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KWG GROUP HOLDINGS LIMITED

合景泰富集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1813)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

- The pre-sales for the year ended 31 December 2021 of RMB103.8 billion, representing an slightly increase of 0.2% as compared with the financial year of 2020.
- Proportionate revenue for the year ended 31 December 2021 amounted to RMB44,282.9 million, a decrease of 3.9% as compared with the financial year of 2020.
- Core gross profit margin and net profit margin were 21.2% and 10.7%, respectively.
- Core profit* for the year amounted to RMB3,979.1 million.
- Earnings per share was RMB76 cents.

The board of directors (the “Board” or the “Directors”) of KWG Group Holdings Limited (the “Company”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2021. The annual results have been reviewed by the audit committee of the Company (the “Audit Committee”).

* The core profit represents profit for the year of the Group excluding effects such as fair value changes on investment properties of the Group and its joint ventures, net.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CONTINUING OPERATIONS			
REVENUE	6	23,844,720	29,742,063
Cost of sales		<u>(18,799,204)</u>	<u>(20,383,239)</u>
Gross profit		5,045,516	9,358,824
Other income and gains, net	6	1,787,868	1,628,096
Selling and marketing expenses		(1,807,998)	(1,222,410)
Administrative expenses		(1,839,467)	(1,560,784)
Other operating expenses, net		(405,443)	(2,981)
Fair value (losses)/gains on investment properties, net		(662,246)	415,157
Finance costs	7	(303,033)	(1,034,243)
Share of profits and losses of:			
Associates		100,503	354,669
Joint ventures		2,165,366	2,126,580
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	8	4,081,066	10,062,908
Income tax expenses	9	(1,518,128)	(3,397,779)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<u>2,562,938</u>	<u>6,665,129</u>
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation		<u>—</u>	<u>236,180</u>
Profit for the year		<u>2,562,938</u>	<u>6,901,309</u>
Attributable to:			
Owners of the Company		2,421,351	6,676,592
Non-controlling interests		141,587	224,717
		<u>2,562,938</u>	<u>6,901,309</u>

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic			
— For profit for the year		<u>RMB76 cents</u>	<u>RMB210 cents</u>
— For profit from continuing operations		<u>RMB76 cents</u>	<u>RMB203 cents</u>
Diluted			
— For profit for the year		<u>RMB76 cents</u>	<u>RMB210 cents</u>
— For profit from continuing operations		<u>RMB76 cents</u>	<u>RMB203 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>2,562,938</u>	<u>6,901,309</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	557,457	1,329,793
Share of exchange differences on translation of joint ventures	<u>563,776</u>	<u>579,194</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	1,121,233	1,908,987
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	<u>377,334</u>	<u>728,917</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>377,334</u>	<u>728,917</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>1,498,567</u>	<u>2,637,904</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>4,061,505</u>	<u>9,539,213</u>
Attributable to:		
Owners of the Company	3,919,918	9,314,496
Non-controlling interests	<u>141,587</u>	<u>224,717</u>
	<u>4,061,505</u>	<u>9,539,213</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	12	9,173,322	7,780,054
Investment properties		29,954,477	29,320,849
Land use rights		4,054,109	2,651,855
Interests in associates		13,699,293	5,338,823
Interests in joint ventures		48,563,454	46,872,043
Deferred tax assets		3,093,513	2,432,853
Total non-current assets		<u>108,538,168</u>	<u>94,396,477</u>
CURRENT ASSETS			
Properties under development		60,242,088	65,613,320
Completed properties held for sale		15,938,413	15,000,367
Trade receivables	13	1,368,764	1,914,579
Prepayments, other receivables and other assets		15,628,725	9,814,732
Due from a joint venture		22,525	30,004
Tax recoverables		1,062,880	848,419
Cash and bank balances		29,447,488	44,580,481
Total current assets		<u>123,710,883</u>	<u>137,801,902</u>
CURRENT LIABILITIES			
Trade and bills payables	14	13,348,056	13,165,515
Lease liabilities		215,163	209,341
Other payables and accruals		39,924,767	31,746,296
Due to joint ventures		21,692,348	35,207,964
Due to associates		3,585,519	3,244,654
Interest-bearing bank and other borrowings		20,333,853	25,255,339
Tax payables		13,066,634	12,284,787
Total current liabilities		<u>112,166,340</u>	<u>121,113,896</u>
NET CURRENT ASSETS		<u>11,544,543</u>	<u>16,688,006</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>120,082,711</u>	<u>111,084,483</u>
NON-CURRENT LIABILITIES			
Lease liabilities		1,221,935	1,567,291
Interest-bearing bank and other borrowings		56,384,576	52,605,276
Deferred tax liabilities		2,772,225	2,993,183
Deferred revenue		2,042	2,042
Total non-current liabilities		<u>60,380,778</u>	<u>57,167,792</u>
NET ASSETS		<u>59,701,933</u>	<u>53,916,691</u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	304,680	304,474
Treasury shares	(3,038)	(1,723)
Reserves	<u>44,018,894</u>	<u>43,232,126</u>
	44,320,536	43,534,877
Non-controlling interests	<u>15,381,397</u>	<u>10,381,814</u>
TOTAL EQUITY	<u><u>59,701,933</u></u>	<u><u>53,916,691</u></u>

Notes:

1. CORPORATE AND GROUP INFORMATION

The Company was a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Group was involved in the following principal activities from continuing operations:

- Property development
- Property investment
- Hotel operation

The discontinued operation of the Group was involved in the provision of property management services through KWG Living Group Holdings Limited (“KWG Living”) which was spun off by the Group for separate listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 October 2020 (the “Distribution Date”).

