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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 2021

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:

- Revenue of the Group increased by 38% to HK$16,218 million.
- Profit attributable to equity holders increased by 3% to HK$3,355 million while underlying profit was HK$2,927 million.
- Earnings per share was 107.26 HK cents and the full year dividend per share (including final dividend per share of 14 HK cents) was 21 HK cents.
- Net asset value per share was HK$14.0.
- Attributable contracted sales of the Group amounted to approximately HK$14.3 billion for the year ended 31 December 2021.
- As of 31 December 2021, attributable contracted sales of the Group yet to be recognised amounted to approximately HK$8.6 billion.
- The Group continues to assess any opportunities, where appropriate, to replenish its landbank in Hong Kong, and The Pearl River and Yangtze River Deltas, on a disciplined basis and in a cautious manner.

CONSOLIDATED PROFIT AND LOSS STATEMENT
For the year ended 31 December 2021

	Note	**2021**	2020
	Note	***HK$'000***	*HK$'000*
Revenue	3	**16,217,700**	11,732,483
Cost of sales		**(10,656,596)**	(5,739,266)
Gross profit		**5,561,104**	5,993,217
Other operating income		**330,804**	337,824
Other net gains/(losses)		**37,826**	(35,051)
Change in fair value of investment properties		**116,793**	(310,009)
Fair value gain on transfer of development properties to investment properties		**102,571**	-
Fair value gain on transfer of investment properties to development properties		**484,571**	-
Other operating expenses		**(858,898)**	(628,984)
Administrative expenses		**(658,563)**	(525,717)
Finance costs	4	**(36,122)**	(31,583)
Share of (losses)/profits of joint ventures		**(5,979)**	67,634
Share of profits/(losses) of associated companies		**16,015**	(7,007)
Profit before taxation	5	**5,090,122**	4,860,324
Taxation charge	6	**(1,650,829)**	(1,564,805)
Profit for the year		**3,439,293**	3,295,519
Attributable to:			
Equity holders of the Company		**3,354,877**	3,268,439
Non-controlling interests		**84,416**	27,080
		3,439,293	3,295,519
		HK cents	*HK cents*
Earnings per share	7		
Basic		**107.26**	104.55
Diluted		**107.17**	104.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
Profit for the year	**3,439,293**	3,295,519
Other comprehensive (loss)/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	**(3,225,309)**	463,080
Item that may be reclassified to profit and loss:		
Exchange differences arising from translation	**875,168**	1,682,583
Other comprehensive (loss)/income for the year	**(2,350,141)**	2,145,663
Total comprehensive income for the year	**1,089,152**	5,441,182
Total comprehensive income attributable to:		
Equity holders of the Company	**964,144**	5,336,562
Non-controlling interests	**125,008**	104,620
	1,089,152	5,441,182

CONSOLIDATED BALANCE SHEET
As at 31 December 2021

	Note	**2021** *HK$'000*	2020 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**356,821**	372,123
Investment properties		**16,946,902**	15,654,409
Right-of-use assets		**23,226**	19,989
Joint ventures		**11,225,144**	10,412,941
Associated companies		**3,120,932**	3,098,300
Financial assets at fair value through other comprehensive income		**6,564,355**	9,789,664
Deferred taxation assets		**146,223**	178,646
Other non-current assets		**2,367,954**	1,126,760
		40,751,557	40,652,832
Current assets			
Development properties		**26,835,315**	26,758,389
Inventories		**1,362**	2,201
Amount due from a joint venture		**129,003**	123,752
Debtors and prepayments	9	**587,710**	601,721
Land and tender deposits	10	**100,000**	3,459,007
Derivative financial instruments		**-**	3,971
Financial assets at fair value through profit or loss		**1,166,702**	1,971,876
Taxes recoverable		**789,386**	506,839
Cash and cash equivalents		**8,136,563**	7,673,477
		37,746,041	41,101,233
Total assets		**78,497,598**	81,754,065
EQUITY			
Share capital		**313,023**	312,697
Reserves		**43,585,993**	43,264,074
Shareholders' funds		**43,899,016**	43,576,771
Non-controlling interests		**1,316,418**	1,248,191
Total equity		**45,215,434**	44,824,962
LIABILITIES			
Non-current liabilities			
Borrowings		**16,385,011**	19,525,695
Derivative financial instruments		**22,743**	97,837
Lease liabilities		**5,455**	3,912
Deferred taxation liabilities		**2,860,327**	2,724,238
		19,273,536	22,351,682
Current liabilities			
Amounts due to joint ventures		**773,232**	650,102
Amounts due to associated companies		**142,289**	143,715
Creditors, accruals and other liabilities	11	**2,429,360**	1,558,864
Pre-sales deposits		**3,891,367**	3,756,539
Current portion of borrowings		**2,598,955**	4,513,818
Guaranteed notes		**-**	1,002,354
Derivative financial instruments		**3,338**	-
Taxes payable		**4,170,087**	2,952,029
		14,008,628	14,577,421
Total liabilities		**33,282,164**	36,929,103
Total equity and liabilities		**78,497,598**	81,754,065
Net current assets		**23,737,413**	26,523,812
Total assets less current liabilities		**64,488,970**	67,176,644

