深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

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

2021 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- The Group realized a revenue of HK$32,050 million, representing an increase of 70% over last year;
- The contracted sales amounted to approximately RMB19.1 billion, representing an increase of 32% over last year, with annual contracted sales target achieved;
- The property development business recorded property sales revenue of HK$26,660 million, representing an increase of 89% over last year;
- The profitability level continued to outperform the market, consolidated gross profit margin was 39%, and gross profit margin of property sales was 40%;
- Extensive expansion of land resources with 16 new land plots added, and the gross floor area of land reserve increased by 3.22 million square meters; the total land reserve was approximately 6.74 million square meters, representing an increase of 55% over last year, of which the Greater Bay Area accounted for 64%;
- Loss attributable to equity shareholders was HK$2,722 million due to significant decrease in fair value of financial assets;
- If excluding the net effect of the changes in fair value of investment properties and financial assets of the Group, profit attributable to equity shareholders was HK$3,890 million;
- Healthy and sound financial position with indicators remaining green level of the "Three Red Lines", net gearing ratio (including all interest-bearing liabilities) was 61.2%, and the average comprehensive interest rate in respect of its bank and other borrowings was 3.0%;
- The Board recommends the payment of a final dividend of HK8.00 cents per share. Together with the interim dividend of HK7.00 cents per share already paid, the total dividend for the whole year amounts to HK15.00 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 2021 together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Year ended 31 December 2021** *HK$'000*	2020 *HK$'000*
Revenue	*4*	**32,050,306**	18,803,011
Cost of sales	*6*	**(19,624,560)**	(9,988,431)
Gross profit		**12,425,746**	8,814,580
Other income and other gains	*5*	**239,025**	1,922,564
Decrease in fair value of financial assets at fair value through profit or loss		**(6,374,271)**	(469,433)
Losses result from changes in fair value of and transfer to investment properties		**(405,651)**	(677,128)
Selling and distribution expenses	*6*	**(399,135)**	(319,443)
Administrative expenses	*6*	**(1,552,156)**	(1,032,961)
Other expenses	*6*	**(229,372)**	(571,539)
Impairment losses on goodwill		**(365,457)**	–
Net impairment losses on financial assets		**(44,596)**	(6,240)
Operating profit		**3,294,133**	7,660,400
Finance income	*7*	**247,787**	210,956
Finance costs	*7*	**(737,388)**	(992,038)
Financial costs – net	*7*	**(489,601)**	(781,082)
Share of results of joint ventures and associates		**843,446**	1,254,285
Profit before income tax		**3,647,978**	8,133,603
Income tax expenses	*8*	**(5,748,231)**	(4,170,113)
(Loss)/profit for the year		**(2,100,253)**	3,963,490

	Note	Year ended 31 December **2021** ***HK$'000***	 2020 *HK$'000*
(Loss)/profit attributable to:			
– Owners of the Company		**(2,721,886)**	3,722,856
– Non-controlling interests		**621,633**	240,634
		(2,100,253)	3,963,490
(Loss)/earning per share for profit attributable to the owners of the Company (HK cents)			
Basic	*9*	**(30.58)**	42.03
Diluted	*9*	**(30.58)**	42.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(2,100,253)**	3,963,490
Other comprehensive income		
Items that may be reclassified to profit or loss:		
– Share of other comprehensive income of joint ventures and associates	**250,319**	415,545
– Exchange differences on translation of foreign operation	**2,765,352**	3,700,390
Total comprehensive income for the year	**915,418**	8,079,425
Total comprehensive income attributable to:		
– Owners of the Company	**149,167**	7,572,287
– Non-controlling interests	**766,251**	507,138
	915,418	8,079,425

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Note	**2021**	2020
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**6,347,209**	6,282,473
Investment properties		**37,327,911**	35,650,870
Investments in joint ventures		**8,887,001**	8,060,608
Investments in associates		**6,201,291**	5,836,961
Intangible assets		**518,112**	440,589
Financial asset at fair value through profit or loss	*11*	**489,639**	6,763,935
Financial assets at fair value through other comprehensive income		**4,256**	3,989
Trade and other receivables	*12*	**466,525**	838,324
Deferred income tax assets		**2,953,554**	2,632,401
		63,195,498	66,510,150
Current assets			
Properties under development		**51,176,858**	40,746,833
Completed properties held for sale		**18,235,085**	17,562,192
Inventories		**262,948**	176,558
Trade and other receivables	*12*	**7,114,269**	8,564,732
Financial asset at fair value through profit or loss	*11*	**1,807**	1,982
Biological assets		**3,799**	2,939
Restricted bank deposits		**2,858,351**	2,543,969
Cash and cash equivalents		**19,917,256**	16,166,471
		99,570,373	85,765,676
Total assets		**162,765,871**	152,275,826

	Note	As at 31 December 2021 HK$'000	2020 HK$'000
EQUITY			
Share capital		**22,071,756**	22,071,756
Capital reserve		**59,019**	59,019
Other reserves		**8,913,918**	6,074,395
Retained earnings		**18,130,233**	22,419,115
		49,174,926	50,624,285
Non-controlling interests		**5,194,954**	4,781,563
Total equity		**54,369,880**	55,405,848
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		**26,138,203**	18,088,589
Lease liabilities		**254,873**	340,587
Deferred income		**22,148**	29,114
Due to the immediate holding company		**–**	698,963
Due to the ultimate holding company		**3,057,750**	1,208,557
Deferred income tax liabilities		**9,421,630**	9,491,481
		38,894,604	29,857,291
Current liabilities			
Bank and other borrowings		**11,959,031**	12,739,824
Contract liabilities		**13,892,262**	19,718,224
Trade and other payables	*13*	**17,100,876**	14,829,595
Lease liabilities		**140,842**	115,046
Due to the immediate holding company		**2,477,415**	1,071,781
Due to the ultimate holding company		**11,121,061**	8,206,911
Tax payable		**12,809,900**	10,331,306
		69,501,387	67,012,687
Total liabilities		**108,395,991**	96,869,978
Total equity and liabilities		**162,765,871**	152,275,826

SHENZHEN INVESTMENT LIMITED

1 General information

Shenzhen Investment Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of the Company's registered office is located at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are described in note 3.

In the opinions 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 2021 have been agreed by the Company's auditor, PricewaterhouseCoopers Hong Kong ("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 2021 and 2020 included in this preliminary announcement of 2021 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 2020 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 2021 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2021 and the Company's predecessor auditor, KPMG, has reported on the consolidated financial statements of the Group for the year ended 31 December 2020. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

(b) 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 carried at fair value.

(c) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16.

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

(d) New standards and interpretations not yet adopted

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

		Effective for the annual periods beginning on or after
Amendment to HKFRS 16	Covid-19 Related Rent Concessions beyond 31 December 2021	1 April 2021
Amendment to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Cost of fulfilling a contract	1 January 2022
Annual improvement project	Annual improvements 2018-2020 Cycle	1 January 2022
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
HK Interpretation 5	Presentation of financial statements-classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Classification for liabilities as current or non-current	1 January 2023
Amendments to HKAS 1	Disclosure of Accounting Polices	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to 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 revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

3 Segment information

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

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

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

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

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

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

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the year ended 31 December 2021 and 2020 is set out below.

2021	**Property development** *HK$'000*	**Property investment** *HK$'000*	**Property management** *HK$'000*	**Manufacturing** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue from contracts with customers						
Recognised at a point of time	26,830,979	–	–	456,448	419,231	27,706,658
Recognised over time	–	–	2,661,887	–	580,279	3,242,166
Revenue from other sources						
Rental income	–	1,521,631	–	–	–	1,521,631
Total segment revenue	26,830,979	1,521,631	2,661,887	456,448	999,510	32,470,455
Inter–segment revenue	(170,751)	(24,204)	(184,245)	–	(40,949)	(420,149)
Revenue from external customers	26,660,228	1,497,427	2,477,642	456,448	958,561	32,050,306
Segment results before decrease in fair value of investment properties	8,410,429	773,445	467,451	54,573	299,234	10,005,132
Losses result from changes in fair value of and transfer to investment properties	–	(405,651)	–	–	–	(405,651)
Segment results after decrease in fair value of investment properties	8,410,429	367,794	467,451	54,573	299,234	9,599,481
Share of results of joint ventures and associates	667,578	85,806	40,089	–	49,973	843,446
Other income and other gains						239,025
Fair value loss of financial assets measured at fair value through profit or loss, net						(6,374,271)
Corporate and other unallocated expenses						(170,102)
Finance costs – net						(489,601)
Profit before taxation						3,647,978
Segment assets	88,242,870	41,236,192	1,734,327	133,720	3,693,379	135,040,488
Corporate and other unallocated assets						27,725,383
Total assets						162,765,871
Segment liabilities	56,247,649	4,283,209	866,302	43,542	619,166	62,059,868
Corporate and other unallocated liabilities						46,336,123
Total liabilities						108,395,991
Other segment information:						
Depreciation and amortisation	149,411	58,171	44,299	6,717	136,264	394,862
Interests in associates	3,624,840	1,477,764	338	–	1,098,349	6,201,291
Interests in joint ventures	8,579,945	177,715	29,047	–	100,294	8,887,001
Additions to non-current segment assets during the year	35,333	179,937	248,253	–	185,072	648,595

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2020 is as follows:

2020	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	14,079,639	–	–	347,293	528,687	14,955,619
Recognised over time	–	–	2,319,477	–	577,050	2,896,527
Revenue from other sources						
Rental income	–	1,233,023	–	–	–	1,233,023
Total segment revenue	14,079,639	1,233,023	2,319,477	347,293	1,105,737	19,085,169
Inter-segment revenue	–	(9,828)	(93,530)	–	(178,800)	(282,158)
Revenue from external customers	14,079,639	1,223,195	2,225,947	347,293	926,937	18,803,011
Segment results before decrease in fair value of investment properties	6,002,402	859,456	169,555	71,328	(98,499)	7,004,242
Losses result from changes in fair value of and transfer to investment properties	–	(677,128)	–	–	–	(677,128)
Segment results after decrease in fair value of investment properties	6,002,402	182,328	169,555	71,328	(98,499)	6,327,114
Share of results of joint ventures and associates	1,036,363	111,939	22,255	–	83,728	1,254,285
Other income and other gains						1,922,564
Fair value loss of financial assets measured at fair value through profit or loss, net						(469,433)
Corporate and other unallocated expenses						(119,845)
Finance costs – net						(781,082)
Profit before taxation						8,133,603