In the opinion of the Directors, the immediate and ultimate holding company of the Company is Plus Earn Consultants Limited, which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the dates on which the Group obtains control, and continue to be consolidated until the dates that such control ceases.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The Company has set up a trust (the “Trust”) for the purpose of purchasing, administering and holding the Company’s shares for the share award scheme adopted on 19 January 2018. The Group has the power to govern the financial and operating policies of the Trust and derive benefits from the services of the employees who have been awarded the awarded shares through their continued employment with the Group. The assets and liabilities of the Trust are included in the consolidated statement of financial position and the shares held by the Trust are presented as a deduction in equity as shares held for the share award scheme.

Going concern basis

As of 31 December 2021, the Group recorded a net current assets of RMB11,544.5 million, and the Group’s current portion of interest-bearing bank and other borrowings amounted to RMB20,333.9 million, while its cash and bank balances amounted to RMB29,447.5 million. In view of the prevailing slow-down of the property market, coupled with the limited source of financing from the capital market, the Group may take longer time than expected to realise cash from the sale of its properties and/or have the cash from external financing to meet its loan repayment obligations.

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

- (i) The Group is actively negotiating with several existing financial institutions on the renewal of certain borrowings. Subsequent to 31 December 2021, the Group has also been negotiating with various banks and financial institutions to secure new sources of financing.
- (ii) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables.
- (iii) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

The directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2021. They are of the opinion that, taking into account the above mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

- (i) the successful obtaining of additional new sources of financing as and when needed; and
- (ii) the successful and timely implementation of the plans to accelerate the pre-sales and sales of properties under development and completed properties, speed up the collection of outstanding sales proceeds and other receivables, and control costs and control capital expenditure so as to generate adequate net cash inflows.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform — Phase 2

*Covid-19-Related Rent Concessions beyond 30 June
2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

During the year, the interest rates of certain interest-bearing bank borrowings and an interest rate swap denominated in foreign currencies were changed from the London Interbank Offered Rate to RFRs. The Group applied the above-mentioned practical expedient upon modification of these borrowings and replacement of this interest rate swap as the “economically equivalent” criterion was met. No significant modification gain or loss has arisen as a result of applying the amendments to these changes. As at 31 December 2021, the Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”). The Group expects HIBOR will continue to exist and there is no impact on the Group’s HIBOR-based borrowings.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{2, 5}</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{2, 4}</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract¹</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41¹</i>

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into three reportable operating segments as follows:

- (a) Property development: Sale of properties
- (b) Property investment: Leasing of properties
- (c) Hotel operation: Operation of hotels

Upon the spin-off of KWG Living on 30 October 2020, which was previously one of the reportable segment of property management, the Group has the remaining three reportable segments of property development, property investment and hotel operation.

The property development projects undertaken by the Group during the year are mainly located in Mainland China and Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

The Group's revenue from external customers is derived solely from its operations in Mainland China.

During 2021 and 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Year ended 31 December 2021

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total continuing operations <i>RMB'000</i>
Segment revenue:				
Sales to external customers and revenue from continuing operations	<u>22,191,746</u>	<u>957,391</u>	<u>695,583</u>	<u>23,844,720</u>
Segment results	4,255,245	78,435	136,672	4,470,352
<i>Reconciliation:</i>				
Interest income and unallocated income				1,787,868
Unallocated expenses				(1,874,121)
Finance costs				<u>(303,033)</u>
Profit before tax				4,081,066
Income tax expenses				<u>(1,518,128)</u>
Profit for the year from continuing operations				<u>2,562,938</u>
Other segment information:				
Depreciation and amortisation	125,757	11,230	228,657	365,644
Fair value losses on investment properties, net	—	(662,246)	—	(662,246)
Share of profits and losses of:				
Associates	100,503	—	—	100,503
Joint ventures	<u>2,165,366</u>	<u>—</u>	<u>—</u>	<u>2,165,366</u>

Year ended 31 December 2020

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total continuing operations <i>RMB'000</i>
Segment revenue:				
Sales to external customers and revenue from continuing operations	<u>28,486,724</u>	<u>801,073</u>	<u>454,266</u>	<u>29,742,063</u>
Segment results	9,799,253	1,011,601	88,011	10,898,865
Reconciliation:				
Interest income and unallocated income				1,628,096
Unallocated expenses				(1,429,810)
Finance costs				<u>(1,034,243)</u>
Profit before tax				10,062,908
Income tax expenses				<u>(3,397,779)</u>
Profit for the year from continuing operations				<u>6,665,129</u>
Other segment information:				
Depreciation and amortisation	95,558	33,876	156,909	286,343
Fair value gains on investment properties, net	—	415,157	—	415,157
Share of profits and losses of:				
Associates	354,669	—	—	354,669
Joint ventures	<u>2,126,580</u>	<u>—</u>	<u>—</u>	<u>2,126,580</u>

6. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue, other income and gains, net is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue:		
Revenue from contracts with customers		
Sale of properties	22,191,746	28,486,724
Hotel operation income	695,583	454,266
Revenue from other sources		
Gross rental income	957,391	801,073
	<u>23,844,720</u>	<u>29,742,063</u>
Other income and gains, net:		
Interest income	891,148	711,830
Project management fee income	550,608	420,140
Others	346,112	496,126
	<u>1,787,868</u>	<u>1,628,096</u>

Set out below is the disaggregation of the Group's revenue from contracts with customers for the year ended 31 December 2021:

	Property development <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total continuing operations <i>RMB'000</i>
<i>Type of revenue recognition:</i>			
Sale of properties	22,191,746	—	22,191,746
Provision of services	—	695,583	695,583
Total revenue from contracts with customers	<u>22,191,746</u>	<u>695,583</u>	<u>22,887,329</u>
<i>Timing of revenue recognition:</i>			
Recognised at a point in time	18,173,197	—	18,173,197
Recognised over time	4,018,549	695,583	4,714,132
Total revenue from contracts with customers	<u>22,191,746</u>	<u>695,583</u>	<u>22,887,329</u>

