深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

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

2023 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- The contracted sales amounted to approximately RMB26.6 billion, representing an increase of 38% over last year and exceeding its full-year target;
- The turnover amounted to approximately HK$15.8 billion and gross profit amounted to approximately HK$5.1 billion; and the overall gross profit margin was 32.3%;
- Revenue from property investment, property management, hotel operation and agriculture business increased by 18.8%, 6.4%, 61.7% and 40.6%, respectively;
- Loss attributable to equity shareholders was HK$260 million due to factors including the decrease in booked area of the projects, loss from the associates and the increase in finance costs;
- 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 and the effect of results from associates and joint ventures, profit attributable to equity shareholders was HK$1.9 billion;
- The Board recommends the payment of a final dividend of HK7.00 cents per share, and total dividend for the year amounted to HK9.00 cents per share.

The board of directors (the "Board") of Shenzhen Investment Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Year ended 31 December** **2023** ***HK$'000***	2022 *HK$'000*
Revenue	*4*	**15,832,132**	31,540,226
Cost of sales and services	*5*	**(10,721,440)**	(20,847,656)
Gross profit		**5,110,692**	10,692,570
Selling and distribution expenses	*5*	**(514,590)**	(432,937)
Administrative expenses	*5*	**(1,516,803)**	(1,873,721)
Decrease in fair value of financial assets at fair value through profit or loss		**(75,025)**	(355,845)
Gains/(losses) result from changes in fair value of and transfer to investment properties		**554,651**	(351,889)
Net impairment losses on financial assets		**(26,697)**	(77,138)
Other expenses	*5*	**(436,541)**	(310,744)
Other income	*6*	**408,173**	438,589
Other (losses)/gains	*7*	**(3,916)**	1,811
Operating profit		**3,499,944**	7,730,696
Finance income	*8*	**203,581**	216,591
Finance costs	*8*	**(1,244,915)**	(971,689)
Finance costs – net	*8*	**(1,041,334)**	(755,098)
Share of results of joint ventures and associates		**(682,698)**	391,441
Profit before income tax		**1,775,912**	7,367,039
Income tax expenses	*9*	**(1,582,516)**	(4,911,695)
Profit for the year		**193,396**	2,455,344

	Note	Year ended 31 December 2023 HK$'000	2022 HK$'000
Profit for the year is attributable to			
– Owners of the Company		**(261,397)**	2,085,418
– Non-controlling interests		**454,793**	369,926
		193,396	2,455,344
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in HK cents per share)			
Basic	*10*	**(2.94)**	23.43
Diluted	*10*	**(2.94)**	23.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2023 HK$'000	2022 HK$'000
Profit for the year	**193,396**	2,455,344
Other comprehensive income		
Items that may be reclassified to profit or loss:		
– Share of other comprehensive income of joint ventures and associates	**(159,337)**	(422,176)
– Exchange differences on translation of foreign operations	**(699,679)**	(5,673,487)
Other comprehensive income for the year, net of tax	**(859,016)**	(6,095,663)
Total comprehensive income for the year	**(665,620)**	(3,640,319)
Total comprehensive income attributable to:		
– Owners of the Company	**(1,048,633)**	(3,563,040)
– Non-controlling interests	**383,013**	(77,279)
	(665,620)	(3,640,319)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December **2023** ***HK$'000***	2022 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**6,181,723**	6,159,776
Investment properties		**33,450,507**	35,126,999
Investments in joint ventures		**8,735,858**	8,836,242
Investments in associates		**4,545,599**	5,610,595
Intangible assets		**887,135**	722,970
Financial assets at fair value through profit or loss	*12*	**131,365**	107,455
Financial assets at fair value through other comprehensive income		**2,368**	2,402
Trade and other receivables	*13*	**277,026**	419,737
Deferred income tax assets		**3,513,667**	3,335,319
		57,725,248	60,321,495
Current assets			
Properties under development		**70,563,075**	71,019,506
Completed properties held for sale		**19,744,800**	11,583,916
Inventories		**266,208**	342,177
Trade and other receivables	*13*	**11,665,380**	6,833,278
Financial assets at fair value through profit or loss	*12*	**906**	1,594
Biological assets		**4,512**	4,021
Restricted cash and bank deposits		**3,389,371**	1,693,335
Cash and cash equivalents		**11,053,858**	11,668,267
		116,688,110	103,146,094
Total assets		**174,413,358**	163,467,589

	Note	As at 31 December 2023 HK$'000	2022 HK$'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		**2,370,145**	3,157,152
Retained earnings		**17,836,686**	19,343,914
		42,337,606	44,631,841
Non-controlling interests		**5,142,605**	4,925,132
Total equity		**47,480,211**	49,556,973
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*14*	**24,897,499**	28,138,776
Lease liabilities		**269,430**	128,177
Deferred income		**20,219**	19,714
Due to the immediate holding company		**700,651**	699,483
Deferred income tax liabilities		**7,319,668**	7,899,606
		33,207,467	36,885,756
Current liabilities			
Bank and other borrowings	*14*	**14,141,603**	12,083,433
Contract liabilities		**24,303,239**	6,328,458
Trade and other payables	*15*	**22,802,440**	25,872,833
Lease liabilities		**105,488**	62,613
Due to the immediate holding company		**3,194,490**	2,454,966
Due to the ultimate holding company		**17,653,750**	18,312,783
Tax payable		**11,524,670**	11,909,774
		93,725,680	77,024,860
Total liabilities		**126,933,147**	113,910,616
Total equity and liabilities		**174,413,358**	163,467,589

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2023 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 2023 and 2022 included in this preliminary announcement of 2023 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 2022 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 2023 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2023 and for the year ended 31 December 2022. 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 Basic of preparation

2.1 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 as issued by the Hong Kong Institute of Certified Public Accountants and requirements under the Hong Kong Companies Ordinance Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants

2.2 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.

2.3 New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

- Insurance Contracts – HKFRS 17
- Definition of Accounting Estimates – amendments to HKAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to HKAS 12
- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.4 New or amended standards and interpretations not yet adopted

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group, summarised as below:

		Effective for the annual periods beginning on or after
Amendments to HKAS 1	Classification for liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	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 7 and HKFRS 7	Supplier finance arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
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 material impact on the financial performance and position of the Group in the current or future reporting period and on foreseeable future transactions 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 rental;

(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 year ended 31 December 2023 and 2022 is set out in the following table.

2023	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	9,585,487	–	10,965	470,971	1,076,364	11,143,787
Recognised over time	–	–	3,001,764	–	939,211	3,940,975
Revenue from other sources						
Rental income	–	1,463,868	–	–	–	1,463,868
Total segment revenue	9,585,487	1,463,868	3,012,729	470,971	2,015,575	16,548,630
Inter-segment revenue	–	(43,684)	(219,150)	–	(453,664)	(716,498)
Revenue from external customers	9,585,487	1,420,184	2,793,579	470,971	1,561,911	15,832,132
Segment results before increase in fair value of investment properties	2,089,950	650,683	211,811	23,767	(196,600)	2,779,611
Gains result from changes in fair value of and transfer to investment properties	–	554,651	–	–	–	554,651
Segment results after increase in fair value of investment properties	2,089,950	1,205,334	211,811	23,767	(196,600)	3,334,262
Share of results of joint ventures and associates	(318,925)	(196,562)	11,855	–	(179,066)	(682,698)
Other income						408,173
Other losses						(3,916)
Fair value loss of financial assets measured at fair value through profit or loss, net						(75,025)
Corporate and other unallocated expenses						(163,550)
Finance costs – net						(1,041,334)
Profit before income tax						1,775,912

2023	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	103,357,510	41,371,361	1,087,391	368,357	4,551,910	150,736,529
Coporate and other unallocated assets						23,676,829
Total assets						174,413,358
Segment liabilities	72,869,502	7,489,618	1,171,382	96,836	1,131,771	82,759,109
Corporate and other unallocated liabilities						44,174,038
Total liabilities						126,933,147
Other segment information:						
Depreciation and amortisation	176,848	70,749	47,466	3,271	157,202	455,536
Interests in associates	2,683,340	1,075,443	16,468	–	770,348	4,545,599
Interests in joint ventures	7,734,017	610,916	26,541	–	364,384	8,735,858
Additions to non-current segment assets during the year	70,346	350,028	29,836	8,430	364,103	822,743

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 income tax						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 liabilities						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

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:

	2023 *HK$'000*	2022 *HK$'000*
Revenue from contracts with customers		
Sales of properties	**9,585,487**	25,654,000
Property management service income	**2,793,579**	2,626,756
Sales of industrial goods	**470,971**	607,236
Others	**1,561,911**	1,456,395
	14,411,948	30,344,387
Revenue from other sources		
Rental income	**1,420,184**	1,195,839
	15,832,132	31,540,226

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:

	2023 *HK$'000*	2022 *HK$'000*
Cost of properties and inventories sold	**6,449,564**	16,734,967
Cost of services provided	**4,271,876**	4,112,689
Employee benefit expenses	**1,163,545**	1,519,594
Other taxes and levies	**227,142**	155,678
Advertising and promotion costs	**161,283**	131,734
Depreciation of property, plant and equipment	**142,590**	127,378
Amortisation of intangible assets	**3,762**	3,035
Auditors' remuneration		
– Audit services	**4,442**	4,655
– Non-audit services	**1,978**	2,110
Others	**763,192**	673,218
Total cost of sales and services, selling and distribution expenses, administrative expenses and other expenses	**13,189,374**	23,465,058

6 Other income

	2023 *HK$'000*	2022 *HK$'000*
Interest income	**253,863**	161,476
Relocation compensation income	**–**	165,619
Government grant	**39,134**	46,055
Dividend income from financial assets at FVTPL	**2,168**	2,090
Others	**113,008**	63,349
	408,173	438,589

7 Other (losses)/gains

	2023 HK$'000	2022 HK$'000
Net (loss)/gain on disposal of property, plant and equipment	**(3,916)**	1,811

8 Finance costs – net

	2023 HK$'000	2022 HK$'000
Finance income		
– Interest income from bank deposits	**(203,581)**	(216,591)
Finance costs:		
– Interest expenses of bank borrowings	**1,466,572**	1,024,613
– Interest expenses of other borrowings	**434,738**	405,783
– Lease liabilities	**8,438**	10,759
– Loans from the ultimate holding company	**548,420**	565,184
– Loans from the immediate holding company	**145,531**	61,573
– Loans from fellow subsidiaries	**63,866**	71,536
– Loans from a joint venture	**5,596**	7,492
– Loans from an other related company	**6,187**	7,699
– Loans from non-controlling interests	**451,645**	425,142
Total interest expense on financial liabilities not at fair value through profit or loss	**3,130,993**	2,579,781
Less: amounts capitalised on qualifying assets	**(1,886,078)**	(1,608,092)
	1,244,915	971,689
Finance costs – net	**1,041,334**	755,098

Finance costs have been capitalised on qualifying assets at average rate of 3.70% for the year ended 31 December 2023 (2022: 3.85%).

9 Income tax expenses

(a) Income tax expenses

	2023 HK$'000	2022 HK$'000
Current income tax		
– Mainland China CIT	**1,488,777**	2,165,554
– Withholding tax on dividend	**105,456**	112,208
– LAT in Mainland China	**683,872**	3,778,584
	2,278,105	6,056,346
Deferred income tax		
– Mainland China CIT	**(636,887)**	(824,491)
– Withholding tax on dividend	**32,598**	17,038
– LAT in Mainland China	**(91,300)**	(337,198)
	(695,589)	(1,144,651)
	1,582,516	4,911,695

The provision for Hong Kong Profits Tax for the year ended 31 December 2023 is calculated at 16.5% (2022: 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 (2022: 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 (2022: 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 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 financial year ended 31 December 2023 and 2022, 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 (losses)/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.

	2023	2022
(Loss)/profit attributable to the owners of the Company (HK$'000)	**(261,397)**	2,085,418
Weighted average number of ordinary shares in issue during the year	**8,898,793,115**	8,899,105,992

For the financial year ended 31 December 2023 and 2022, 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

	2023	2022
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final dividend declared for 2022 – HK12 cents per share (2022: declared for 2021 – HK8 cents per share) *(note a)*		
Cash	**1,067,855**	711,903
Dividend declared in respect of current period:		
Interim dividend for 2023 – HK2 cents per share (2022: HK3 cents per share) *(note b)*	**177,976**	266,964
	1,245,831	978,867

(a) The Company declared a final dividend of HK12.00 cents per share in respect of year ended 31 December 2022 amounted to approximately HK$1,067,855,000. The final dividend has been paid in cash on 5 July 2023.

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.

(b) The Company declared an interim dividend of HK2.00 cents (2022: HK3.00 cents) per share amounted to HK$177,976,000 (2022: HK$266,964,000), which were fully paid in cash (2022: HK$266,964,000 were fully paid in cash).

(c) On 27 March 2024, the board of directors recommends a final dividend of HK7.00 cents per share, amounted to HK$622,916,000, for the financial year ended 31 December 2023. 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 2023 was calculated on the basis of 8,898,793,115 shares in issue as at 27 March 2024.

12 Financial assets at fair value through profit or loss

	2023	2022
	HK$'000	*HK$'000*
Non-current:		
Financial assets measured at FVTPL		
– Listed equity investments in Mainland China	**32,050**	26,851
– Unlisted equity investments in Mainland China	**99,315**	80,604
	131,365	107,455
Current:		
Financial assets measured at FVTPL		
– Listed equity investments in Hong Kong	**906**	1,594

13 Trade and other receivables

	2023	2022
	HK$'000	*HK$'000*
Included in non-current assets		
– Other receivables – net	**277,026**	419,737
Included in current assets		
– Trade receivables – net *(note (a))*	**2,263,251**	2,180,070
– Other receivables – net *(note (b))*	**7,944,492**	4,394,087
– Prepayments *(note (c))*	**1,457,637**	259,121
	11,665,380	6,833,278

As at 31 December 2023, due to the short maturity of the current receivables, the carrying amount is considered to be approximate as their fair value.

(a) Trade receivables

	2023 *HK$'000*	2022 *HK$'000*
Trade receivables	**2,433,697**	2,348,697
Less: provision for loss allowance	**(170,446)**	(168,627)
Trade receivables – net	**2,263,251**	2,180,070

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 receivables. Trade receivables are non-interest-bearing.

As at 31 December 2023, the Group's trade receivables with a net carrying value of approximately HK$40,116,000 (31 December 2022: HK$51,404,000) was pledged to secure other borrowings of 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:

	2023 *HK$'000*	2022 *HK$'000*
Within 1 year	**2,130,418**	2,100,863
1 to 2 years	**144,633**	79,179
2 to 3 years	**22,246**	22,299
Over 3 years	**136,400**	146,356
	2,433,697	2,348,697

(b) Details of other receivables are as follows:

	2023 *HK$'000*	2022 *HK$'000*
Prepaid tax	**3,436,714**	1,832,090
Loans to joint ventures	**1,589,468**	566,585
Due from non-controlling interests	**511,296**	506,352
Due from the ultimate holding company	**39,124**	28,865
Due from the immediate holding company	**9,364**	1,185
Others *(i)*	**2,687,877**	1,784,204
	8,273,843	4,719,281
Less: allowance for impairment	**(329,351)**	(325,194)
Other receivables – net	**7,944,492**	4,394,087

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

(c) Details of prepayments are as follows:

	2023	2022
	HK$'000	*HK$'000*
For acquisitions of land	**1,293,142**	30,076
For construction costs and construction materials	**120,134**	186,231
Others	**44,361**	42,814
	1,457,637	259,121

14 Bank and other borrowings

	2023	2022
	HK$'000	*HK$'000*
Non-current		
Bank loans – secured *(b)*	**718,369**	461,159
Bank loans – unsecured	**20,186,326**	18,023,270
Other borrowings – secured CMBS *((a), (b))*	**3,992,804**	9,654,347
	24,897,499	28,138,776
Current		
Bank loans – secured *(b)*	**434,530**	89,832
Bank loans – unsecured	**10,104,577**	11,859,576
Other borrowings – secured CMBS *((a), (b))*	**3,602,496**	134,025
	14,141,603	12,083,433
	39,039,102	40,222,209

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 financial year ended 31 December 2023 and 2022.

(a) As at 31 December 2023, other borrowings included Commercial Mortgage-backed Securities ("CMBS") as below:

At 1 March 2021, RMB1,800,000,000 (equivalent to HK$1,986,300,000) 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$2,207,000,000) 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 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 24 February 2022, RMB3,200,000,000 (equivalent to HK$3,531,200,000) 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. 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.

(b) At 31 December 2023, loans amounting to approximately HK$8,748,199,000 (2022: HK$10,339,363,000) were secured by certain of the Group's assets with carrying amounts as below:

	2023	2022
	HK$'000	*HK$'000*
Property, plant and equipment (included land and buildings)	**1,074**	22,844
Properties under development	**4,529,724**	7,823,220
Completed properties held for sale	**–**	2,051,394
Trade receivables	**40,116**	51,404
Investment properties	**7,119,481**	14,282,804
	11,690,395	24,231,666

(c) At 31 December 2023, bank borrowings of approximately HK$25,413,309,000 (2022: HK$22,355,890,000) were bearing floating interest rates.

(d) Except for bank borrowings of approximately HK$15,708,478,000 (2022: HK$16,351,337,000), which are denominated in Hong Kong dollars, all borrowings as at 31 December 2023 are denominated in RMB.

(e) As at 31 December 2023, the average effective interest rate of borrowings was 4.42% per annum (2022: 3.32% per annum).