2020	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	76,799,217	41,870,169	920,456	169,820	3,529,809	123,289,471
Corporate and other unallocated assets						28,986,355
Total assets						152,275,826
Segment liabilities	39,452,988	4,933,344	755,803	130,204	946,439	46,218,778
Corporate and other unallocated liabilities						50,651,200
Total liabilities						96,869,978
Other segment information:						
Depreciation and amortisation	104,304	40,609	30,925	4,689	96,318	276,845
Interests in associates	3,415,068	1,392,084	328	–	1,029,481	5,836,961
Interests in joint ventures	7,786,553	155,652	20,971	–	97,432	8,060,608
Additions to non-current segment assets during the year	8,602	43,807	60,439	–	45,057	157,905

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:

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of properties	**26,660,228**	14,079,639
Property management service income	**2,477,642**	2,225,947
Sales of commercial and industrial goods	**456,448**	347,293
Others	**958,561**	926,937
	30,552,879	17,579,816
Revenue from other sources		
Rental income	**1,497,427**	1,223,195
	32,050,306	18,803,011

5 Other income and other gains

	2021	2020
	HK$'000	*HK$'000*
Interest income	**102,073**	141,148
Dividend income from financial assets at FVTPL *(note (a))*	**2,036**	1,626,639
Government grants	**41,055**	59,197
Others	**93,861**	95,580
	239,025	1,922,564

(a) The Group received dividends mainly from the equity investment in Hengda Real Estate Group Company Limited ("Hengda Investment") amounting to HK$1,626,542,000 in 2020. No such dividend was received from Hengda Investment in 2021.

6 Expenses by nature

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

	2021	2020
	HK$'000	*HK$'000*
Costs of properties sold	**15,915,974**	6,720,360
Cost of services provided	**3,708,586**	3,268,071
Employee benefit expenses	**1,266,633**	773,295
Advertising and promotion costs	**82,307**	67,968
Other taxes and levies	**78,593**	71,807
Depreciation of property, plant and equipment	**165,461**	96,765
Amortisation of Intangible assets	**9,541**	7,761
Auditors' remuneration		
– Audit services	**4,818**	4,750
– Non-audit services	**1,325**	1,300
Others	**571,985**	900,297
Total cost of sales, selling and marketing costs, administrative expenses and other expenses	**21,805,223**	11,912,374

7 Financial costs – net

	2021	2020
	HK$'000	*HK$'000*
Finance income		
– Interest income from bank deposits	**(247,787)**	(210,956)
Finance costs:		
– Interest expenses of bank loans	**762,493**	861,045
– Interest expenses of other borrowings	**242,587**	187,042
– Lease liabilities	**27,540**	22,383
– Loans from the ultimate holding company	**201,610**	117,646
– Loans from the immediate holding company	**29,467**	19,348
– Loans from fellow subsidiaries	**97,025**	148,157
– Loans from a joint venture	**4,781**	4,944
– Loans from other related company	**7,968**	7,322
– Loans from non-controlling shareholders	**12,080**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**1,385,551**	1,367,887
Interest accrued on contract liabilities	**187,682**	466,227
	1,573,233	1,834,114
Less: Interest capitalised into properties under development	**(835,845)**	(842,076)
	737,388	992,038
Finance costs – net	**489,601**	781,082

8 Income tax expenses

Income tax expense

	2021	2020
	HK$'000	*HK$'000*
Current income tax		
– Mainland China CIT	**2,202,634**	1,936,585
– Withholding tax on dividend	**54,567**	164,194
– LAT in Mainland China	**4,078,029**	3,070,079
	6,335,230	5,170,858
Deferred income tax		
– Mainland China CIT	**(531,589)**	(1,036,861)
– Withholding tax on dividend	**159,808**	196,461
– LAT in Mainland China	**(215,218)**	(160,345)
	(586,999)	(1,000,745)
	5,748,231	4,170,113

The provision for Hong Kong Profits Tax for the year ended 31 December 2021 is calculated at 16.5% (2020: 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 (2020: Nil).

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

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.

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

Dividend withholding income tax

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

During the year ended 31 December 2021 and 2020, 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.

9 Earnings per share

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

	2021	2020
	HK$'000	*HK$'000*
Profit attributable to the owners of the Company (HK$'000)	**(2,721,886)**	3,722,856
Weighted average number of ordinary shares in issue during the year	**8,899,893,115**	8,858,380,832

For the year ended 31 December 2021, the effect of conversion of share option scheme were anti-dilutive and therefore not included in the calculation of diluted losses per share for the year.

10 Dividends

	2021	2020
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final dividend declared for 2020 – HK$11 cents per share (2020: declared for 2019 – HK$11 cents per share) *(note (a))*		
Scrip shares	**–**	161,488
Cash	**978,988**	810,190
	978,988	971,678
Interim dividend for 2021 – HK$7 cents per share (2020: HK$7 cents per share)	**622,993**	622,993
	1,601,981	1,594,671

(a) The Company declared a final dividend of HK$11.00 cents per share in respect of year ended 31 December 2020 amounted to approximately HK$978,988,000.The final dividend has been paid in cash on 8 July 2021.

The Company declared a final dividend of HK$11.00 cents per share in respect of year ended 31 December 2019 amounted to HK$971,678,000, of which HK$810,190,000 were paid in cash and the remaining balance of HK$161,488,000 were settled in the form of 66,456,067 scrip shares on 17 August 2020.

On 30 March 2022, the board of directors recommends a final dividend of HK8.00 cents per share, amount to HK$711,991,000, for the year ended 31 December 2021 (2020: final dividends of HK11.00 cents per share, which will be fully paid in cash.). The proposed final dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the end of the reporting period. The amount of the final dividend for 2021 was calculated on the basis of 8,899,893,115 shares in issue as at 30 March 2022.

11 Financial assets at fair value through profit or loss

	2021	2020
	HK$'000	*HK$'000*
Non-current:		
Financial assets measured at FVTPL		
– Listed equity investments in Mainland China	**28,530**	26,935
– Unlisted equity investments in Mainland China *(note (a))*	**461,109**	6,737,000
	489,639	6,763,935
Current:		
Financial assets measured at FVTPL		
Listed equity investments in Hong Kong	**1,807**	1,982

(a) The balance mainly represented the Hengda Investment of HK$461,109,000 (2020: HK$6,737,000,000), the details of Hengda Investments are set out below:

In 2017, the Group entered into investment agreements ("Investment Agreements") with Guangzhou Kailong Real Estate Company Limited ("Kailong Real Estate"), and Hengda Investment, both of which are subsidiaries of China Evergrande Group, and Mr. Hui Ka Yan ("Mr. Hui", a director and the controlling shareholder of China Evergrande Group). Pursuant to the Investment Agreements, the Group agreed to contribute RMB5,500,000,000 (equivalent to HK$6,337,100,000) to the capital of Hengda Investment for acquisition of approximately 2.0522% of the enlarged equity interest of Hengda Investment at the date of contribution, which was subsequently diluted to 1.7626% of the enlarged equity interest of Hengda Investment after the capital contributions from other investors in 2017. Based on the Investment Agreements, Hengda Investment would undergo a major assets reorganisation ("Proposed Reorganisation") such that Kailong Real Estate, as the holding company of Hengda Investment, will become the controlling shareholder of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd., a company listed on the Shenzhen Stock Exchange, after the Proposed Reorganisation.

In addition, if the Proposed Reorganisation of Hengda Investment was not completed by 31 January 2020 ("Listing Deadline") and the failure to complete is not caused by reasons attributable to the Group, the Group is entitled to have the right ("Hengda Option Right") within two months of the expiry of the Listing Deadline to demand Kailong Real Estate to either.

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

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

In January 2020, the Group, Kailong Real Estate, Hengda Real Estate Group Company Limited and Mr. Hui entered into a supplemental investment agreement pursuant to which the parties thereto have agreed to amend certain terms of the Investment Agreements that the Listing Deadline has been extended from 31 January 2020 to 31 January 2021.

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

(i) The Group will continue to hold Hengda Investment and its equity interest was increased to 2.6439% in accordance with the supplemental investment agreement.

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

As of the date of this report, Kailong Real Estate did not propose such Share Buy-back.

During the year ended 31 December 2021, there was a decrease in fair value in respect of Hengda Investments of HK$6,374,889,000, which was recognised in the consolidated statement of profit or loss.

12 Trade and other receivables

	2021	2020
	HK$'000	*HK$'000*
Included in non-current assets		
– Other receivables – net *(note (b))*	**466,525**	838,324
	466,525	838,324
Included in current assets		
– Trade receivables – net *(note (a))*	**957,120**	875,138
– Other receivables – net *(note (b))*	**5,857,733**	7,263,778
– Land deposits *(note (c))*	**–**	147,337
– Prepayments *(note (d))*	**299,416**	278,479
	7,114,269	8,564,732

As at 31 December 2021, the carrying value of trade and other receivables approximated their fair value.

(a) Details of trade receivables are as follows:

	2021 *HK$'000*	2020 *HK$'000*
Trade receivables	**1,123,799**	1,037,538
Less: provision for loss allowance	**(166,679)**	(162,400)
Trade receivables – net	**957,120**	875,138

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

As at 31 December 2021, the Group's trade receivables with a net carrying value of approximately HK$2,747,000 (31 December 2020: HK$3,785,000) was pledged to secure other borrowings granted to the Group.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021 *HK$'000*	2020 *HK$'000*
Within 1 year	**614,895**	701,438
1 to 2 years	**353,807**	298,939
2 to 3 years	**117,936**	37,161
over 3 years	**37,161**	–
	1,123,799	1,037,538

None of whom contributed 10% or more of the Group's total revenue during the years ended 31 December 2021 and 2020.