Set out below is the disaggregation of the Group's revenue from contracts with customers for the year ended 31 December 2020:

	Property development <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total continuing operations <i>RMB'000</i>
<i>Type of revenue recognition:</i>			
Sale of properties	28,486,724	—	28,486,724
Provision of services	—	454,266	454,266
	<u>28,486,724</u>	<u>454,266</u>	<u>28,940,990</u>
Total revenue from contracts with customers	<u>28,486,724</u>	<u>454,266</u>	<u>28,940,990</u>
<i>Timing of revenue recognition:</i>			
Recognised at a point in time	25,680,443	—	25,680,443
Recognised over time	2,806,281	454,266	3,260,547
	<u>28,486,724</u>	<u>454,266</u>	<u>28,940,990</u>
Total revenue from contracts with customers	<u>28,486,724</u>	<u>454,266</u>	<u>28,940,990</u>

7. FINANCE COSTS

An analysis of the Group's finance costs from continuing operations is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank and other borrowings	5,026,978	5,815,543
Interest on lease liabilities	91,437	123,896
Less: Interest capitalised	<u>(4,815,382)</u>	<u>(4,905,196)</u>
	<u>303,033</u>	<u>1,034,243</u>

8. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	2021	2020
	RMB'000	RMB'000
Cost of properties sold	18,349,188	20,040,512
Less: Government grant released	(363)	(45)
	18,348,825	20,040,467
Cost of services provided	450,379	342,772
Depreciation	333,400	275,146
Amortisation of land use rights	78,716	63,966
Less: Amount capitalised in assets under construction	(46,472)	(52,769)
	32,244	11,197
Employee benefit expenses* (excluding directors' and chief executive's remuneration):		
Wages and salaries	1,334,618	1,255,626
Share-based compensation expenses	8,105	18,317
Pension scheme contributions (defined benefit plans)	71,243	21,763
	1,413,966	1,295,706
Less: Amounts capitalised in assets under construction, properties under development and investment properties under development	(542,145)	(477,275)
	871,821	818,431
Foreign exchange differences, net	40,504	311,642
Loss on disposal of property, plant and equipment**	9,215	16,557
Direct operating expenses (including repairs and maintenance arising on rent-earning investment properties)	49,234	49,588

* Employee benefit expenses are included in "Selling and marketing expenses" and "Administrative expenses" in the consolidated statements of profit or loss.

** These items are included in "Administrative expenses" in the consolidated statement of profit or loss.

9. INCOME TAX EXPENSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current – PRC		
Corporate income tax (“CIT”)	1,347,541	2,139,296
Land appreciation tax (“LAT”)	<u>1,084,114</u>	<u>1,752,468</u>
	2,431,655	3,891,764
Deferred	<u>(913,527)</u>	<u>(493,985)</u>
Total tax charge for the year from continuing operations	<u><u>1,518,128</u></u>	<u><u>3,397,779</u></u>

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2021 and 2020.

PRC CIT

PRC CIT in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2021 and 2020, based on existing legislation, interpretations and practices in respect thereof.

PRC LAT

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

10. DIVIDENDS

(a) Dividends

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Proposed final dividend — Nil (2020: final dividend (with scrip option) of RMB53 cents per ordinary share)	—	1,685,668
Interim dividend declared — RMB37 cents (2020: RMB40 cents) per ordinary share	<u>1,177,713</u>	<u>1,271,220</u>
	<u><u>1,177,713</u></u>	<u><u>2,956,888</u></u>

On 27 August 2021, the Board declared the payment of the 2021 interim dividend of RMB37 cents per share (30 June 2020: RMB40 cents per share), totalling approximately RMB1,177,713,000. The interim dividend for the year is made out of the reserves of the Company.

The Board has resolved not to declare any final dividend in respect of the year ended 31 December 2021 (2020: RMB53 cents per ordinary share).

(b) Distribution in specie

On 30 October 2020, in connection with the listing of KWG Living, a distribution in specie of all the issued share capital of KWG Living held by the Company, being 1,589,025,505 shares of KWG Living, was distributed to the Qualifying KWG Shareholders on a pro-rata basis to their shareholdings in the Company on a basis of one share of KWG Living for every two shares held by the Qualifying Shareholders.

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 3,181,075,719 (2020: 3,177,056,096) in issue during the year.

For the year ended 31 December 2021, the calculation of the diluted earnings per share amount was based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation of 3,181,075,719 (31 December 2020: 3,177,056,096) plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares of 2,175,921 (31 December 2020: 4,140,940).

The calculations of basic and diluted earnings per share amounts are based on:

	2021	2020
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company:		
From continuing operations	2,421,351	6,445,620
From a discontinued operation	—	230,972
	<u>2,421,351</u>	<u>6,676,592</u>
	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	3,181,075,719	3,177,056,096
Effect of dilution – awarded shares	<u>2,175,921</u>	<u>4,140,940</u>
Weighted average number of ordinary shares during the year used in diluted earnings per share calculation	<u>3,183,251,640</u>	<u>3,181,197,036</u>

12. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2021, the Group had additions of property, plant and equipment at a total cost of approximately RMB1,835,014,000 (2020: approximately RMB1,678,444,000).

13. TRADE RECEIVABLES

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases and hotel operation. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of rental and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within 12 months for major customers. An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	793,464	1,139,192
7 to 12 months	355,777	433,279
Over 1 year	219,523	342,108
	<u>1,368,764</u>	<u>1,914,579</u>

14. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within one year	<u>13,348,056</u>	<u>13,165,515</u>

The trade and bills payables are non-interest-bearing and are normally settled on demand.

15. MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED CONSOLIDATED RESULTS

The material differences between the financial information disclosed in this announcement and the figures disclosed in the announcement of unaudited results for the year ended 31 December 2021 dated 31 March 2022 (“Unaudited Consolidated Results Announcement”) are as follows:

	<i>Notes</i>	2021 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)	Variances <i>RMB'000</i>
Consolidated statement of profit or loss for the year ended 31 December 2021				
Fair value (losses)/gains on investment properties, net	(a)	(7,746)	(662,246)	(654,500)
Share of profits and losses of joint ventures	(a)	2,310,866	2,165,366	(145,500)
Income tax expenses	(c)	(1,681,753)	(1,518,128)	163,625
Consolidated statement of financial position as at 31 December 2021				
Investment properties	(a), (b)	28,706,200	29,954,477	1,248,277
Interests in joint ventures	(a)	48,708,954	48,563,454	(145,500)
Deferred tax assets	(c)	2,943,681	3,093,513	149,832
Properties under development	(b)	60,283,362	60,242,088	(41,274)
Completed properties held for sale	(b)	17,799,916	15,938,413	(1,861,503)
Other payables and accruals	(d)	38,763,767	39,924,767	1,161,000
Deferred tax liabilities	(c)	2,786,018	2,772,225	(13,793)
Non-controlling interests	(d)	16,542,397	15,381,397	(1,161,000)

Notes:

- (a) The difference was due to the finalisation of the valuation reports prepared by the independent property valuer.
- (b) The difference was due to the reclassification from properties under development and completed properties held for sale to investment properties as at 31 December 2021.
- (c) The difference was due to the changes in fair value losses on investment properties.
- (d) The difference was due to the reclassification of accounts.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties and (iii) gross revenue from hotel room rentals, food and beverage sales and other ancillary services when the services are rendered. The revenue is primarily generated from its three business segments: property development, property investment and hotel operation.

The revenue amounted to approximately RMB23,844.7 million in 2021, representing a decrease of 19.8% from approximately RMB29,742.1 million in 2020.

In 2021, the revenue generated from property development, property investment and hotel operation were approximately RMB22,191.7 million, RMB957.4 million and RMB695.6 million, respectively.

Proportionate revenue amounted to approximately RMB44,282.9 million in 2021, representing a decrease of 3.9% from approximately RMB46,081.0 million in 2020.

Property development

Revenue generated from property development decreased by 22.1% to approximately RMB22,191.7 million in 2021 from approximately RMB28,486.7 million in 2020, primarily due to a decrease in the total gross floor area (“GFA”) delivered to 1,598,546 sq.m. in 2021 from 2,155,240 sq.m. in 2020.

The average selling price (“ASP”) increased from RMB13,217 per sq.m. in 2020 to RMB13,882 per sq.m. in 2021, reflecting a change in delivery portfolio with different city mix and product mix as compared with that for the corresponding period in 2020.

Proportionate revenue generated from property development decreased by 5.5% to approximately RMB42,180.8 million in 2021 from approximately RMB44,635.0 million in 2020.

Property investment

Revenue generated from property investment increased by 19.5% to approximately RMB957.4 million in 2021 from approximately RMB801.1 million in 2020, primarily due to an increased leaseable GFA from leased investment properties.

Hotel operation

Revenue generated from hotel operation increased by 53.1% to approximately RMB695.6 million in 2021 from approximately RMB454.3 million in 2020, primarily due to the increased occupancy rate benefiting from the control of the COVID-19 pandemic.

Cost of Sales

Cost of sales of the Group primarily represents the costs incurred directly for the Group's property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, cost of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the period of construction.

Cost of sales decreased by 7.8% to approximately RMB18,799.2 million in 2021 from approximately RMB20,383.2 million in 2020, mainly due to the decrease in total GFA delivered in sale of properties.

Land cost per sq.m. increased from RMB4,309 in 2020 to RMB5,321 in 2021.

Construction cost per sq.m. increased from RMB3,490 in 2020 to RMB4,322 in 2021, due to the change in delivery portfolio with different city mix compared with that in 2020.

Gross Profit

Gross profit of the Group decreased by 46.1% to approximately RMB5,045.5 million in 2021 from approximately RMB9,358.8 million in 2020. The decrease of gross profit was principally due to the decrease in the total revenue in 2021. The Group reported gross profit margin of 21.2% for 2021 as compared with 31.5% for 2020.

Proportionate core gross profit of the Group decreased by 27.7% to approximately RMB10,325.9 million in 2021 from approximately RMB14,274.0 million in 2020. The Group reported proportionate core gross profit margin of 23.3% in 2021 (2020: 31.0%).

Other Income and Gains, Net

Other income and gains increased by 9.8% to approximately RMB1,787.9 million in 2021 from approximately RMB1,628.1 million in 2020, mainly comprising interest income of approximately RMB891.1 million and project management fee income related to our joint venture and associate projects of approximately RMB550.6 million.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 47.9% to approximately RMB1,808.0 million in 2021 from approximately RMB1,222.4 million in 2020, mainly due to an increase in sales commission.

Administrative Expenses

Administrative expenses of the Group increased by 17.9% to approximately RMB1,839.5 million in 2021 from approximately RMB1,560.8 million in 2020.

Fair Value (Losses)/Gains on Investment Properties, Net

The Group reported fair value losses on investment properties of approximately RMB662.2 million for 2021 (2020: fair value gains of approximately RMB415.2 million), mainly related to various leaseable commercial properties in various regions.

Finance Costs

Finance costs of the Group being approximately RMB303.0 million in 2021 (2020: approximately RMB1,034.2 million), were related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus they have not been capitalised.