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 and financial instruments, which are carried at fair values.

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 2020, except as stated below.

The adoption of amendments to standards

In 2021, the Group adopted the following amendments to standards, which are relevant to its operations.

HKFRS 16 (Amendment)	COVID-19-Related Rent Concessions
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform - Phase 2

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

New standard, amendments and improvement to standards, practice statement, revised accounting guideline and interpretation that are not yet effective

		Effective for accounting periods beginning on or after
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts	1 January 2023
HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendment)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 (Amendment) and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendment)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

The Group will adopt the above new standard, amendments and improvements to standards, practice statement, revised accounting guideline and interpretation as and when they become effective. The Group has performed a preliminary assessment of the likely impact and anticipates that the application of these new standard, amendments and improvements to standards, practice statement, revised accounting guideline and interpretation 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 gains/losses, change in fair value of investment properties and fair value gain on transfer of development properties/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 2021					
Revenue from contracts with customers					
- Recognised at a point in time	**9,864,379**	**5,614,643**	**-**	**-**	**15,479,022**
- Recognised over time	-	-	-	**64,591**	**64,591**
Revenue from other sources					
- Rental income	-	-	**674,087**	**-**	**674,087**
Revenue	**9,864,379**	**5,614,643**	**674,087**	**64,591**	**16,217,700**
Adjusted EBITDA	**3,246,448**	**1,434,818**	**528,836**	**(275,089)**	**4,935,013**
Other income and expenses/gains, net					**(490,268)**
Depreciation and amortisation					**(32,472)**
Change in fair value of investment properties			**116,793**		**116,793**
Fair value gain on transfer of development properties to investment properties			**102,571**		**102,571**
Fair value gain on transfer of investment properties to development properties			**484,571**		**484,571**
Finance costs					**(36,122)**
Share of (losses)/profits of joint ventures	**(29,819)**	**23,840**			**(5,979)**
Share of profits of associated companies	**1,165**	**14,850**			**16,015**
Profit before taxation					**5,090,122**
Taxation charge					**(1,650,829)**
Profit for the year					**3,439,293**
As at 31 December 2021					
Segment assets	**9,342,789**	**30,072,938**	**17,612,943**	**-**	**57,028,670**
Other assets	**-**	**-**	**-**	**6,993,849**	**6,993,849**
Joint ventures	**9,479,467**	**1,874,680**	**-**	**-**	**11,354,147**
Associated companies	**3,113,050**	**7,882**	**-**	**-**	**3,120,932**
Total assets	**21,935,306**	**31,955,500**	**17,612,943**	**6,993,849**	**78,497,598**
Total liabilities	**10,732,773**	**18,930,062**	**3,543,888**	**75,441**	**33,282,164**

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 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
Year ended 31 December 2021					
Additions to non-current assets	**716**	**12,149**	**1,334,881**	**1,285**	**1,349,031**
Year ended 31 December 2020					
Additions to non-current assets	1,813	3,533	35,456	1,288	42,090

2. Segment information (Cont'd)

Geographical segment information

The Group operates in two (2020: two) main geographical areas: Hong Kong and Mainland China.