(b) Details of other receivables are as follows:

	2021 *HK$'000*	2020 *HK$'000*
Due from the ultimate holding company	**28,132**	14,274
Due from the immediate holding company	**1,295**	1,739
Due from non-controlling shareholders	**1,253,673**	2,053,149
Loans to joint ventures	**954,248**	707,541
Loans to associates	**11,008**	1,857
Others *(i)*	**3,866,163**	4,701,688
	6,114,519	7,480,248
Less: allowance for impairment	**(256,786)**	(216,470)
Other receivables – net	**5,857,733**	7,263,778

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

(c) Deposit for land are related to prepaid land acquisition costs while relevant land use right certificates have not been obtained as at 31 December 2021.

(d) Details of prepayments are as follows:

	2021 *HK$'000*	2020 *HK$'000*
For acquisitions of land	**200,110**	147,029
For construction costs and construction materials	**68,358**	104,310
Others	**30,948**	27,140
	299,416	278,479

13 Trade and other payables

	2021	2020
	HK$'000	*HK$'000*
Current liabilities		
Trade payables *(note (a))*	**4,408,200**	3,863,062
Other payables and accruals *(note (b))*	**12,357,967**	10,555,929
Other taxs payable	**334,709**	410,604
	17,100,876	14,829,595

(a) Trade payables

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

	2021	2020
	HK$'000	*HK$'000*
Within 1 year	**3,777,339**	3,252,855
1 to 2 years	**416,455**	136,725
2 to 3 years	**109,712**	107,048
Over 3 years	**104,694**	366,434
	4,408,200	3,863,062

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

(b) Other payables and accruals

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

	2021	2020
	HK$'000	*HK$'000*
Accruals and other payables	**8,745,771**	6,923,061
Loans from joint ventures	**124,757**	123,435
Loans from fellow subsidiaries	**2,683,482**	3,137,120
Loans from an other related party	**191,401**	185,961
Loans from non-controlling interests	**612,556**	186,352
	12,357,967	10,555,929

14 Financial guarantees

	2021	2020
	HK$'000	*HK$'000*
Financial guarantees to purchasers of the Group's properties *(note (a))*	**5,805,194**	9,122,402
Financial guarantees to related parties of the Group *(note (b))*	**1,272,646**	1,606,057

(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 2021, the Group has given guarantees amounted to HK$1,272,646,000 (31 December 2020: HK$1,606,057,000) in respect of bank loans and other borrowings to Guangzhou Pik Sum Real Estate Development Company Limited and Taizhou Shum Yip Investment Development Limited, both of which are joint ventures of the Group.

15 Commitments

Capital commitments outstanding at 31 December 2021 not provided for:

	2021	2020
	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	**13,095,757**	4,974,251

As disclosed in the Company's announcement dated 14 July 2017, the Group agreed a maximum capital contribution to a related party, Shum King Company Limited, of HK$3,000,000,000 for its development of a piece of land in Hong Kong. As at 31 December 2021, the Group had an outstanding capital commitment to Shum King of HK$1,847,500,000 (31 December 2020: HK$1,906,000,000).

16 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 related party transactions:

(a) Financing arrangements

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

	2021	2020
	HK$'000	*HK$'000*
Loans from the ultimate holding company	**9,725,718**	4,885,984
Loans from the immediate holding company	**1,901,569**	698,963
Loans from fellow subsidiaries	**2,683,482**	3,137,121
Loans from joint ventures	**124,757**	123,435
Loans from other related company	**191,401**	185,961
Loans from non-controlling shareholders	**612,556**	186,352
	15,239,483	9,217,815

Except for balances of HK$121,217,129 which are interest-free, the remaining balances bear interests at rates ranging from 1.29% to 4.65% per annum (year ended 31 December 2020: 2.14% to 4.75% per annum). The relevant interest expenses for the year are disclosed in note 7.

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

	2021	2020
	HK$'000	*HK$'000*
Loans to joint ventures	**954,248**	707,541
Loans to associates	**11,008**	1,857
	965,256	709,398

The related interest income from the joint ventures and associates for the year ended 31 December 2021 were $100,947,000 (2020: $117,688,000) and $478,000 (2020: $520,000) respectively.

The balances are interest bearing at rates ranging from 4.9% to 8.0% per annum (year ended 31 December 2020: 5.00% to 8.00% per annum).

(b) Leasing arrangements

(i) The Group entered leases in respect of certain leasehold properties from its related parties, with lease terms ranging from 1 year to 3 year. During the year ended 31 December 2021, the amounts of rent payable by the Group under these leases to its immediate holding company, fellow subsidiaries and associates were HK$13,518,000 (years ended 31 December 2020: HK$10,785,000), HK$1,954,000 (years ended 31 December 2020: HK$4,842,000) and HK$30,156,000 (years ended 31 December 2020: HK$25,988,000) respectively. The related interest expenses from its immediate holding company, fellow subsidiaries and associates for the years ended 31 December 2021 were HK$630,000 (years ended 31 December 2020: HK$859,000), HK$1,115,000 (years ended 31 December 2020: HK$2,591,000) and HK$3,102,000 (years ended 31 December 2020: HK$4,112,000) respectively.

(ii) The Group also entered into a lease arrangement with its ultimate holding company as a lessor. For the years ended 31 December 2021, the rental income in respect of the lease arrangement was HK$9,508,000 (years ended 31 December 2020: HK$8,373,000).

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

(c) Guarantee provided by the ultimate holding company

By the end of 2020, a subsidiary of the Group in Mainland China has entered into a fund arrangement with a financial institution (the "Trustee"), pursuant to which the Trustee has raised trust fund amounting to RMB1,500,000,000 (equivalent to HK$1,642,200,000) which provided the fund to the subsidiary for financing a property development project of the subsidiary. The fund is guaranteed by Shum Yip Group, the Group's ultimate holding company. In May 2021, the remaining loan balance of RMB1,500,000,000 (equivalent to HK$1,642,200,000) was repaid to trustee by Shenzhen Kezhigu Investment Limited. Therefore, the fund arranged has ended by the end of May 2021.

(d) Other related party transactions

(i) On 28 May 2021, an indirect wholly-owned subsidiary of the Company ("the Vendor"), and a non-wholly owned subsidiary of Shum Yip Group ("the Purchaser"), a fellow subsidiary of the Company, entered into the Equity Transfer Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Equity Interest, representing 100% equity interest of Shum Yip Land Investment, together with the Sale Loan at an aggregate consideration of RMB75,030,000 (equivalent to approximately HK$91,769,000). The disposal was completed in May 2021.

(ii) The Group entered arrangements with its ultimate holding company, fellow subsidiaries and an associate in which the Group provides management services (training and Property Management) on their behalf. For the years ended 31 December 2021, the management fee income in respect of the management services provided to the ultimate holding company, fellow subsidiaries and the associate were HK$4,527,000, HK$2,477,000 and HK$466,000 respectively (year ended 31 December 2020: nil, HK$1,800,000 and nil).

(iii) The Group entered two management delegation arrangements with its ultimate holding company. One is about to provide management service on certain agricultural lands and property development, another arrangement is to provide flower rental and placement services. For the years ended 31 December 2021, the management fee income in respect of these management services was HK$888,000 (years ended 31 December 2020: HK$1,142,000).

(iv) During the years ended 31 December 2021, the Group sold products to the subsidiaries of its associate: Tian An Cyber Park (Group) Co.,Ltd, the revenue of which is HK$49,070,000 (years ended 31 December 2020: HK$267,243,000).

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

(e) Compensation of key management personnel of the Group

	2021	2020
	HK$'000	*HK$'000*
Short term employee benefits	**21,820**	18,222
Post-employment benefits	**2,793**	2,501
Share-based payments	**626**	2,821
Total compensation paid to key management personnel	**25,239**	23,544

CHAIRMAN'S STATEMENT

2021 was a milestone year witnessing the 100th anniversary of the founding of the CCP, the realization of the first centenary goal and the beginning of a new journey towards the second centenary goal. With its efforts to accelerate the building of a new development pattern, comprehensively deepen the reform and opening up and adhere to innovation-driving development, China has made new achievements in promoting its high-quality development and maintained a global-leading position in economic development and pandemic prevention and control. In such a turbulent time interwoven with a once-in-a-century pandemic, internally, facing the complex and severe environment, China's economy is still under the "triple pressure", namely shrinking demand, supply shocks and weakening expectations, and the uncertainties and risk factors still exist.

Real estate enterprises were confronted with unprecedented challenges in 2021. In the first half of the year, the real estate regulations were further tightened, such as the nationwide implementation of the "Three Red Lines" policy and the loan concentration risk management system, as well as the implementation of the "Double-Concentration Land Supply" policy in 22 cities. Against the backdrop, the performance of cities at different tiers varied. The first-tier cities showed strong resilience; the second-tier cities generally maintained stable, with certain differences between coastal and inland cities; and in the third-tier and fourth-tier cities, market dropped further. In the second half of the year, as the liquidity concerns in some real estate enterprises damaged the overall market confidence, the growth momentum of real estate trading weakened significantly, the differentiation of real estate enterprises intensified, the pressure on financing and debt repayment increased, and also more and more mergers and acquisitions took place in the real estate and property industry, which made the industry more concentrated and accelerated the survival of the fittest. Affected by fluctuations in the industry, the fair value of financial assets held by the Group incurred a significant non-cash loss.

In an increasingly changing and challenging environment, the Group forged ahead with courage and fortitude by adhering to the development concept of prudent growth. It reached recent-year new highs in both resource expansion and property sales. With the accelerated development of its strategically innovative businesses and the satisfactory performance of all its principal business sectors, the Group has taken a solid new step in the opening year of the "14th Five-year Plan".

2021 Results

During the year, the Group realized revenue of HK$32,050.3 million, representing an increase of 70% over last year. Gross profit was HK$12,425.7 million, representing an increase of 41% over last year. Affected by industry fluctuations, the Group's financial assets incurred fair value impairment of approximately HK$6,374.9 million. Loss attributable to equity shareholders of the Company was HK$2,721.9 million. If excluding the net effect of changes in fair value of investment properties attributable to the Group and fair value of financial assets, profit attributable to equity shareholders of the Company was HK$3,890.5 million. The Board recommends the payment of a final dividend of HK8.00 cents per share for 2021 in cash.

