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seazen

新城发展

SEAZEN GROUP LIMITED

新城發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1030)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023
AND
PROPOSED AMENDMENTS TO THE EXISTING MEMORANDUM
AND ARTICLES OF ASSOCIATION**

ANNUAL RESULTS HIGHLIGHTS

- Contracted sales* were approximately RMB75,983 million;
- Commercial operating income** was approximately RMB11,324 million, representing a year-on-year increase of 13.2%;
- Revenue was approximately RMB119,464 million;
- Net profit attributable to equity holders of the Company was approximately RMB879.3 million;
- The net debt-to-equity ratio was 47.7%; and
- The contracted amount of pre-sold but not recognized properties was approximately RMB174,153 million, subject to further recognition.

* Including joint ventures and associates.

** Tax-included rental income includes rentals, management fee, carpark, various operation and other sporadic management income from shops, office buildings and shopping centres.

The board (the “**Board**”) of directors (the “**Directors**”) of Seazen Group Limited (the “**Company**” or “**Seazen**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Note</i>	31 December 2023 RMB'000	31 December 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,861,304	7,987,902
Right-of-use assets		1,060,960	1,475,120
Investment properties		121,088,100	113,262,575
Intangible assets		284,016	366,147
Investments in associates		12,854,475	12,832,996
Investments in joint ventures		11,714,732	12,958,270
Deferred income tax assets		6,607,576	7,640,630
Financial assets at fair value through profit or loss		366,989	359,942
Financial assets at amortised costs		267,411	219,687
Goodwill		777	777
Trade and other receivables and prepayments	4	639	630
Total non-current assets		158,106,979	157,104,676
Current assets			
Prepayments for leasehold land		2,095,610	2,498,583
Properties held or under development for sale		142,531,410	204,412,729
Trade and other receivables and prepayments	4	50,928,943	61,516,856
Contract costs		3,336,978	3,789,212
Financial assets at fair value through other comprehensive income		148,608	641,455
Financial assets at fair value through profit or loss		270,704	545,199
Financial assets at amortised costs		169,410	511,917
Restricted cash		6,274,884	10,017,870
Cash and cash equivalents		13,225,030	22,435,399
Total current assets		218,981,577	306,369,220
Total assets		377,088,556	463,473,896

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

As at 31 December 2023

	<i>Note</i>	31 December 2023 RMB'000	31 December 2022 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital: nominal value	5	5,822	5,822
Reserves		<u>45,866,173</u>	<u>44,747,790</u>
		<u>45,871,995</u>	<u>44,753,612</u>
Non-controlling interests		<u>44,637,346</u>	<u>48,260,729</u>
Total equity		<u>90,509,341</u>	<u>93,014,341</u>
LIABILITIES			
Non-current liabilities			
Borrowings	6	38,413,872	43,874,405
Lease liabilities		1,303,788	599,709
Deferred income tax liabilities		<u>8,188,259</u>	<u>7,712,480</u>
Total non-current liabilities		<u>47,905,919</u>	<u>52,186,594</u>
Current liabilities			
Trade and other payables	7	97,215,279	106,949,413
Advances from lessees		1,012,257	861,548
Contract liabilities		106,091,241	164,832,371
Current income tax liabilities		9,523,320	9,886,047
Borrowings	6	24,755,728	35,663,149
Lease liabilities		<u>75,471</u>	<u>80,433</u>
Total current liabilities		<u>238,673,296</u>	<u>318,272,961</u>
Total liabilities		<u>286,579,215</u>	<u>370,459,555</u>
Total equity and liabilities		<u>377,088,556</u>	<u>463,473,896</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Continuing operations			
Revenue	8	119,463,530	116,540,630
Cost of sales and services	9	(103,295,543)	(100,601,822)
Gross profit		16,167,987	15,938,808
Fair value gains on investment properties		23,353	1,455,337
Selling and marketing costs	9	(5,209,342)	(5,558,769)
Administrative expenses	9	(4,149,847)	(5,194,244)
Net impairment losses on financial assets		(1,197,403)	(424,109)
Other income		160,918	336,826
Other expenses		(10,037)	(18,702)
Other gains/(loss) – net		439,325	(454,935)
Operating profit		6,224,954	6,080,212
Finance income	10	297,430	388,005
Finance costs	10	(3,035,696)	(3,777,877)
Finance costs – net	10	(2,738,266)	(3,389,872)
Share of results of associates		692,825	383,508
Share of results of joint ventures		840,158	620,658
Profit before income tax		5,019,671	3,694,506
Income tax expense	11	(5,486,705)	(2,951,802)
(Loss)/Profit from continuing operations		(467,034)	742,704
Profit from discontinued operation	15	1,251,606	–
Profit for the year		784,572	742,704
Profit for the year attributable to:			
– Equity holders of the Company		879,296	280,673
– Non-controlling interests		(94,724)	462,031
		784,572	742,704
(Losses)/earnings per share for profit from continuing operations attributable to equity holders of the Company			
– Basic earnings per share		RMB(0.05)	RMB0.04
– Diluted earnings per share		RMB(0.05)	RMB0.04
Earnings per share for profit attributable to equity holders of the Company			
– Basic earnings per share	12	RMB0.12	RMB0.04
– Diluted earnings per share	12	RMB0.12	RMB0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit for the year	784,572	742,704
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
– Currency translation differences	(62,646)	(594,136)
– Changes in fair value of debt instruments at fair value through other comprehensive income	(134,501)	(29,066)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
– Currency translation differences attributable to non-controlling interests	(30,119)	(287,391)
– Share of other comprehensive income of an associate accounted for using the equity method	(5,668)	(3,688)
– Changes in fair value of equity investments at fair value through other comprehensive income	(10,533)	90,821
– Revaluation gain on transfer from property, plant and equipment to investment properties	482,592	–
– Others	(57,643)	(12,457)
Other comprehensive income/(loss) for the year, net of tax	181,482	(835,917)
Total comprehensive income/(loss) for the year	966,054	(93,213)
Total comprehensive income/(loss) for the year attributable to:		
– Equity holders of the Company	1,151,700	(278,181)
– Non-controlling interests	(185,646)	184,968
	966,054	(93,213)
Total comprehensive income/(loss) for the year attributable to equity holders of the Company arises from:		
– Continuing operations	(94,381)	(278,181)
– Discontinued operation	1,246,081	–
	1,151,700	(278,181)

NOTES:

1 GENERAL INFORMATION

Seazen Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 23 April 2010 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, Grand Cayman KY1-1205, Cayman Islands.

The principal activities of the Company and its subsidiaries (together, the “**Group**”) are property development and property investment in the People’s Republic of China (the “**PRC**”). The Company’s parent company is Wealth Zone Hong Kong Investments Limited (“**Wealth Zone Hong Kong**”) and the Company’s ultimate holding company is First Priority Group Limited, both of which are incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Wang Zhenhua (“**Mr. Wang**” or the “**Controlling Shareholder**”).

The Company’s shares began to list on the Main Board of the Stock Exchange on 29 November 2012 (the “**Listing**”).

The consolidated financial statements are presented in thousands of Renminbi (“**RMB’000**”), unless otherwise stated.

The annual results set out in this announcement have been extracted from the Group’s consolidated financial statements for the year ended 31 December 2023 but do not constitute those financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(i) *Compliance with HKFRS and HKCO*

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) *Historical cost convention*

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and investment properties, which are carried at fair value.

(iii) *Going concern basis*

During the year ended 31 December 2023 and up to the date of the consolidated financial statements, the Group experienced a year-on-year decline in the collection of property sales proceeds and pre-sales performance due to the downturn of the Mainland China property market. As at 31 December 2023, the Group’s current liabilities exceeded its current assets by RMB19,691,719,000. As at the same date, the Group had current borrowings amounted to RMB24,755,728,000 in aggregate, while its cash and cash equivalents amounted to RMB13,225,030,000 and restricted cash amounted to RMB6,274,884,000.