The revenue for the years ended 31 December 2021 and 2020 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 2021 and 2020 by geographical area are as follows:

Revenue

	2021	2020
	HK$'000	*HK$'000*
Hong Kong	**9,933,319**	8,173,931
Mainland China	**6,284,381**	3,558,552
	16,217,700	11,732,483

Non-current assets

	2021	2020
	HK$'000	*HK$'000*
Hong Kong	**2,978,471**	2,719,619
Mainland China	**14,348,478**	13,326,717
Other	**-**	185
	17,326,949	16,046,521

3. Revenue

	2021	2020
	HK$'000	*HK$'000*
Sale of properties	**15,479,022**	11,101,890
Rental income	**674,087**	560,227
Hotel operations	**64,591**	70,366
	16,217,700	11,732,483

4. Finance costs

	2021	2020
	HK$'000	*HK$'000*
Interest expenses		
Bank loans, guaranteed notes, overdrafts and others	**386,993**	344,409
Lease liabilities	**729**	502
	387,722	344,911
Capitalised as cost of properties under development	**(351,600)**	(313,328)
	36,122	31,583

5. Profit before taxation

	2021	2020
	HK$'000	*HK$'000*
Profit before taxation is stated after crediting:		
Interest income from banks	**73,328**	89,483
Dividend income from financial assets at fair value through other comprehensive income	**-**	73,118
Gain on disposal of investment property	**4,575**	-
Net fair value gains on derivative financial instruments	**67,785**	-
Net fair value gains on financial assets at fair value through profit or loss	**23,342**	31,179
Net exchange gains	**17,771**	46,189
and after charging:		
Cost of properties sold	**10,526,532**	5,625,283
Cost of inventories consumed/sold	**13,075**	12,201
Selling and marketing expenses	**740,391**	491,775
Depreciation for property, plant and equipment (net of capitalisation)	**26,954**	26,503
Depreciation for right-of-use assets	**5,518**	3,734
Lease expenses	**7,935**	6,047
Loss on disposal of property, plant and equipment	**1,558**	116
Net losses on settlement of derivative financial instruments	**36,861**	14,103
Net fair value losses on derivative financial instruments	**-**	98,200

6. Taxation charge

	2021	2020
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**382,352**	499,254
Mainland China		
- Income tax	**461,731**	434,992
- Land appreciation tax	**705,093**	629,109
Under/(over)-provision in previous years	**65**	(303)
Deferred	**101,588**	1,753
	1,650,829	1,564,805

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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% (2020: 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:

	2021	2020
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**3,354,877**	3,268,439

	Number of shares	
	2021	2020
Weighted average number of shares for calculating basic earnings per share	**3,127,814,615**	3,126,191,282
Effect of dilutive potential ordinary shares - Share options	**2,651,500**	1,465,333
Weighted average number of shares for calculating diluted earnings per share	**3,130,466,115**	3,127,656,615

8. Dividends

	2021	2020
	HK$'000	*HK$'000*
Interim cash dividend of 7 HK cents (2020: 7 HK cents) per share	**218,888**	218,888
Proposed final cash dividend of 14 HK cents (2020: 14 HK cents) per share	**438,605**	437,777
	657,493	656,665

The Board of Directors recommended the payment of a final cash dividend in respect of 2021 of 14 HK cents (2020: 14 HK cents) per share. This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2022.

9. Debtors and prepayments

	2021	2020
	HK$'000	*HK$'000*
Trade debtors	**4,916**	9,079
Other debtors	**222,314**	229,132
Prepayments and other deposits	**45,264**	101,935
Sales commissions	**34,999**	69,195
Sales taxes	**280,217**	192,380
	587,710	601,721

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:

	2021	2020
	HK$'000	*HK$'000*
Within one month	**2,336**	4,011
Two to three months	**505**	3,784
Four to six months	**26**	1,284
Over six months	**2,049**	-
	4,916	9,079

10. Land and tender deposits

The amounts of 2020 included a land bidding security deposit of HK$2,800,000,000 for a project in Nanjing, which was fully refunded in January 2021.

11. Creditors, accruals and other liabilities

	2021	2020
	HK$'000	*HK$'000*
Trade creditors	**1,739,999**	959,393
Other creditors	**103,901**	98,119
Amounts due to non-controlling interests	**-**	19,713
Accrued operating expenses	**325,067**	250,376
Rental and other deposits received	**254,699**	227,689
Lease liabilities – current portion	**5,694**	3,574
	2,429,360	1,558,864

Trade creditors mainly comprise construction cost payables.

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

	2021	2020
	HK$'000	*HK$'000*
Within one month	**1,732,094**	954,411
Two to three months	**3,025**	2,153
Four to six months	**1,718**	30
Over six months	**3,162**	2,799
	1,739,999	959,393

12. Guarantees

As at 31 December 2021, the Group has executed the following guarantees in respect of loan facilities granted by banks and financial institutions:

	2021		2020	
	Outstanding	**Utilised**	Outstanding	Utilised
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Joint ventures	**13,716,762**	**8,353,933**	10,110,392	6,614,062
Properties buyers (note)	**1,807,975**	**1,807,975**	626,949	626,949
	15,524,737	**10,161,908**	10,737,341	7,241,011

Note: 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.