Satisfactory Contracted Sales and Substantial Increase in Booked Revenue

Against the backdrop of tightened real estate regulations, in 2021, the Group seized the market opportunities to strengthen marketing innovation and promotion of key projects. It realized annual contracted sales of approximately RMB19.1 billion (equivalent to approximately HK$23 billion), representing an increase of 32% over last year and exceeding the contract sales target of 2021. Satisfactory performance was made in each region where our projects are located. Projects in the Greater Bay Area accounted for 67% of overall sales. Our star projects, such as Shum Yip Zhongcheng, Shenzhen and Songhu Yuncheng, Dongguan, were sold out on the first day of going on sale. Project sales in Nanjing, Changsha, Chengdu and many other cities exceeded expectations. The construction of Ma'anshan and Jiangyan projects were completed successfully.

During the year, the Group has steadily promoted the construction of its key projects. The construction of Terra Licheng, Parkview Bay, Shum Yip Zhongcheng, and Ma'anshan Shum Yip Huafu projects were completed smoothly and realized income from real estate development and sales of approximately HK$26,660.2 million, representing a significant increase of 89% over last year. Gross profit margin of real estate development maintained at a high level at approximately 40% and brought considerable returns to shareholders.

A Record High in Land Resources Expansion

In 2021, against the background of tightened real estate regulation policy and industry-wide capital shortage, the Group relied on its capital advantages to take opportunities from the land market for land resources expansion. By means of open market auction, industrial land application, urban renewal and asset injection, the Group acquired 16 land projects in 12 cities during the year, adding capacity building areas of land reserve of approximately 3.22 million square meters. Such projects are strategically located with 90% in first-tier and second-tier cities and 67% in Greater Bay Area, and are expected to bring high returns.

The Group has made early planning to be well-positioned to seize market opportunities and participate in the centralized land auctions in many cities. It acquired several quality commercial and residential projects in Shenzhen, Nanjing, Changsha, etc. Through urban renewal and asset injection, the Group acquired quality commercial and residential projects in Futian District and Pingshan District, Shenzhen. It made a breakthrough in industrial land application. Focusing on attracting high-end hydrogen energy industry, the Group has successfully expanded into Jiading District, Shanghai, thus establishing its presence in Shanghai for the first time. Furthermore, by acquiring property projects in Ma'anshan and Jiangyin successively, the Group started the establishment of an industrial park in the Yangtze River Delta. The Group acquired a project in Longquanyi, a district in Chengdu famous for auto manufacturing, in the mode of industrial export, to further consolidate its development. With the concerted efforts of all employees, during the year, the Group has expanded resources to a new record high, laying a solid foundation for its sustainable and high-quality development in the "14th Five-Year Plan" period.

Operational Excellence in Investment Property Business

Overcoming the impact of the pandemic and other adverse factors, the Group made efforts to promote the transformation and upgrading of vacant leasehold properties, and also carried out business optimization and iteration in an actively manner, which boosted the unit rent level. With its unremitting efforts, the Group's annual rental income amounted to HK$1,497.4 million, representing an increase of 22% over last year.

Urban Operations Integration Showing Some Initial Effect and Gaining Significantly Improved Comprehensive Competitive Edge

Upon completion of the integration of its property management service, intelligent park operation, commercial operation, hotel management and property city business as well as optimization and enhancement of the management, the Group has been fully upgraded to an urban comprehensive operation service company with "a diversified business mix, an extensive customer base and a wide range of services", significantly improving its business scale, brand influence and comprehensive competitive edge.

The affiliated urban comprehensive operation service company of the Group has 37 years of rich experience in property services, with its businesses covering various property types such as residences, office buildings, public facilities, etc.. The Company has strong external expansion strength, and its comprehensive strength ranks among the top 50 in the country in terms of property services. In terms of park services, with Terra Golden Valley and Tianan Cyber Park as typical examples, the Company has built the digital parks characterized by intelligent hardware, platform-based management, enterprise digitization, and industrial ecology, leading China's park services. In terms of commercial operation, the first Galeries Lafayette in South China settled in UpperHills, the Shenzhen Design Week was held, the City Cloud Living Room was put into use, and the first Mandarin Oriental Hotel in Shenzhen opened, which were extensively recognized by the governments and merchants, and enhanced the brand image of "Shum Yip". In terms of city services, as the leader of property city services in the Greater Bay Area, the Company took the lead in entering the blue ocean of property city. Since the successful landing of Shenzhen's first "property city" pilot project in 2019, the Company has successively provided all-round property city services relating to city appearance, public safety, property management, community services, Party building and government affairs, etc. for six sub-districts in Shenzhen, including Jihua Sub-district, Baolong Sub-district, Meilin Sub-district, Xiangmihu Sub-district, and Futian Sub-district, etc.. Currently, the Company ranks first in the number of property city projects in Shenzhen, with a market share of over 20%, and is promoting the excellent management model to other cities. As a pioneer in the property city industry, the Company has deeply participated in and led the preparation of the country's first group standard for property management city, and has been persistently promoting the development of the industry.

Innovative Businesses Accumulating Transformation Momentum

In the start year of the "14th Five-Year Plan", the Group promoted its business transformation and development, with focus on the strategic vision of "innovation-builder of the city and industry, and operator of people's well-being". In terms of industry-city integration, the Group has built core industrial capabilities, formed an attractive, replicable and exportable industrial brand, and exported industrial models to high-energy cities outside the Greater Bay Area. A number of industrial park projects have been implemented in Shanghai, Chengdu, Ma'anshan, etc., demonstrating the Group's capacity of industry and city innovation has been further improved. In terms of people's well-being, the Group's subsidiary Agricultural Science Company actively developed high-tech agriculture to promote rural revitalization: Dapeng Aerospace Breeding Ecological Industrial Park was rated as a vegetable basket base in Shenzhen and a vegetable base for supply to Hong Kong and Macao. As the first provider of urban green scenario services in Shenzhen, the Company focuses on the two major markets of "plant seedling factory and urban agricultural scenario". The Company has witnessed explosive growth in sales of its agricultural products, furthermore, its functional agricultural products such as selenium-rich sweet potatoes and folate-rich corn have been certified as "Shenzhen Products". Being concerned about food security, the Company has signed strategic cooperation with top scientific research institutes and high-quality social capital at home and abroad to build Shenzhen Seed Group. In terms of technology, its subsidiary Shenzhen Jinghua Displays Electronics Co., Ltd., a scarce high-end manufacturing enterprise under State-owned Assets Supervision and Administration Commission of People's Government of Shenzhen Municipality, has developed after accumulation and precipitation into a national high-tech enterprise, which is dedicated to the field of human-machine interface display, with a wide range of product applications. Its cooperative customers include dozens of world-renowned multinational companies, and it is actively seeking to accelerate its development in the capital market. Through hard work, the Group's innovative businesses such as industry and city, well-being and technology have been accelerated, accumulating momentum for further transformation and optimization.

Deepened Management Reform Promoting Digital Empowerment

To meet the strategic development needs of the "14th Five-Year Plan", in 2021, the Group promoted the reform of organizational management and control and the digitalized planning and construction to secure its sustainable high-quality development from the perspectives of organization, mechanism and system. In terms of organizational management and control, the Group made organizational restructuring and optimized business control and management. Through process reengineering, the Group strengthened industrial research and business management, intensified the construction of a talent team, optimized performance incentive mechanism, and also enhanced the internal driving force for enterprise development. In terms of digital construction, the Group made digital strategic plans based on overall considerations, laying a solid foundation for the digital transformation of the Group, and successfully built the Shum Yip cloud platform. Given the development needs of each business segment, the Group actively promoted the digitalization of parks, operations, and industrial big data platforms, vigorously promoted industrial digitization, explored smart cities and future city construction scenarios, and planned for the future, with a view of enabling the overall transformation of the Group through technology.

Highly Efficient and Stable Financial Management

In the context of tightened financial regulations in the real estate industry, the Group focused on the centralized capital planning and financing management to maximize capital efficiency and provide financial support for land bidding and the investment in emerging industries. The Group controlled financing costs at a relatively low level in the industry, with the average comprehensive interest rate of bank and other borrowings at 3.0%.

In addition, the Group further expanded its funding channels and completed the issuance of the Shum Yip Taifu Smart Industrial Park Asset-backed Special Plan ("CMBS") with an issuance scale of RMB1.8 billion and a priority coupon rate of 3.88%. In addition, it completed the issuance of the Asset-backed Special Plan for Industrial Parks in Pilot Demonstration Zones ("CMBS") with its Terra Golden Valley Industrial Park as the underlying assets, with an issuance scale of RMB2 billion and a priority coupon rate of 3.8%. Both asset securitization products set the lowest interest rate for this category of products in the current period. On 31 December, 2021, the net debt ratio (including all interest-bearing liabilities) was maintained at a reasonable level of 61.2%. All indicators involving the "three red lines" remained green, and the financial management was stable and excellent.

Receiving Highest Rating for Outstanding ESG Performance

The Group adheres to a high standard in advancing its commitment to corporate social responsibilities and sustainable development, and has published the Environmental, Social Governance Report for 6 consecutive years. In 2021, during the ESG ratings assessment by MSCI, the largest index rating agency in the world, the Group again received a rating of "A", the highest among domestic real estate enterprises for two consecutive years, showing the Group has been highly recognized by the capital market not only for its ESG practice but also its corporate governance and long-term development.

Equity Interests in Hengda Real Estate

As a strategic investor, the Group invested RMB5.5 billion in the equity interests in Hengda Real Estate in 2017 to support its restructuring in the domestic capital market. During the year, the real estate industry decline brought Hengda Real Estate into liquidity crisis. As a result, the fair value of the equity interests in Hengda Real Estate held by the Group decreased significantly. At the end of 2021, the fair value was approximately HK$461 million, and the Group incurred fair value loss of approximately HK$6.4 billion. Although the fair value loss did not affect the cash flow and daily operation of the Group due to its non-cash nature, it had a significant adverse impact on the profitability of the Group for 2021 and resulted in a loss attributable to equity shareholders of the Group of approximately HK$2.7 billion for 2021. After the fair value change adjustment, the uncertainty of Hengda Real Estate's equity interests will not have any significant adverse impact on the Group. The Group will actively seek the revitalization and disposal of the relevant assets under the guidance and help of the government, and strive to minimize losses.

