嘉華國際集團有限公司
K. WAH INTERNATIONAL HOLDINGS LIMITED
於百慕達註冊成立之有限公司 Incorporated in Bermuda with limited liability

(Stock Code: 00173)

Delivering Value with Distinctive Quality

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

ANNUAL RESULTS HIGHLIGHTS

The Board of Directors ("***Board***") of K. Wah International Holdings Limited ("***Company***") is pleased to announce the consolidated annual results of the Company and its subsidiaries (together the "***Group***") as follows:

- Underlying profit increased by 12% to HK$3,542 million while profit attributable to equity holders was HK$3,268 million.
- Revenue of the Group increased by 10% to HK$11,732 million.
- Earnings per share was 104.55 HK cents and the full year dividend per share (including final dividend per share of 14 HK cents) was 21 HK cents, an increase of 5%.
- Net asset value per share increased to HK$13.9.
- Attributable contracted sales of the Group amounted to approximately HK$11.5 billion for the year ended 31 December 2020.
- As of 31 December 2020, attributable contracted sales of the Group yet to be recognised amounted to approximately HK$10.5 billion.
- The Group acquired a land site for residential development in Hong Kong via a joint venture and another land site for comprehensive development in Nanjing, Mainland China on its own. The Group, with its financial resources, will continue to assess any business opportunities arising to replenish its landbank, on a disciplined and selective manner, in Hong Kong, The Pearl River and Yangtze River Deltas.

CONSOLIDATED PROFIT AND LOSS STATEMENT
For the year ended 31 December 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Revenue	3	**11,732,483**	10,651,931
Cost of sales		**(5,739,266)**	(5,047,714)
Gross profit		**5,993,217**	5,604,217
Other operating income		**337,824**	372,657
Other net (losses)/gains		**(35,051)**	18,273
Change in fair value of investment properties		**(310,009)**	35,147
Fair value gain on transfer of development properties to investment properties		**-**	3,188
Other operating expenses		**(628,984)**	(477,181)
Administrative expenses		**(525,717)**	(507,978)
Finance costs	4	**(31,583)**	(10,958)
Share of profits of joint ventures		**67,634**	231,712
Share of (losses)/profits of associated companies		**(7,007)**	30,323
Profit before taxation	5	**4,860,324**	5,299,400
Taxation charge	6	**(1,564,805)**	(2,063,286)
Profit for the year		**3,295,519**	3,236,114
Attributable to:			
Equity holders of the Company		**3,268,439**	3,149,738
Non-controlling interests		**27,080**	86,376
		3,295,519	3,236,114

		HK cents	*HK cents*
Earnings per share	7		
Basic		**104.55**	100.79
Diluted		**104.50**	100.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Profit for the year	**3,295,519**	3,236,114
Other comprehensive income:		
Item that will not be reclassified to profit and loss:		
Change in fair value of financial assets at fair value through other comprehensive income	**463,080**	1,234,878
Item that may be reclassified to profit and loss:		
Exchange differences arising from translation	**1,682,583**	(553,386)
Other comprehensive income for the year	**2,145,663**	681,492
Total comprehensive income for the year	**5,441,182**	3,917,606
Total comprehensive income attributable to:		
Equity holders of the Company	**5,336,562**	3,861,769
Non-controlling interests	**104,620**	55,837
	5,441,182	3,917,606

CONSOLIDATED BALANCE SHEET
As at 31 December 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**372,123**	377,281
Investment properties		**15,654,409**	15,140,988
Right-of-use assets		**19,989**	22,486
Joint ventures		**10,412,941**	10,615,223
Associated companies		**3,098,300**	2,192,007
Financial assets at fair value through other comprehensive income		**9,789,664**	9,326,584
Deferred taxation assets		**178,646**	119,465
Derivative financial instruments		**-**	4,334
Other non-current assets		**1,126,760**	583,312
		40,652,832	38,381,680
Current assets			
Development properties		**26,758,389**	28,269,442
Inventories		**2,201**	1,658
Amount due from a joint venture		**123,752**	157,817
Amounts due from associated companies		**-**	15,707
Debtors and prepayments	9	**601,721**	575,445
Land and tender deposits	10	**3,459,007**	50,000
Derivative financial instruments		**3,971**	-
Financial assets at fair value through profit or loss		**1,971,876**	1,312,704
Taxes recoverable		**506,839**	351,508
Cash and bank deposits		**7,673,477**	5,443,079
		41,101,233	36,177,360
Total assets		**81,754,065**	74,559,040
EQUITY			
Share capital		**312,697**	312,517
Reserves		**43,264,074**	38,573,520
Shareholders' funds		**43,576,771**	38,886,037
Non-controlling interests		**1,248,191**	1,231,899
Total equity		**44,824,962**	40,117,936
LIABILITIES			
Non-current liabilities			
Borrowings		**19,525,695**	15,170,602
Guaranteed notes		**-**	1,001,208
Derivative financial instruments		**97,837**	-
Lease liabilities		**3,912**	7,033
Deferred taxation liabilities		**2,724,238**	2,526,798
		22,351,682	18,705,641
Current liabilities			
Amounts due to joint ventures		**650,102**	1,260,655
Amounts due to associated companies		**143,715**	80,099
Creditors, accruals and other liabilities	11	**1,558,864**	1,412,838
Pre-sales deposits		**3,756,539**	5,944,004
Current portion of borrowings		**4,513,818**	4,269,151
Guaranteed notes		**1,002,354**	-
Taxes payable		**2,952,029**	2,768,716
		14,577,421	15,735,463
Total liabilities		**36,929,103**	34,441,104
Total equity and liabilities		**81,754,065**	74,559,040
Net current assets		**26,523,812**	20,441,897
Total assets less current liabilities		**67,176,644**	58,823,577

NOTES

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("***HKFRSs***") issued by the Hong Kong Institute of Certified Public Accountants under the historical cost convention as modified by the revaluation of investment properties, certain financial assets (including financial assets at fair value through other comprehensive income, derivative financial instruments and financial assets at fair value through profit or loss), which are carried at fair values.

The existing and potential impacts arising from the global COVID-19 pandemic have been considered in the preparation of the consolidated financial statements. The Group has based its assumptions and estimates on circumstances and conditions available when the consolidated financial statements were prepared. Given the uncertainty of macro conditions, actual results may differ significantly from those assumptions and estimates. The Group will remain alert and cautious on the ongoing development of COVID-19 that may cause further volatility and uncertainty in the global financial market and economy, and will take necessary measures to address the impact arising therefrom.