13. Post balance sheet event

As at the announcement date, the Group was not aware of any material adverse effects from COVID-19 and its variants and global geopolitical tension on the Group's consolidated financial statements for the year ended 31 December 2021. The Group will remain alert and cautious on the ongoing development of such that may cause further volatility and uncertainty in the global financial market and economy, and will take necessary measures and assessments to address the potential financial impact to the Group's consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW AND OUTLOOK

Operating Results

The revenue of the Group for the year ended 31 December 2021 was HK$16,218 million, primarily derived from the property sales of K. Summit and Solaria in Hong Kong, Azure and Windermere in Shanghai, J City in Jiangmen, Mainland China and 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$974 million) was HK$17,192 million for the year ended 31 December 2021.

Profit attributable to equity holders of the Company was HK$3,355 million while the underlying profit of the Group was HK$2,927 million before the net of tax fair value change of investment properties for the year ended 31 December 2021.

The total comprehensive income attributable to equity holders of the Company was HK$964 million for the year ended 31 December 2021 after accounting for the fair value change on the non-current investment of an approximately 3.73% 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 2021 amounted to approximately HK$14.3 billion, mainly derived from K. Summit, Solaria and Grand Victoria in Hong Kong; Azure and Windermere in Shanghai, Bayview in Dongguan, and VETTA in Suzhou, Mainland China.

As of 31 December 2021, the Group had attributable contracted sales yet to be recognised amounted to approximately HK$8.6 billion, expected to be accounted for in the year of 2022 and 2023.

Property Development

(A) Hong Kong

During the year, more units at K. Summit and Solaria were put up for sale with satisfactory results. Grand Victoria in South West Kowloon, a joint venture project, was first launched for sale in March and has been well received by the market. Handover of pre-sold units for K. Summit commenced in December after obtaining the certificate of compliance, with corresponding sales revenue recognised in the year.

The Group will launch for sale new joint venture projects, Kam Sheung Road Station Package One Property Development, Kai Tak Area 4A Site 1 and Site 2, and LOHAS Park Package Eleven Property Development in 2022 and continue to market its remaining units in various projects. Construction works of projects under development are in progress as scheduled and the handover of sold units for K. Summit continues in 2022.

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

K. Summit, Kai Tak (100% owned)

This premium residential development is located in the Kai Tak Development Area near the Kai Tak Station on the MTR Tuen Ma Line. It has a total GFA of approximately 53,000 square metres offering 1,006 units. Pre-sales began in late 2019 with favourable market responses, achieving contracted sales of HK$4.2 billion in the year and HK$11.4 billion in total as of year-end, leaving only a small number of units available for sale. Occupation permit was obtained in May while the certificate of compliance was granted in November. Delivery of pre-sold units commenced in December, with corresponding sales revenue recognised in the year upon the handover of the majority of pre-sold units to buyers. Handover of the remaining sold units, with contracted sales yet to be recognised of HK$3 billion as of year-end, continues in 2022.

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. The project is completed with 95% of the units sold as of year-end.

2 Grampian Road, Kowloon (100% owned)

This completed project has 5 premium house units and is situated in one of Kowloon’s prime residential areas with a total GFA of approximately 2,000 square metres. The house units will be put on the market in the second quarter of 2022.

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. Pre-sales of the Phase I units commenced in March, followed by Phase III and Phase II in April and August respectively. Nearly 70% of units launched were pre-sold as of year-end. Construction works are in progress as scheduled with targeted completion in 2023.

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. Construction works are well underway. The project is targeted to complete in 2024. Pre-sales are expected to be launched in the first half of 2022.

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. Construction works are well underway. The project is targeted to complete in 2024. Pre-sales are expected to be launched in the first half of 2022.

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 opposite 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. Construction works are well underway. The project is targeted to complete in 2024. Pre-sales are expected to be launched in the second half of 2022.

LOHAS Park Package Eleven Property Development, 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. Construction works are well underway. The project is targeted to complete in 2024. Pre-sales are expected to be launched in the second half of 2022.

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

This site has a total GFA of approximately 144,000 square metres and is being developed into a premium residential project by a joint venture with other property developers. It is located northwest of the MTR LOHAS Park Station enjoying views of Junk Bay. Construction works are well underway with targeted completion in 2025/2026.