Outlook

Market Outlook

The current domestic and international situation is characterized by turbulence and a once-in-a-century pandemic, and the external environment tends to be more complex and challenging. The real estate industry is now seen an in-depth reform on the supply side. At the Central Economic Work Conference, the government reaffirmed that "house is a place to live instead of a tool for speculation". Under such policy keynote, the market will strive to seek a balance between deleveraging and stabilization, deepen the establishment of a long-term effective mechanism, stabilize land prices, house prices and expectations, and implement policies tailor made for different cities to promote the virtuous circle and healthy development of the real estate industry.

Operation of real estate enterprises based on "high turnover" and "excessive financialization" is unsustainable. The industry is back to the basics of well-being and the real estate enterprises are gradually shifting their strategy to pursue sustainable high-quality operation and refined management. While maintaining steady development, making rational choices on the types of properties, i.e., whether for rent, commerce or operation, upholding the long-term operation and green development, and taking financial stability as the premise, management control as the foundation and innovation as the driving force may help excellent real estate enterprises to go through the cycle safe and sound and realize transformation. The year 2022 can be viewed as the starting point of a new pattern of the real estate industry. In the long run, after experiencing the pains of industry restructuring and the cutting down of redundant production capacity, the real estate industry will usher in a virtuous circle and healthy development with the improvement of policies.

The implementation of comprehensive reform of state-owned assets and state-owned enterprises in Shenzhen has brought historic opportunities for the development of the Group. The ability of scientific and technological innovation is becoming a decisive factor of comprehensive national strength. The central government will deeply implement the innovation-driven development strategy, promote scientific and technological innovation, and expedite industrial optimization and upgrading. Facing the country's strategic mission of "self-reliance and self-improvement in science and technology", Shenzhen will increase resource inclination and investment with the aim at building technological and industrial innovation highlands with global influence, implement major technological infrastructure construction, promote key and core technological breakthroughs, and introduce and strengthen strategic emerging industries, which will provide favorable policy and environmental support for the Group's cultivation of the technology industry. In response to the central government's call of "achieving seed industry's turnaround", Shenzhen has introduced several measures to build a pioneering demonstration zone for agricultural science and technology innovation, including promoting independent innovation and industrialization of biological breeding, supporting the comprehensive promotion of rural revitalization, and innovating models of modern urban agricultural development, etc., which will help Shenzhen's agricultural science and technology industry to form an ecological chain of whole-process innovation featuring "basic research, technological breakthrough, industrialization of achievements, science and technology finance, and talent support". With its critical period of transformation organically coupled with major historical opportunities, the Group will actively embrace reform and innovation, solidly build a strategic pivot for a new development pattern, and achieve rapid development with the prosperity of the country and region.

Improving Management for Prudent Growth

The Group defines 2022 as the "year of management improvement". The Group will comprehensively improve its management efficiency primarily by "organizational reform and digital transformation", supplemented by "talent team construction". Underpinned by intersegment collaboration, the Group will implement and seek high-quality and sustainable development in a comprehensive and sable manner. Taking the opportunity of organizational reform, the Group will effectively improve its governance and organization capability, focus on business empowerment and value creation, strengthen city operation and industrial research, identify and integrate enterprise resources, expand park operation, optimize business management and asset management, and improve its brand construction in alignment with the industrial benchmark. Meanwhile, with a focus on professional enhancement and execution excellence, the Group will improve the specialization and standardization level of its core businesses to reduce cost and improve quality and efficiency, while improving the capability of innovative businesses expansion and accelerating the expansion of business scale. Supported by digital transformation and driven by new technologies such as 5G, cloud computing, big data, Internet of Things, artificial intelligence, etc., the Group will create five core projects such as lean real estate project, digital and intelligent park project, agile operation project, well-being responsibility project, and capital efficiency enhancement project, build digital Shum Yip, help the innovative construction of industry and city, and empower the operation of people's well-being. Additionally, starting from talent team construction, the Group will accelerate the innovation of system and mechanism, reinforce the planning and deployment of talent training and introduction and promote the performance-based compensation package to enhance the internal driving force for enterprise development. The improvement of internal management will inject new momentum from mechanism into the Group, consolidate development foundation, build strong resilience against intense market competition and provide a strong support for the realization of the strategic objectives of the Group.

Operation Plans for 2022

In 2022, the Group will remain committed to "prudent growth" and further leverage its fundraising and cost advantages to actively promote operation. From the perspective of resource expansion, following the expansion of high-quality land reserve in 2021, the Group will give full play to its advantages to select the best from the best, and steadily expand high-quality resources in the Greater Bay Area and regional higher-tier cities. It will further focus on and make breakthroughs in urban renewal, land consolidation and industrial land application to optimize the allocation of resources. In the fields of open market auction, mergers and acquisitions, the Group will strengthen the preliminary project planning and research, accurately identify and select projects with high marketability and good returns, and steadily increase its land reserves.

In the aspect of real estate development, the Group will strengthen project control during and after project investment, speed up project progress and turnover, promote contracted sales, and accelerate the collection of funds. The annual saleable value of the Group for 2022 will exceed RMB40 billion, and the contracted sales target is RMB20 billion. In terms of property investment, the Group will continue to optimize the business structure of investment properties, improve the unit efficiency of existing properties and businesses and maintain stable growth in rental income.

In respect of comprehensive urban operation, the Group will rely on the third-party expansion advantages to step up effort in the expansion of public buildings, parks, and commercial and office buildings. Meanwhile, depending on the strategic cooperation relationships with local governments in each region, the Group will accelerate the establishment of its presence in the city service segment, aiming to realize over "100 million" sq.m. under management and release value in the capital market as appropriate.

In terms of high-end manufacturing, its subsidiary Jinghua Displays will accelerate capacity expansion and efficiency improvement, steadily promote restructuring and listing guidance, and seek IPO listing in suitable capital market. In terms of high-tech agriculture, the Group will actively explore an agricultural industry chain ecosystem with "high-end agricultural product value chain" as the core and "scientific and technological innovation in the seed industry and integration of the three agricultural industries" as the growth point, by opportunities of mergers and acquisitions or cooperation.

Continuous Transformation and Optimization in Advancing the "14th Five-Year Plan" Blueprint

Based on the strategic vision of "Innovative Constructor of Industrial Cities, Wealthy Livelihood Operator", the Group is committed to upgrading and transforming into a technology-based industry group principally engaged in the development of urban complex and investment in technology industry. The Group will promote the high-quality development of the real estate segment as its cornerstone business, and comprehensively improve management for continuous transformation, optimization and improvement. In the aspect of industry-city integration, the Group will focus on the major projects of the controlling shareholders, including Guangming Science City, Baguang Biological Valley and Henggang South Industrial Zone to facilitate the integration of industrial resources and industrial capacity, and develop its value creation capability in all respects of industry-city innovation, covering industrial investment, overall regional planning, comprehensive development and construction and urban operation. In terms of operation, vertically, the Group will further develop its advantageous businesses, focus on value-added services, strengthen commercial operation services, improve brand awareness of "Shum Yip" and establish urban service systems; horizontally, the Group will expand business through mergers and acquisitions by identifying high-quality and intellectual targets in the upstream and downstream of the industry in order to realize leapfrog growth and economies of scale, and endeavor to become "the most valuable urban service provider". In relation to technology, driven by digital transformation and industry-city innovation, the Group will work harder on the identification, investment and cultivation of technology industry to enable technology-based product upgrading and business transformation.

Through the transformation and optimization in the "14th Five-year Plan" period, the Group is expected to establish a diversified business portfolio. While accelerating performance growth, it will deepen the development of strategically-innovative businesses to build a group of listed companies and improve enterprise value. In the meantime, it will maintain stable dividends to reward shareholders and investors.

"The road is obstacle-packed and long but you will get through if you keep going." The Group will improve its management capability with fortitude and determination, and seek progress amid stability with foresight and caution. Riding on the trend of urban reform, the Group will make persistent efforts to seize development opportunities to improve its sustainable development and value creation capability, and realize enterprise transformation thus making greater contributions to social, economic and urban development, and creating more satisfactory returns for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Results

In 2021, the real estate market faced great challenges underpinned by the principal policy of "stabilizing land prices, housing prices and expectations". Against such a backdrop, various related policies were released in many places and regulations continued to intensify in popular cities. The full implementation of "Three Red Lines" and loan concentration management and the promotion of the "Dual-Concentrations Land Supply policy in 22 cities increased the financing and debt repayment pressure of real estate enterprises, intensified the differentiation between companies, resulted in liquidity difficulties of certain enterprises, and enhanced the industry concentration. Despite of the tightened policy environment, the Group actively developed land resources and steadily implemented its operations based on stable financial condition.

During the year, the Group realized revenue of approximately HK$32,050.3 million, representing an increase of 70% over last year. Gross profit was HK$12,425.7 million, representing an increase of 41% over last year. The overall gross profit margin was 39%. Due to a large amount of provision made by the Group for the fair value of financial assets, losses attributable to equity shareholders of the Company was HK$2,721.9 million, and basic losses per share were HK30.58 cents. If excluding the net effect of changes in fair value of investment properties attributable to the Group and changes in fair value of financial assets, profit attributable to equity shareholders of the Company was HK$3,890.5 million.

Property Development Business

Sales Revenue Booked

During the year, the Group recorded property sales area booked of approximately 751,000 square meters (excluding interests attributable to the major associates of the Group), representing an increase of 74% over last year, and achieved net revenue from property sales of approximately HK$26,660.2 million (net of value-added tax) (approximately RMB22,135.7 million), representing a significant increase of 89% over last year. Gross profit margin of property development and sales was 40%, representing a decrease of 13 percentage points over last year. The percentage of Shenzhen projects over the sales revenue booked was 68%. During the year, the average gross profit margin of projects of the Group in Shenzhen was approximately 48%, whereas the average gross profit margin of projects in other cities was approximately 25%.