15 Trade and other payables

	2023	2022
	HK$'000	*HK$'000*
Current liabilities		
Trade payables *(a)*	**6,047,954**	6,335,130
Other payables and accruals *(b)*	**16,482,215**	19,074,245
Other taxes payable *(c)*	**272,271**	463,458
	22,802,440	25,872,833

(a) Trade payables

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

	2023 *HK$'000*	2022 *HK$'000*
Within 1 year	**5,134,335**	5,098,345
1 to 2 years	**438,086**	735,675
2 to 3 years	**319,905**	380,447
Over 3 years	**155,628**	120,663
	6,047,954	6,335,130

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 received from property buyers and amount due to joint ventures, fellow subsidiaries, an other related company and non-controlling interests of the Group.

	2023 *HK$'000*	2022 *HK$'000*
Accruals and other payables	**10,742,165**	8,781,853
Loans from a joint venture	**224,479**	228,904
Loans from fellow subsidiaries	**2,134,324**	1,803,046
Loans from an other related company	**171,533**	175,189
Loans from non-controlling interests	**3,209,714**	8,085,253
	16,482,215	19,074,245

(c) Other taxes payables

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

16 Share capital

	2023 *HK$'000*	2022 *HK$'000*
Issued and fully paid:		
8,898,793,115 (31 December 2022: 8,898,793,115) ordinary shares	**22,071,756**	22,071,756

17 Financial guarantees

	2023 *HK$'000*	2022 *HK$'000*
Financial guarantees to the mortgage of purchasers of the Group's properties *(a)*	**12,778,057**	6,926,523
Financial guarantees to related parties of the Group *(b)*	**1,938,357**	1,400,718
Financial guarantees to the parties affected by the urban renewal project, using their demolished properties as collateral for the loan *(c)*	**282,139**	–

(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 2023, the Group has given guarantees amounted to HK$1,938,357,000 (31 December 2022: HK$1,400,718,000) in respect of bank loans and other borrowings to Guangzhou Pik Zeon 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.

(c) During the year, the group provided loan guarantees to the parties affected by the urban renewal project, using their demolished properties as collateral for the loan.

Pursuant to the terms of the guarantees, if there is default on repayment by these affected parties, the Group is responsible for repaying the outstanding bank loans with any accrued interest and penalties owed to the bank. The group is then entitled to take over the legal ownership of the repossessed properties. The Group's guarantee period extends from the date of signing the guarantee contract until the affected parties obtain the ownership certificate of the repossessed properties.

The directors consider that in case of default in payment, the net realizable value of the related properties is sufficient to repay the outstanding loans along with any accrued interest and penalties, and therefore no provisions have been made in connection with the guarantees.

18 Commitments

Capital commitments outstanding at 31 December 2023 not provided for in the financial report were as follows:

	2023	2022
	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	**12,313,696**	8,324,329

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 2023, the Group had an outstanding capital commitment to Shum King Company Limited of HK$1,562,500,000 (2022: HK$1,757,500,000).

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, as follows:

	2023	2022
	HK$'000	*HK$'000*
Loans from the ultimate holding company	**15,889,902**	15,543,349
Loans from the immediate holding company	**3,250,651**	2,549,483
Loans from fellow subsidiaries	**2,134,324**	1,803,046
Loans from a joint venture	**224,479**	228,904
Loans from an other related company	**171,533**	175,189
Loans from non-controlling interests	**3,209,714**	8,085,253
	24,880,603	28,385,224

Except for balances of HK$109,364,000 (2022: HK$110,950,000) which are interest-free, the remaining balance in interest bearing at interest rates ranging from 2.50% to 6.65% per annum (2022: 1.94% to 6.65% per annum). The relevant finance costs are disclosed in note 8.

(ii) The Group had provided loans to its related parties, as follows:

	2023	2022
	HK$'000	*HK$'000*
Loans to joint ventures	**1,546,522**	566,585
Loans to non-controlling interests	**459,465**	451,573
	2,005,987	1,018,158

The interest income from the joint ventures and non-controlling shareholders for the year ended 31 December 2023 were HK$242,067,000 (2022: HK$132,910,000) and HK$11,525,000 (2022: HK$28,574,000) respectively.

The balances are interest bearing at rates ranging from 5.00% to 8.00% per annum (2022: from 5.00% to 8.00% per annum).

(b) Leasing arrangements with related parties

(i) The Group entered 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 2023, the amounts of rent payable by the Group under these leases to its ultimate holding company, immediate holding company and associates were HK$5,098,000 (2022: nil), HK$7,859,000 (2022: HK$13,306,000), and HK$26,318,000 (2022: HK$29,368,000) respectively. The interest expenses paid to its ultimate holding company, immediate holding company and associates for the year ended 31 December 2023 were HK$357,000 (2022: nil), HK$14,000 (2022: HK$265,000), and HK$557,000 (2022: HK$1,612,000) respectively.

(ii) The Group also entered into a lease arrangement with its ultimate holding company as a lessor. For the year ended 31 December 2023, the rental income in respect of the lease arrangement was HK$7,869,000 (2022: HK$8,246,000).

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

(c) Other related party transactions

(i) The Group entered arrangements with its ultimate holding company and fellow subsidiaries in which the Group provides management services (training and property management) on their behalf. For the year ended 31 December 2023, the management fee income in respect of the management services provided to the ultimate holding company and fellow subsidiaries were HK$3,396,000 and HK$2,660,000 (2022: HK$4,563,000 and HK$3,001,000).

(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 2023, the management fee income in respect of these management services was HK$66,000 (2022: HK$837,000).

(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 2023, the cost in respect of these services was HK$59,192,000, included value-added tax (2022: HK$84,979,000).

(iv) The Group also entered arrangements with its fellow subsidiaries in which the Group receives event management services on their behalf. For the year ended 31 December 2023, the management fee in respect of these event management services was HK$258,000 (2022: HK$174,000).

(v) 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 2023, the service fee income in respect of the development and maintenance services provided to the ultimate holding company and fellow subsidiaries were HK$8,818,000 and HK$12,190,000 respectively (2022: HK$9,828,000 and HK$5,651,000).

(vi) During the year ended 31 December 2023, 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$45,538,000 (2022: HK$142,821,000).

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

(d) Compensation of key management personnel of the Group

	2023	2022
	HK$'000	*HK$'000*
Short term employee benefits	**14,398**	21,751
Post-employment benefits	**3,193**	2,851
Share-based payments	**229**	676
Total compensation paid	**17,820**	25,278

CHAIRMAN'S STATEMENT

In 2023, the unfavorable factors in the international political and economic environment increased, while the US dollar interest rate continued to rise, the domestic economic development situation was complex, cyclical and structural contradictions were superimposed, and the real estate supply and demand underwent significant changes. The real estate market was in a downward bottoming out and bottom-out stage. In the face of the severe market environment, the Group adhered to the main principle of stable operation, combined steady growth with high-quality development, and proactively rose to the challenge to push forward its various operational efforts. Although contracted sales in 2023 broke through to a new high against the market growth, the Group's revenue carryover scale declined more significantly due to the fact that most of the projects sold did not meet the carryover conditions and the sales of inventories were less than expected. Coupled with the combination of factors such as losses from associates and an increase in finance costs, the Company suffered a loss attributable to equity shareholders of HK$261 million. Taking no account of the net effect of changes in the fair value of the Group's investment properties and financial assets owned by the Group, as well as the effect of results of associates and joint ventures, the profit attributable to equity shareholders of the Company would have been HK$1.92 billion. The Board of Directors recommends that the Company pay a final dividend of HK7.00 cents per share for 2023 in cash as a return to shareholders.

2023 BUSINESS REVIEW

Focus on the principal business, with steady development of industrial-city operations

Contracted sales grew against the market trend

Against the backdrop of an overall downturn in the real estate market, we achieved contracted real estate sales of approximately RMB26.6 billion in 2023, a year-on-year increase of 38%, exceeding the annual target. Upper Coast, with a sales amount of RMB13.3 billion for a single property, became the double champion in 2023 with the largest number of units put up for sale and the largest transaction amount in the country, while the projects such as Zhongshan Bay Front, Shanghai Shen'an Shangju (上海深安上居) and Shenzhen Natural City all achieved brilliant sales results.

Continuous improvement in product strength

The Group adheres to lean management and focuses on "Double Excellence" products and services, which have won the reputation and praise from customers. Project construction progressed steadily, with a total of 32 projects under construction throughout the year, with key projects advancing as scheduled and 11 projects launched for sales, of which Cloud Center (深業雲築) Phase II, Huizhou Garden Hills No. 1 (半山 1 號), Chengdu Tairong Mansion and other projects opened for sales ahead of schedule; and Luxury Mansion (頤樾府) Project achieved only 14-month construction before launch for sales, representing an efficiency gain of 12.5% compared with the standard construction period.