(B) Mainland China

During the year, the Group launched new batches of residential units at Bayview in Dongguan, J City and a joint venture project, Jiajun Garden, both in Jiangmen, to meet buyers' demand. The Group also launched three new wholly-owned projects, Azure in Shanghai, VETTA in Suzhou and Cosmo in Guangzhou, as well as a 30%-owned project in Jiangmen, Ziwei Gongguan.

Following the successful launches in the year, the Group will also continue to market its remaining units in launched projects. On the other hand, a new joint venture in Shanghai, Imperial Mansion and a new wholly-owned project in Nanjing, Cavendish, were launched for sale in January and February 2022 respectively, receiving very favourable responses. More new projects in the sales pipeline, in Shanghai, Nanjing and Suzhou, will be launched for sale in 2022, subject to market conditions.

The overall development of the Group's projects under construction remained on schedule and a number of projects in Shanghai, Suzhou, Dongguan and Jiangmen are targeted for completion in 2022.

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

Shanghai, Nanjing and Suzhou

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

This completed project is situated in a well-developed residential area with good transportation links to the Pudong CBD. It comprises 6 towers with a total GFA of approximately 29,000 square metres, of which 3 towers with a total GFA of approximately 13,000 square metres were held for serviced apartments under "Stanford Residences Jin Qiao". In view of the strong demand for quality housing in Shanghai's Jinqiao District, the Group decided to change its intention from operating Azure's serviced apartments for long term, to properties held for sale. A gain of approximately HK$485 million before tax was recorded at the time of the transfer. All units at Azure, including both the serviced apartments and other residential units on hand, were taken up upon launch for sale in May 2021, resulting in sales amounted to approximately RMB2.4 billion. Nearly all sold units had been handed over to buyers smoothly, with corresponding revenue recognised in the year.

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 with the majority of the sold units handed over to buyers, leaving only a few units available for sale as of year-end.

Navale, Pudong District, Shanghai (100% owned)

This project with residential buildings for a total GFA of approximately 14,200 square metres, is located by the Huangpu River in Pudong and is expected to be completed in 2022. It is situated in the prime location of the Lujiazui Financial Centre. Presale consent was obtained in February 2022 and is ready for launch in late March 2022.

Imperial Mansion, Hongkou District, Shanghai (49% owned)

This newly acquired project, with a total GFA of approximately 47,000 square metres, is located in Hongkou District and will provide 215 residential units with commercial facilities. Pre-sales of residential units were launched in January 2022 with overwhelming market responses. All of the residential units were pre-sold on the launch day for attributable sales of RMB2.1 billion. Execution of contracts is underway. Construction works are in progress with expected completion in 2024.

Cavendish, 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, offering 381 residential units, mainly of three and four-bedrooms and some special units, and ancillary commercial facilities. The development was completed in December 2021 with the commercial portions being held for long-term investment. The project was launched for sale in February 2022 with favourable market responses.

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

This project, located in a core urban district, is in close proximity to the central business district of Hexi and next to Wuhoujie Metro Station with a total GFA of approximately 477,000 square metres. It is a comprehensive development and is being developed in phases integrating residential, apartments, retails, offices and a hotel for sale and/or for long-term investment. The first phase of construction of residential buildings is underway and is expected to be launched for sale in 2022.

VETTA, Xiangcheng District, Suzhou (100% owned)

This project 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 offering 588 units of three- and four-bedrooms. Pre-sales were launched from July 2021 with one-third of the launched units pre-sold as of year-end. Construction works are in progress with expected completion in 2022.

Avanti, 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 provides 514 units. The development was completed in August 2021. It is targeted to be launched for sale 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. The project is completed and over 90% of the units have been sold.

Other joint venture projects in Yangtze River Delta Area

Pre-sales of the joint venture property developments in Kunshan and Jiaxing, which commenced in late 2018, with all the residential units sold as of year-end. Delivery of the sold units to buyers commenced in early 2021.

Guangzhou, Dongguan and Jiangmen

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

This completed project 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. Nearly 70% of the apartments have been sold and the offices and retail portions are held for long term investment purposes.

Cosmo, Xinhuazhen West Site, Huadu District, Guangzhou (99.9% owned)

The project, with development in phases on the East and West Sites, is only steps away from Baiyun District and is poised to benefit from the enhanced transportation networks. Following the completion and successful marketing of units on the East Site, the West Site, Cosmo, 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 residential units for a GFA of approximately 187,000 square metres, will provide 1,474 units of two to four-room types spread over 12 towers and a commercial complex of 23,000 square metres. Soft launch for presales of a residential tower commenced in 2021. Construction works are underway, while the development is expected to be completed in 2023.

