4**	11,959.0
Cash (including restricted cash)	**13,361.6**	22,775.6
Net gearing ratio	**60.2%**	31.2%

Effect of Exchange Rate Fluctuation

The Group's assets are mainly denominated in Renminbi. 59% of the bank and other borrowings are denominated in Renminbi, and 41% are Hong Kong dollar borrowings. Hong Kong dollar is adopted as the reporting currency in the Group's financial statements. The effect of the decrease in RMB exchange rate on the Group's finance was mainly reflected in the depreciation of the asset and earnings denominated in Renminbi against Hong Kong dollar, the reporting currency. During the year, such fluctuations in the asset and earnings denominated in Renminbi against Hong Kong dollar, the reporting currency, of HK$5,673.5 million were included in other comprehensive income. The Group will closely monitor and proactively avert foreign exchange risk through various ways.

Impact of the Pandemic

In 2022, with the continuous optimization of the anti-pandemic measures, China has entered a new stage of pandemic prevention and control smoothly. The Group took various measures to fight against the pandemic, assumed social responsibility with determination, and steadily pushed forward operations.

In terms of sales, the Group took various measures to boost sales performance and effectively reduce the impact of the pandemic on it, realizing stable sales growth. In terms of project construction, the Group has established a proper control mechanism to ensure safety and quality, while accelerating the progress of construction works, thus all projects have been settled as scheduled. In terms of capital, given the increased costs and expenses incurred during the pandemic prevention and control, the Group has stepped up efforts in centralized financing and expanding financing channels, and the pandemic did not have any impact on the liquidity of the Group.

Progress of the Litigation Involving Terra Companies

On 26 May 2021 and 31 May 2021, Wuhan Shum Yip Terra Property Development Company Limited ("Wuhan Terra Company") and Shum Yip Terra (Holdings) Company Limited ("Shum Yip Terra Company", together with Wuhan Terra Company, the "Terra Companies"), both being non-wholly-owned subsidiaries of the Company, respectively received a statement of claim (民事起訴狀) from the Intermediate People's Court of Wuhan City (武漢市中級人民法院) (the "Court") regarding the claims by Hubei Province Livestock and Poultry Breeding Center (湖北省畜禽育種中心) (the "Breeding Center") against the Terra Companies (the "Litigation") regarding the contractual disputes under the four agreements entered into by Terra Companies with the Claimant in respect of the development of Nanhu Rose Bay (南湖玫瑰灣) in Wuhan, with a total claims amount of approximately RMB900 million. In connection with the Litigation, the Court ordered for the bank accounts and other assets of the Terra Companies to be frozen to the extent of RMB640 million. In August 2022, the Court made the first instance judgment to the Litigation confirming the contract was void and dismissing the Breeding Centre's claim. Later the Breeding Centre appealed against the judgment and the case is currently being heard by the High People's Court of Hubei Province in the second instance. As at the date of this announcement, certain bank accounts of the Terra Companies with an aggregate balance of approximately RMB640 million have been frozen by the Court. Based on the current assessment, the Litigation has no material impact on the daily operation of the Group as a whole.

Pledge of Assets and Contingent Liabilities

As at 31 December 2022, the Group had total loans of HK$10,339.4 million (31 December 2021: HK$6,907.1 million) that were pledged with assets.

As at 31 December 2022, the Group has given guarantees amounted to HK$1,400.7 million in respect of bank loans and other borrowings to Guangzhou Pik Sum Real Estate Development Company Limited, Taizhou Shum Yip Investment Development Limited and Shum King Company Limited, all of which are joint ventures of the Group.

Employees and Remuneration Policy

As at 31 December 2022, the Group employed 21,205 employees (2021: 21,084) of whom 24 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 2022 (excluding remuneration of the Directors) amounted to approximately HK$2,955.2 million (2021: HK$2,789.2 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 HK12.00 cents per share for the year ended 31 December 2022 (2021: a final dividend of HK8.00 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 Friday, 7 July 2023 to shareholders whose names appear on the register of members of the Company on Wednesday, 7 June 2023. Together with the interim dividend of HK3.00 cents per share already paid, the total dividend for the year ended 31 December 2022 amounts to HK15.00 cents per share (2021: HK15.00 cents per share).

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Monday, 29 May 2023. 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 Monday, 22 May 2023 to Monday, 29 May 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 19 May 2023.

To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 6 June 2023 to Wednesday 7 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 5 June 2023.

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 2022.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Dr. WONG Yau Kar, David and Prof. GONG Peng. 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 2022 final results.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2022, the Company repurchased a total of 1,100,000 ordinary shares of the Company ("Shares") on The Stock Exchange of Hong Kong Limited, with an aggregate consideration paid (before expenses) amounting to HK$1,849,300. All the Shares repurchased were subsequently cancelled. As at 31 December 2022, the total number of Shares in issue was 8,898,793,115.

Particulars of the share repurchases are as follows:

Date	**Number of Shares repurchased**	**Purchase price per Share**		**Aggregate consideration (before expenses)**
		Highest *(HK$)*	Lowest *(HK$)*	*(HK$)*
April 2022	1,100,000	1.71	1.66	1,849,300

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period.

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, 29 March 2023

As at the date of this announcement, the Board comprises 8 directors, of which Dr. LU Hua, Mr. WANG Yuwen, Ms.CAI Xun, Mr. XU Enli and Ms. SHI Xiaomei are the executive directors of the Company and Mr. LI Wai Keung, Dr. WONG Yau Kar, David and Prof. GONG Peng are the independent non-executive directors of the Company.