Resource development was selected among the best

A breakthrough was made in urban renewal, with the signing of a land use right contract for Phase II of the first renewal project in Chegongmiao, bringing the 11-year demolition and relocation work to a successful conclusion. The project of coordinating interests has achieved stage-by-stage results. The proposal of the project of coordinating interests in Henggang South Area has passed the first trial, while the demolition and relocation of Baihua Area in Guangming District has realized 97% of the signing of contracts. We actively and steadily participated in open market land bidding and acquired quality land resources in Shenzhen and Zhongshan. During the year, it added 454,000 square meters of new land reserves, with the added value of RMB15.4 billion, which have further supplemented our quality land reserves.

Focus on operation, brand effect to play effectively

Operation business opened up

The Group actively expanded its comprehensive urban operation business, and in 2023, the net expanded contracted area of Shum Yip Operations was approximately 12.19 million square meters. In terms of urban and public construction services, we successfully promoted the renewal of two property management urban projects in Baolong Street and Jihua Street with price increases; expanded 66 high-quality public construction projects such as Shenzhen Library and the Art Museum; innovated the integrated operation and management mode of "park + business", and the Bijiashan Sports Park was put into operation. In terms of commercial operation services, the Group actively created "Hong Kong people-friendly" consumption scenarios. Upperhills' customer flow of the year exceeded 40 million visits and sales exceeded RMB5 billion, representing a year-on-year growth of approximately 35%; The first Galeries Lafayette department store in South China opened grandly, introducing 11 heavyweight first stores, with sales and floor area efficiency ranking first in Lafayette department store nationwide; Women and Children Tower was renovated, and was recognized by the National Development and Reform Commission as a typical case of the revitalization of inventory assets to be promoted across the country; Our self-operated hotel brand "Jingju" has been launched, and the first "Jingju Hotel" has been put into operation; and Mandarin Oriental Shenzhen was awarded a five-star rating by Forbes Travel Guide.

Inventory assets operation enhancement

In 2023, the Group took various measures to enhance the efficiency of inventory operation and promote the enhancement of asset value and rental income growth. Upperhills signed a total of 11 Fortune 500 companies for its writing buildings, ranking second in Shenzhen. Older properties such as Shenhua Science & Technology Park (深華科技園) and Jinzhi Industrial Station (進智工業站) were promoted for upgrading and reconstruction, realizing an increase in average rent. During the year, the Group realized property investment income of approximately HK$1.42 billion, representing a year-on-year increase of approximately 19% over last year; the overall occupancy rate was 88%, showing a stable and improving trend. Hotel operation revenue achieved a historic breakthrough, realizing revenue of approximately HK$470 million, a significant increase of 62%.

Focusing on innovation with continuously releasing development momentum

Actively lay out modern agriculture

The Group follows the direction of the national policy of strengthening and promoting agriculture, and the scale of our agricultural industry continues to expand, with a planting area of 4,000 acres and an output of nearly 7 million pounds of corn, rice and vegetables. The Group realized an agricultural income of approximately HK$506 million in 2023. We build modern agricultural parks in Shenzhen Shantou, Nan'ao and Xinfeng to a high standard, while the construction and operation of Four Seasons Garden (四季田園), Four Seasons Flower Wonderland (四季花谷), and Four Seasons Farm (四季農場) commenced and were put into operation one after another.

Scientific and technological innovation achieved good results

Jinghua, a subsidiary of the Group, continued to increase investment in research and development to promote human-computer interaction technological innovation, applied for 15 intellectual property rights in 2023, and obtained 11 authorized patents; it successfully developed a colorful touch-screen line control, which can realize the three-way linkage between the controller, the APP intelligent application scenarios and the equipment, and enhance the human-computer interaction experience. The technique is somewhat advanced in the industry.

Focusing on empowerment and promoting sustainable business development

Excellent performance in ESG

The Group has been implementing the concept of sustainable development and actively implementing the "dual carbon" initiative, promoting the parallel development of its own economic benefits and fulfillment of its social responsibilities. We adhere to high standards of ESG disclosure, and have published environmental, social and governance reports for the ninth consecutive year. We have maintained an A rating in the MSCI-ESG Index by virtue of our outstanding performance in sustainable development. We also show excellent performance in the management of issues related to "green building" and "product safety and quality", with scores far exceeding the industry average. The Group was selected by the State-owned Assets Supervision and Administration Commission of the State Council for the "ESG Pioneer 100 Index of State-owned Listed Companies", and our ESG management practices have been highly recognized.

Financial management creates value

Under the current difficult financing environment and rising costs for real estate enterprises outside China, the Group actively raised funds and signed a HK$5 billion medium – and long-term loan; we continuously improved financing costs and took various measures to utilize the difference in interest rates between domestic and foreign markets, saving finance costs of more than HK$77 million; and we vigorously promoted the securitization of assets and successfully issued two Quasi-REITs products, with a total issuance scale of approximately RMB2.29 billion and an issuance interest rate of 3.60%.

Capital operation is being promoted in order

Shum Yip Operations has submitted its listing application to the Hong Kong Stock Exchange. Under the current tightened regulatory environment, Shum Yip Operations actively communicated and gave feedback and obtained the filing notice from the CSRC in February 2024, which was the first batch of property management companies that passed the filing of the CSRC since the new filing regulations were implemented in March 2023.

Continuous optimization of human resources

The Group focuses on talent selection and appointment, introduction and cultivation, and has set up an employment orientation that emphasizes frontline, practical work, performance and recognition. We coordinate the middle-level competition and campus recruitment of our entities, making the talent team more reasonable. We carry out on-the-job training for new middle-level staff, and enhance the quality and expansion of talent cultivation. We also push forward the optimization of the organizational control system, and carry out performance reform measures combining the "operation table + strategy table", further highlighting the pulling effect of incremental performance in determining incremental incentives.

Corporate culture is deeply rooted in our staff

The Group has always adhered to the core values of "Sunshine and Honesty, Innovation and Excellence, Diligence and Commitment, Harmony and Sharing", and has continuously strengthened the cohesion of our enterprises and the sense of belonging of the staff. During the year, the Group issued long service badges to 1,800 employees with more than 20 years of service and awarded exemplary employees; we built a platform for offering suggestions to encourage young people to speak up; we organized various cultural and sports activities to enrich workplace life; we carry out skill "mentoring" work to improve employee career development, and we also established an innovative workshop for craftsmen to stimulate team craftsmanship pursuit.

2024 BUSINESS PLAN

Currently, the real estate market is still in deep correction, and despite the frequent positive policies, it still takes time for the market to mitigate the risks and recover, and the situation of the industry is still severe. In the face of the difficulties and challenges in 2024, we will follow the general idea of "focusing on operation with one hand and transformation with the other", and adhere to the principle of "seek progress while stabilizing, promote stabilization by progressing, and make a breakthrough after building-up". We will adapt to the development trend of new urbanization and changes in the supply and demand in the real estate market, accelerate the construction of a new model of real estate development, and make every effort to promote the Group's high-quality transformation and development.

Facing challenges positively and promoting the steady development of the principal real estate business

Accelerate sales for capital recovery

In 2024, the Group's total available-for-sale value will exceed RMB30 billion, with projects mainly located in Shenzhen, Zhongshan, Shanghai, Nanjing and Chengdu, of which 72% are residential properties. We will take liquidity as the main consideration to accelerate the turnover and sales, systematically sort out the available-for-sale resources, accurately study the market, adopt one strategy for one property, reasonably price in line with the market, seize the impulse market with "resonance" of local policies, and when necessary, seek high sales volume at lower prices to recycle capital as early as possible.

Active planning and revitalize inventory assets

The Group currently holds approximately 1.73 million square meters of stock properties with a fair value of approximately HK$33.5 billion. Last year, we successfully implemented our plan for the launch of REITs. Next, we will carry out in-depth planning in the operation and management, value enhancement and securitization of these assets, so as to promote the effective revitalization and value release of the inventory assets, and to achieve a balance between the scale of the Group's asset management and profits.

Targeted investment, promote the coordinated benefits

The Group will accelerate urban renewal, actively promote Bagualing, Shangbu area and other urban renewal projects, and strive to realize the transformation of resources as soon as possible; speed up submission and approval of the planning and implementation plan of coordinated benefits project in Henggang South and Guangming Shangcun, expedite the recruitment market participants for Guangming Baihua project and Longgang Sankesong project as soon as possible, and strive for early land supply; in respect of the public market, we will focus on the core projects in key regions, select the best from high-quality projects, and participate at the right time.

Integrate the Group's resources and accelerate the construction of a new development model

Take the initiative to embrace the new model and change the way of value creation

The transformation to a new development model essentially involves a shift from a single value creation process, which was mainly focused on space construction, to a diversified value creation process, which emphasizes space construction, operation and services. During the 13th Five-Year Plan period, the Group began to develop an operation platform to build its core competitiveness. After years of iteration and integration, the operation platform has a certain scale and capability, laying a solid foundation for the transformation of the real estate business. Meanwhile, we have gradually transformed from a real estate developer to an operator and service provider, accelerating the construction of a new real estate development model.