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

This 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 began in November 2020 with good market responses, about 70% of the units launched were pre-sold as of year-end. The remaining units are expected to be launched in 2022, subject to market conditions. Construction works are in progress with expected completion in 2022.

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

Located in 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 held for rental. The development is completed and only a few units were available for sale as of year-end.

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

This project, located in Jianghai District and next to the Jiangmendong Railway Station of the Guangzhou-Zhuhai Intercity Railway, comprises two adjacent land sites with a total GFA of approximately 278,600 square metres in aggregate, providing 2,261 residential units available for sale with ancillary commercial facilities. The development was completed in phases by 2021. Pre-sales began in April 2020, with about two-thirds of the launched units 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, providing 858 residential units available for sale. The development was completed in phases by January 2022. Pre-sales were launched in 2020 with about 75% of the launched units pre-sold as of year-end.

Ziwei Gongguan, 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, providing 642 residential units available for sale with ancillary commercial facilities. Pre-sales began in April 2021 with about one-third of the launched units pre-sold as of year-end. Construction works are in progress with expected completion in 2022.

Property Investment

The Group’s investment properties maintained very satisfactory occupancy throughout the year. Rental income for the year recorded an increase, particularly those from Mainland China, and already exceeded pre-pandemic levels due to the improving leasing market. In addition, retail portions of K. Summit in Hong Kong and Cavendish in Nanjing were put up for leasing in the year and transferred to investment properties. The Group continues on its track to enlarge the portfolio for recurring income.

(A) Hong Kong

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 70% of the available units were leased as of year-end.

Shops at K. Summit, Kai Tak (100% owned)

With a total GFA of approximately 1,200 square metres, this complex to serve the residents of K. Summit and the neighborhood was launched for leasing during the year. It was fully leased as of year-end.

(B) Mainland China

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 99% for 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" and "Xu Hui" with a total GFA of approximately 58,000 square metres, offer everything from five-star management services to sophisticated and contemporary interiors that feature stylish furniture and fittings. Throughout the year, they continued to enjoy high occupancy with an overall occupancy rate of about 90%, 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, with a total GFA of approximately 8,000 square metres, Palace Lane offers consumers a variety of leisure, food and beverage experiences. It has been well received, with 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 its building design by incorporating green building features and the use of energy-efficient technologies and materials. The building became operational in 2020 and is fully let, following the lease executed in March 2021 of a total GFA of approximately 14,000 square metres to a world-renowned biopharmaceutical company.

Wuyi Road, Changning District, 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 project's vibrancy, an adjacent garden house enjoying a street-front location with a GFA of approximately 600 square metres was acquired in March 2021. More flexibility in layout and design is enjoyed. Construction works are in progress with expected completion in 2022/2023. Leasing activities are underway with favourable market responses.

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 75% 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 55% as of year-end.

Cavendish's commercial portions, Nanjing (100% owned)

The commercial portion, with a total GFA of approximately 7,300 square metres, has commenced its leasing activities upon completion in December 2021. It has received favourable market responses.

Land bank replenishment

During the year, the Group participated in a joint venture, in which it holds a 49% interest, to jointly develop a site for residential units and commercial facilities in Hongkou District, Shanghai with a total GFA of approximately 47,000 square metres. The Group also participated in a number of land bids and will 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 prevailing market uncertainties.

Investment in GEG

The Group has an investment of 162 million shares, or approximately 3.73% interest, in GEG, measured at fair value and classified as non-current assets. It represented 8% of the Group's total assets as of 31 December 2021. The principal activities of GEG are gaming, the provision of hospitality and the sale, manufacture and distribution of construction materials.

As of 31 December 2021, the share price of GEG was down to HK$40.4 from HK$60.25 of last year-end. The decrease in fair value of HK$3,225 million was recorded to reserves. During the year, no dividend was received from GEG. The audited consolidated profit attributable to equity holders of GEG for the year ended 31 December 2021 was HK$1,326 million (2020: loss of HK$3,973 million), while the audited consolidated net asset value attributable to equity holders of GEG as at 31 December 2021 was HK$68,425 million (2020: HK$67,424 million).

As stated in its 2021 annual results announcement, the reoccurrence of COVID-19 cases could affect GEG's financial results in the near future. However, in the medium to longer term, GEG continues to have great confidence and is well positioned for future growth with its Phases 3 & 4 developments. A special dividend of HK$0.3 per share was also just declared.