The accounting policies and methods of computation used in the preparation of the consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 December 2019, except as stated below.

The adoption of amendments to standards and framework

In 2020, the Group adopted the following amendments to standards and framework, which are relevant to its operations.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendment)	Definition of a Business
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The above amendments to standards and framework did not have significant impact on the Group's accounting policies and did not require retrospective adjustments.

New standard, amendments and improvements to standards that are not yet effective

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022

The Group will adopt the above new standard, amendments and improvements to standards as and when they become effective. The Group has performed a preliminary assessment of the likely impact and anticipates that the application of the new standard, amendments and improvements to standards will have no material impact on the results and the financial position of the Group. The Group will continue to assess the impact in more details.

2. Segment information

The Group is principally engaged in property development and investment in Hong Kong and Mainland China. In accordance with the internal financial reporting of the Group provided to the chief operating decision-maker for the purposes of allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are property development and property investment. The Group regards the Board as the chief operating decision-maker.

The results of the operating segments represent the adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). Certain items include other operating income/expenses, other net losses/gains, change in fair value of investment properties and fair value gain on transfer of development properties to investment properties. The adjusted EBITDA excludes the share of results of joint ventures and associated companies. There are no sales or trading transactions between the operating segments. Others represent corporate level activities including central treasury management, hotel operation and administrative function.

Segment assets represent total assets excluding joint ventures, associated companies and other assets. Other assets mainly include financial assets at fair value through other comprehensive income, hotel building, inventories and other non-operating assets held by the corporate office.

	Property development		**Property investment**	**Others**	**Total**
	Hong Kong *HK$'000*	**Mainland China** *HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2020					
Revenue from contracts with customers					
- Recognised at a point in time	**8,109,785**	**2,992,105**	**-**	**-**	**11,101,890**
- Recognised over time	**-**	**-**	**-**	**70,366**	**70,366**
Revenue from other sources					
- Rental income	**-**	**-**	**560,227**	**-**	**560,227**
Revenue	**8,109,785**	**2,992,105**	**560,227**	**70,366**	**11,732,483**
Adjusted EBITDA	**3,699,672**	**1,608,518**	**440,473**	**(250,926)**	**5,497,737**
Other income and expenses/losses, net					**(326,211)**
Depreciation and amortisation					**(30,237)**
Change in fair value of investment properties			**(310,009)**		**(310,009)**
Finance costs					**(31,583)**
Share of profits of joint ventures	**34,582**	**33,052**			**67,634**
Share of losses of associated companies	**(3,091)**	**(3,916)**			**(7,007)**
Profit before taxation					**4,860,324**
Taxation charge					**(1,564,805)**
Profit for the year					**3,295,519**
As at 31 December 2020					
Segment assets	**14,256,743**	**27,421,051**	**16,211,050**	**-**	**57,888,844**
Other assets	**-**	**-**	**-**	**10,230,228**	**10,230,228**
Joint ventures	**9,468,521**	**1,068,172**	**-**	**-**	**10,536,693**
Associated companies	**3,098,300**	**-**	**-**	**-**	**3,098,300**
Total assets	**26,823,564**	**28,489,223**	**16,211,050**	**10,230,228**	**81,754,065**
Total liabilities	**16,389,529**	**16,998,310**	**3,391,612**	**149,652**	**36,929,103**

2. Segment information (Cont'd)

	Property development		Property investment	Others	Total
	Hong Kong *HK$'000*	Mainland China *HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2019					
Revenue from contracts with customers					
- Recognised at a point in time	3,372,311	6,585,084	-	-	9,957,395
- Recognised over time	-	-	-	112,425	112,425
Revenue from other sources					
- Rental income	-	-	582,111	-	582,111
Revenue	3,372,311	6,585,084	582,111	112,425	10,651,931
Adjusted EBITDA	1,745,546	3,165,491	431,179	(216,136)	5,126,080
Other income and expenses/gains, net					(86,251)
Depreciation and amortisation					(29,841)
Change in fair value of investment properties			35,147		35,147
Fair value gain on transfer of development properties to investment properties			3,188		3,188
Finance costs					(10,958)
Share of profits of joint ventures	87,936	143,776			231,712
Share of profits/(losses) of associated companies	46,341	(16,018)			30,323
Profit before taxation					5,299,400
Taxation charge					(2,063,286)
Profit for the year					3,236,114
As at 31 December 2019					
Segment assets	16,143,109	19,441,706	15,646,003	-	51,230,818
Other assets	-	-	-	10,347,468	10,347,468
Joint ventures	9,618,310	1,154,730	-	-	10,773,040
Associated companies	2,201,251	6,463	-	-	2,207,714
Total assets	27,962,670	20,602,899	15,646,003	10,347,468	74,559,040
Total liabilities	18,001,093	13,219,257	3,168,488	52,266	34,441,104
Year ended 31 December 2020					
Additions to non-current assets	**1,813**	**3,533**	**35,456**	**1,288**	**42,090**
Year ended 31 December 2019					
Additions to non-current assets	-	16,002	292,278	1,887	310,167

2. **Segment information (Cont'd)**

Geographical segment information

The Group operates in two (2019: two) main geographical areas: Hong Kong and Mainland China.

The revenue for the years ended 31 December 2020 and 2019 and total non-current assets (other than joint ventures, associated companies, financial assets at fair value through other comprehensive income, deferred taxation assets, derivative financial instruments and other non-current assets) as at 31 December 2020 and 2019 by geographical area are as follows:

Revenue

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**8,173,931**	3,442,503
Mainland China	**3,558,552**	7,209,428
	11,732,483	10,651,931

Non-current assets

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**2,719,619**	2,916,034
Mainland China	**13,326,717**	12,624,526
Other	**185**	195
	16,046,521	15,540,755

3. **Revenue**

	2020	2019
	HK$'000	*HK$'000*
Sale of properties	**11,101,890**	9,957,395
Rental income	**560,227**	582,111
Hotel operations	**70,366**	112,425
	11,732,483	10,651,931

4. **Finance costs**

	2020	2019
	HK$'000	*HK$'000*
Interest expenses		
Bank loans, guaranteed notes, overdrafts and others	**344,409**	563,117
Lease liabilities	**502**	652
	344,911	563,769
Capitalised as cost of properties under development	**(313,328)**	(552,811)
	31,583	10,958