Strengthen the operation brand, and expand the business pattern

The Group's operation platforms are becoming more mature. The next step is to focus on building a series of brands to boost market share with brand influence, and improve the revenue scale and market position of the operation business. In terms of property operation, we will try to get Shenzhen state-owned high-quality resources for Shum Yip Operations, and strive to exceed 100 million square meters of the management scale as soon as possible, entering the first tier of the industry in China. In terms of commercial operation, relying on benchmark projects such as UpperHills, the Group will further strengthen its commercial operation capability, improve the ecological chain of the business circle, and acquire more commercial resources. In terms of hotel management, we will further improve the product series of "Jingju" brand, closely follow up on hotel projects in Zhongshan, Shenzhen and other places. We will continue to build up our branding capabilities and increase our business scale with an asset-light model, providing new profit growth points for the Group's sustainable development.

Take development opportunities and transform to a new model of asset management

With the progress of the coordinated benefits projects, the scale of the Group's commercial and industrial will continue to increase in the future. We will refer to our successful experience of commercial operations to realize the accumulation of operational capabilities through the creation of benchmark projects, the separation of asset ownership and operation rights through internal marketization and changes in performance appraisal, and then gradually realize the closed loop from asset management to capital operation through the implementation of the asset management plan, promoting the transition to a new model of assets management.

Promote the development of transformation and accelerate the scale-up of innovation platforms

Strengthen high-tech agriculture and serve people's livelihood

We will dig into the industrial potential of high-tech agriculture, accelerate the creation of an integrated industrial system of breeding, propagation, promotion and trading; continue to build modern agricultural industrial parks with high standards, strengthen the brand effect of the "Four Seasons" agricultural tourism, promote the opening operation of Dapeng Four Seasons Garden and Nan'ao Four Seasons Garden and continue to look for expansion opportunities for agricultural tourism projects in the urban-rural fringe areas of the first-tier and second-tier cities.

Focus on advanced manufacturing, accelerate science and technology innovation

The Group has clearly taken Jinghua Electronics as the breakthrough point to expand and strengthen the development of the advanced manufacturing industry. Jinghua Company will continue to promote the optimization of product structure and technology innovation, expand the development of overseas markets and customers and accelerate the site selection and research of overseas production bases. Through the system of "business services + technical services", we will bind downstream major customers and achieve rapid expansion of overseas business.

Promote capital attraction, facilitate extended development

The Group will play the role of capital attraction, strengthen capital operation through market-oriented means, carefully select industrial resource targets, accelerate the upstream and downstream layout of the industry chain by mergers and acquisitions, and cultivate the ecology of synergistic development of the industry; Shum Yip Operations will pay close attention to the capital market, complete the issuance of IPO at the right time, and carry out the mergers and acquisitions of the property service industry chain when appropriate in accordance with the plan for the use of proceeds to achieve non-linear growth.

Risk prevention to ensure high-quality development of enterprises

In the face of persistent pressure on the economy, the Group will attach great importance to financial security, make every effort to prevent risks and safeguard the high-quality development of our enterprise. We will promote the recovery of cash as soon as possible, strengthen the integrated management of funds, and enhance the efficiency of funds utilization; continue to optimize the capital and debt structure, reduce the scale of foreign liabilities, and take various measures to reduce financial expenses; have meticulous planning and careful accounting, strengthen the control of costs and expenses, and achieve cost reduction and efficiency gains in management; formulate a reasonable investment strategy, take into account the return and liquidity, and insist on quality investment; and strengthen the management of equity participating enterprises, and achieve asset preservation and appreciation through monitoring, management, and exit methods.

As an enterprise operating in Guangdong, Hong Kong and Macao Greater Bay Area for 40 years and listed in Hong Kong for more than 26 years, Shenzhen Investment has experienced many rounds of market cycles. From "Building Living Vision" to "Value Shaper of Urban Space" to "Innovative Constructor of Industrial Cities, Wealthy Livelihood Operator", we have been moving forward with our original intention in mind, continuously adjusting and transforming, constantly developing and growing. Standing at a new starting point in the new journey, facing new situations and tasks, we will promote stability and development with progress, and seek transformation through breakthroughs after building-up. We will make new contributions to the high-quality transformation and development of the Group with more passion, higher fighting spirit, and more pragmatic style!

Last but not least, I would like to express my sincere gratitude to our shareholders, customers and business partners for their long-term concern, support and trust in the Group! We look forward to continuing to walk hand in hand with all of you on the new road of development.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Results

Since 2023, the relationship between supply and demand in the real estate industry has changed significantly. The central government has set the tone of "stabilising the pillar, preventing risks and promoting demand", and local supportive policies such as relaxation of purchase restrictions have been launched, but the market recovery was still restricted by factors such as the continued downward expectation of the industry, and the sustainability of the policy effect in core cities was also insufficient. Amid the severe downturn in the industry, the Group adhered to the principle of "steady operation", strived to overcome the adverse impact of the industry downturn and other obstacles, combined the task of steady growth with high-quality development, and worked conscientiously to promote various aspects of the work.

During the year, affected by factors including the decrease in booked area of the projects, loss from the associates and the increase in finance costs, operating results decreased year-on-year. The Group realised turnover of HK$15,832 million, representing a decrease of approximately 49.8% as compared to last year. Gross profit was HK$5,111 million, with overall gross profit margin of 32.3%. Loss attributable to equity shareholders of the Company was HK$261 million. 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 and the effect of results from associates and joint ventures, profit attributable to equity shareholders of the Company was HK$1.92 billion.

Property Development Business

Sales Revenue Booked

During the year, the revenue booked decreased as most of the pre-sold properties have not yet reached the carryover conditions and the sales of inventories were less than expected. The Group recorded property sales booked of approximately 415 thousand square meters (excluding interests attributable to the major associates of the Group), representing a decrease of approximately 43.1% over last year, and achieved sales revenue booked of approximately RMB8,632 million (equivalent to approximately HK$9,585 million) (net of value-added tax), representing a decrease of approximately 62.6% over last year. Guangzhou and Shenzhen projects contributed 56% of the sales revenue booked. Gross profit margin of property development and sales was 36.5%, representing a decrease of approximately 0.1 percentage points over last year.

Breakdown of Property Sales Booked in 2023

Property Name	Type	City	Booked Area	Net Sales (RMB'000)
Cloud Center	Residential	Shenzhen	44,631	1,766,191
Sky Park	Apartment	Shenzhen	2,446	225,238
Shum Yip Natural City	Residential	Shenzhen	46,022	1,453,525
Bofeng Building	Office	Shenzhen	508	15,438
Taifu Square	Apartment/office	Shenzhen	6,641	224,143
Zhifeng Tower	Warehousing/commercial/ office	Shenzhen	14,673	429,750
Terra Licheng	Innovative industrial building	Shenzhen	6,347	311,714
UpperHills	Apartment/office/innovative industrial building	Shenzhen	5,217	383,201
Parkview Bay	Residential	Shenzhen	191	23,597
Moon River Palace	Residential/parking space	Guangzhou	226	20,559
Garden Hills	Commercial/residential	Huizhou	22,917	171,754
Wanlin Lake	Commercial	Huizhou	399	4,640
Gaobangshan	Commercial/residential	Huizhou	26,374	253,288
Bustling City	Residential	Foshan	1,377	22,217
Shum Yip City	Residential	Foshan	14,082	214,960
Starry Lakeshore	Residential	Dongguan	35,252	316,307
Bay Front	Residential/office	Zhongshan	112,363	1,676,936
Royal Spring Garden	Villa	Chaohu	771	13,348
Yihu Rose Garden	Commercial/residential	Chengdu	824	13,073
Shum Yip Huating	Residential	Chengdu	446	8,199
Ma'anshan Shum Yip Huafu	Commercial	Ma'anshan	1,062	16,176
Shenma Industrial Park	Plant	Ma'anshan	23,168	69,364
Upper Life	Commercial/residential	Nanjing	311	10,065
Longwan Mansion	Residential	Nanjing	6,307	278,297
Splendid City	Commercial	Taizhou	1,693	18,389
Jiangyin Shum Yip Technology Industrial Park	Plant	Wuxi	5,901	28,861
Nanhu Rose Bay	Commercial/residential	Wuhan	32,426	546,668
Heron Mansion	Ancillary office/residential	Changsha	1,975	27,676
Ruicheng	Office	Changsha	783	3,452
Parking space*Note*			–	84,660
Total			**415,333**	**8,631,686**

Note: 1,437 parking spaces were sold

Contracted Sales

In 2023, the Group recorded contracted sales amount of approximately RMB26,590 million (equivalent to approximately HK$29,520 million), exceeding its full-year sales target. Contracted sales area was approximately 714,000 square meters, and the average price per square meter was RMB37,229. The contracted sales were mainly attributable to the Shenzhen Upper Coast project which was nearly 95% sold on the launching day, being the sales champion of commercial residential projects with a record high in terms of both the number of units and sales amount of single-day sales in China, and realised contracted amount of approximately RMB13.3 billion during the year; and Zhongshan Bay Front project which continued to record impressive sales, with total transaction amount of RMB3.36 billion. Compared with the total sales of the national top 100 real estate enterprises in 2023, which fell by 17% year-on-year, the Group's annual contracted sales increased by 38.4% over last year against the general trend, which saw remarkable results.