The above events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group, its available sources of financing, past performance of management and policy trend in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

1. To keep stable operation to continuously generate net cash inflows from operating activities, by
 - (i) actively improving property sales performance and enhancing collection of property sales proceeds;
 - (ii) enhancing continuous communications with major constructors and suppliers and agreeing on payment arrangements with these parties to smooth out the Group's payments to constructors and suppliers and keep the constructions of in-development property projects proceeding as scheduled;
 - (iii) enhancing the Group's advantage in commercial property business and increasing the commercial operation revenue as a supplemental source of funds for repayments of interest bearing liabilities.

2. Leveraging the relevant economic policies, to generate net cash inflows from financing activities so as to improve the ratio of the Group's current and non-current liabilities and ensure timely and full repayments of the Group's debts on open market, by
 - (i) fully leveraging the policies of the "First Arrow (第一支箭)", the "Circular on the Management of Operating Property Loans 《關於做好經營性物業貸款管理的通知》" and the real estate financing coordination mechanism ("financing white list" (融資白名單)) to increase borrowings for the Group's property development and smooth out maturities of the borrowings;
 - (ii) fully leveraging the policy of the "Second Arrow (第二支箭)" to obtain the credit enhancement supports from relevant authorities for the Group's fund raising on open market and to issue senior notes/bonds as planned to supplement the Group's liquidity;
 - (iii) fully leveraging the policy of the "Third Arrow (第三支箭)" to raise funds by issuing the first Real Estate Investment Trust ("REITs") and new shares to increase the Group's capital and to improve the Group's equity/liability structure and asset liability ratio;
 - (iv) continuously complying with financial covenants and other terms and conditions of the Group's borrowings, timely repaying principals and interests or reaching new agreements with relevant banks and other financial institutions when necessary.

The directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2023. Considering the policies of "Circular on the Management on Operation Property Loan (關於做好經營性物業貸款管理的通知)" and the "financing white list", and the Group's Wuyue Plazas as available collateral for additional borrowings, the directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) successfully improving sales performance and timely collecting the relevant sales proceeds;
- (ii) successfully negotiating with major constructors and suppliers to make mutually acceptable payment arrangements and to make the constructions of in-development property projects proceed as scheduled;

- (iii) successfully and timely obtaining funds as needed for the Group's property development and operation from banks, other financial institutions and open market through debt and equity financing by leveraging the policies of the "Three Arrows (三支箭)"; and
- (iv) continuously complying with financial covenants and other terms and conditions of the borrowings, timely repaying principals and interests or successfully negotiating with relevant banks and other financial institutions for to reach new arrangements when necessary.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

(iv) New standard, amendments and interpretation adopted by the Group in 2023

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2023:

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

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

(v) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Group.

3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (the "CODM") that are used to make strategic decisions. The board of directors has been identified as the CODM.

The Group manages its business by two operating segments, which is consistent with the way in which information is reported internally to the Group's CODM for the purpose of resources allocation and performance assessment. No operating segments have been aggregated to form the following reportable segments.

- Seazen Holdings Co., Ltd., a company listed on the Shanghai Stock Exchange (the "A share company" or "Seazen Holdings").
- Other service companies not within the A share company (the "Non-A share companies").

The A share company is mainly engaged in development of residential properties and mixed-use complexes for sale and investment, while the Non-A share companies are mainly engaged in services. All the property development projects are in the PRC, and accordingly majority of the revenue of the Group are derived from the PRC and most of the assets are located in the PRC.

The CODM assesses the performance of the operating segments based on a measure of revenue and profit before income tax. The measurement basis excludes the effects of income tax expense.

	Year ended 31 December 2023						Total Group RMB'000
	Continuing Operations			Sub-total RMB'000	Discontinued operation RMB'000	Elimination RMB'000	
	A share company RMB'000	Non-A share companies RMB'000	Elimination RMB'000				
Segment revenue	119,174,278	375,975	(86,723)	119,463,530	1,347,353	(147,163)	120,663,720
– At a point in time	107,798,845	181,111	(4,831)	107,975,125	1,347,353	(147,163)	109,175,315
– Over time	5,641,989	189,368	(40,411)	5,790,946	–	–	5,790,946
– Rental income	5,733,444	5,496	(41,481)	5,697,459	–	–	5,697,459
Segment profit before income tax expense	6,015,843	(910,401)	(85,771)	5,019,671	1,415,095	–	6,434,766
Fair value gains on investment properties	(13,087)	(35,990)	72,430	23,353	–	–	23,353
Finance income	280,974	467,370	(450,914)	297,430	648	–	298,078
Finance costs	(3,060,661)	(425,949)	450,914	(3,035,696)	(1,338)	–	(3,037,034)
Depreciation and amortisation	(296,194)	(189,938)	–	(486,132)	(151,966)	–	(638,098)
Share of results of associates	757,539	(87,969)	23,255	692,825	–	–	692,825
Share of results of joint ventures	842,939	(2,781)	–	840,158	–	–	840,158

A reconciliation to profit for the year from continuing operations is as follows:

Total segment profits from continuing operations before income tax expense after elimination	5,019,671
Income tax expense	(5,486,705)
Profit for the year from continuing operations	<u>(467,034)</u>

A reconciliation to profit for the year from discontinued operation is as follows:

Total segment profits from discontinued operation before income tax expense after elimination	1,415,095
Income tax expense	(163,489)
Profit for the year from discontinued operation	<u>1,251,606</u>
Profit for the year	<u>784,572</u>

	As at 31 December 2023				
	A share company RMB'000	Non-A share companies RMB'000	Total segment RMB'000	Elimination RMB'000	Total Group RMB'000
	Segment assets	<u>374,108,790</u>	<u>12,665,187</u>	<u>386,773,977</u>	<u>(9,685,421)</u>
Segment assets include:					
Investments in associates	12,443,958	1,623,228	14,067,186	(1,212,711)*	12,854,475
Investments in joint ventures	11,693,926	20,806	11,714,732	–	11,714,732
Additions to non-current assets (other than financial instruments and deferred tax assets)	4,578,057	80,942	4,658,999	–	4,658,999
Segment liabilities	<u>287,705,381</u>	<u>6,126,579</u>	<u>293,831,960</u>	<u>(7,252,745)</u>	<u>286,579,215</u>

* The elimination represents mainly the Non-A share companies' associate interests in companies controlled by the A share company.

	Year ended 31 December 2022				
	A share company RMB'000	Non-A share companies RMB'000	Total segment RMB'000	Elimination RMB'000	Total Group RMB'000
Segment revenue	115,456,683	1,307,941	116,764,624	(223,994)	116,540,630
– At a point in time	105,354,676	876,844	106,231,520	(3,355)	106,228,165
– Over time	4,919,774	426,175	5,345,949	(121,061)	5,224,888
– Rental income	5,182,233	4,922	5,187,155	(99,578)	5,087,577
Segment profit before income tax expense	4,494,245	(905,785)	3,588,460	106,046	3,694,506
Fair value gains on investment properties	1,062,584	949	1,063,533	391,804	1,455,337
Finance income	355,840	605,913	961,753	(573,748)	388,005
Finance costs	(3,228,718)	(1,122,907)	(4,351,625)	573,748	(3,777,877)
Depreciation and amortisation	(328,346)	(326,688)	(655,034)	–	(655,034)
Share of results of associates	370,691	149,532	520,223	(136,715)	383,508
Share of results of joint ventures	619,761	897	620,658	–	620,658

A reconciliation to profit for the year is as follows:

Total segment profits before income tax expense after elimination	3,694,506
Income tax expense	<u>(2,951,802)</u>
Profit for the year	<u>742,704</u>

	As at 31 December 2022				
	A share company RMB'000	Non-A share companies RMB'000	Total segment RMB'000	Elimination RMB'000	Total Group RMB'000
Segment assets	457,907,015	15,027,137	472,934,152	(9,460,256)	463,473,896
Segment assets include:					
Investments in associates	12,213,995	1,909,687	14,123,682	(1,290,686)*	12,832,996
Investments in joint ventures	12,934,682	23,588	12,958,270	–	12,958,270
Additions to non-current assets (other than financial instruments and deferred tax assets)	9,101,588	481,701	9,583,289	–	9,583,289
Segment liabilities	368,446,104	8,551,546	376,997,650	(6,538,095)	370,459,555

* The elimination represents mainly the Non-A share companies' associate interests in companies controlled by the A share company.