Property Sales Booked in 2021

Property Name	Type	City	Booked Area (sq.m.)	Net Sales (RMB'000)
UpperHills	Residential	Shenzhen	5,112	346,141
Taifu Square	Office/apartment	Shenzhen	25,817	1,405,569
Shum Yip Zhongcheng	Office/apartment/Residential	Shenzhen	46,760	3,694,051
Parkview Bay	Residential	Shenzhen	49,551	4,948,257
Terra Licheng	Industrial	Shenzhen	68,332	3,823,433
Shum Yip Dongling	Residential	Shenzhen	11,855	829,001
Jiangyue Bay	Residential	Guangzhou	358	9,707
Garden Hills	Residential/commercial	Huizhou	34,648	275,403
Wanlin Lake	Residential/commercial	Huizhou	2,545	24,376
Gaobangshan Garden	Commercial	Huizhou	50,315	526,194
Shum Yip City	Residential	Foshan	20,008	470,103
Shum Yip Rui Cheng	Residential/commercial	Changsha	15,700	106,934
Heron Mansion	Residential	Changsha	57,254	721,521
Nanhu Rose Bay	Residential/villa	Wuhan	609	28,400
Yihu Rose Garden	Residential	Chengdu	10,196	84,006
Qinglong Mansion	Residential	Nanjing	57,229	1,574,274
Upper Life	Residential	Nanjing	47,407	1,127,694
Ma'anshan Shum Yip Huafu	Residential	Ma'anshan	135,308	1,232,916
Royal Spring Garden	Villa	Chaohu	1,487	28,586
Splendid City Phase III	Residential	Taizhou	98,906	774,855
Others	Commercial	–	1,105	2,668
Parking space	Parking space	–	10,375	97,557
Total			**750,877**	**22,135,694**

Contracted Sales

During the year, the Group realized contracted sales area of approximately 670,000 square meters and contracted sales amount of approximately RMB19.10 billion. The average price per square meter was RMB28,642. The contracted sales were mainly attributable to Shum Yip Zhongcheng in Shenzhen which realized contracted sales of approximately RMB6.04 billion, Songhu Yuncheng Garden in Dongguan which realized contracted sales of approximately RMB2.64 billion, Qinglong Mansion in Nanjing which realized contracted sales of approximately RMB1.94 billion and Shum Yip Huafu in Ma'anshan which realized contracted sales of approximately RMB1.38 billion. Sales of the Group during the year beat the expectations with satisfactory performance, exceeding the annual contracted sales target.

By geographical location, projects in the Greater Bay Area accounted for 67% of the realized contracted sales, 24% of which was contributed by projects in the second-tier provincial capital cities, and 9% in other cities. By the types of products, residential products accounted for 56% of the realized contracted sales, and non-residential products (including office, apartment and industrial park) accounted for 44%.

Contracted Sales in 2021

	City	Type	Sales Area (sq.m.)	Sales* (RMB'000)
Shum Yip Dongling	Shenzhen	Complex	11,855	877,325
Shum Yip Zhongcheng	Shenzhen	Complex	47,276	6,043,465
Bofeng Building	Shenzhen	Commercial	508	16,504
Shum Yip Taifu Square	Shenzhen	Commercial	10,023	622,711
Terra Licheng	Shenzhen	Industrial	6,789	436,440
Qianhai Parkview Bay	Shenzhen	Residential	504	61,174
UpperHills	Shenzhen	Complex	4,937	364,420
Tanglang City**	Shenzhen	Commercial	1,206	90,597
Shum Yip Qishan Yayuan	Foshan	Residential	6,233	126,867
Jiangyue Bay	Guangzhou	Residential	373	6,809
Dongguan Shum Yip Songhu Yuncheng Garden	Dongguan	Residential	76,176	2,644,001
Gaobangshan No. 1	Huizhou	Residential	40,743	462,011
Garden Hills	Huizhou	Residential	29,894	276,580
Wanlin Lake	Huizhou	Residential	4,471	31,482
Shunde Shum Yip City	Shunde	Residential	31,897	558,483
Saina Bay	Heyuan	Residential	125	1,924
Shum Yip Upper Life	Nanjing	Residential	20,054	521,274

	City	Type	Sales Area (sq.m.)	Sales* (RMB'000)
Shum Yip Qinglong Mansion	Nanjing	Residential	64,560	1,942,226
Shum Yip Longwan Mansion	Nanjing	Residential	16,526	785,000
Shum Yip Yihu Rose Garden	Chengdu	Residential	6,952	72,170
Shum Yip Four Seasons Mansion	Chengdu	Residential	23,819	473,165
Nanhu Rose Bay	Wuhan	Residential	609	34,158
Shum Yip Heron Mansion	Changsha	Residential	51,961	704,499
Shum Yip Rui Cheng	Changsha	Residential	9,523	64,933
Shum Yip Xihui	Changsha	Residential	767	8,426
Changzhou Shum Yip Huafu	Changzhou	Residential	1,163	2,729
Shenma East China Industrial Technology Industrial Park (深馬華東工業科技產業園)	Ma'anshan	Industrial	10,251	33,419
Ma'anshan Shum Yip Huafu	Ma'anshan	Residential	126,123	1,381,815
Shenyue Bay	Taizhou	Residential	61,367	450,796
Total			**666,685**	**19,095,403**

* The sales of parking lots were included.

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

Project Development Business

During the year, the Group accelerated construction, and had a new construction area of approximately 3,924,000 square meters, representing an increase of approximately 500% over year 2020, and a completed area of approximately 823,000 square meters.

New Construction Projects in 2021

Property Name	City	Type	Total GFA (sq.m.)	Saleable Area (sq.m.)
Shum Yip Yunzhu	Shenzhen	Residential	327,209	171,684
Shum Yip Chuangzhi Building	Shenzhen	Industrial	51,152	–
Shum Yip Shanglinyuan	Shenzhen	Commercial	62,834	15,504
Shum Yip Taifu Yinying Square (深業泰富銀盈廣場)	Shenzhen	Industrial	135,537	79,185
Shum Yip Shanshui Dongcheng Garden (深業山水東城花園)	Shenzhen	Residential	453,476	289,960
Garden Hills Land Plot 1	Huizhou	Commercial/ residential	110,530	109,830
Wanlin Huafu (South of Party School)	Huizhou	Commercial/ residential	314,290	221,450
Huizhou Shum Yip Cloud Mansion Project (惠州深業雲棲府項目)	Huizhou	Commercial/ residential	169,524	126,606
Shum Yip Nansha Hengli Island DH0502 Project	Guangzhou	Residential	341,140	302,126
Shum Yip Zhongshan Future Gate Project Phase I (深業中山未來之門項目一期)	Zhongshan	Complex	819,300	538,900
Shum Yip Luxi Yunjing (深業麓溪雲境)	Changsha	Commercial/ residential	135,111	82,903
Terra Chengdu Yihu Rose Garden Phase 4	Chengdu	Residential	236,764	162,783
Shum Yip Taiyue Mansion (深業泰樾府)	Chengdu	Residential	105,522	54,762
Chengdu Qingbaijiang Shum Yip Taifu Square	Chengdu	Complex	420,055	203,410
Nanhu Rose Bay Phase 4	Wuhan	Residential	130,883	85,699
Yunqi Garden (雲棲苑)	Taizhou	Commercial/ residential	57,748	39,295
Shenma East China Industrial Technology Industrial Park (深馬華東工業科技產業園)	Ma'anshan	Industrial	52,598	51,403
Total			**3,923,673**	**2,535,500**

Completed Projects in 2021

Property Name	City	Type	Total GFA (sq.m.)	Saleable Area (sq.m.)
Parkview Bay-Residential	Shenzhen	Residential	51,460	50,818
Parkview Bay-Commercial	Shenzhen	Commercial	2,900	2,900
Zhifeng Building	Shenzhen	Industrial	71,366	42,770
Nanjing Qinglong Mansion	Nanjing	Residential	102,469	71,431
Nanjing Upper Life	Nanjing	Residential	111,134	63,291
Shum Yip Heron Mansion	Changsha	Commercial/ residential	240,504	182,617
Shum Yip Huating	Chengdu	Residential	59,131	40,668
Splendid City Phase 3	Taizhou	Commercial/ residential	183,630	136,767
Total			**822,594**	**591,262**

Expansion of Land Resources

The Group has made a significant breakthrough in land resources acquisition. In 2021, the Group acquired 16 land plots in 12 cities including Shenzhen, Shanghai, Nanjing, Chengdu, Changsha and Zhongshan through various ways such as land market auctions, industrial land application, urban renewal ad asset injection. The acquired land projects have superior geographical location with expected abundant benefits. Calculated at the equity ratio of the Group, the total investment of newly expanded land resources amounted to approximately RMB22.5 billion, aggregately with a site area of approximately 1,290,000 square meters and a capacity building area of approximately 3,220,000 square meters.

Expansion of Land Resources in 2021

Project Name	City	Type	Land Price (RMB ten thousand)	Site Area (sq.m.)	Capacity Building Area (sq.m.)
Shenzhen Futian Shanglinyuan Project	Shenzhen	Commercial	19,718	6,015	41,990
Shenzhen Qianhai Guiwan Area Land Plot T201-0168 (深圳前海桂灣片區 T201-0168 地塊)	Shenzhen	Residential	441,928	51,350	210,040
Shenzhen Guangming Xinhu Street Land Plot A641-0030 (深圳光明區新湖街道 A641-0030 地塊)	Shenzhen	Residential	172,700	18,840	88,547
Shenzhen Pingshan Shum Yip Shanshui Dongcheng Garden (深圳坪山區深業山水東城花園)	Shenzhen	Residential	397,000	66,857	317,055