By geographical location, projects in the Guangdong-Hong Kong-Macao Greater Bay Area accounted for 88.2% of the contracted sales amount, and the other 11.4% and 0.4% came from projects in the municipalities and provincial capitals and other cities respectively. By the types of products, residential products accounted for 90% of contracted sales, and non-residential products (including office, apartment and industrial park) accounted for 10%.

Breakdown of Contracted Sales in 2023 *Note 1*

Project	**City**	**Type**	**Sales Area** (sq.m.)	**Sales**[Note 2] (RMB'000)
Natural City	Shenzhen	Residential	30,464	1,039,782
UpperHills	Shenzhen	Industrial R&D, apartment	5,434	412,816
Shum Yip Taifu Square	Shenzhen	Apartment	28,743	1,081,065
Shum Yip Tairui Mansion	Shenzhen	Residential	6,003	275,384
Park Mansion	Shenzhen	Residential	24,092	686,945
Luxury Mansion	Shenzhen	Residential	6,053	435,971
Upper Coast	Shenzhen	Residential	167,361	13,308,950
Sky Park	Shenzhen	Apartment	2,907	273,035
Tanglang City [Note 3]	Shenzhen	Apartment	157	11,530
Cloud Center	Shenzhen	Residential	30,076	1,287,977
Moon River Palace	Guangzhou	Parking space	1,254	16,489
Shum Yip Scenery Bay	Guangzhou	Residential	39,325	694,866
Shum Yip Bustling City	Foshan	Residential	1,377	24,216
Shunde Shum Yip City	Foshan	Residential	11,452	178,248
Garden Hills	Huizhou	Residential	19,640	157,787
Gaobangshan No. 1	Huizhou	Residential	28,177	213,807
Wanlin Lake	Huizhou	Residential	1,495	2,486
Oujing City	Dongguan	Parking space	24	370
Bay Front	Zhongshan	Residential, apartment	145,324	3,361,816
Saina Bay	Heyuan	Parking space	2	101

Project	City	Type	Sales Area (sq.m.)	Sales[Note 2] (RMB'000)
Shum Yip Shen'an Shangju	Shanghai	Residential	23,993	838,592
Jiangyin Shum Yip Technology Industrial Park	Nanjing	Industrial R&D	1,977	10,675
Longwan Mansion	Nanjing	Parking space, commercial	802	29,219
Nanwan Mansion	Nanjing	Residential	10,672	498,943
Shum Yip Upper Life	Nanjing	Parking space	979	18,577
Shenma East China Industrial Technology Industrial Park	Nanjing	Industrial R&D	15,853	51,881
Shum Yip Heron Mansion	Changsha	Residential	1,287	21,620
Changsha Ruicheng Xihui	Changsha	Commercial	1,304	7,834
Qingbaijiang Shum Yip Taifu Square	Chengdu	Residential	7,360	54,475
Shum Yip North Shore	Chengdu	Residential	13,722	103,665
Shum Yip Dongyue Mansion	Chengdu	Residential	15,041	203,998
Shum Yip Huating	Chengdu	Residential	446	8,937
Shum Yip Tairong Mansion	Chengdu	Residential	27,235	570,784
Shum Yip Yihu Rose Garden	Chengdu	Commercial	210	2,065
Nanhu Rose Bay	Wuhan	Commercial, parking space	33,190	602,840
Changzhou Shum Yip Huafu	Changzhou	Parking space, commercial	116	470
Splendid City	Taizhou	Parking space	2,814	25,811
Shum Yip Yunqi Garden	Taizhou	Residential	1,411	21,579
Royal Spring Garden	Chaohu	Residential	515	9,118
Ma'anshan Shum Yip Huafu	Ma'anshan	Commercial, parking space	2,903	30,419
Shenma Cihu High-tech Industrial Park	Ma'anshan	Industrial R&D	2,916	10,418
Total			**714,106**	**26,585,561**

Note 1: As all the contracted sales took place in Mainland China, the contracted sales figures are expressed in Renminbi.

Note 2: Sales includes the sales of parking lots.

Note 3: Tanglang City project was co-developed with Shenzhen Metro Group, as to 50% owned by the Group, and it is accounted using equity method.

Project Development and Construction

In 2023, the Group continued to build its product power, continued to enrich and improve the residential product standard research and development system that integrates "Product + Management + Technology", and standard research and development in respect of technology, landscape and public area continued to deepen and iterate, which were launched to empower projects. The real estate projects won numerous awards, including 20 domestic and international design awards.

During the year, the Group focused on key projects and strengthened the control of key nodes, and started construction of projects in eight cities including Shenzhen and Shanghai, with a newly started construction area of approximately 1.595 million square meters. The planned completed projects were delivered on schedule with a completed area of approximately 1.158 million square meters.

New Construction Projects in 2023

Project	**City**	**Type**	**New Construction Area** (sq.m.'000)
Shum Yip Tairui Mansion	Shenzhen	Residential	214.0
Luxury Mansion Phase 1	Shenzhen	Residential	138.0
Luxury Mansion Phase 2	Shenzhen	Residential	56.2
Huizhou Wanlin Huafu Phase 1	Huizhou	Commercial/ Residential	159.2
Shanghai Shenjia Hydrogen Valley Phase 1	Shanghai	Complex	60.0
Shanghai Shenjia Hydrogen Valley Phase 2	Shanghai	Complex	85.0
Shanghai Huxi Shangju Phase 1	Shanghai	Residential	57.0
Shanghai Huxi Shangju Phase 2	Shanghai	Residential	62.0
Changsha Luxiyunjing Phase 1	Changsha	Residential	95.8
Chengdu Longquanyi Project North Land Plot	Chengdu	Complex	132.0
Shum Yip Tairong Mansion	Chengdu	Residential	225.0
Jiangyin Research and Innovation Park Phase 1	Wuxi	Industrial	69.0
Taizhou 6/1 Land Plot Phase 1	Taizhou	Residential	170.0
Ma'anshan Cihu Phase 1	Ma'anshan	Industrial	36.0
Ma'anshan Cihu Phase 2	Ma'anshan	Industrial	36.0
Total			**1,595.2**

Newly Completed Projects in 2023

Project	City	Type	Area (sq.m.'000)
Cloud Center Phase 2	Shenzhen	Residential	131.7
Shum Yip Taifu Square Kechuang Building	Shenzhen	Industrial	106.0
Pingshan Shum Yip Natural City (Block 1/6)	Shenzhen	Residential	241.3
Zhongshan Ma'an Island Bay Front Project Phase 1 (Residential F26/1.2# Building)	Zhongshan	Complex	46.3
Bay Front Project Phase 1 (Office F34)	Zhongshan	Complex	78.0
Huizhou Garden Hills No. 1 Land Plot	Huizhou	Commercial/ Residential	155.3
Wuhan Hongshan Shum Yip Taiyun Mansion	Wuhan	Residential	130.9
Chengdu Qingbaijiang Project Land Plot S1	Chengdu	Complex	200.0
Wuxi Jiangyin Research and Innovation Park Phase 1	Wuxi	Industrial	69.0
Total			**1,158.5**

Expansion of Land Resources

By adhering to the investment principle of "selecting the best among the best", the Group acquired 3 land plots in Longhua North Railway Station business district, Shenzhen, Ma'an Island, Cuiheng New District, Zhongshan and Hanlinlu, Shenhe District, Shenyang through open market auction. It has signed the land use right contract of the north plot for phase II of the first portion of Chegongmiao urban renewal project at the end of the year, and successfully transformed the project resources. Located in Chegongmiao area, Futian District, Shenzhen, the project is sitting on "2 horizontal and 2 vertical" main roads and the interchange hub of 4 subway lines with convenient transportation conditions, and types of the project include office, industrial and commercial, which is planned to build as a regional benchmark complex integrating intelligent technology, digital creativity, financial technology and fashion design. The above four new projects have a total new site area of approximately 137,000 square meters, with a capacity building area of approximately 454,000 square meters, an estimated value of approximately RMB15.42 billion and an operating area (including commercial and hotel) of approximately 121,000 square meters.