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, global economy continued to be affected by the COVID-19 pandemic, particularly with the emergence of new variants Delta and Omicron, resulting in city lockdowns and disruption to the global supply chain.

In response to the pandemic, most developed countries implemented various relief measures and fiscal stimuli, and injected ample amount of funds into the markets. A "Zero or negative interest rate" policy was also adopted in order to boost the economy. Global business confidence gradually improved following the roll-out of vaccination campaigns in most developed countries, although Sino-United States (the "***US***") relationship remained tense. Major economies ended up with positive GDP growth in the year.

With COVID-19 largely under control in Mainland China, a GDP growth of 6% for the year was achieved. Nevertheless, the Central Government tightened its measures aiming for deleveraging the property sector, resulting in local developers' debt crisis, and also implemented measures to regulate platform economies, and technology, entertainment, digital games and private education sectors, etc. which hurt market sentiment in general.

Hong Kong benefiting from the vaccinations in progress, stimuli measures to boost local consumption, and also from the fast recovery of Mainland China's economy achieved a GDP growth of 6.4% in the year.

Hong Kong property market

Although Hong Kong was adversely affected by the pandemic in the year, the economy gradually recovered through relief measures taken by the government and COVID-19 becoming more under control towards year-end. This was evidenced by the dramatic drop in unemployment rate from 6.8% in the first quarter to 3.9% in the last quarter. Abundant liquidity in the banking market, low interest rates and resilient buyers' demand ensured the stability of the residential property market through the year. On the other hand, retail, especially food and beverage, and travel sectors were hard hit. However, the Group was not particularly impacted by these factors as we are principally engaged in the residential market.

Mainland China property market

Mainland China property market remained strong early the year. The Central Government while reiterating the principle of "housing for living in, not for speculation" adopted more comprehensive restrictive measures to regulate land tenders, property transactions in both the primary and secondary markets as well as property related lending to developers and purchasers, etc. in order to maintain a healthy and sustainable development in the property market. Local developers with high financial leverage, particularly those subject to the "three red lines", were hard hit and unable to refinance their debts. Buyers preferred to stand on the sidelines and there were less transactions in the second half of the year though the prices remained stable. Nevertheless, projects in tier-1 or 2 cities, particularly those in good locations, still drew decent buyers' interest.

Conclusion

Though COVID-19 still prevails, with size of population getting vaccinated expanded globally and more developed countries are opening up their borders, impacts of the pandemic is expected to be brought under control in general. However, global economy is expected to be volatile and growth is less visible as there are more uncertainties resulting from the anticipated interest rate hikes led by the US along with its tightening of liquidity to curb its rising inflation. The relationship between Mainland China and the US remains tense. Escalating geopolitical tensions and the resulting oil price hikes, profound changes in the international landscape and signs of de-globalization also continue to cast uncertainties and volatilities in the global economy. Hong Kong is also severely hit at the moment by the fifth wave of COVID-19 outbreak.

Despite this challenging business environment, the Group has a positive outlook for buyers' demand in both the resilient Hong Kong and Mainland China property markets. The Group will benefit from opportunities arising from co-operation among cities in the Greater Bay Area and Mainland China's sustainable development under the 14th "Five Year Plan". Meanwhile, the "Northern Metropolis Development Strategy" proposed in the Hong Kong 2021 policy address will be conducive to the integrated development of Hong Kong with Shenzhen as well as integration with other cities in the Guangdong-Hong Kong-Macau Greater Bay Area, thereby creating more opportunities. In addition, the proposed relaxation on mortgage caps under Hong Kong's 2022/23 financial budget will provide support to the Hong Kong property sector benefiting, in particular, property sales of units valued between HK$8-12 million.

With a pragmatic mindset, backed by its extensive experience, the Group will continue to focus on developing distinctive premium projects in Hong Kong and tier-1 or 2 cities in Mainland China targeting upgraders according to the philosophies of "K. Wah Plus" and the persistence in delivering projects of impeccable quality. 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 the properties they acquire.

The Group will continue to launch our projects, subject to market conditions. The Group will also, with our solid financial resources, replenish our land bank and pursue any opportunities in the markets in a disciplined and selective manner in Hong Kong, the Yangtze River Delta and Pearl River Delta regions, taking advantage of softened markets while monitoring any policy changes in the land markets in Hong Kong and Mainland China.