5. Profit before taxation

	2020	2019
	HK$'000	*HK$'000*
Profit before taxation is stated after crediting:		
Interest income from banks	**89,483**	104,868
Dividend income from financial assets at fair value through other comprehensive income	**73,118**	147,860
Net gain on settlement of derivative financial instruments	**-**	1,395
Net fair value gains on derivative financial instruments	**-**	4,334
Net fair value gains on financial assets at fair value through profit or loss	**31,179**	28,723
Net exchange gains	**46,189**	-
and after charging:		
Cost of properties sold	**5,625,283**	4,909,746
Cost of inventories consumed/sold	**12,201**	19,677
Selling and marketing expenses	**491,775**	387,512
Depreciation for property, plant and equipment (net of capitalisation)	**26,503**	25,985
Depreciation for right-of-use assets	**3,734**	3,856
Lease expenses	**6,047**	5,809
Loss on disposal of property, plant and equipment	**116**	340
Net loss on settlement of derivative financial instruments	**14,103**	-
Net fair value losses on derivative financial instruments	**98,200**	-
Net exchange losses	**-**	15,839

6. Taxation charge

	2020	2019
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**499,254**	264,881
Mainland China		
- Income tax	**434,992**	613,316
- Land appreciation tax	**629,109**	1,074,364
Over-provision in previous years	**(303)**	(826)
Deferred	**1,753**	111,551
	1,564,805	2,063,286

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year after setting off available tax losses brought forward. Taxation assessable on profits generated for the year in Mainland China has been provided at the rate of 25% (2019: 25%). There is no income tax provided on other comprehensive income.

Land appreciation tax in Mainland China is normally provided at statutory progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, and is included in the profit and loss statement as taxation charge.

7. Earnings per share

The calculation of basic and diluted earnings per share for the year is based on the following:

	2020	2019
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**3,268,439**	3,149,738

	Number of shares	
	2020	2019
Weighted average number of shares for calculating basic earnings per share	**3,126,191,282**	3,125,041,282
Effect of dilutive potential ordinary shares - Share options	**1,465,333**	3,757,855
Weighted average number of shares for calculating diluted earnings per share	**3,127,656,615**	3,128,799,137

8. Dividends

	2020	2019
	HK$'000	*HK$'000*
Interim cash dividend of 7 HK cents (2019: 6 HK cents) per share	**218,888**	187,511
Proposed final cash dividend of 14 HK cents (2019: 14 HK cents) per share	**437,776**	437,636
	656,664	625,147

The Board of Directors recommended the payment of a final cash dividend in respect of 2020 of 14 HK cents (2019: 14 HK cents) per share. This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2021.

9. Debtors and prepayments

	2020	2019
	HK$'000	*HK$'000*
Trade debtors	**9,079**	4,046
Other debtors	**229,132**	208,739
Prepayments and other deposits	**101,935**	47,281
Sales commissions	**69,195**	157,553
Sales taxes	**192,380**	157,826
	601,721	575,445

Trade debtors mainly comprise rental receivables. Rental from tenants is due and payable in advance.

The aging analysis of the trade debtors of the Group based on the date of invoices and net of provision for bad and doubtful debts is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one month	**4,011**	3,105
Two to three months	**3,784**	439
Four to six months	**1,284**	168
Over six months	**-**	334
	9,079	4,046

10. Land and tender deposits

The amounts include a land bidding security deposit of HK$2,800,000,000 for the new project in Hexi, Nanjing, which was fully refunded in January 2021.

11. Creditors, accruals and other liabilities

	2020	2019
	HK$'000	*HK$'000*
Trade creditors	**959,393**	886,047
Other creditors	**98,119**	79,059
Amounts due to non-controlling interests	**19,713**	19,417
Accrued operating expenses	**250,376**	218,637
Rental and other deposits received	**227,689**	206,477
Lease liabilities – current portion	**3,574**	3,201
	1,558,864	1,412,838

The aging analysis of the trade creditors of the Group based on the date of invoices is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one month	**954,411**	880,468
Two to three months	**2,153**	2,414
Four to six months	**30**	224
Over six months	**2,799**	2,941
	959,393	886,047

12. Guarantees

As at 31 December 2020, the Group has executed the following guarantees in respect of loan facilities granted by banks and financial institutions:

	2020		2019	
	Outstanding	**Utilised**	Outstanding	Utilised
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Joint ventures	**10,110,392**	**6,614,062**	7,483,030	5,867,361
Properties buyers	**626,949**	**626,949**	1,185,517	1,185,517
	10,737,341	**7,241,011**	8,668,547	7,052,878

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties in Mainland China. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW AND OUTLOOK

Operating Results

The revenue of the Group for the year ended 31 December 2020 was HK$11,732 million, primarily derived from the property sales of Solaria in Hong Kong, Phase III of The Palace and Windermere in Shanghai and Silver Cove in Dongguan as well as the rental income of Shanghai K. Wah Centre. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK$722 million) was HK$12,454 million for the year ended 31 December 2020.

Profit attributable to equity holders of the Company was HK$3,268 million while the underlying profit of the Group was HK$3,542 million before the net of tax fair value change of investment properties for the year ended 31 December 2020.

The total comprehensive income attributable to equity holders of the Company was HK$5,337 million for the year ended 31 December 2020 after accounting for the fair value change on the non-current investment of an approximately 3.74% interest in Galaxy Entertainment Group Limited ("***GEG***") and exchange differences arising from translation of the Group's RMB denominated net assets at year end.

Attributable contracted sales of the Group (comprised of contracted sales of the Group and attributable contracted sales from joint ventures and associated companies) in 2020 amounted to approximately HK$11.5 billion, mainly derived from K. Summit and Solaria in Hong Kong, Phase III of The Palace and Windermere in Shanghai, Bayview and Silver Cove in Dongguan, and J City in Jiangmen, as well as joint venture projects in Mainland China.

As of 31 December 2020, the Group had attributable contracted sales yet to be recognised amounted to approximately HK$10.5 billion, expected to be accounted for in the year of 2021 and 2022.

Property Development

(A) Hong Kong

The Group continued to market K. Summit and Solaria during the year. New batches of units at K. Summit were put up for sale with encouraging responses despite the COVID-19 pandemic. The handover of pre-sold units for Solaria commenced in February following issuance of the certificate of compliance, with corresponding sales revenue recognised in the year.