New Expansion of Land Resources in 2023

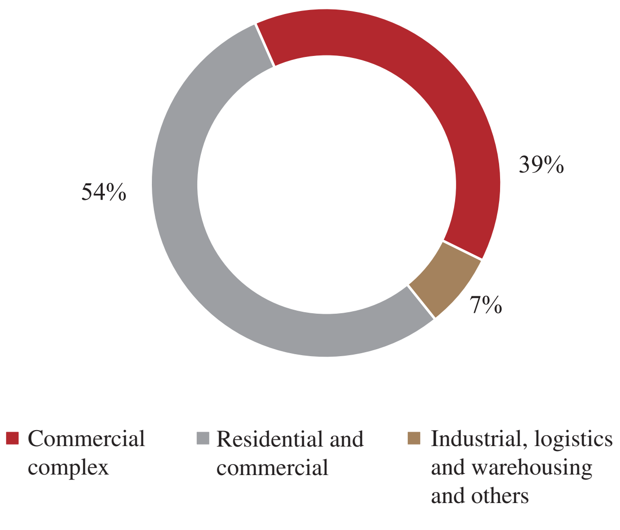
Project Name	City	Project Equity Ratio	Type	Total Land Price (RMB million)	Site Area (sq.m.)	Capacity Building Area (sq.m.)
Shenzhen Longhua District Land Plot A811-0347	Shenzhen	100%	Complex	1,441	10,118	72,850
Zhongshan Xisanwei Land Plot G28	Zhongshan	50%	Residential	1,981	99,039	198,077
Shenyang Hanlinlu Land Plot 18 Project	Shenyang	100%	Complex	539	16,039	24,210
North district of first and second renewal of Chegongmiao	Shenzhen	100%	Commercial service	1,145	11,354	159,250
Total				**5,106**	**136,550**	**454,387**

Land Reserves

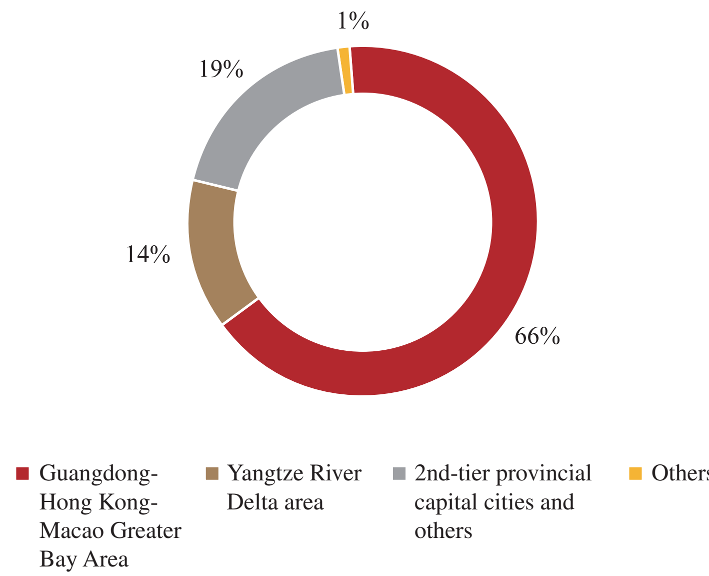
As of 31 December 2023, the Group had land reserves with a capacity building area of approximately 6.742 million square meters, of which, the projects not yet started had a capacity building area of approximately 1.091 million square meters, the projects under construction had a capacity building area of approximately 5.051 million square meters and the completed but not yet booked projects had a capacity building area of approximately 0.601 million square meters. The structure of the land reserve 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 66%, 14% and 19% of the total capacity buildings area respectively. Besides, the carrying value of completed properties held for sale amounted to HK$19.74 billion.

Distribution of Land Reserves (As at 31 December 2023)

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



By region – Capacity Building Area [Note] (sq.m.)



Note: Capacity building area is 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

In 2023, the Group grasped the opportunity of the recovery of consumption and the commercial market to take various measures to enhance tenant sourcing for commercial office buildings, industrial parks, commercial complex and professional markets. The Group actively promoted the upgrading and transformation of old properties such as Shenhua Science & Technology Park and Luohu old city industrial projects to improve quality and efficiency, leading to a decrease in vacancy rate and rental growth, and the property investment business recorded significant improvement. During the year, the Group recorded an income from property investment of approximately HK$1,420 million, representing an increase of 18.8% over last year. The gross profit margin of property investment business was approximately 69%, remaining stable as compared to last year. As at 31 December 2023, the Group had investment properties of approximately 1.73 million square meters, with a fair value of approximately HK$33.45 billion. The Group recorded a revaluation increase in the fair value of its investment property portfolio of HK$555 million during the year.

Urban Integrated Operation Business

Overview of the Business Segment

The Group's urban integrated operations business, comprising urban and industrial park property management, residential property management, commercial operation and property management services, Shum Yip Operations had a total contracted GFA of approximately 84.07 million square meters and a total GFA under management of approximately 80.47 million square meters, of which approximately 74.4% was attributable to independent third-party projects and 64.4% was attributable to non-residential properties, both indicators are higher than the industry average. During the year, revenue from the urban integrated operations business amounted to approximately HK$2.79 billion, representing an increase of 6.4% over last year. With its industry-leading comprehensive strength and widely-recognised service, the Group was listed among the "Top 100 Property Service Enterprises China 2023 (No. 17)" (2023 中國物業服務百強企業第 17 位) and "2023 Specialised Operational Leading Brand of China Property Service Companies" (2023 年中國物業服務專業化運營領先品牌企業) by the China Index Academy, "Top State-Owned Property Management Companies by Comprehensive Strength (No. 6)" (國有物業服務企業綜合實力第 6 名) by the China Property Management Research Institution, etc.

Operation Business Expansion

In 2023, Shum Yip Operations had net expansion area under management of approximately 12.19 million square meters (including expansion of joint ventures), and the market expansion strength remained strong. The urban and industrial park service made further progress. Shum Yip Operations established a joint venture in Ma'anshan, Anhui with a local state-owned enterprise, and successfully won the bid for Ma'anshan city service project, which had contracted area under management of approximately 4.86 million square meters, with total contract value of RMB150 million. It renewed the "city housekeeper" project of Baolong Street and Jihua Street in Shenzhen with higher price and won the bid for the "city housekeeper" project of Yuanling area in Shenzhen. There was a breakthrough in public construction project expansion. With "corporate-to-corporate collaboration", the Group newly expanded Shandong Mobile (Zibo) and Hainan Mobile (provincial headquarters) office property management projects to fill its gap in regional market; and focused on major projects by successfully expanding 66 high-quality public construction property projects such as Shenzhen Library (North) and Shenzhen Art Museum (New Venue).

Commercial Operation

In 2023, the Group seized the opportunity brought by the recovery of offline consumption, stepped up tenant sourcing efforts and tenant optimization, improved the operation of various commercial projects, made positive progress in investment promotion, business opening and operation, and further enhanced its brand value. UpperHills project showed various highlights, leading to better performance. The grand opening of the first Galeries Lafayette in South China on 8 July 2023 brought a number of first stores and created a new landmark of high-end fashion in Shenzhen. A "Hong Kong-friendly" consumption scenario was created to promote the integration of consumption between Shenzhen and Hong Kong, and annual traffic exceeded 40 million customers with sales exceeding RMB5 billion. Bijiashan Sports Park, being the linked park of UpperHills, was put into operation, which innovatively built an integrated operation and management mode of "park + business", forming a characteristic ecosystem. UpperHills Block was awarded the first batch of night economy demonstration block and demonstration characteristic business district by the Commerce Bureau of Shenzhen Municipality, and is the only municipal night economy demonstration block in Futian District of Shenzhen.

In addition, the Group began to export commercial brands. After three years of renovation, Shenzhen Women and Children Tower, the project of the stock renovation and operation in public service sector in Shenzhen, had its debut on 1 June 2023, which was recognised by the National Development and Reform Commission as a typical case of revitalising stock assets to expand effective investment to be promoted nationwide. In May 2023, Zhongshan Bay Front began to sign contracts with commercial brands to build the first international indoor IP theme park cluster in the Guangdong-Hong Kong-Macao Greater Bay Area. The commercial water street is named as the "Bay Front • UpperHills Water Street (灣中•上城水街)", marking the successful export of the "UpperHills" brand and the new pattern of expanding to the Bay Area.

Hotel Operation Business

The Group owns 6 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, Mandarin Oriental Shenzhen (with 178 guest rooms) and Jingju Hotel (with 194 guest rooms) in Shenzhen Women and Children Tower. During the year, the Group seized the opportunity brought by the recovery of consumption, the core operating indicators of the Group's hotels exceeded expectations, and the hotels recorded operating income (included under other operating segment) of approximately HK$465 million, representing a significant increase of 61.7% over last year.

Mandarin Oriental Shenzhen was awarded Five Star by Forbes Travel Guide for the first time, and was named as one of the World's Best Hotel in 2023 in LALISTE's first global hotel ranking. In May 2023, the Group released its own hotel brand "Jingju Hotel", and officially launched four brand product lines to improve the asset-light brand matrix of the hotel management segment. It is an important breakthrough for the Group to develop hotel networks in the future. The first "Jingju" hotel has been put into operation.