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained satisfactory throughout the year. As of 31 December 2021, total funds employed (being total equity and total borrowings and guaranteed notes) were HK$64 billion (2020: HK$70 billion). The number of issued shares of the Company increased to 3,130,234,615 as of 31 December 2021 (2020: 3,126,974,615) 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 2021, the Group's borrowings of bank loans were HK$18,984 million (2020: HK$25,042 million, including guaranteed notes) and 14% 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$215 million which is due after 5 years. The average interest rate for the Group during the year decreased from 2.1% of last year to 1.6%.

As of 31 December 2021, the Group had available undrawn banking facilities totaling HK$18,132 million (2020: HK$12,146 million) comprising HK$12,686 million (2020: HK$7,720 million) for working capital and HK$5,446 million (2020: HK$4,426 million) for project facility purposes.

As of 31 December 2021, cash and bank deposits stood at HK$8,137 million (2020: HK$7,673 million), and approximately 68% 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, decreased from 39% as of 31 December 2020 to 24% as of 31 December 2021, resulting from a net cash inflow.

A 3-year revolving credit facility of HK$500 million was executed in June 2021 at favourable cost. In addition, a 4/5-year revolving credit and term loan facility of HK$8 billion was executed in October 2021 for refinancing the revolving credit and term loan maturing in January 2022 and enhancing the Group's funding capability. The guaranteed notes with face value of the total amount of HK$1 billion were fully redeemed by September 2021.

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 of HK$18,984 million as of 31 December 2021, approximately 83% was denominated in Hong Kong dollars, with the remainder in Renminbi. Approximately 85% of such borrowings were on a floating rate basis, with the remainder on fixed rate basis.

Charges on Group Assets

As of 31 December 2021, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, right-of-use assets, and buildings) with aggregate carrying values of HK$20,374 million (2020: HK$22,003 million) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 31 December 2021, the Group has executed guarantees in favour of banks in respect of facilities granted to certain joint ventures and associated companies amounting to HK$13,717 million (2020: HK$10,110 million), of which facilities totaling HK$8,354 million (2020: HK$6,614 million) have been utilised. In addition, the Group provided guarantees amounting to HK$1,808 million (2020: HK$627 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 2021, the Company has executed guarantees in favour of banks in respect of facilities granted to certain subsidiaries, and joint ventures and associated companies, amounting to HK$29,943 million (2020: HK$32,191 million) and HK$11,069 million (2020: HK$9,961 million) respectively. Of these, facilities totaling HK$17,127 million (2020: HK$22,712 million) and HK$7,016 million (2020: HK$6,589 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. 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 GOVERNANCE 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 2021 in compliance with Appendix 27 to the Rules Governing the Listing of Securities ("***Listing Rules***") of The Stock Exchange of Hong Kong Limited on "Environmental, Social and Governance Reporting Guide" (the "***ESG Report***"). A full version of the ESG Report will be available on the websites of the Company at (*www.kwih.com*) and Hong Kong Exchanges and Clearing Limited ("***HKEx***") at (*www.hkexnews.hk*) respectively in late April 2022.

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 Company's 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 applicable 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 (roles of chairman and managing director); and (ii) CP A.4.2 (retirement by rotation of directors). The roles of chairman and managing director have not been separated. 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 2020 Annual Report and as alluded to in the section headed "CORPORATE GOVERNANCE" in its 2021 Interim Report. Detailed information of the Company's corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company's 2021 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 2021.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2021 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 2021 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 2021.

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming annual general meeting to be held on 8 June 2022 ("***2022 AGM***") a final cash dividend for the year ended 31 December 2021 of 14 HK cents per share, totaling HK$438,605,000, payable on 22 July 2022 to the shareholders whose names appear on the registers of members of the Company at the close of business on 22 June 2022 (2020: a final cash dividend of 14 HK cents per share totaling HK$437,777,000). Together with the interim cash dividend of 7 HK cents per share (2020: interim cash dividend of 7 HK cents per share), total dividends per share for the year ended 31 December 2021 is 21 HK cents (2020 total: 21 HK cents).

CLOSURE OF REGISTERS OF MEMBERS

Entitlement to attend and vote at the 2022 AGM

The registers of members will be closed from 2 June 2022 to 8 June 2022, 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 2022 AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office 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 1 June 2022.

Entitlement to Final Dividend

The registers of members will be closed from 17 June 2022 to 22 June 2022, 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 and Transfer Office 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 16 June 2022.

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 2021 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 2022.

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, 22 March 2022