Project Name	City	Type	Land Price (RMB ten thousand)	Site Area (sq.m.)	Capacity Building Area (sq.m.)
Zhongshan Cuiheng New District Future Gate Project (中山翠亨新區未來之門項目)	Zhongshan	Complex	409,532	668,974	1,553,435
Huizhou Shum Yip Cloud Mansion (Huizhou Lujiangli South Land Plot) (惠州深業雲棲府(惠州鹿江瀝南岸地塊))	Huizhou	Commercial/ residential	80,000	44,678	129,566
Shanghai Jiading Shenjia Hydrogen Valley (上海市嘉定區深嘉氫谷)	Shanghai	Complex	88,472	44,728	102,874
Shum Yip Luxi Yunjing (Changsha Yuelu Land Plot 041) (深業麓溪雲境(長沙岳麓區 041 地塊))	Changsha	Commercial/ residential	91,990	61,327	83,816
Shum Yip Tairong Mansion (Chengdu Qinglong Street Land Plot 2021-087) (深業泰蓉府(成都青龍街道 2021-087 地塊))	Chengdu	Residential	170,306	80,333	160,666
Nanjing Hexinan Land Plot G111 (南京河西南 G111 地塊)	Nanjing	Residential	198,000	22,549	63,137
Chengdu Longquanyi Shum Yip City (成都龍泉驛深業城)	Chengdu	Complex	74,403	36,211	151,844
Shenyang Hanlin Road Land Plot 18 (瀋陽翰林路 18 號地塊)	Shenyang	Complex	37,350	12,134	46,112
Suzhou High-tech Zone Land Plot (蘇州市高新區地塊)	Suzhou	Complex	16,331	8,260	18,292
Shenma East China Industrial Technology Industrial Park (深馬華東工業科技產業園)	Ma'anshan	Industrial	2,222	62,566	77,995
Jiangyin Chengdi Technology Innovation Park (江陰澄地科創園)	Jiangyin	Industrial	8,286	81,233	135,450
Taizhou Yunqi Garden (Taizhou Hailing Tiande Lake Park West Land Plot) (泰州雲棲苑(泰州海陵區天德湖公園西側地塊))	Taizhou	Commercial/ residential	39,800	19,365	40,667
Total			**2,248,038**	**1,285,420**	**3,221,486**

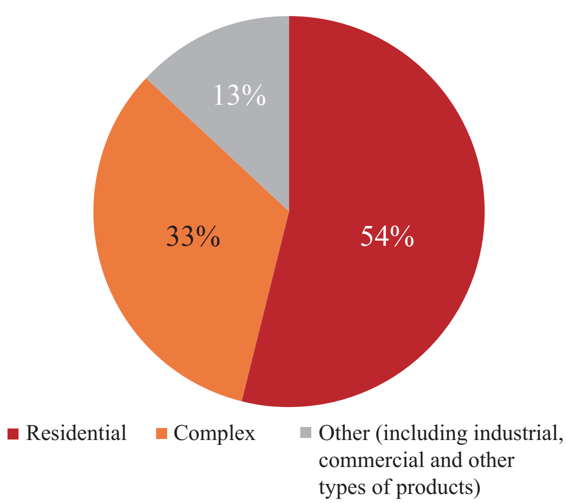
Land Reserves

By the end of 2021, the Group had land reserves with a capacity building area of approximately 6.74 million square meters, of which, the projects not commenced had a capacity building area of approximately 1.41 million square meters, the projects under construction had a capacity building area of approximately 4.64 million square meters and the completed but unsettled projects had a capacity building area of approximately 0.69 million square meters. The capacity building area of land reserves in the Greater Bay Area accounted for 63%. Besides, the value of completed properties in stock amounted to approximately HK$18,235.1 million.

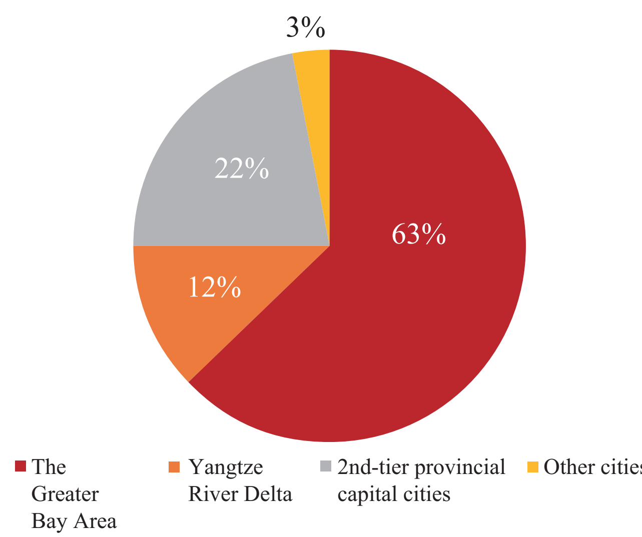
In 2021, the Group successfully launched its industry and city mode, achieved the first expansion in Shanghai and implemented many major industrial park projects in Chengdu, Shenyang, Ma'anshan and other cities. In the future, the Group will continue to grasp its resource acquisition mode with its own advantages, actively explore and focus on the investment opportunities of quality projects in the Greater Bay Area and regional high-tier cities.

Distribution of Land Reserves (As at 31 December 2021)

By Type – Capacity Building Area Note 1 **(sq.m.)**



By region – Capacity Building Area Note 1 **(sq.m.)**



Note:

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

Property Investment Business

Attributable to the economic recovery, the occupancy rate and rent level of office building market in Shenzhen picked up. As at 31 December 2021, the Group had investment properties of approximately 1.73 million square meters. During the year, the Group recorded an income from property investment of approximately HK$1,497.4 million, representing an increase of approximately 22% over last year. The gross profit margin of property investment business was approximately 74%, representing an increase of 1 percentage point over last year. The Group recorded a revaluation decrease in the fair value of its investment property portfolio of HK$405.7 million during the year.

Urban Integrated Operation Business

The Group spares no effort to develop urban integrated operation business, which includes commercial operation, property service, intelligent park and property city business. The affiliated company of the Group have strong external expansion strength, with third-party projects accounting for about 75%. The Group has abundant non-residential businesses, including property city projects, industrial parks, public facilities and office buildings, etc., accounting for about 54%. This year, the Group had urban integrated operation business under management of approximately 61.55 million square meters, representing an increase of 31% over last year, and achieved revenue of approximately HK$2,477.6 million, representing an increase of 11% over last year. The Group newly expanded 83 urban integrated operation projects, with an additional area under managementof over 16.41 million square meters: newly expanded 72 traditional property management projects in Guangdong, Jiangxi, Jiangsu and other regions; newly expanded 8 industrial park projects such as Changping Jewelry Cultural Industrial Park, Shenzhen Hengming Industry Park, etc., mainly located in the Guangdong-Hong Kong-Macao Greater Bay Area; newly expanded 12 property city projects, covering 8 sub-districts and areas including Shenzhen Xiangmihu Sub-district and Anmin Sub-district, Yushan District, Ma'anshan City, with a contract value of more than RMB500 million.With its industry-leading comprehensive strength and service level, the Group was awarded the "2021 China Leading Enterpriseof Smart City Service", "2021 Property Service TOP100 Enterprise in the Greater Bay Area", "2021 City Service and Property Service TOP5 Enterprise in the Greater Bay Area" and many other honorary titles.

In terms of commercial operation, the Group actively sorted out its positioning strategy, adjusted its brand according to its core customer base and positioning, and promoted online creative interaction and offline special events to increase customer flow and promote sales, which had achieved gratifying results. The first Galeries Lafayette in South China and several Fortune 500 companies officially entered UpperHills, and the 2021 Shenzhen Design Week was successfully held, which were highly recognized by the government, enterprises and customers, and represented the market's high evaluation of the Group's innovative thinking in breaking the homogeneous competition. At present, the operation of each shopping mall is in good condition, the passenger flow and rental income have increased significantly, and the investment promotion work of Shum Yip Zhongcheng, Shum Yip Dongling, and Women and Children Building has been progressing remarkably, among which the investment promotion of Shum Yip Zhongcheng has reached 90%.

In terms of park services, the Group built an industrial service ecosystem with focus on industrial customers, and enhanced the value of park operations with the new direction of park operations led by technological innovation and whole-industry services. The Shenxiang series of intelligent platforms launched in recent years were equipped with customized intelligent terminal property APP, to create an intelligent platform for park management and realize the data management and value-added of park resources.

In terms of property city business, the Group actively implemented the spirit of General Secretary Xi Jinping's requirement that "urban management should be as delicate as embroidery", and took the lead in exploring a new model of "property city". On 19 October 2021, the China Federation of Urban Commercial Outlets Construction Administration approved the first property management city standard in the country - "Property Management City Operation Standard" Group Standard (T/CUCO3-2021), which was drafted and compiled by the Group, and made an official announcement to the public. The successful application for the national standardization pilot project marks the Group's new height in the standardization construction in property city field. It provides a standardized reference guide for the governments at all levels, industry and property enterprises in realizing property city model. In order to achieve precise management, the Group has also developed and transformed 4 models of "small-scale sanitation and cleaning machinery", obtained 11 utility model patents and 1 appearance patent, and realized fully mechanized operations. At the same time, guided by the intelligent management platform, the Group realized the visualization of on-site work and various trainings, the rectification of dynamic city appearance and sanitation problems within 30 minutes, and online declaration, intelligent dispatch and online resolution, relying on the "City Butler" APP and the "Property City Service Platform", which had greatly improved the speed of response to problems and the effect of sanitation work. Seizing the opportunity,the Group successfully acquired the Anmin Sub-district Project in Yushan District, Ma'anshan City with its excellent management model and case studies in 2021, marking that the Group's development route of serving the city has stretched out of Shenzhen and been popularized nationwide.

Hotel Operation Business

The Group owns five hotels, namely Suzhou Marriott Hotel (with 302 guest rooms), Chaohu Shum Yip Bantang Hot Spring Hotel (with 27 spring villas), Holiday Inn Resort Chaohu Hot Spring (with 203 guest rooms), Muji Hotel (with 79 guest rooms) in UpperHills, Shenzhen, and Mandarin Oriental Shenzhen (with 178 guest rooms).

The first Mandarin Oriental Hotel in Shenzhen located in UpperHills opened on 20 January 2022, and will become another high-end new landmark in Shenzhen. As one of the top luxury hotel brands globally, the cooperation between the Mandarin Oriental Hotel and the Group represents the recognition of the Group's brand, its business and hotel operation capabilities, which will together bring a business feast on urban fashion and art aesthetics in Shenzhen in the future.

During the year, the Group's hotels recorded operating income (included under other operating segment) of approximately HK$169.7 million, representing an increase of 46% over last year.

Industrial Manufacturing Business

The Group's manufacturing business mainly represents the LCM manufacturing, metal materials processing and electronic control system operated by its subsidiary Shenzhen Jinghua Displays Electronics Co., Ltd. over the years, and the industry in which it operates is featured by strong knowledge and technology-intensive characteristics. Driven by the Internet of everything, these products are widely used in industry, home appliances, communications, consumption, medical and automobile fields. During the year, the manufacturing business recorded operating income of approximately HK$456.5 million, representing an increase of 31% over last year.