Income Tax Expenses

Income tax expenses decreased by 55.3% to approximately RMB1,518.1 million in 2021 from approximately RMB3,397.8 million in 2020, primarily due to a decrease in profit before tax as a result of the decrease in revenue in 2021.

Profit for the year from a discontinued operation

Upon the spin-off of KWG Living on 30 October 2020, the Company did not retain any interest in the issued share capital of KWG Living and KWG Living became a fellow subsidiary of the Company, which was classified as a discontinued operation. The results of KWG Living as a discontinued operation in 2020 was approximately RMB236.2 million.

Profit for the year

The Group reported profit for the year of approximately RMB2,562.9 million in 2021 (2020: approximately RMB6,901.3 million).

Interest in associates

The Group seek for various new cooperation opportunities by entering into various new projects with third party developers during the year ended 31 December 2021. Since the Group does not have controlling interests in these projects, this resulted in an increase in the balance of interest in associates as at 31 December 2021.

Prepayments, other receivables and other assets

Increase in the balance of prepayments, other receivables and other assets as at 31 December 2021 is mainly attributable to the increase in prepayments of contract cost and other taxes, and the increase in deposits paid for the Group's urban redevelopment projects.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2021, the carrying amounts of the Group's cash and bank balances were approximately RMB29,447.5 million (31 December 2020: approximately RMB44,580.5 million).

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties.

Borrowings and Charges on the Group's Assets

As at 31 December 2021, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB41,857.1 million, RMB27,455.1 million and RMB7,406.2 million respectively. Amongst the bank and other loans, approximately RMB7,581.2 million will be repayable within 1 year, approximately RMB23,354.3 million will be repayable between 2 and 5 years and approximately RMB10,921.6 million will be repayable over 5 years. Amongst the senior notes, approximately RMB7,550.7 million will be repayable within 1 year, approximately RMB18,012.7 million will be repayable between 2 and 5 years and approximately RMB1,891.7 million will be repayable over 5 years. Amongst the domestic corporate bonds, approximately RMB5,202.0 million will be repayable within 1 year and approximately RMB2,204.2 million will be repayable in the second year.

As at 31 December 2021, the Group's bank and other loans of approximately RMB37,937.3 million were secured by buildings, land use rights, investment properties, properties under development, completed properties held for sale and time deposits with total carrying value of approximately RMB41,253.4 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares. The Group's domestic corporate bonds were guaranteed by the Company.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately RMB5,291.8 million as at 31 December 2021 which were denominated in Hong Kong dollar of approximately RMB2,329.5 million and denominated in U.S. dollar of approximately RMB2,962.3 million respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of approximately RMB9,727.1 million which were charged at fixed interest rates as at 31 December 2021. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 31 December 2021. The Group's domestic corporate bonds were denominated in RMB and charged at fixed interest rates as at 31 December 2021.

Gearing Ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and bank balances) over the total equity. As at 31 December 2021, the gearing ratio was 79.2% (31 December 2020: 61.7%).

Risk of Exchange Rate Fluctuation

The Group mainly operates in Mainland China, so most of its revenues and expenses are measured in RMB. In addition, except for the above mentioned, the Company's domestic corporate bonds were denominated in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.

During 2021, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar increased and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent Liabilities

- (i) As at 31 December 2021, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB21,016.4 million (31 December 2020: approximately RMB20,271.7 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements as at 31 December 2021 and 2020 for the guarantees.

- (ii) As at 31 December 2021 and 2020, the Group had provided guarantees in respect of 1) certain bank loans for joint ventures and associates, and 2) certain bank acceptance bills for third parties.

Market Review

In 2021, the COVID-19 epidemic had become normalised globally. Thanks to the easing monetary and fiscal policies in different countries, the global economy was principally aiming towards recovery. In facing the multiple challenges such as the complicated and severe international environment and the spreading of the epidemic all over the places, China adhered to the principal tone of prudent progress, scientifically coordinated epidemic prevention & control and economic & social development, strengthened cross-cycle macroeconomic policy adjustment, and increased the support to the real economy, so that the national economy could continue its recovery and development and achieved a healthy start in the 14th Five-Year Plan. The yearly GDP grew by 8.1% year-on-year, with an average growth rate of 5.1% in two years. In 2021, the real estate regulation and control policy was executed with a principal policy tone of “housing properties are for accommodation, not for speculation”, “city-specific policies” and “keeping the prices of land and housing as well as market expectations stable”, but the regulation and control policy were tightened overall. In the first and second halves of the year, the real estate market first went well and then cooled down with differentiated performances. In the first half year, the overall real estate market experienced good performance with market sentiment kept flourishing, which was witnessed by the extremely robust first round of centralised land auction. The “three red lines” of financing for housing enterprises and the “two red lines” of mortgage management sustained to exert their strengths, the regulatory policies of focused cities continued to intensify, the “concentration ratio” management of loans of financial institutions kept strengthening, and various policies continued to tighten. Since the second half year, however, owing to the comprehensive and stringent real estate control policies, some real estate enterprises have experienced liquidity crisis. The local land auction market was lack lustre and there was strong observing market sentiment, coupled with market sales pressure and credit risk of real estate enterprises. According to the data of the National Bureau of Statistics of China on the investment and sales of nationwide property development for the period from January to December 2021, for 2021, nationwide property development investment increased 4.4% year-on-year to approximately RMB14,760.2 billion; commodity properties sales increased 1.9% year-on-year to 1,794.33 million sq.m. The realised investment of property development enterprises amounted to RMB20,113.2 billion, representing year-on-year growth of 4.2%. The property sector continued to play a stabilising role in the economy.