Details of the Group's major development projects are as follows:

Solaria, Tai Po (100% owned)

This premium residential development is located in Pak Shek Kok, with a total GFA of approximately 61,600 square metres offering 1,122 units. Pre-sales began in 2018 and were well received by the market, resulting in contracted sales of HK$8.5 billion in total with approximately 85% of the units sold as of year-end. The handover of sold units to buyers commenced in February upon granting of the certificate of compliance, with HK$7.9 billion revenue recognised in the year.

K. Summit, Kai Tak (100% owned)

This development has a total GFA of approximately 53,000 square metres and is located in the Kai Tak Development Area near the Kai Tak Station on the MTR Tuen Ma Line. It is being developed into a premium residential project with 1,006 units. Pre-sales launched in late 2019 with favourable market responses, achieving contracted sales of approximately HK$5.8 billion in the year and HK$7.2 billion in total as of year-end. Superstructure works are well underway with targeted completion and handover of pre-sold units in the second half of 2021.

2 Grampian Road, Kowloon (100% owned)

This unique development is situated in one of Kowloon's prime residential areas with a total GFA of approximately 2,000 square metres. It comprises 5 premium house units. The development is completed and sales are expected to be launched in 2021.

Grand Victoria, South West Kowloon (22.5% owned)

This project with a total GFA of approximately 91,800 square metres, is situated in a coveted urban waterfront location with panoramic harbour views within walking distance to the MTR Nam Cheong Station. This is a project jointly developed with other property developers and is being developed into a premium-graded residential property comprising 1,437 units in three phases. Superstructure works are in progress as scheduled with targeted completion in 2023. Pre-sale of its Phase I units was first launched in mid-March of 2021, with satisfactory response.

Lot No.1040 in D.D. No.103, Kam Sheung Road Station Package One Property Development, Yuen Long ($33^1/_3$% owned)

This project has a total GFA of approximately 114,800 square metres and is next to the West Rail Kam Sheung Road Station that connects to other parts of the city and offers convenient access to Mainland China. It is being developed into a premium residential project by a joint venture with other property developers. Foundation works are well underway. The project is targeted to complete in 2024. Pre-sales are expected to be launched in the second half of 2021.

New Kowloon Inland Lot No. 6577, Kai Tak Area 4A Site 1 (40% owned)

This site, with a total GFA of approximately 99,900 square metres, is located in the Kai Tak Development Area close to the Kai Tak Station on the MTR Tuen Ma Line. It sits on the former runway of the old Kai Tak Airport and is being developed into a premium residential project by a joint venture with other property developers. Foundation works are well underway. The project is targeted to complete in 2024.

New Kowloon Inland Lot No. 6554, Kai Tak Area 4A Site 2 (10% owned)

This site, with a total GFA of approximately 111,900 square metres, is located in the Kai Tak Development Area next to the aforementioned Kai Tak Area 4A Site 1, with panoramic views of Victoria Harbour. The project is being developed into a premium residential project by a joint venture with other property developers. Foundation works are well underway. The project is targeted to complete in 2024.

LOHAS Park Package Eleven, Tseung Kwan O (30% owned)

This site, with a total GFA of approximately 88,800 square metres, is situated on the seafront at Tseung Kwan O and connected to the MTR LOHAS Park Station. The site is being developed into a premium residential project by a joint venture with other property developers. Superstructure works are scheduled to be commenced in the second quarter of 2021 with targeted completion in 2024.

LOHAS Park Package Thirteen, Tseung Kwan O (25% owned)

This newly acquired site has a total GFA of approximately 144,000 square metres and will be developed into a premium residential project by a joint venture with other property developers. It is located northwest of the MTR LOHAS Park Station and enjoying views of Junk Bay. Planning and design work is underway.

While the Group had launched units at K. Summit and Solaria for sale timely in the year and achieved satisfactory contracted sales, the remaining units will be launched to the market in 2021. First batch of units of Phase I of the new joint venture project, Grand Victoria, South West Kowloon was launched for sale in mid-March of 2021 with satisfactory results while a new and wholly-owned luxury project on Grampian Road and another new joint venture project in Kam Sheung Road Station Package One Property Development, Yuen Long, in the sales pipeline, will also be launched for sale in 2021 amid an improving market with COVID-19 vaccination progressing. Construction works of its projects are in progress largely on schedule and handover of pre-sold units of K. Summit is expected to be commenced in the last quarter of 2021.

(B) Mainland China

During the year, the Group continued to sell the remaining units of its various completed projects and launched three new residential projects: Bayview in Dongguan, and J City, and a joint venture project, Jiajun Garden, both in Jiangmen.

Details of the Group’s major development projects are as follows:

Shanghai, Nanjing and Suzhou

Phase III of The Palace, Xuhui District, Shanghai (100% owned)

This unique luxury development is located in an affluent, traditionally residential area of Shanghai. The total GFA of this project is approximately 43,000 square metres, comprising two towers with 106 spacious residential units, offering flats sized between 240 and 540 square metres. The sales launch started in 2019 and was well received by the market with its prime location and quality. The project is completed and only a few units are available for sale as of year-end.

Windermere, Qingpu District, Shanghai (100% owned)

Located in Zhujiajiao Town in Qingpu District, the development comprises 256 house units with ancillary commercial facilities for a total GFA of approximately 71,000 square metres. The project is completed and launched for sale in late 2018 with approximately 70% of the units sold as of year-end.

Azure, Pudong New District, Shanghai (100% owned)

This completed development is situated in a well-developed residential area with good transportation links to Pudong CBD. It comprises 6 towers or 232 units with a total GFA of approximately 29,000 square metres, of which 102 units with a total GFA of approximately 13,000 square metres are being held for serviced apartments under “Stanford Residences Jin Qiao”. Subject to market conditions, the project is expected to be launched for sale in 2021.

Site 7-7, Unit E18, Weifang Village Street, Pudong New District, Shanghai (100% owned)

This project, with a total GFA of approximately 14,200 square metres, is located by the Huangpu River in Pudong and is being developed into residential buildings. It is situated in a prime location of the Lujiazui Financial Centre. Construction works are in progress with expected completion in 2021.

Site 89, Jiangning District, Nanjing (100% owned)

This project is located in Jiangning District, close to several railway and transportation networks and within walking distance from Nanjing South Railway Station. It has a total GFA of approximately 49,700 square metres and is being developed into residential buildings with ancillary commercial facilities. Construction works are in progress with expected completion in 2021. It is expected to be launched for sale in late 2021, subject to market conditions.