4 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables	710,778	654,252
Notes receivables	53,108	164,468
	763,886	818,720
Less: Impairment losses	(16,021)	(15,075)
Trade receivables – net	747,865	803,645
Prepayments		
– Prepaid income tax and land appreciate tax	4,547,409	7,051,447
– Prepaid value-added tax and input VAT to be deducted	7,153,663	8,945,059
– Prepaid surcharges and other taxes	344,547	430,727
– Prepayments for construction costs	308,034	191,690
– Others	784,162	1,044,955
	13,137,815	17,663,878
Other receivables		
– Receivables from government related bodies	3,656,110	4,919,080
– Due from related parties	10,565,812	12,578,225
– Receivables from joint ventures partners	1,172,837	1,608,945
– Receivables from non-controlling shareholders of subsidiaries	20,082,123	21,567,016
– Receivables from other deposits	1,021,935	1,087,771
– Others	2,631,416	2,670,695
	39,130,233	44,431,732
Less: Impairment losses	(2,086,331)	(1,381,769)
	37,043,902	43,049,963
Trade and other receivables and prepayments – net	50,929,582	61,517,486
Less: Non-current portion	(639)	(630)
Current portion	50,928,943	61,516,856

The ageing of trade receivables and notes receivables based on the date of invoice or demand note as at 31 December 2023 and 2022 are as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 year	714,098	741,073
Between 1 and 2 years	43,623	71,520
Between 2 and 3 years	6,165	6,127
	<u>763,886</u>	<u>818,720</u>

The maximum exposure to credit risk at 31 December 2023 and 2022 is the carrying value of each class of receivables mentioned above.

As at 31 December 2023 and 2022, the fair value of trade and other receivables approximate their carrying amounts.

As at 31 December 2023 and 2022, the carrying amounts of trade and other receivables and prepayments are primarily denominated in RMB.

5 SHARE CAPITAL

(a) Authorised capital

	Number of authorised shares <i>HKD share</i>
As at 1 January 2022, 31 December 2022, and 31 December 2023 (par at HKD0.001)	<u>10,000,000,000</u>

(b) Issued and fully paid shares

	Number of issued shares <i>HKD0.001 each</i>	Ordinary shares <i>RMB'000</i>
As at 31 December 2022 and 31 December 2023	<u>7,065,741,521</u>	<u>5,822</u>

6 BORROWINGS

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current, secured:		
– Loans from banks and non-bank financial institutions	35,947,092	43,652,041
– Middle term notes	3,000,000	3,000,000
– Senior notes	3,887,205	5,206,964
– Financing under securitisation arrangements	2,045,822	5,637,000
	<u>44,880,119</u>	<u>57,496,005</u>
Non-current, unsecured:		
– Loans from banks and non-bank financial institutions	2,208,817	2,483,800
– Middle term notes	2,940,000	1,800,000
– Private placement notes	–	170,000
– Corporate bonds	1,100,000	1,971,172
– Senior notes	8,139,829	10,398,787
	<u>14,388,646</u>	<u>16,823,759</u>
Less: Current portion of long-term borrowings	<u>(20,854,893)</u>	<u>(30,445,359)</u>
	<u>38,413,872</u>	<u>43,874,405</u>
Current, secured:		
– Loans from banks and non-bank financial institutions	2,299,755	3,797,224
	<u>2,299,755</u>	<u>3,797,224</u>
Current, unsecured:		
– Loans from banks and non-bank financial institutions	352,875	10,000
– Senior notes	708,270	696,460
	<u>1,061,145</u>	<u>706,460</u>
Interest payable of short-term borrowings	<u>45,711</u>	<u>98,523</u>
Current portion of long-term borrowings	<u>20,854,893</u>	<u>30,445,359</u>
Interest payable of long-term borrowings	<u>494,224</u>	<u>615,583</u>
	<u>24,755,728</u>	<u>35,663,149</u>

7 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Notes payable	1,758,865	6,104,692
Trade payables	46,702,494	44,471,953
Payables to related parties	23,804,082	25,361,592
Output VAT on contract liabilities to be transferred	9,280,293	14,429,422
Deposits for construction biddings and rental deposits	4,231,985	4,042,821
Advances from non-controlling shareholders of subsidiaries	2,831,358	3,111,370
Accrued expenses	2,493,627	2,816,927
Amounts received for potential investments in property projects	935,453	1,215,164
Value-added tax and other taxes payable	870,343	1,084,495
Accrued payroll	876,694	822,130
Payables for acquisition of subsidiaries, joint ventures and associates	125,969	137,451
Others	3,304,116	3,351,396
	97,215,279	106,949,413
Less: Non-current portion	–	–
Current portion	97,215,279	106,949,413

The ageing analysis of trade payables and notes payable based on the date of invoice or demand note as at 31 December 2023 and 2022 are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Less than 1 year	42,901,330	45,025,778
Between 1 and 2 years	5,560,029	5,550,867
	48,461,359	50,576,645

As at 31 December 2023 and 2022, the fair value of trade and other payables approximate their carrying amounts.

As at 31 December 2023 and 2022, the carrying amounts of trade and other payables are primarily denominated in RMB.

8 REVENUE

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major line:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Continuing operations		
Revenue from contract with customers recognised at a point in time		
A share company		
– Sales of properties	107,336,376	104,882,656
– Others services	462,469	472,020
Non-A share companies		
– Others services	176,280	873,489
	<u>107,975,125</u>	<u>106,228,165</u>
Revenue from contract with customers recognised over time		
A share company		
– Commercial property management services	4,865,086	3,920,751
– Others services	744,170	877,962
Non-A share companies		
– Others services	181,690	426,175
	<u>5,790,946</u>	<u>5,224,888</u>
Rental income		
A share company	5,691,963	5,082,655
Non-A share companies	5,496	4,922
	<u>5,697,459</u>	<u>5,087,577</u>
	<u>119,463,530</u>	<u>116,540,630</u>

9 EXPENSES BY NATURE

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

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Construction costs	51,716,408	53,324,267
Land use rights costs	35,054,596	30,237,176
Capitalised interest	7,679,296	7,540,702
Provision for impairment of properties held or under development for sale	5,348,186	5,957,007
Staff costs	4,670,165	5,747,187
Sales commission	2,448,001	2,260,185
Advertising and publicity costs	1,472,591	1,443,181
Tax and surcharges	1,267,759	1,432,057
Professional fees	407,485	540,485
Depreciation of property, plant and equipment	368,906	540,790
Bank charges	188,229	152,015
Travelling expenses	166,298	163,663
Amortisation of right-of-use assets and intangible assets	117,226	114,244
Entertainment expenses	97,876	116,080
Auditors' remuneration		
– annual audit of the Group	2,100	2,100
– annual audit of the A share company charged by its auditor	6,000	5,980
– non-audit services	2,270	2,300
Rental expenses of low-value and short-term leases	3,608	3,784
Other expenses	1,637,732	1,771,632
	<hr/>	<hr/>
Total cost of sales and services, selling and marketing expenses and administrative expenses	112,654,732	111,354,835
	<hr/>	<hr/>