The 2022 Report on the Work of the Government reiterated to “adhere to the positioning that the housing properties are for accommodation, not for speculation”. The relevant expressions such as “supporting the commodity housing market to better meeting the reasonable housing demand of buyers”, “keeping the prices of land and housing as well as market expectations stable (three stabilisations)” and “implementing city-specific policies to promote the virtuous cycle and healthy development of real estate industry” continued the rhetoric of the Politburo meeting and the Central Economic Working Conference at the end of last year, in which they reflect the stability and continuity of the regulatory policy on real estate industry. In terms of government policy, the government intends to guide buyers’ expectations and bring back reasonable housing demand, so as to achieve the goal of “three stabilisations”.

The real estate industry is facing unprecedented challenges and reshuffling. Under the new situation, real estate enterprises with stable cash flow, efficient operation and multi-track layout will be more resilient.

Business Review

Under the new economic cycle and facing a complicated and volatile market environment, the real estate industry has entered a new round of “reshuffling”. The KWG Group has persisted its strategic direction of stable operation and diversified development. With the dual-drivers of both the real estate business and investment property business, the Group focuses on “quality growth” to steer through the economic cycle. The Group resolutely drives digital management and deepens diversification, steadily improves its operational and management capability and pursues quality sustainable development.

In 2021, the Group’s gross pre-sales amounted to RMB103.8 billion, representing a year-on-year increase of 0.2%. The ASP stood at approximately RMB19,100 per sq.m., improved by 12% over the corresponding period of 2020. Among the 138 projects for sale, when analysed by contribution to pre-sales amount, 46% were from Greater-Bay-Area and 28% were from Yangtze-River-Delta Area; when analysed by the ranking of cities, 91% were from tier-one and tier-two cities.

In 2021, the Group launched brand new projects such as Guangzhou Landmark Arte Masterpiece, Guangzhou Paradise by Moony Sky, Guangzhou Lakeside Mansion, Guangzhou The Beryl, The Riviera Chongqing, Chengdu The Jadeite, Tianjin Beautiful and Happy Life, Tianjin Haya City, Yancheng KWG Haya City and Jiaxing International Commerce Place, many of which were high-end luxury properties. The new projects gained market recognition with their prestigious locations and premium product quality.

For many years, KWG Group has always been focusing on product quality forging and innovative design, and both of its product and service quality have become its core competitive strengths. After years of development, the Group has cultivated our comprehensive operation strengths in diversity and co-ordination, drives the enhancement of its brand value and wins the recognition of numerous authoritative institutions. In 2021, the Group won a number of awards on the back of its robust comprehensive strengths in the nomination activities organised by renowned organisations such as China Index Academy, China Real Estate Association, Enterprise Asia, CSCEC City Construction Development Centre, The Time Weekly and Time Finance: the 2021 Top 100 PRC Property Enterprises, 5th ranking in 2021 China's Top 10 Property Development Companies by Comprehensive Development, Top 10 PRC Property Companies Listed in Hong Kong by Comprehensive Strengths, China Fortune 500, "2021 City Operator" in the 14th Time Weekly China Properties Oscar, 2021 China Top 500 Private Enterprises, Top 40 Chinese Real Estate Enterprises in 2021 (Comprehensive Strengths)", and 2021 APEA Corporate Excellence Award.

In 2021, the Group adhered to adopt its prudent land acquisition strategy to acquire land at a proper pace under a diversified and solid land bank approach, and continued to replenish our premium land bank for tier-one and top tier-two cities. A total of six new projects with a total GFA of 1,410,000 sq.m. at a total land cost of RMB5.6 billion were added in 2021. The new acquisition attributable ratio and consolidation ratio were 72% and 75%, respectively.

In the future, the Group will continue to comprehensively use various modes such as tenders, auctions and listings in the public market, joint developments, mergers and acquisition, industry injection, and urban redevelopment, etc. to acquire new projects in diversified ways to consolidate land bank. In terms of regional layout, the Group will further explore the Greater-Bay-Area and the Yangtze-River-Delta Area. We will also establish our presence in key cities in the Pan Bohai Rim Region focused on Beijing and Tianjin and core cities in Central and Western regions including mainly Chengdu, Chongqing and Nanning.

As of 31 December 2021, the Group owned 178 projects in 44 cities across Mainland China and Hong Kong with an attributable land bank of approximately 15.52 million sq.m., total GFA of approximately 21.74 million sq.m. and an attributable ratio at approximately 71%. The Group further explored high-level cities, and focused on the core cities of the Greater-Bay-Area.

The “14th Five-Year Plan” has clearly put forward the implementation of urban redevelopment initiatives. The National “Two Sessions” once again mentioned urban renewal. Under the new situation, the Group responds to the policy requirements, takes “stability” as the lead, strives to progress steadily, promotes urban renewal projects smoothly and orderly, and insists on “organic” urban renewal. In 2021, the Group continued to exert its strengths in urban renewal, won the bid for three old village redevelopment projects and was honoured the title of the “Most Powerful Urban Renewal Enterprise”. The Group has further explored the urban redevelopment projects of the Greater Bay Area, smoothly and orderly promoted urban renewal in the core areas of Guangzhou, Foshan, Shenzhen and Dongguan to supplement abundant sellable resources. At present, the Group has successfully won the bid for four old village redevelopment projects, namely Jishan Village in Tianhe District, Shixia Village in Zengcheng District, Shuangsha Village in Huangpu District, and Nangang Village in Huangpu District, all of which were in Guangzhou. Among them, the Consortium led by the Group was selected as the entity for the Shuangsha Community project in Huangpu District in Guangzhou with a high vote of 96.51% on 30th April 2021. The construction of the first phase of the sellable area in Shuangsha urban redevelopment project has officially commenced, and the project has been rated as the “Benchmarking Project of 2021 Greater Bay Area Urban Renewal Capability Index List”. On 8th December 2021, the Group won the bid for cooperation entity qualification in Nangang Village in Huangpu District in Guangzhou, and will build the benchmark urban redevelopment project of Huangpu Port Economic Zone in the future. In 2021, the Group also reached strategic cooperation with Guangzhou City Renewal Group and other state-owned enterprises. In future, both parties will fully leverage their respective advantages in capital and project operations to jointly promote the steady progress of urban renewal projects. The continuing pace of the Group’s urban redevelopment projects will create a coupling effect in future to facilitate the expansion of the Group’s premium land bank and lay a solid foundation for the Group’s sustained high profitability in future.