Site 2020G72, Hexi New Town, Jianye District, Nanjing (100% owned)

This newly acquired site is located in a core urban district, in close proximity to the central business district of Hexi and next to Wuhoujie Metro Station, which holds great potential for development. The project, with a total GFA of approximately 477,000 square metres, will be a comprehensive development integrating residential and commercial portions, offices and a hotel for sale and/or for long-term investment. Planning and design work is underway while the land site will be handed over to the Group in the first half of 2021.

Lot 42 in National Hi-Tech District, Suzhou (100% owned)

This project is located in Suzhou National Hi-Tech District, next to the Suzhou Xinqu Railway Station, the Suzhou Rail Transit Line 3 and the Suzhou Rail Transit Line 6 under-construction. It has a total GFA of approximately 59,000 square metres and is being developed into residential buildings. Construction works are in progress with expected completion in 2021.

Lot 2019-WG-29, Gaotiexincheng, Xiangcheng District, Suzhou (100% owned)

This site is located in Suzhou Xiangcheng District, next to the Suzhoubei Railway Station and the Suzhou Rail Transit Line 2. It has a total GFA of approximately 70,400 square metres and is being developed into residential buildings. It is expected to be launched for sale in the second half of 2021, subject to market conditions. Construction works are in progress with expected completion in 2022.

Royal Mansion, National Hi-Tech District, Suzhou (47% owned)

This project, located in Suzhou National Hi-Tech District, is close to the Suzhou Xinqu Railway Station, the Suzhou Rail Transit Line 3 and the Suzhou Rail Transit Line 6 under-construction. It has a total GFA of approximately 75,000 square metres, offering 654 units in 11 residential buildings. Around 80% of the units had been sold as of year-end. The pre-sold units are being handed over to buyers from December, following the development's completion.

Other joint venture projects in Yangtze River Delta Area

Pre-sales of the joint venture property developments in Kunshan and Jiaxing, which commenced in the late 2018, have been well received with almost all the residential units sold as of year-end. The pre-sold units are being handed over to buyers in early 2021 following the developments' completion.

Guangzhou, Dongguan and Jiangmen

Phases III&IV of K. Wah Plaza, Huadu District, Guangzhou (100% owned)

This site is close to Baiyun International Airport and has a total GFA of approximately 86,000 square metres, consisting of four buildings including apartments, offices and retail facilities. Following the first launch of apartments in late 2018 with the majority of the units launched sold, the last block of apartments was put on the market in the year in order to meet buyers' demand. Meanwhile, the offices and retail portions are being held as investment properties for rental.

Cosmo, Xinhuazhen West Site, Huadu District, Guangzhou (99% owned)

This project is only steps away from Baiyun District and is poised to benefit from the enhanced transportation networks. The project has a GFA of approximately 579,000 square metres and is being developed in phases for residential units and commercial complexes. The first phase, with a GFA of approximately 187,000 square metres, will provide 1,474 residential units of two-to four-room flats and a commercial complex of 23,000 square metres. The first block of units was launched for sale in mid-March of 2021. Construction works are underway, and the development is expected to be completed in 2022.

Silver Cove, Shilong Town, Dongguan (100% owned)

Located in the Xihu Village of Shilong Town, this project enjoys an expansive river frontage and is within walking distance from Dongguan Railway Station. It has a total GFA of approximately 236,000 square metres offering 1,867 residential units for sale, and commercial portions with a GFA of approximately 11,600 square metres being retained for rental. The development is completed and with 116 units sold in the year, there were only a few units available for sale as of year-end.

Bayview, Songshan Lake District, Dongguan (100% owned)

The project, situated in a prominent location in Songshan Lake District, Dongguan, is close to the central living area of Chashan Town with panoramic river view and in close proximity to Chashan Station on Dongguan Rail Transit Line 2. It has a total GFA of approximately 159,000 square metres and will provide 1,196 units, mainly of three- and four-bedrooms and some special units, and approximately 2,000 square metres of ancillary commercial facilities. Pre-sales started in November with overwhelming market responses, so new batches of units were put on the market to meet buyers' demand and by January 2021 approximately 90% of the 380 units launched have been sold. More units will be put on the market in 2021. Construction works are in progress with expected completion in 2021.

J City, Jianghai District, Jiangmen (100% owned)

The project is located in Jianghai District, next to the Jiangmendong Railway Station of the Guangzhou-Zhuhai Intercity Railway. The development, comprising two adjacent land sites with a total GFA of approximately 278,600 square metres in aggregate, is being completed in phases from December onwards. It will provide 2,261 residential units available for sale together with ancillary commercial facilities. Pre-sales began in April after the sales consent of certain blocks was granted, and majority of the units launched were sold as of year-end.

Jiajun Garden, Xinhui District, Jiangmen (50% owned)

This site is located in the area of Jiangmen Avenue, at the heart of transportation networks, schools and commercial areas. It has a total GFA of approximately 100,000 square metres and will provide 858 residential units available for sale. Pre-sales were launched in January and half of the units launched were sold as of year-end. Construction works are in progress with expected completion in 2021.

Site JCR2018-127(Xinhui Site No. 17), Xinhui District, Jiangmen (30% owned)

This project, located in the area of Jiangmen Avenue, is close to various transportation networks, schools and commercial areas. It has a total GFA of approximately 74,100 square metres and is being developed into residential buildings with ancillary commercial facilities. Construction works are in progress with expected completion in 2022.

While the Group successfully launched the new project Bayview in Songshan Lake District, Dongguan in November, more units will be put on the market in 2021. The Group will also continue to market its remaining units in various projects in Mainland China. On the other hand, more units of Cosmo in Huadu District, adjacent to Baiyun District, Guangzhou, and new projects, Azure in Pudong New District, Shanghai, Lot 2019-WG-29 in Xiangcheng District, Suzhou and Site G89 in Jiangning District, Nanjing in the sales pipeline will be launched for sale in 2021, subject to market conditions.

Due to the pandemic, the construction of the Group's projects had been suspended for a short period of time early of the year but resumed in April. The overall development of the Group's projects under construction however remained on schedule and a number of projects in Shanghai, Nanjing, Suzhou, Dongguan and Jiangmen are targeted for completion in 2021.