10 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Finance costs		
– Interest on borrowings	(4,368,451)	(5,643,164)
– Significant financing component of pre-sale contracts	(428,874)	(2,908,487)
– Interest and finance charges paid/payable for lease liabilities	(50,177)	(44,950)
– Less: Interest capitalised	2,244,005	5,639,495
	<u>(2,603,497)</u>	<u>(2,957,106)</u>
– Net foreign exchange losses	<u>(432,199)</u>	<u>(820,771)</u>
Total finance costs	<u>(3,035,696)</u>	<u>(3,777,877)</u>
Finance income		
– Interest income on bank deposits	<u>297,430</u>	<u>388,005</u>
Net finance costs	<u>(2,738,266)</u>	<u>(3,389,872)</u>

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax		
– PRC land appreciation tax	1,443,826	1,378,875
– PRC corporate income tax	2,744,056	1,665,166
	<u>4,187,882</u>	<u>3,044,041</u>
Deferred income tax	<u>1,298,823</u>	<u>(92,239)</u>
Total income tax charged for the year	<u>5,486,705</u>	<u>2,951,802</u>

Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

British Virgin Islands income tax

British Virgin Islands (“BVI”) income tax under the current laws of BVI, our subsidiaries incorporated in BVI and all dividends, interest, rents, royalties, compensation and other amounts paid by such subsidiaries incorporated in the BVI to persons who are not resident in the BVI and any capital gains realised with respect to any shares, debt obligations, or other securities of such subsidiaries incorporated in the BVI by persons who are not resident in the BVI are exempt from all provisions of the Income Tax Ordinance in the BVI. In addition, upon payments of dividends by our BVI subsidiaries to us, no BVI withholding tax is imposed.

Hong Kong profits tax

Hong Kong profits tax has been provided at 16.5% as the Group has assessable profits in Hong Kong during the year (2022: 16.5%).

PRC corporate income tax

Under the Corporate Income Tax Law of the PRC (the “CIT Law”), the CIT rate applicable to the Group’s subsidiaries located in mainland China is 25%.

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. For the year ended 31 December 2023, the Group accrued for PRC withholding tax based on the tax rate of 5% on a portion of the earnings generated by its PRC entities. The Group controls the dividend policies of these subsidiaries and it has been determined that it is probable that a majority of these earnings will not be distributed in the foreseeable future.

Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures, and is included in the consolidated statement of profit or loss as income tax expense.

12 EARNINGS PER SHARE

Basic earnings per share for the year is calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2023	2022
(Loss)/profit from continuing operations attributable to equity holders of the Company (RMB'000)	(366,785)	280,673
Profit from discontinued operation attributable to equity holders of the Company (RMB'000)	<u>1,246,081</u>	<u>–</u>
	<u>879,296</u>	<u>280,673</u>
Number of ordinary shares in issue ('000)	<u>7,043,583</u>	<u>6,490,443</u>
Basic and diluted (losses)/earnings per share (RMB)		
From continuing operation	<u>(0.05)</u>	<u>0.04</u>
From discontinued operation	<u>0.17</u>	<u>–</u>
	<u>0.12</u>	<u>0.04</u>

13 DIVIDENDS

No interim dividend was declared during the year (2022: no interim dividend was declared during the year).

At a Board meeting held on 28 March 2024, the Board did not propose to declare the final dividend for the year ended 31 December 2023 (2022: nil).

14 FINANCIAL GUARANTEES

(a) Guarantees on mortgage facilities

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	33,026,298	62,295,853

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the issue of the real estate ownership certificate by government authorities to the purchaser which will generally occur within an average period of two to three years from the completion of the guarantee registration and submitted to the mortgage bank; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchasers is minimal.

(b) Corporate guarantees

There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings as at 31 December 2023 and 2022. The directors consider that the subsidiaries are able to sufficiently financially resourced to settle their obligations.

As at 31 December 2023, the Group provided guarantee with the amount of RMB3,142 million (as at 31 December 2022: RMB4,924 million) for its joint ventures and associates to obtain borrowings after assessing the credit history and pledge information of these related parties. The Group closely monitors the repayment progress of the relevant borrowings by these related parties. After considering the credit history of these related parties and the assets being pledged for the borrowings, the directors consider that the likelihood of default in payments is not material.

As of 31 December 2023, the Group provided pledge guarantee for the borrowings of such joint ventures and associates with equity held by the Group.

15 DISCONTINUED OPERATION

(i) Description

On 26 September 2023, the Group entered into the disposal agreement to dispose of the entire equity interest in a wholly-owned subsidiary named Changzhou Hengxuan Consulting Management Co., Ltd. (one of the Non-A share companies, “**Changzhou Hengxuan**”) for the consideration of RMB1,367,037,100.85 to a third party. The transaction was completed on 21 November 2023. The sale of the business operated by Changzhou Hengxuan is accounted for as discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(ii) Financial performance

The financial performance presented are for the period ended 21 November 2023 (2023 column).

	2023 <i>RMB'000</i>
Revenue	1,347,353
Cost of sales	(1,125,118)
Other expenses	(33,853)
Profit before income tax	<u>188,382</u>
Income tax expense	(26,885)
Profit after income tax of discontinued operation	<u>161,497</u>
Gain on sale after income tax	1,090,109
Profit from discontinued operation	<u>1,251,606</u>
Other comprehensive income from discontinued operation	<u>–</u>

The financial impact and related loss from discontinued operation for the year ended 31 December 2022 was not material.

(iii) Details of the sale of the subsidiary

	2023 <i>RMB'000</i>
Consideration received or receivable:	
Cash	1,367,037
Total disposal consideration	1,367,037
Carrying amount of net assets sold attributable to owners of the Company	(118,842)
Transaction cost	<u>(21,482)</u>
Gain on sale before income tax	<u>1,226,713</u>
Income tax expense on gain	<u>(136,604)</u>
Gain on sale after income tax	<u><u>1,090,109</u></u>

The carrying amounts of assets and liabilities as at the date of sale (21 November 2023) were:

	21 November 2023 <i>RMB'000</i>
Assets	
Non-current assets	
Property, plant and equipment	986,924
Other non-current assets	29,092
Current assets	
Cash and cash equivalents	50,463
Other current assets	391,607
Total assets	<u>1,458,086</u>
Liabilities	
Other current liabilities	<u>(1,309,504)</u>
Total liabilities	<u>(1,309,504)</u>
Net assets	<u><u>148,582</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Review and Prospects

In 2023, despite a complicated and tough international environment, and the challenges brought from the domestic economic transformation and recovery, the economy in the PRC still showed resilience and strong momentum for organic growth, and remained on a positive trajectory over the long run. After a rapid expansion and growth, the real estate industry experienced substantial changes in supply and demand. Against the backdrop of changes and challenges, the Group made concerted efforts to implement with determination its strategy of “dual-drive” while strengthening its core business. In 2023, in response to the government’s call for “guaranteeing house delivery and stabilizing people’s livelihood”, the Group delivered over 140,000 units of residential flat as scheduled and opened 22 Wuyue Plazas.

In 2023, the Group recorded contracted sales of approximately RMB75.983 billion and contracted area sold of approximately 9.6878 million square meters (“sq.m.”) in gross floor area (“GFA”). Seazen has been continuously refining the quality of its products, as evidenced by Changge Seazen Jinyuefu being awarded 2023 the Tien-yow Jeme Civil Engineering Award and PinYue, a residential property brand under the Group, being awarded 2023 National Top 10 Quality and Beautiful Residential Property Series¹. Amid the ups and downs of the market condition, Seazen proactively enhanced its operational efficiency, and flexibly balanced the supply with the price, adjusted the progress of the construction works and rolled out measures to reduce its property inventory, which continuously brought stable cash inflow to the Group.

As of 31 December 2023, 198 Wuyue Plazas urban complexes were either opened or under construction, and 161 were in operation nationwide, and the total commercial operating income amounted to RMB11,324 million, representing an increase by 13.2% year-on-year. As the economic environment gradually stabilized and domestic consumption steadily recovered, Wuyue Plazas’s market dominance further enhanced as an operational real estate project, which not only increased its value but also served as a driving force for regional growth.