Investment Properties

The Group started to roll out its commercial projects layout in 2008. After more than ten years of development and cultural consideration on the CBD core areas in different cities, the Group constantly upgraded its capability as a comprehensive operator and developer, explored its commercial layout and constructed multi-complexes. Currently, its commercial portfolio is thriving with projects distributed in core locations and new economic zones in tier-one and tier-two cities such as Greater-Bay-Area, Yangtze-River-Delta Area, Bohai-Rim Region, Chengdu, Chongqing and Nanning, with a total of 45 commercial projects in operation, including 10 shopping malls, 10 office buildings and 25 hotels. Investment properties will generate stable cash inflow and profit to the Group on an ongoing basis and serve as part of the Group’s dual-driver alongside its property business to steer through the economic cycles.

(1) *Shopping Malls*

With creative thinking, the Group conveys the value concept of “art, attitude and symbiosis” to consumers with diversified operation to empower urban development. Through in-depth cooperation with KWG Living, while the Group inherited the local cultural heritage of the city, we precisely positioned in every commercial complex by combining our refined operation ability and high-quality brand to successfully build three shopping mall product lines of “U Fun”, “M • Cube” and “Ufun Walk” to meet the leisure and entertainment needs at different customer segments.

Currently, the Group has 10 shopping malls in operation, with presence in 6 cities, namely Beijing, Shanghai, Guangzhou, Chengdu, Suzhou and Foshan respectively. In 2021, the Group’s shopping malls linked up urban consumers with personalised circle activities, hosting over 800 events nationwide. Through creative festivals, the Group created its own IP activities, Giraffe Market, Urban Sports Season and National Linkage U.Live Festival, and built a new model of marketing and promotion of commercial complexes. Through cross-border resource linkage, the Group dug deeply into the space value of shopping malls, enriched shopping and entertainment experience, and enhanced the business aesthetic concept. The Group’s shopping malls delivered stellar performance in 2021: the overall foot traffic and the retail sales grew by 45% and 51% respectively. In 2021, Suzhou U Fun and Chengdu U Fun organised grand anniversary celebrations to mark the 3rd anniversary of their opening in the second quarter. Suzhou U Fun reported record-high retail sales and foot traffic for the anniversary month, while Chengdu U Fun reported record-high daily retail sales and monthly retail sales for the anniversary date and anniversary month, respectively. On the first anniversary of Chengdu M • Cube, the occupancy rate was as high as 96%. The year of 2021 also saw the opening of Guangzhou The Summit Ufun Walk Phase II.

This year, Chongqing U Fun, Guangzhou Knowledge City U Fun, Shanghai Ufun Walk and Beijing Tongzhou Ufun Walk will come into operation successively. As the first commercial project of KWG in Chongqing, Chongqing U Fun will be positioned as “Art Narration, Socialization, Fun-24-hour Light Life and Pleasure Center”, creating a modern social space integrating characteristic first shop, mid-to high-end shopping, 24-hour U8 bar street and global cuisine. The project also won the “2021 Most Expectant Commercial Project” award issued by Lianshang.com in 2021. Guangzhou Knowledge City U Fun is located at the core of the new business district of Zhongxin Knowledge City, Huangpu District, Guangzhou. Focusing on the brand concept of “Art Narration, Ecology and Lohas”, the project will create a new commercial landmark in the eastern part of Guangzhou, which is positioned as “the gravitational field of gathering and enjoying”, and lead the development of regional commercial quality.

In future, the Group will rely on the complex projects layout to continue expanding our nationwide commercial presence. The Group will continue to gain insight of the multi-dimensional needs of cities and refine commercial projects that resonate with cities and residents.

(2) Office

The Group has office buildings in the core business regions of tier-one and tier-two cities such as Guangzhou, Shanghai, Chengdu, Suzhou and Nanning. With its superb geographic location, excellent product ability and in-depth cooperation with KWG Living, the Group has successfully built three high-end office brands, namely IFP (International Finance Place), IMP (International Metropolitan Plaza) and ICP (International Commerce Place) to form a quality office life ecosystem, and becomes a long-term partner of many Fortune 500 companies.

The Group has now operated 10 office buildings, providing stable rental income for the Group. In 2021, the Group opened 2 new office buildings. One is KWG Flourishing Biotech Square in Guangzhou Biological Island, which will introduce biomedical enterprises, the other is the Technology Commerce Centre in Guangzhou Science City. The operating office buildings in Guangzhou include International Finance Place and International Metropolitan Plaza in Pearl River New Town, International Commerce Place in Pazhou, KWG Flourishing Biotech Square in Guangzhou Biological Island, Technology Commerce Centre in Guangzhou Science City and Colorland Centre in Nansha. The office building in Shanghai is International Metropolis Plaza in Pudong Bund and those in Chengdu, Suzhou and Nanning include Chengdu International Commerce Place in the Financial High-tech District in southern Chengdu, Leader Plaza in Suzhou Industrial Park Area and Guangxi International Finance Place at the headquarters base in Nanning Wuxiang New District, respectively.