Property Investment

(A) Hong Kong

Rental revenue decreased as concessions were granted to certain tenants whose businesses were adversely affected by tightened social distancing measures and cross-border travel restrictions. Nevertheless, the Group's investment properties remained at high occupancy.

Details of the Group's major investment projects are as follows:

J SENSES at J Residence, Johnston Road, Wan Chai (100% owned)

With a total GFA of approximately 3,400 square metres, J SENSES is a premium dining and shopping arcade located in a prime location on Hong Kong Island that offers the neighborhood a high-end dining and leisure environment. It was fully leased as of year-end.

Commercial Complex at Twin Peaks, Tseung Kwan O (100% owned)

With a total GFA of approximately 3,500 square metres, the complex serves the residents of Twin Peaks and the neighborhood. It was fully leased as of year-end.

Chantilly, 6 Shiu Fai Terrace, Stubbs Road (100% owned)

Located in a desirable area of Hong Kong Island, Chantilly offers a total GFA of approximately 5,100 square metres and is held for long term investment. Approximately 60% of the available units were leased as of year-end.

(B) Mainland China

Rental moderately decreased due to certain concessions granted to the most affected tenants. Nevertheless, occupancy remained at high levels.

Details of the Group's major investment projects are as follows:

Shanghai K. Wah Centre, Shanghai (69.6% effective interest)

This prime investment property is situated on Huaihai Zhong Road of Xuhui District, a central business district of Shanghai, with a total GFA of approximately 72,000 square metres. It remains one of the leading offices in the city and continues to attract tenants from multinational corporations. The property achieved an average occupancy rate of about 95% over the year and provided satisfactory rental income for the Group.

Stanford Residences, Shanghai (100% owned)

The Group is dedicated to providing a privileged lifestyle residential environment for tenants in pursuit of high-end modern living. "Stanford Residences" including "Jing An", "Xu Hui" and "Jin Qiao" with a total GFA of approximately 71,000 square metres, offer everything from five-star management services to sophisticated and contemporary interiors that feature stylish furniture and fittings. Throughout the year, they achieved high occupancy with an overall occupancy rate of over 80%, delivering a stable rental income to the Group.

Palace Lane, Shanghai (100% owned)

To serve its prestigious residents at The Palace and the high-end retail market in Xuhui, Palace Lane, with a total GFA of approximately 8,000 square metres, offers consumers a variety of leisure, food and beverage experiences. It has been well received, with almost full occupancy as of year-end.

EDGE, Shanghai (53.61% owned)

EDGE, located by Suzhou Creek in Jingan District, with a total GFA of approximately 21,000 square metres, is close to various public transportation networks and connected to Qufu Road Station, an interchange station for Line 8 and Line 12 of the Shanghai Metro. The concept of sustainability is integrated into the building design by incorporating green building features and the use of energy-efficient technologies and materials. While an early city lockdown resulting from the pandemic disturbed its leasing activities, the building became operational in the second half of the year. Following the tenancy with a world renowned biopharmaceutical company for portions of approximately 14,000 square metres being executed in March 2021, EDGE is fully let.

Wuyi Road, Changning, Shanghai (100% owned)

This site is situated in a historical and cultural heritage area in a well-developed community with good public transport networks. It has a total GFA of approximately 13,700 square metres and is positioned to be an oasis integrating commerce, dining, leisure and entertainment with modern and traditional architectural elements. To enhance the street-front and improve the vibrancy of the project, an adjacent garden house enjoying street-front location with a GFA of approximately 600 square metres was acquired in March 2021. More flexibility in layout and design will then be enjoyed. Construction works are in progress with expected completion in 2022.

Cove Gala, Dongguan (100% owned)

This commercial complex situated within Silver Cove has a total GFA of approximately 11,600 square metres. It provides daily needs for residents and is a popular destination for the neighbourhood by offering consumers a wide variety of entertainment, leisure and dining experiences. It has been well received, with nearly 80% leased as of year-end.

K. Wah Plaza, Guangzhou (100% owned)

Situated at a prime location in Huadu District with convenient access to a number of public transportation networks, the retail space and offices held for rental have a total GFA of approximately 51,000 square metres, with an overall occupancy of 40% as of year-end.

While the Group is principally engaged in property development, it is also on track to enlarge its portfolio for recurring income, with a GFA of approximately 21,000 square metres added following the completion of the office project EDGE in Shanghai. With commercial land at Wuyi Road, Changning District, Shanghai under development and portions to be held for the long term under the newly-acquired comprehensive development land site in Jianye District, Nanjing with a GFA of approximately 208,000 square metres, both in Mainland China, our recurring income base will be further expanded.

Land bank replenishment

The Group participated in a number of land bids during the year. As a result, the Group in October, via a joint venture with other property developers, successfully acquired a residential project in Tseung Kwan O, Hong Kong, for a total GFA of approximately 144,000 square metres, and also won a land bid on its own for a site located in Hexi New Town, Jianye District, Nanjing, Mainland China, for a comprehensive development, including residential and commercial portions, offices and a hotel. The project has a total GFA of approximately 477,000 square metres.

The Group will in accordance with its prudent and proactive strategy continue to exercise discipline and sound judgment in evaluating land replenishment opportunities in Hong Kong and Mainland China, particularly in the Yangtze River Delta and the Greater Bay Area, taking into account the prevailing market uncertainties.

Investment in GEG

The Group has an investment of 162 million shares, or approximately 3.74% interest, in GEG, measured at fair value and classified as non-current assets. It represented 12% of the Group's total assets as of 31 December 2020. The principal activities of GEG are gaming, the provision of hospitality and the sale, manufacture and distribution of construction materials.

As of 31 December 2020, the share price of GEG had increased by approximately 5% to HK$60.25 from HK$57.4 as of 31 December 2019. The increase in fair value of HK$463 million was credited to reserves. During the year, the Group received a cash dividend of HK$73 million from GEG. The audited consolidated loss attributable to equity holders of GEG for the year ended 31 December 2020 was HK$3,973 million (2019: profit of HK$13,042 million), while the audited consolidated net asset value attributable to equity holders of GEG as at 31 December 2020 was HK$67,424 million (2019: HK$73,587 million).

GEG, as stated in its 2020 annual results announcement, is positioned to capture future growth with their substantial development pipeline. This includes the ongoing development of Cotai Phases 3 & 4 that are specifically designed to capture a larger share of the Mass business, renovate the existing properties, reconfigure and introduce new products to resorts in order to remain competitive. Its strong financial position enables GEG to fund its development pipeline and its international expansion plans.