Performance of Major Joint Ventures and Associates

During the year, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) made a profit of HK$297.4 million to the Group. The principal activity of the company is to assist local government in primary land development.

Shenzhen Langtong Property Development Company Limited (a 50% owned company of the Group) made a net profit contribution of HK$15.4 million, representing a decrease of 34% over last year. The company and Shenzhen Metro Group jointly developed Shenzhen's Tanglang City Project.

Shenzhen Tianan Cyber Park (Group) Co., Ltd. (a 37.5% owned company of the Group) made a net profit contribution of HK$232.5 million to the Group, representing a decrease of 29% over last year.

Road King Infrastructure Limited, an associate invested by the Group (1098.HK), made a net profit contribution of HK$277.7 million to the Group, representing a decrease of 40% over last year.

Financial Assets

On 31 May 2017, the Group contributed an amount of RMB5.50 billion to the capital of Hengda Real Estate Group Company Limited ("Hengda Real Estate"). As of 31 December 2021, the Group held 2.6439% equity interests in Hengda Real Estate. Since the investment in Hengda Real Estate, the Group, as a financial investor, had received total dividends of RMB1.95 billion from Hengda Real Estate.

According to the requirements under accounting standards, the equity interests held by the Group in Hengda Real Estate was included as financial assets through profit or loss in the financial statements and accounted for at fair value, with changes in fair value recognized in profit or loss for the period. As at 31 December 2021, the Group made a provision for fair value losses of approximately HK$6.3 billion, and the book fair value of the said financial assets after provision was HK$461.1 million. The provision did not affect the cash flow and daily operation of the Group. Thereafter, the uncertainty of Henda Real Estate's equity interests will not have any significant adverse impact on the performance of the Group.

Financing

As at 31 December 2021, the Group's total bank and other borrowings amounted to HK$38,097.2 million (31 December 2020: HK$30,828.4 million), of which HK$23,391.4 million were floating rate loans, and the remaining were fixed-rate loans. Long-term loans amounted to HK$26,138.2 million, representing approximately 69% of total borrowings, and short-term loans were HK$11,959.0 million, representing approximately 31% of total borrowings. Borrowings denominated in Hong Kong dollars amounted to HK$19,130.6 million, and Renminbi borrowings amounted to HK$18,966.6 million.

With the gradual implementation of the "Three Red Lines" regulations, the external financing environment continues to tighten. The Group maintains a healthy financial position. As at 31 December 2021, the Group's asset-liability ratio, excluding advance receipts, was 63.3%, the net gearing ratio was 61.2% (the liabilities including all interest-bearing liabilities) and the short-term cash debt ratio was 1.7 times (the liabilities only including bank loans and other borrowings), all indicators fell into the green level of the "Three Red Lines" (綠檔). In 2022, the Group will replace the short-term loans that are about to be due, and continue to improve the short-term cash debt ratio.

During the year, the Group promoted financing innovation proactively. On one hand, it completed the issuance of the Shum Yip Taifu Intelligent Transportation Industrial Park (深業泰富智慧出行產業園) commercial mortgage-backed securities ("CMBS"). The size of the issuance amounted to RMB1.8 billion, and the coupon rate of the senior notes was 3.88%. On the other hand, it completed the issuance of the industrial parks in pilot demonstration zones commercial mortgage-backed securities ("CMBS"), with Tairan Jingu Industrial Park as the underlying asset. The size of issuance amounted to RMB2 billion, and the coupon rate of the senior notes was 3.8%. During the year, the average comprehensive interest rate of the Group's bank and other borrowings was approximately 3.0% per annum, representing a decrease of 0.7 percentage point from the whole of last year.

As at 31 December 2021, the Group's cash balance (including restricted cash) was HK$22,775.6 million (31 December 2020: HK$18,710.4 million), of which approximately 78% and 16% were denominated in Renminbi and USD respectively, and the remaining in Hong Kong dollars.

As at 31 December 2021, the Group had net assets (excluding non-controlling interests) of HK$49,174.9 million (31 December 2020: HK$50,624.3 million). The net gearing ratio with the liabilities including bank and other borrowings only was 31.2% and the net gearing ratio with the liabilities including loan from shareholders of the parent company and all other interest-bearing liabilities was 61.2%, representing an increase of 19.5 percentage point over the end of last year.

Key Financial Indicators

HK$ million	**As at 31 December 2021**	As at 31 December 2020
Bank and other borrowings	**38,097.2**	30,828.4
– Long-term borrowings	**26,138.2**	18,088.6
– Short-term borrowings	**11,959.0**	12,739.8
Due to the immediate holding company	**2,477.4**	1,770.7
Due to the ultimate holding company	**14,178.8**	9,415.5
Cash (including restricted cash)	**22,775.6**	18,710.4
Net gearing ratio with the liabilities including bank and other borrowings only	**31.2%**	23.9%
Net gearing ratio with the liabilities including all interest-bearing liabilities	**61.2%**	41.7%

Effect of Exchange Rate Fluctuation

The Group's assets are mainly denominated in Renminbi. 50% of the bank and other borrowings are denominated in Renminbi, and 50% are HK$ borrowings. HK$ is adopted as the reporting currency in the Group's financial statements. The effect of the increase in RMB exchange rate on the Group's finance was mainly reflected in the appreciation of the asset and earnings denominated in Renminbi against HK$, the reporting currency. During the year, such fluctuations in the asset and earnings denominated in Renminbi against HK$, the reporting currency, resulted in a gain of HK$2,765.4 million in other comprehensive income. The Group will closely monitor and proactively avert foreign exchange risk through various ways.

Progress of the Litigation Involving Terra Companies

On 26 May 2021 and 31 May 2021, Wuhan Shum Yip Terra Property Development Company Limited ("Wuhan Terra Company") and Shum Yip Terra (Holdings) Company Limited ("Shum Yip Terra Company", together with Wuhan Terra Company, the "Terra Companies"), both being non-wholly-owned subsidiaries of the Company, respectively received a statement of claim (民事起訴狀) from the Intermediate People's Court of Wuhan City (武漢市中級人民法院) (the "Court") regarding the claims by Hubei Province Livestock and Poultry Breeding Center (湖北省畜禽育種中心) against the Terra Companies (the "Litigation") regarding the contractual disputes under the four agreements entered into by Terra Companies with the Claimant in respect of the development of Nanhu Rose Bay (南湖玫瑰灣) in Wuhan, with a total claims amount of approximately RMB900 million. In connection with the Litigation, the Court ordered for the bank accounts and other assets of the Terra Companies to be frozen to the extent of RMB640 million. As at the date of this report, certain bank accounts of the Terra Companies with an aggregate balance of approximately RMB640 million have been frozen by the Court. The Terra Companies have engaged legal advisers to handle the Litigation and rigorously defended the Litigation to protect its legitimate interest. The first evidence exchange was completed on 25 October 2021. During the proceedings of the case, the two parties failed to reach a settlement agreement. Affected by the pandemic, the first hearing originally scheduled to be held on 3 March 2022 have to be adjourned to a date to be determined. Based on the current assessment, the Litigation has no material impact on the daily operation of the Group as a whole, and the Group has taken appropriate precautionary measures to minimise any disruptions to the operation of the two companies and the development of the project.

Impact of the Pandemic

The pandemic situation in China was well controlled in 2020. On the basis of normalized prevention and control, the domestic economy recovered at a stable pace. In addition to continuous improvement of prevention and control measures, the Group actively responded to the sporadic COVID-19 outbreaks and assumed its social responsibility with fortitude. It made great efforts to promote operations by means of technology, aiming to achieve prudent growth while improving quality.

In terms of sales, the Group had a satisfactory sales performance through the development of a cloud-based sales system and an online cloud-based model for projects opening for sale using online tools, combined with multi-dimensional cares to get access to customers, which greatly reduced the impact of the pandemic and improved the conversion rate and closing ratio. In respect of engineering construction, the Group had a pandemic prevention and control mechanism in place and speeded up construction while maintaining safety and quality, which prevented the pandemic from having a significant impact on the key engineering milestones of projects scheduled to be completed in 2021. In the aspect of capital, as the Group has relatively sufficient working capital, the spreading of the pandemic did not have a significant impact on the liquidity of the Group.

Pledge of Assets and Contingent Liabilities

As at 31 December 2021, the Group had total loans of HK$6,907.1 million (31 December 2020: HK$2,592.3 million) that were pledged with assets.

As at 31 December 2021, the Group has given guarantees amounted to HK$1,272.6 million in respect of bank loans and other borrowings to Guangzhou Pik Sum Real Estate Development Company Limited and Taizhou Shum Yip Investment Development Limited, both being joint ventures of the Group.

Employees and Remuneration Policy

As at 31 December 2021, the Group employed 21,084 employees (2020:20,452) of whom 24 were stationed in Hong Kong (mainly managerial and finance related personnel), and the rest were in mainland China. The total remuneration for the year ended 31 December 2021 (excluding remuneration of the Directors) amounted to approximately HK$2,789.17 million (2020: HK$2,075.2 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 HK8.00 cents per share for the year ended 31 December 2021 (2020: a final dividend of HK11.00 cents per share), which subject to the approval by the shareholders at the forthcoming annual general meeting of the Company ("Annual General Meeting"), will be payable in cash on or about Friday, 8 July 2022 to shareholders whose names appear on the register of members of the Company on Thursday, 9 June 2022. Together with the interim dividend of HK7.00 cents per share already paid, the total dividend for the year ended 31 December 2021 amounts to HK15.00 cents per share (2020: HK18.00 cents per share).

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday, 31 May 2022. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 25 May 2022 to Tuesday, 31 May 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 24 May 2022.

To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 8 June 2022 to Thursday, 9 June 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 7 June 2022.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year 2021.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WU Wai Chung, Michael and Dr. WONG Yau Kar, David. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the 2021 final results.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

APPRECIATION

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

By Order of the Board
SHENZHEN INVESTMENT LIMITED
LU Hua
Chairman

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises 7 directors, of which Dr. LU Hua, Ms. CAI Xun and Ms. SHI Xiaomei are the executive directors of the Company, Mr. DONG Fang is the non-executive director of the Company and Mr. WU Wai Chung, Michael, Mr. LI Wai Keung and Dr. WONG Yau Kar, David are the independent non-executive directors of the Company.