In 2023, Seazen achieved brilliant results in terms of ESG, with MSCI ESG rating upgraded from BB to BBB. The Group actively responded to the national dual-carbon strategy that called for building ultra-low-energy residential units. The Group’s Tianjin Baodi Wuyue Plaza was awarded the first ultra-low-energy building design label certification for large commercial complexes in China in 2023, making it China’s first ultra-low-energy large commercial complex of over 100,000 sq.m..

¹ Awarded by CRIC Research Center, an authoritative research institution in the real estate industry.

Seazen always prioritizes financial safety over growth, and addressed cyclical uncertainties with strategic determination and marginal thinking. The Group has abundant operating cash flow and a healthy balance sheet. Its total debt is decreasing steadily and the debt level is being optimized, with the net debt-to-equity ratio being 47.7%. Leveraging on its safe and controllable financial structure, Seazen adheres to the bottom-line thinking in debt repayment, maintaining a zero default record in the open market, and ensuring that each debt is either prepaid or paid at its maturity.

Year 2023 marked the 30th anniversary of the establishment of Seazen. Benefiting from the opportunities bestowed brought by the fatherland and the times, and the understanding and support of the Group's stakeholders, we bravely navigated through the storms and overcame difficulties together. Looking forward, the Group will ride on the opportunities brought from the state's regional strategy, and policies on, among others, public REITs for consumer infrastructure so as to continuously enhance its core competitive edges. Our value is shown in times of adversity; our determination is shown in times of hardship. Business has its ups and downs, but Seazen will always muster its courage to face the reality and the resilience to face the future. In the new stage of development, we look forward to working hand in hand with our shareholders, customers, suppliers, employees and all sectors of the community, who have always cared about, supported and trusted the Group, to share the fruits of development in the future!

Property Development

In 2023, the Group recorded contracted sales of approximately RMB75,983 million. Contracted sales was approximately 9,687,800 sq.m. in GFA. The aggregate contracted selling price (excluding carparks sales) for the year was RMB9,737 per sq.m..

Table 1: Details of contracted sales of the Group in 2023

The following table sets out the geographic breakdown of the Group's contracted sales in 2023:

Province/Region	Contracted GFA sold (sq.m.)	Contracted sales (RMB million)
Yangtze River Delta Area		
Jiangsu Province	2,600,320	24,864
Zhejiang Province	454,711	5,455
Anhui Province	194,061	865
Shanghai City	80,287	804
Central and Western China Area		
Hubei Province	716,475	4,061
Henan Province	543,577	3,118
Chongqing City	434,471	2,724
Hunan Province	393,474	2,674
Sichuan Province	361,169	1,862
Xinjiang Uygur Autonomous Region	359,191	3,516
Yunnan Province	346,247	1,605
Jiangxi Province	233,003	2,052
Shanxi Province	200,312	915
Guizhou Province	145,908	1,042
Shaanxi Province	139,890	591
Guangxi Zhuang Autonomous Region	124,677	571
Gansu Province	37,989	317
Qinghai Province	11,976	102
Ningxia Hui Autonomous Region	11,841	13
Inner Mongolia Autonomous Region	7,904	16
Bohai Rim Area		
Shandong Province	998,486	6,273
Tianjin City	535,727	6,061
Hebei Province	171,686	1,370
Beijing City	57,978	431
Liaoning Province	29,439	28
Jilin Province	464	3
Greater Bay Area and Other Areas		
Guangdong Province	435,294	3,938
Fujian Province	61,180	712
Hainan Province	58	0.11
Total	9,687,795	75,983

Rentable and Saleable Land Resources

The geographic spread of the rentable and saleable land resources of the Group as at 31 December 2023 was as follows, among which the area for future residential sales is about 38.84 million sq.m.:

Table 2: Details of rentable and saleable land resources of the Group

Province/Region	Rentable and saleable area (sq.m.)	Accumulative contracted area by the end of 2023 (sq.m.)
Yangtze River Delta Area		
Jiangsu Province	37,365,144	27,343,909
Zhejiang Province	8,239,394	6,127,261
Anhui Province	6,270,483	4,485,806
Shanghai City	967,404	726,267
Central and Western China Area		
Hubei Province	9,138,881	5,470,719
Hunan Province	8,608,643	5,333,630
Yunnan Province	6,139,232	2,743,452
Chongqing City	5,138,890	3,062,581
Guizhou Province	5,109,132	2,215,838
Henan Province	5,044,857	3,004,993
Sichuan Province	4,073,743	2,815,501
Guangxi Zhuang Autonomous Region	2,870,327	2,071,589
Shaanxi Province	2,575,710	1,671,703
Shanxi Province	2,702,526	1,539,872
Xinjiang Uygur Autonomous Region	2,159,938	750,437
Jiangxi Province	1,882,320	924,082
Inner Mongolia Autonomous Region	1,277,609	869,220
Ningxia Hui Autonomous Region	599,832	435,603
Qinghai Province	573,892	331,801
Gansu Province	421,332	196,280
Bohai Rim Area		
Shandong Province	15,111,044	7,721,208
Tianjin City	5,880,452	3,900,590
Hebei Province	3,536,769	2,297,847
Beijing City	1,140,276	804,504
Liaoning Province	971,298	694,918
Greater Bay Area and Other Areas		
Guangdong Province	6,471,836	3,988,279
Fujian Province	1,063,315	262,782
Total	145,334,279	91,790,672

Property Investment

The Group's investment properties were mainly deduced from the 161 Wuyue Plazas in operation as at 31 December 2023.

Table 3: Details of rental and management fee income from investment properties of the Group in 2023

Province	Occupancy rate	Rental and management fee income for 2023 RMB'000	Rental and management fee income for 2022 RMB'000
Jiangsu	98.87%	3,218,292	2,999,449
Zhejiang	97.36%	1,465,220	1,446,127
Anhui	95.94%	779,560	727,649
Shaanxi	98.97%	578,968	507,419
Shandong	90.98%	599,032	482,927
Hunan	97.19%	301,964	298,558
Guangxi	95.27%	248,002	242,753
Yunnan	98.56%	316,038	265,918
Hubei	98.52%	410,802	305,200
Jiangxi	97.05%	258,958	221,302
Sichuan	91.88%	259,322	265,988
Jilin	99.00%	177,995	146,154
Hainan	100.00%	169,294	153,294
Tianjin	89.51%	226,900	197,334
Hebei	98.54%	172,787	159,046
Shanghai	92.79%	139,106	137,562
Guizhou	99.30%	109,258	96,995
Qinghai	99.59%	80,946	73,497
Inner Mongolia	89.22%	74,016	87,565
Fujian	97.80%	85,136	53,247
Liaoning	91.60%	168,441	131,219
Henan	96.93%	124,408	86,259
Ningxia	97.51%	80,989	82,187
Chongqing	89.34%	140,586	88,482
Guangdong	97.41%	109,259	60,948
Shanxi	98.60%	80,058	18,357
Gansu	100.00%	97,380	6,734
Xinjiang	99.45%	99,389	–

Notes:

1. As of 31 December 2023, the Company owned 141 Wuyue Plazas in operation and provided entrusted management services to 20 Wuyue Plazas in operation. The data of Shanghai includes the occupancy of the offices of Shanghai Seazen Holdings Tower B.
2. Rental income includes rentals, management fee, carpark, various operation and other sporadic management income.
3. The Company's total commercial operating income for 2023 was RMB11.324 billion (i.e. tax-included rental income), including: rentals, management fee, carpark, various operation and other sporadic management income from shops, office buildings and shopping centres; the Company's total commercial operating income for 2022 was RMB10.006 billion (i.e. tax-included rental income).
4. The occupancy rate represents the occupancy of the commercial property on 31 December 2023.