Advanced Manufacturing Business

The manufacturing business of the Group is mainly from its subsidiary Shenzhen Jinghua Displays Electronics Co., Ltd. ("Jinghua"), which is engaged in the research and development, production and sales of products such as IoT intelligent display controllers and LCD devices. With the qualification of national high-tech enterprise and Shenzhen specialised, refined, special and novel enterprise, it is a high-quality service provider in the field of human-machine interface display and interactive control. The products of Jinghua are widely used in fields such as smart home, industrial control and automation, OA office, intelligent vehicle and smart healthcare. It is committed to creating a new business model of "headquarters + OEM production base + R&D center" to realise the transformation from "product manufacturer" to "solution service provider".

In 2023, the international complicated situation and the global economic downturn led to slower growth of overall demand in the industry. Jinghua made a positive response to continuously promote breakthroughs in the research and development of human-machine interaction technology, strengthened production, procurement and delivery control, strived to expand the market, stabilised sales under adverse circumstances, and realised operating income of approximately HK$471 million.

High-tech Agriculture Business

The Group's high-tech agriculture business includes sales of agricultural products and flowers and agri-tourism. During the year, the agriculture segment recorded robust performance with increased industrial scale, and the planting area reached 4,000 mu. The digital construction of Jinnong project was further improved through the combination of mechanisation and refined management. The agri-tourism projects have been implemented in a steady manner, and a number of parks have opened for trial operation. Xiangmihu Flower Wonderland hosted 2023 Shenzhen Spring Festival Flower Market and other activities, and the design scheme of Xinfeng • Four Seasons Riverside Garden (新豐•四季濱江田園) won the second prize of Guangdong Township Imprinting Creative Design Contest. In terms of sales of high-end agricultural products, its subsidiary, Feng Nong You Pin, has been recognized as a "key agricultural leading enterprise in Shenzhen", established an omni-channel supply chain, and built a parallel business matrix of offline stores, online platforms, large customers and community group buying. During the year, revenue from agriculture operation (included under other operating segment) was approximately HK$506 million, representing an increase of 40.6% over last year.

Financial Management

Capital and Financing

Despite the increasingly difficult overseas financing environment for real estate enterprises and the trend of significant increases in overseas financing costs, the Group proactively raised funds, and strengthened financing expansion by successfully entering into a HK$5 billion medium and long-term loan agreement during the year (including a syndicated loan of HK$3.5 billion). It strengthened the management of loan costs, and took initiatives such as reduction in the interest rate of existing loans through communications, replacement and early repayment of relevant borrowings, and overseas dividend remittance, to increase overseas liquidity and utilise domestic and foreign interest rate spreads to save finance charges of about approximately HK$77.15 million. During the year, due to the increase in the cost of the floating rate portion of the borrowings denominated in Hong Kong dollars held by the Group, the average comprehensive interest rate of the Group's bank and other borrowings was 4.4% per annum, representing an increase of 1.1 percentage point over last year, and remained at a relatively low level in the industry.

During the year, the Group promoted financing innovation and successfully issued two Quasi-REITs products. The "CITIC Securities – Shum Yip – Agricultural Science Commercial No. 1 Asset-backed Special Program (中信証券－深業－農科商業 1 號資產支持專項計劃)" project, with size of issuance of RMB1.8 billion, is the first Quasi-REITs to succeed the CMBN project of a state-owned enterprise in Shenzhen. "Guosen Securities – Shum Yip Taifu Cultural and Creative Industrial Park Asset-backed Special Program (國信證券－深業泰富文博創意產業園資產支持專項計劃)" project, with size of issuance of RMB490 million, is the first cultural and creative industrial park REITs project. The two projects were issued with oversubscription, and the final issue interest rate was 3.60%. This is the Company's first issuance of Quasi-REITs, and also another successful practice in revitalising stock assets, broadening financing channels and optimizing financing structure since regular issuance of debt financing instruments by the Company.

As at 31 December 2023, in terms of bank loans, the Group's total bank and other borrowings amounted to HK$39.04 billion (31 December 2022: HK$40.22 billion). Floating rate loans and fixed-rate loans accounted for 65% and 35%, respectively; long-term loans and short-term loans accounted for 64% and 36%, respectively; borrowings denominated in Hong Kong dollars and Renminbi borrowings accounted for 40% and 60%, respectively. In terms of cash, the Group's cash balance was HK$14.44 billion (including restricted cash) (31 December 2022: HK$13.36 billion), of which approximately 95% were denominated in Renminbi, and the remaining in US dollar and Hong Kong dollar. The cash to short-term debt ratio was 1.02 times. In terms of assets and liabilities, the Group had net assets, excluding non-controlling interests, of HK$42.34 billion (31 December 2022: HK$44.632 billion). The asset-liability ratio, excluding advance receipts, was 68.4%, and the net gearing ratio (net debt excluding interest-bearing loans from related parties divided by equity attributable to owners of the Company) was 58.1%.

Key Financial Indicators

HK$100 million	**As at 31 December 2023**	As at 31 December 2022
Bank and other borrowings	**390.4**	402.2
– Long-term borrowings	**249.0**	281.4
– Short-term borrowings	**141.4**	120.8
Cash (including restricted cash)	**144.4**	133.6
Net gearing ratio	**58.1%**	60.2%

Effect of Exchange Rate Fluctuation

The Group's assets are mainly denominated in Renminbi, while 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$700 million were included in other comprehensive income. In addition, as the Renminbi held in Hong Kong continued to depreciate, foreign exchange losses amounted to HK$28.91 million was recorded for the year, in contrast to exchange gains of HK$225 million from US dollar held in mainland China (settled in 2022) last year, which were included in the "other expenses" line item.

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 approximately HK$272 million to the Group. Shenzhen Langtong Property Development Company Limited (a 50% owned company of the Group) contributed profit of approximately HK$7.272 million. Shenzhen Tianan Cyber Park (Group) Co., Ltd. (a 37.5% owned company of the Group) contributed profit of approximately HK$251 million to the Group.

The Group holds a 27% interest in an associate, Road King Infrastructure Limited (1098.HK), which is accounted for using the equity method. Affected by the overall real estate downturn and the severe industry environment, Road King Infrastructure suffered a decrease in the area of delivery of its real estate projects, a substantial decline in profit margins and an increase in the provision for impairment of property assets, and recorded a loss of HK$3.96 billion during the year, resulting in a loss of HK$1.07 billion to the Group.

Pledge of Assets and Contingent Liabilities

As at 31 December 2023, the Group had total loans of HK$8,748 million (31 December 2022: HK$10,339 million) that were pledged with assets.

As at 31 December 2023, the Group has given guarantees amounted to HK$1,938 million in respect of bank and other borrowings to Guangzhou Pik Zeon 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.

Progress of the Litigation Involving Shum Yip Terra Company

On 3 January 2024, Chengdu Fengze Investment Co., Ltd (成都豐澤投資有限公司) ("Chengdu Fengze") and Shum Yip Terra (Holdings) Company Limited (深業泰然(集團)股份有限公司) ("Shum Yip Terra Company", together with Chengdu Fengze, the "Subsidiaries"), 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 Chengdu City (成都市中級人民法院) regarding the claims by Sichuan Haofu Industrial Co., Ltd. (四川浩福實業有限公司) (the "Claimant") against the Subsidiaries (the "Litigation") regarding the disputes in earnings distribution over the investment of "198" Congshu Area ("198"叢樹片區) in Chenghua district, Chengdu, the People's Republic of China, with a claims amount of approximately RMB220 million. The Subsidiaries have engaged legal advisers to handle the Litigation, and will rigorously defend the Litigation to protect its legitimate interest. Based on the current assessment, the Litigation has no material adverse impact on the operations of the Subsidiaries.

Employees and Remuneration Policy

As at 31 December 2023, the Group employed 20,445 employees (2022: 21,205) of whom 20 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 2023 (excluding remuneration of the Directors) amounted to approximately HK$2,827 million (2022: HK$2,955.2 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 HK7.00 cents per share for the year ended 31 December 2023 (2022: a final dividend of HK12.00 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 Monday, 8 July 2024 to shareholders whose names appear on the register of members of the Company on Friday, 7 June 2024. Together with the interim dividend of HK2.00 cents per share already paid, the total dividend for the year ended 31 December 2023 amounts to HK9.00 cents per share (2022: HK15.00 cents per share).

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday, 31 May 2024. 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 Friday, 24 May 2024 to Friday, 31 May 2024, 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 Thursday, 23 May 2024.

To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 6 June 2024 to Friday 7 June 2024, 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 Wednesday, 5 June 2024.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all code provisions of the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year 2023.

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 2023 final results.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

APPRECIATION

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

By Order of the Board
SHENZHEN INVESTMENT LIMITED
LU Hua
Chairman

Hong Kong, 27 March 2024

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.