The Board continues to view its investment in GEG as sound and for the long-term.

MARKET REVIEW AND OUTLOOK

Global, Mainland China and Hong Kong

During the year, the global economy was severely affected by the COVID-19 pandemic which substantially halted global economic activity. Escalating tensions and intensified competitions in multiple areas between Mainland China and the United States (the "US"), and the resulting disruption in the global supply chain further dampened the confidence of both consumers and investors.

Major economies recorded negative GDP growth in the year and are still fighting against the pandemic except Mainland China which had turned around in the second quarter. In Hong Kong, GDP recorded a negative growth of 6.1%, the worst since 1961.

In response to the pandemic, most developed countries implemented relief measures and fiscal stimuli resulting in ample amount of funds injected into the markets. A "Zero or negative interest rate policy" was adopted in order to boost the economy. Global business confidence is gradually improving following vaccination campaigns being rolled out in most developed countries. However, the uncertain Sino-US relationship and geopolitical landscape may slow the global recovery. Hong Kong will however benefit from the vaccinations in progress and also from the fast recovery of Mainland China's economy which targeted its GDP growth in 2021 to be not less than 6%.

Hong Kong property market

The Hong Kong economy has been severely affected by the pandemic. Despite the challenges, the high liquidity, low interest rate and resilient demand ensured the stability of the residential property market through the year. Conversely, retail, especially food and beverage, and travel sectors were hard hit, resulting in high unemployment. However, the Group was not particularly impacted by these factors, nor the abolition of the double rate of stamp duty on commercial properties in November, as we are principally engaged in the residential market.

Mainland China property market

The economy was severely interrupted by the outbreak of COVID-19 early in the year due to city lockdowns. However, the residential property market rapidly re-gained momentum and sales activities rebounded from April. The government's restrictive policies for the property market generally remained in place with some cities tightening their measures to contain surging prices. Office and serviced apartment leasing also remained stable and healthy in the year.

The "three red lines" policy was announced in August by the People's Bank of China and the Ministry of Housing and Urban-Rural Development, setting caps on three ratios in relation to property developers' debt levels, resulting in a tightening of liquidity for some developers. Given our healthy financial position, however, the new requirement has had minimal impact on the Group.

Conclusion

With vaccination campaigns being rolled out globally, the pandemic is likely to be brought under control. The global economy is generally expected, though volatile, to be recovering from the second half of 2021 onwards. Despite new US president Joe Biden taking up his office in January 2021, the relationship between Mainland China and the US remains uncertain. Escalating geopolitical tensions, profound changes in the international landscape and signs of de-globalisation also continue to cast uncertainties and volatilities in the global economy while latest economic data evidenced fast recovery of Mainland China.

Despite this challenging business environment, the Group remains optimistic about demand in the Hong Kong and Mainland China property market. With a pragmatic mindset backed by our wealth of experience, we are indeed well positioned to continue to deliver distinctive quality products and services with both functionality and floor plan design meeting buyers' needs and enhancing the value of their properties acquired. The Group will continue to launch projects in our pipeline subject to market conditions, as well as replenish our land bank, in a disciplined and selective manner. The Group, with its solid financial resources, proven management competencies and a positive outlook for property market demand in Hong Kong and Mainland China, is well positioned to pursue any opportunities in the uncertain market, both in Hong Kong by benefiting from co-operation with cities in the Greater Bay Area and in Mainland China with its sustainable development under the 14th "Five Year Plan".

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained satisfactory throughout the year. As of 31 December 2020, total funds employed (being total equity and total borrowings and guaranteed notes) was HK$70 billion (2019: HK$61 billion). The number of issued shares of the Company increased to 3,126,974,615 as of 31 December 2020 (2019: 3,125,174,615) due to the exercise of share options during the year.

Group Liquidity, Financial Resources and Gearing Ratio

The Group monitors its liquidity requirements on a short-to-medium-term rolling basis and arranges refinancing of the Group's borrowings when appropriate. As of 31 December 2020, the Group's borrowings of bank loans and guaranteed notes were HK$25,042 million (2019: HK$ 20,441 million) and 22% is repayable within one year. The maturity profile of the borrowings is spread over a period of up to five years except for an amount of HK$454 million which is due after 5 years. The average interest rate for the Group decreased to 2.1% (2019: 2.9%) resulting from the declining HIBOR during the year.

As of 31 December 2020, the Group had available undrawn banking facilities totaling HK$12,146 million (2019: HK$ 15,994 million) comprising HK$7,720 million (2019: HK$ 10,179 million) for working capital and HK$4,426 million (2019: HK$ 5,815 million) for project facility purposes.

As of 31 December 2020, cash and bank deposits stood at HK$7,673 million (2019: HK$ 5,443 million), and approximately 62% was held in Renminbi. The gearing ratio, defined as the ratio of total borrowings and guaranteed notes less cash and bank deposits to total equity, increased from 37% as of 31 December 2019 to 39% as of 31 December 2020, mainly due to the payments for land acquisition.

A 4-year revolving credit and term loan facility of HK$4 billion was executed in March for refinancing at favourable cost and enhancing the Group's funding capability.

Treasury Policies

In order to minimise risk, the Group continues to adopt a prudent approach regarding foreign exchange exposure. Forward foreign exchange contracts are utilised when considered appropriate and when attractive pricing opportunities arise to mitigate foreign exchange exposures. Interest rate swap contracts are also utilised as appropriate to avoid the impact of any undue interest rate fluctuations on the Group's operations in the medium and longer term. Accordingly, interest rate swap contracts for the total amount of HK$2.9 billion were executed for 3 years or 5 years as of the year end.

Of the Group's bank loans and guaranteed notes of HK$25,042 million as of 31 December 2020, approximately 91% was denominated in Hong Kong dollars, with the remainder in Renminbi. Approximately 84% of such borrowings and notes were on a floating rate basis, with the remainder on fixed rate basis.

Charges on Group Assets

As of 31 December 2020, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, right-of-use assets, and buildings) with aggregate carrying values of HK$22,003 million (2019: HK$18,504 million) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 31 December 2020, the Group has executed guarantees in favour of banks in respect of facilities granted to certain joint ventures amounting to HK$10,110 million (2019: HK$7,483 million), of which facilities totaling HK$6,614 million (2019: HK$5,867 million) have been utilised. In addition, the Group provided guarantees amounting to HK$627 million (2019: HK$1,186 million) in respect of mortgage facilities granted by banks relating to mortgage loans arranged for purchasers of the Group's properties.