Property Delivery and Revenue from Sale of Properties

For the year ended 31 December 2023, revenue from sale of properties by the Group was approximately RMB107,336 million. Properties with a total GFA of approximately 13,002,807 sq.m. were delivered. Average selling price of properties delivered and recognized as sales was RMB8,255 per sq.m. in 2023.

Table 4: Details of revenue from sale of properties of the Group in 2023

Province	Revenue <i>(RMB million)</i>	GFA <i>(sq.m.)</i>	Average selling price <i>(RMB/sq.m.)</i>
Jiangsu Province	25,750	2,899,970	8,879
Zhejiang Province	11,885	936,575	12,690
Tianjin City	8,417	685,272	12,283
Shandong Province	6,924	1,067,556	6,486
Hunan Province	6,026	973,568	6,190
Anhui Province	5,174	766,994	6,746
Guangdong Province	5,114	449,107	11,386
Chongqing City	4,480	606,316	7,389
Hubei Province	4,087	640,657	6,379
Henan Province	3,641	564,727	6,448
Sichuan Province	3,342	563,144	5,934
Hebei Province	3,230	386,027	8,367
Shaanxi Province	3,224	302,060	10,673
Shanghai City	2,489	126,345	19,703
Shanxi Province	2,042	335,175	6,092
Guangxi Zhuang Autonomous Region	1,748	317,376	5,509
Gansu Province	1,674	137,253	12,197
Guizhou Province	1,398	196,671	7,111
Ningxia Hui Autonomous Region	1,395	208,985	6,675
Yunnan Province	1,351	236,148	5,722
Liaoning Province	1,306	211,947	6,164
Jiangxi Province	1,128	181,778	6,208
Fujian Province	967	80,760	11,980
Others	544	128,396	4,216
	107,336	13,002,807	8,255

As at 31 December 2023, the Group's properties pre-sold but yet to be delivered (including joint ventures and associates) amounted to a total GFA of approximately 21.70 million sq.m. with value of approximately RMB174,153 million, laying a solid foundation for a steady revenue for the Group for the year to come.

Financial Review

Revenue

The Group's revenue comprises income from sale of properties, property management, rental and other related services earned during the year. The Group's revenue increased by 2.5% from RMB116,540.6 million for the year ended 31 December 2022 to RMB119,463.5 million for the year ended 31 December 2023 due to more property delivery as compared to the corresponding period of last year.

	For the year ended	
	31 December	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
Revenue from sale of properties	107,336.4	104,882.7
Revenue from commercial property management services	4,865.1	3,920.8
Rental income	5,697.5	5,087.6
Other income	1,564.5	2,649.5
	<u>119,463.5</u>	<u>116,540.6</u>

Cost of Sales and Services

Cost of sales and services consists primarily of the costs the Group incurred directly in relation to property development activities, leasing and property management and other businesses. Cost of sales and services includes construction costs, land use rights costs, tax and surcharges, capitalized interest and other business costs. The Group's cost of sales and services for the year ended 31 December 2023 amounted to approximately RMB103,295.5 million.

The following table sets forth information relating to the Group's cost of sales for the years indicated:

Table 5: Details of the Group's cost of sales and services

Details of the Group's cost of sales and services	For the year ended 31 December		Year-on-year change compared to
	2023 RMB'000	2022 RMB'000	2022 %
Land use rights costs	35,054,596	30,237,176	16
Construction costs	51,716,408	53,324,267	-3
Capitalised interest	7,679,296	7,540,702	2
Tax and surcharges	1,267,759	1,432,057	-11
Provision for impairment of properties held or under development for sale	5,348,186	5,957,007	-10
Other expenses	2,229,298	2,110,613	6
Total	103,295,543	100,601,822	3
Total GFA delivered (sq.m.)	13,002,807	13,197,155	-1
Average cost per sq.m. sold (RMB) (Note)	7,264	6,903	5
Average selling price per sq.m. sold (RMB)	8,255	7,947	4
Average cost as percentage of average selling price	87.99%	86.86%	1

Note: Average cost per sq.m. sold refers to the average cost of the Group's property sales (excluding the Group's leasing and property management operations, etc.) and is derived by dividing the sum of land use rights costs, construction costs and capitalized interest by the total GFA delivered in that year.

The Group makes provision for impairment based on the difference between the cost of properties held or under development for sale and its net realisable value. Net realisable value is based on estimated selling price in the ordinary course of business as determined with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs. The Group's provision for impairment of properties held or under development for sale was RMB5,348.2 million, representing a decrease of RMB608.8 million from the previous year.

Gross Profit

The Group recorded a gross profit of approximately RMB16,168.0 million with a gross profit margin of 13.5% for the year ended 31 December 2023.

Fair Value Gains on Investment Properties

The Group develops and holds certain of its commercial properties such as shopping malls and carparks for rental income or capital appreciation. The Group's investment properties are appraised annually by an independent property valuer. Any appreciation or depreciation in the Group's investment property value is recognized as fair value gains or losses in the Group's consolidated statements of income. Due to the increase in the overall capital value, valuation gains on investment properties was approximately RMB23.4 million before tax for the year ended 31 December 2023.

Other Gains – Net

Net other gain amounted to approximately RMB439.3 million, mainly derived from the gain on the disposal of assets.

Selling and Marketing Costs

Selling and marketing costs decreased by 6.3%, to approximately RMB5,209.3 million for the year ended 31 December 2023 from approximately RMB5,558.8 million for the year ended 31 December 2022, which was primarily attributable to the decrease in office expenses.

Administrative Expenses

Administrative expenses decreased by 20.1% from approximately RMB5,194.2 million for the year ended 31 December 2022 to approximately RMB4,149.8 million for the year ended 31 December 2023, mainly because of efforts to save expenses.

Finance Costs – Net

The Group's finance costs primarily consists of interest expenses on bank loans, senior notes and corporate bonds less capitalized interest, and foreign exchange losses and gains. Interest on borrowings relating to project development is capitalized to the extent that it is directly attributable to a particular project and used to finance the development of that project. For the year ended 31 December 2023, net finance costs of the Group amounted to approximately RMB2,738.3 million, representing a decrease of approximately RMB651.6 million from the previous year, which was mainly due to the decrease in interests on borrowing and foreign exchange losses.

Income Tax Expense

The Group's income tax expense includes provisions made for land appreciation tax, PRC corporate income tax and deferred income tax during the year. For the year ended 31 December 2023, the Group recorded an income tax expense of approximately RMB5,486.7 million.

Profit for the Year

Net profit attributable to equity holders of the Company amounted to approximately RMB879.3 million for the year ended 31 December 2023, of which the net profit from discontinued operations attributable to the equity holders of the Company amounted to approximately RMB1,246.1 million.

Core earnings attributable to equity holders of the Company* amounted to approximately RMB157.7 million for the year ended 31 December 2023. Core earnings is a non-HKFRS measure for facilitating the evaluation of financial performance of the Group's core operations. Such non-HKFRS measure may be defined differently from similar terms used by other companies.

Liquidity, Financial and Capital Resources

Cash position

The Group's cash at bank and on hand is as follows:

	As at 31 December	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
Cash at bank and on hand (including restricted cash)	19,499.9	32,453.3
Cash and cash equivalents	13,225.0	22,435.4

* Core earnings equal to net profit less after-tax fair value gains or losses on investment properties and financial assets, and unrealized foreign exchange gains or losses relating to borrowings and financial assets and gain or loss after tax on the disposal of subsidiaries.

Borrowings and charges on the Group's assets

The Group's outstanding current and non-current borrowings amounted to RMB63,169.6 million, of which interest payable was RMB539.9 million. The maturity groupings of the borrowings are as follows:

Borrowing terms	As at 31 December	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
Within 1 year	24,755.7	35,663.1
Over 1 year but within 2 years	14,199.4	19,072.0
Over 2 years but within 5 years	13,985.2	16,532.0
Over 5 years	10,229.3	8,270.5
	<u>63,169.6</u>	<u>79,537.6</u>

As at 31 December 2023, the Group's bank loans were approximately RMB34,326.3 million. Bank loans include credit loans and guaranteed borrowings. Guaranteed borrowings were secured by one or a combination of the following methods: land use rights, properties under development, investment properties, property, plant and equipment, shares of the Company's subsidiaries, financial assets, bank deposits and/or guarantees by the Company's subsidiaries. The Group's bank borrowings are from major commercial banks, all of which are independent third parties.

The proportion of the Group's long-term borrowings in the total borrowings reached 60.8% as at 31 December 2023, ensuring the healthy and stable cash flow of the Group in the future. The Directors believed that the constant optimization of the Group's debt level and financial structure had laid a solid foundation for the Group to withstand market volatility and diminish financial risks.

The weighted average interest rate for the Group's bank borrowings, senior notes and corporate bonds, etc. as at 31 December 2023 was 6.15%.

Net debt-to-equity ratio

As at 31 December 2023, the Group's net debt-to-equity ratio was 47.7%. Net debt-to-equity ratio is calculated by dividing net debt at the end of the period by total equity and multiplying by 100%. Net debt is calculated as total borrowings less interest payable, cash and cash equivalents, restricted cash.

Other fund raising activities and use of proceeds

(i) Use of net proceeds from the Rights Issue

On 2 December 2021, the Company proposed the rights issue on the basis of one (1) rights share for every twenty-one (21) existing shares held on 4 January 2022, being the record date, at the subscription price of HKD5.30 per rights share on a non-underwritten basis (the “**Rights Issue**”). For details of the Rights Issue and the resulting adjustments relating to the share options of the Company, please refer to the announcements of the Company dated 2 December 2021, 10 January 2022 and 26 January 2022, respectively, and the Rights Issue prospectus of the Company dated 5 January 2022 (the “**Rights Issue Prospectus**”).

The Rights Issue was completed on 27 January 2022, and 295,715,521 rights shares in total were allotted and issued by the Company to the Qualifying Shareholders (as defined in the Rights Issue Prospectus). The net proceeds raised from the Rights Issue were approximately HKD1,559.79 million. As at 31 December 2023, the intended and actual use of proceeds from the Rights Issue are set out as follows:

Intended use of proceeds as disclosed in the Rights Issue Prospectus	Amount of intended use of net proceeds as disclosed in the Rights Issue Prospectus	Actual used amount of net proceeds	Utilised net proceeds during the Reporting Period	Balance of unused net proceeds	Expected timeline for the intended use (Note 1)
Acquisition of lands in Sichuan Province and Hubei Province	Approximately HKD935.87 million	–	–	Approximately HKD935.87 million	On or before 31 December 2024 (Note 2)
Repayment of a syndicated loan	Approximately HKD623.92 million	Approximately HKD623.92 million	Approximately HKD623.92 million	–	Fully utilised
Total	Approximately HKD1,559.79 million	Approximately HKD623.92 million	Approximately HKD623.92 million	Approximately HKD935.87 million	–

Notes:

- The expected timeline for using the unutilised net proceeds is based on the best estimation of the present and future business market situations made by the Board, and it will be subject to changes based on the future development of market conditions.
- As disclosed in the Rights Issue Prospectus, the Company intended to apply approximately RMB935.87 million raised from the Rights Issue for acquisition of lands which can potentially be developed into commercial complexes in Sichuan Province and Hubei Province. However, as disclosed in the 2022 annual report of the Company, due to the subdued sentiment of the land market and the overall economic downturn in the PRC during the year ended 31 December 2022, the relevant business plan was delayed to allow more time for the management to assess the conditions of the land market. As disclosed in the 2022 annual report of the Company, based on the estimation of the Directors and subject to future conditions of the land market, the Directors expected to postpone the completion of the acquisition plan to the end of 2024.

(ii) *Use of net proceeds from the Placing of Existing Shares and Top-up Subscription of New Shares under General Mandate*

On 10 December 2022, Wealth Zone Hong Kong Investments Limited (“**Wealth Zone Hong Kong**”), the Company, Citigroup Global Markets Limited (“**Citi**”) and Haitong International Securities Company Limited (“**Haitong**”, together with Citi, the “**Placing Agents**”) entered into the placing and subscription agreement (the “**Placing and Subscription Agreement**”), pursuant to which: (a) Wealth Zone Hong Kong agreed to appoint the Placing Agents as agents, and the Placing Agents agreed to procure, on a several (and not joint or joint and several) and best effort basis, not less than six purchasers to purchase the 560,000,000 existing Shares (the “**Sale Shares**”) at the placing price (the “**Placing Price**”) of HKD3.50 per share; and (b) Wealth Zone Hong Kong agreed to subscribe for, and the Company agreed to allot and issue to Wealth Zone Hong Kong, the new Shares (which shall be the same number as the number of the Sale Shares actually sold by Wealth Zone Hong Kong pursuant to the Placing and Subscription Agreement) (the “**Subscription Shares**”) at the subscription price of HKD3.50 per share (which is the same as the Placing Price).

The completion of the placing of the Sale Shares took place on 14 December 2022 (the “**Placing**”), and the Company allotted and issued 560,000,000 Subscription Shares to Wealth Zone Hong Kong on 19 December 2022 (the “**Subscription**”) under the general mandate granted to the Directors pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 June 2022. The Company received total net proceeds from the Subscription of approximately HKD1,943 million. The Company intends to apply the net proceeds from the Subscription for the repayment of the Company’s offshore debts when they fall due in the future and as general working capital of the Group. For further details, please refer to the announcements of the Company dated 12 December 2022 and 19 December 2022, respectively.

As at 31 December 2023, the intended and actual use of proceeds from the Placing and Subscription are set out as follows:

Intended use of proceeds	Amount of intended use of net proceeds	Actual used amount of net proceeds	Utilised net proceeds during the Reporting Period	Balance of unused net proceeds	Expected timeline for the intended use (Note 1)
Repayment of offshore debts	Approximately HKD1,570 million	Approximately HKD1,570 million	Approximately HKD1,570 million	–	Fully utilised
General working capital	Approximately HKD373 million	Approximately HKD373 million	Approximately HKD373 million	–	Fully utilised
Total	Approximately HKD1,943 million	Approximately HKD1,943 million	Approximately HKD1,943 million	–	–

Contingent Liabilities

Pursuant to the mortgage contracts, banks require the Group to guarantee its purchasers' mortgage loans. The Group's guarantee period typically starts from the date of the grant of the mortgage. Guarantees for mortgages on pre-sold residential properties are generally discharged at the earlier of: (i) the issue of the real estate ownership certificate by government authorities to the purchasers; or (ii) the satisfaction of mortgage loans by the purchasers of the properties. The Group has provided guarantees to financial institutions for mortgage loan facilities granted to purchasers of the Group's properties.

As at 31 December 2023, the Group's contingent liabilities in respect of the guarantees given to the financial institutions for mortgage loan facilities granted to purchasers of the Group's properties amounted to approximately RMB33,026.3 million (as at 31 December 2022: approximately RMB62,295.9 million).

As at 31 December 2023, there were certain corporate guarantees provided by the Company's subsidiaries for each other in respect of borrowings. The Directors considered that the Company's subsidiaries are sufficiently and financially resourceful to settle their obligations.

As of 31 December 2023, the Group provided pledge guarantee for the borrowings of such joint ventures and associates with equity held by the Group.

As at 31 December 2023, the Group provided guarantee with the amount of RMB3,142.0 million (as at 31 December 2022: RMB4,924.4 million) to its joint ventures and associates.

Save as those disclosed in this announcement, the Group had no other material contingent liabilities as at 31 December 2023.