As of 31 December 2020, the Company has executed guarantees in favour of banks in respect of facilities granted to certain subsidiaries and joint ventures, amounting to HK$32,191 million (2019: HK$32,364 million) and HK$9,961 million (2019: HK$7,453 million) respectively. Of these, facilities totaling HK$22,712 million (2019: HK$18,685 million) and HK$6,589 million (2019: HK$5,867 million) respectively have been utilised.

EMPLOYEES AND REMUNERATION POLICY

The Group believes its long-term growth and success depend upon the quality, performance and commitment of its employees. The Group's remuneration policy aims to offer competitive remuneration packages to attract, retain and motivate talents. With result-driven incentive programmes which are built upon our established performance management framework, the Group believes the remuneration packages of its employees are fair, reasonable and competitive in relation to comparable organisations with similar business interests.

The Group has put in place a share option scheme for its executives and employees since 1989 for the purposes of providing competitive remuneration package as well as retaining talents in the long term. Pursuant to which, the Company had in July 2020 granted a total of 25,410,000 share options to the Company's directors and certain employees of the Group at an exercise price of HK$3.462. The Group puts emphasis on employees' training and development opportunities which form an important component of the Group's human resources strategy. Training and development programmes are provided through internal and external resources in each year to address the needs of our employees for the sustainable development of our businesses.

ENVIRONMENTAL, SOCIAL AND GOVERANCE POLICIES

Adhering to its philanthropic spirit of "giving back to the society", the Group takes a holistic approach in taking tangible steps to minimise any negative impacts associated with its operations on the environment and keep abreast of industry best practices as it works to build a sustainable and resilient future.

As an integral part of the Group's operation, engaging its stakeholders in a collaborative manner is essential. To maintain a healthy relationship with employees, customers and suppliers, we constantly communicate with them and understand their needs and expectations. The Group works diligently to provide a safe working environment as well as attractive remuneration packages and self-learning platforms for our staff. To improve our products and customer service quality, we handle complaints in accordance with standard procedures in a timely and consistent manner. For the suppliers, we strictly comply with our standard operating procedures in the communication with them of our expectations on quality, Occupational Health and Safety requirements and regulatory compliance. Our management approach stresses quality control measures and regular audits to ensure our stringent requirements are met.

During the reporting year, the Group did not receive any reported cases of non-compliance with the relevant laws and regulations regarding the environment, labour standards, occupational health and safety, anti-corruption, or data privacy in Hong Kong and Mainland China. The Group has prepared a report for 2020 in compliance with Appendix 27 to the Rules Governing the Listing of Securities ("***Listing Rules***") of The Stock Exchange of Hong Kong Limited ("***HK Stock Exchange***") on "Environmental, Social and Governance Reporting Guide" (the "***ESG Report***"). A full version of the ESG Report will be available on the website of the Company at (*www.kwih.com*) and Hong Kong Exchanges and Clearing Limited ("***HKEx***") at (*www.hkexnews.hk*) respectively.

CORPORATE GOVERNANCE

The Board and the management of the Company are committed to the principles of observing good corporate governance consistent with prudent management and enhancement of shareholders' value. The full Board is entrusted with the overall responsibility of developing and ensuring adherence to the Corporate Governance Policy and the Shareholders Communication Policy. The Company is committed to maintaining high standards of corporate governance and enhancing corporate transparency and accountability.

Throughout the year under review, the Company has complied with the code provisions ("***CPs***") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, apart from the deviations from (i) CP A.2.1, namely, the roles of chairman and managing director have not been separated; and (ii) CP A.4.2, namely, the chairman and the managing director are not subject to retirement by rotation.

The Board believes that the Company has strong underlying rationale to deal with such deviations as mentioned under the section headed "COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES" in the Corporate Governance Report of its 2019 Annual Report and as alluded to in the section headed "CORPORATE GOVERNANCE" in its 2020 Interim Report. Detailed information of the Company's corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company's 2020 Annual Report. The Board has taken alternative steps to address such deviations. The Board will continue to review and recommend such steps and actions as appropriate in the circumstances of such deviations.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("***Model Code***") as set out in Appendix 10 of the Listing Rules as code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all Directors, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code during the year ended 31 December 2020.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company. The figures in this preliminary announcement of the results of the Group for the year ended 31 December 2020 have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by the auditor of the Company, PricewaterhouseCoopers. The work of PricewaterhouseCoopers 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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 2020.

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming annual general meeting to be held on 9 June 2021 ("***2021 AGM***") a final cash dividend for the year ended 31 December 2020 of 14 HK cents per share, totaling HK$437,776,000, payable on 23 July 2021 to the shareholders whose names appear on the registers of members of the Company at the close of business on 23 June 2021 (2019: a final cash dividend of 14 HK cents per share totaling HK$437,636,000). Together with the interim cash dividend of 7 HK cents per share (2019: interim cash dividend of 6 HK cents per share), total dividends per share for the year ended 31 December 2020 is 21 HK cents (2019 total: 20 HK cents).

CLOSURE OF REGISTERS OF MEMBERS

Entitlement to attend and vote at the 2021 AGM

The registers of members will be closed from 4 June 2021 to 9 June 2021, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' eligibility to attend and vote at the 2021 AGM, all transfers documents 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 3 June 2021.

Entitlement to Final Dividend

The registers of members will be closed from 18 June 2021 to 23 June 2021, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' entitlement to the proposed final dividend, all transfers documents 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 17 June 2021.

PUBLICATION OF FURTHER INFORMATION

This announcement will be published on the websites of the Company (*www.kwih.com*) and HKEx (*www.hkexnews.hk*). The Company's 2020 Annual Report containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Company and HKEx in late April 2021.

DIRECTORS

As at the date of this announcement, the Executive Directors are Dr. Lui Che-woo (Chairman & Managing Director), Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah; the Non-executive Director is Dr. Moses Cheng Mo Chi; and the Independent Non-executive Directors are Dr. William Yip Shue Lam, Mr. Wong Kwai Lam and Mr. Nip Yun Wing.

By Order of the Board of
K. Wah International Holdings Limited
Lee Wai Kwan, Cecilia
Company Secretary

Hong Kong, 23 March 2021