Foreign Exchange Risks

As at 31 December 2023, the cash balances held by the Group are as follows:

Cash balances	As at 31 December	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
Denominated in RMB	19,385.3	31,400.2
Denominated in HKD	16.9	1,019.7
Denominated in USD	97.7	33.4
	<u>19,499.9</u>	<u>32,453.3</u>

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in Renminbi. The Group is exposed to foreign currency risk arising from the exposure of U.S. dollars and Hong Kong dollars against Renminbi as a result of certain cash balances and the settlement of certain general and administrative expenses and other loans in U.S. dollars or Hong Kong dollars.

As a result of the issuance of senior notes, the Group became exposed to foreign exchange risk arising from the exposure of Renminbi against U.S. dollars. Each of the Directors has closely monitored the scale of assets and liabilities in foreign currencies to minimize the foreign exchange risks.

In addition, Renminbi is not freely convertible into foreign currencies and the conversion of Renminbi into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC government.

Material Acquisition and Disposal

On 26 September 2023, PAGAC IV Holding II (HK) Limited (as the Purchaser), Hong Kong Hengyi Development Limited (香港恒逸發展有限公司) (an indirect wholly-owned subsidiary of the Company, as the Vendor), Changzhou Hengxuan Consulting Management Co., Ltd.* (常州恒軒諮詢管理有限公司) (being the Target Company) and Shanghai Xingyi Cinema Management Co., Ltd.* (上海星軼影院管理有限公司) (the subsidiary of the Target Company) (“**Shanghai Xingyi**”) entered into the disposal agreement, pursuant to which (1) the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire the entire equity interest in the Target Company for the consideration of RMB1,367,037,100.85 (subject to an additional RMB100,000,000 payment in certain conditions); and (2) the Vendor conditionally agreed to procure the Target Company to, and the Target Company has conditionally agreed to, repay the shareholder’s loan in the amount of RMB856,362,899.15 to Changzhou Wealthzone Development Co., Ltd.* (富域發展集團有限公司) (a wholly-owned subsidiary of the Company). For further details, please refer to the announcement of the Company dated 26 September 2023.

Save as disclosed above, the Group did not have any material acquisition or disposal of subsidiaries, associates or assets during the year ended 31 December 2023.

Future Plans for Material Investment or Capital Assets

The Directors confirmed that as at the date of this announcement, there are no current plans to acquire any material investment or capital assets other than in the Group’s ordinary business of property development.

Employees and Compensation Policy

As at 31 December 2023, the Group had 22,361 full-time employees in the PRC and Hong Kong, 21,917 of which worked in the property development operations and management of commercial complexes and 444 were engaged in other operations.

The Group determines the remuneration packages of all employees (including the Directors) based on their performance, work experience and the prevailing market wage level, and provides promotional opportunities for them with reference to their individual strengths and potentials. The remuneration package of the employees consists of basic salary, cash bonus and share-based payments. The Group has established a performance appraisal system so as to evaluate the performance of its employees on an annual basis and use the evaluation results to determine their salary increment or promotion accordingly.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) is to be held on Friday, 28 June 2024 and the notice of AGM is expected to be published and dispatched to the shareholders of the Company (the “**Shareholders**”) on or about Thursday, 6 June 2024.

FINAL DIVIDEND

The Board does not recommend the declaration or payment of a final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: nil).

CLOSURE OF THE REGISTER OF MEMBERS

To determine the identity of Shareholders who are entitled to attend and vote at the AGM

Latest date for lodging transfer:	4:30 p.m. on Monday, 24 June 2024
Period of closure of register:	Tuesday, 25 June 2024 to Friday, 28 June 2024, both days inclusive

In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than the corresponding latest date for registration.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 (formerly known as Appendix 14) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own code of corporate governance.

Pursuant to code provision B.2.4(b) of the CG Code, if all the independent non-executive Directors have served on the Board for more than nine years, a new independent non-executive Director should be appointed at the forthcoming annual general meeting of the Company. As at the date of this announcement, all independent non-executive Directors have served on the Board for more than nine years. In this connection, the Company is in the course of seeking a suitable candidate and expects a new independent non-executive Director will be appointed at the forthcoming AGM to satisfy the code provision.

Save as disclosed above, the Company has complied with all applicable code provisions set out in Part 2 of Appendix C1 (formerly known as Appendix 14) of the Listing Rules throughout the year ended 31 December 2023. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he has complied with the Model Code during the year ended 31 December 2023.

During the year ended 31 December 2023, the Company has also adopted its own code of conduct regarding employees’ securities transactions on terms no less exacting than the standards set out in the Model Code for compliance by its relevant employees who are likely to be in possession of inside information of the Company in respect of their dealings in the Company’s securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2023.

MATERIAL EVENTS DURING THE REPORTING PERIOD

On 16 February 2023, Mr. Qu Dejun resigned as the vice-chairman of the Board, a non-executive Director and a member of the environmental, social and governance committee due to his inability to perform his duties. For details of his resignation, please refer to the announcements of the Company dated 10 February 2023 and 16 February 2023, respectively.

On 29 March 2023, the proposal for the non-public issuance of A shares (the “**Proposal**”) was approved at the extraordinary general meeting of Seazen Holdings, pursuant to which Seazen Holdings will issue not more than 676,686,800 A shares. On 26 September 2023, the board of Seazen Holdings resolved to adjust the terms of the Proposal, pursuant to which the proposed number of A shares to be issued by Seazen Holdings under the Proposal was adjusted to not more than 451,124,500 A shares (being not more than 20% of the issued shares of Seazen Holdings prior to the issuance), and as a result the expected amount of net proceeds to be raised was adjusted to not more than RMB4.5 billion.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events as at the end of the Reporting Period and up to the date of this announcement.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report from the independent auditor of the Group on the consolidated financial statements of the Group for the year ended 31 December 2023.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which states that during the year ended 31 December 2023 and up to the date of the consolidated financial statements, the Group experienced a year-on-year decline in the collection of property sales proceeds and pre-sales performance due to the downturn of the Mainland China property market. As at 31 December 2023, the Group’s current liabilities exceeded its current assets by RMB19,691,719,000. As at the same date, the Group had current borrowings amounted to RMB24,755,728,000 in aggregate, while its cash and cash equivalents amounted to RMB13,225,030,000 and restricted cash amounted to RMB6,274,884,000. These events and conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Company, comprising all the independent non-executive Directors, together with the management and the external auditor, has reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2023.

The financial information contained in this announcement is based on the audited consolidated financial statements of the Group for the year ended 31 December 2023. Such information was extracted from the financial statements agreed with the auditors of the Company.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2023 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.seazengroup.com.cn), and the 2023 annual report containing all the information required under the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

PROPOSED AMENDMENTS TO THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposed to amend the existing third amended and restated memorandum and articles of association of the Company (the “**Existing Memorandum and Articles of Association**”) for the purposes of, among others, (i) updating and bringing the Existing Memorandum and Articles of Association in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect from 31 December 2023 and (ii) incorporating certain housekeeping changes (the “**Proposed Amendments**”). Accordingly, the Board proposed to adopt the fourth amended and restated memorandum and articles of association which consolidates the Proposed Amendments in substitution for, and to the exclusion of, the Existing Memorandum and Articles of Association in its entirety (the “**New Memorandum and Articles of Association**”).

The Proposed Amendments and the adoption of the New Memorandum and Articles of Association are subject to the approval of the Shareholders by way of a special resolution at the forthcoming AGM and will become effective upon the approval by the Shareholders at the AGM.

A circular containing, among others, details of the aforesaid Proposed Amendments, together with a notice convening the AGM, will be despatched to the Shareholders in due course.

By order of the Board
Seazen Group Limited
Wang Xiaosong
Chairman

The PRC, 28 March 2024

As at the date of this announcement, the Directors are Mr. Lv Xiaoping and Mr. Lu Zhongming as executive Directors, Mr. Wang Xiaosong and Mr. Zhang Shengman as non-executive Directors, and Mr. Chen Huakang, Mr. Zhu Zengjin and Mr. Zhong Wei as independent non-executive Directors.

* *Denotes English translation of the name of a Chinese company or entity is provided for identification purpose only.*