As the Group's office buildings are located in the CBDs of tier-one and top tier-two cities and the tenants are mainly well-known banks and top 500 multinational groups, the tenant mix is superior and stable and the occupancy rate is consistently high. In 2021, the overall occupancy rate of the Group's office buildings was 88%.

Looking into 2022, the Group will open benchmark office buildings in Beijing, Guangzhou, Shanghai and other core cities in China, including International Finance Place in Tongzhou, Beijing, Guangzhou Technology Innovation Centre and Shanghai KWG Biovalley. Among them, International Finance Place in Tongzhou, Beijing, is dedicated to building Beijing wealth management centre and high-tech industrial cluster. The project has received the "Best Architectural Design Office Building Award" in the 2021 GBE Office Building Awards, distinguishing itself with the offer of the best architectural design in Tongzhou Canal Business District to the urban elites, and becoming the international financial and business landmark of Tongzhou, the sub-centre of Beijing.

Looking into the future, the Group will successively open more modern high-end office buildings, create innovative business scenarios through the core concepts of "comfortable technology", "inclusive space" and "homologous service", and continue to contribute to the Group's steady rental income growth.

(3) Hotels

At present, the Group has 25 hotels in operation, including hotels operated in co-operation with international hotel management groups and hotels operated under the Group's in-house brands.

The Group's own brand of The Mulian Hotel has accumulated experience in co-operating with many international five-star hotels, and has now fostered comprehensive and sophisticated ability in hotel design, development, investment and operation. The Mulian brand meets the needs at all levels of the market through the strategy of differentiated market positioning, and has incubated four major product lines, including the luxury five-star hotel "MORDIN", light luxury business hotel "The Mulian Hotel", high-end resort hotel "The Mulian Resort Hotel" and trendy design hotel "MUSTEL". Currently, The Mulian Hotel Group has its layout in 8 tier-one and tier-two cities nationwide with a total of 20 hotels in operation. In 2021, the Hotel Group has won the "MBI Investment Value Brand Award" and "MBI Brand Influence Award — Annual Artistic Hotel" presented by Meadin Index and "Investors' Preferred Hotel Management Group" in the China Hotel Gold Horse Awards.

In March, the first “MUSTEL” under The Mulian Hotel Group was glamorously opened in Chengdu as the first “modulised mixed space” hotel in China, and the Group further opened Guangzhou Nansha MUSTEL in 2021. With its insights into the younger generation, MUSTEL made a breakaway from the traditional idea of a hotel and integrated multi-cultural experience into physical space, affording infinite extension to imaginations of a “hotel” to create an unprecedented hotel experience for the creative and fashionable traveler-resident and a personalized community space that is inspiring, fun and autonomous. “MUSTEL” assists the opening of new stores by creating “Z” generation creative culture, IP-linked event packages, and fan fission, and solicits sales. The unique style and design of MUSTEL has won it the “Best Avant Garde Hotel Brand in China” presented by the China Hotel Gold Horse Awards, while Chengdu MUSTEL has won the “GBE Hotel Design Award 2021 — Best Interior Design” presented by GBE Construction Business Forum. In July, the brand new luxury hotel “MORDIN” was opened in Guangzhou Knowledge City as the first quasi-five-star hotel in this area and won the “Best Newly Opened Hotel in China” awarded by the Golden Horse Award.

In future, The Mulian Hotel will explore opportunities meticulously and continue to “renovate” its brand value, constantly upgrade its products and boost hotel check-in experience with scalable development direction through combining asset-heavy and asset-light approaches to bring new growth space and return on investment, and thereby striving to become a highly competitive domestic self-owned hotel brand.

Under the new economic cycle, KWG will continue to create scenarios and spaces for better business life, build a better urban ecosystem by enhancing its capabilities in product, service ability and operation, and enhance the comprehensive competitiveness of multiple business formats throughout the cycle.

Firmly Promoting Digital Management and Continuously Improving Management Efficiency

In the post-epidemic era, digital transformation is of paramount need for Chinese enterprises. For the real estate industry that has entered an inventory era, it is an inevitable trend for them to carry out digital transformation under the new cycle.

KWG acknowledges the importance of digital transformation and has started digital transformation early back to 2018. In 2020, The Group has completed the comprehensive construction of the SAP financial sharing centre system, and successfully implemented a smart enterprise platform covering all modules, full processes and all business formats of the Group, earmarking that the enterprise has entered a new stage of digitalisation. This year, the Group and IBM continued to deepen cooperation with our human resources and officially launched DHR digital platform project. The in-depth promotion of digitalisation will continue to empower human lean management.

The Group will be supported by a new generation of digital human resources management platform to propel the digital coordinated development of people, finance and materials.

In 2021, KWG Group's supply chain financing project won the "2021 "DingGe Award" Digital Transformation Pioneer List", the "Annual Supply Chain Transformation Model Award". The supply chain solution aims to build cloud products of the supply chain platform to meet the supply chain business operation under the entire KWG Group. The solution effectively integrated and opened up the isolated information resources between the three platforms, realised the closed loop operation of online business of "application — confirmation — lending", achieved 100% online structured information exchange and document data transfer, and also improved the real-time statistical collection and high requirement monitoring of overall key indicators, forming a real-time, highly efficient and precise supply chain system. The granting of the award signified a strong proof of the Group's production and research innovation and customer service guarantee capabilities, which was also an affirmation of achievements of our digital strategy, highlighting that KWG Group has taken another concrete move towards digital management.

In future, the Group will continue to take advancing digital management as its long-term business development strategy and constantly activate the potential of digital factors. Through the digital management platform, we will improve the ability in precision management, continue to create "management benefits" and support the Company's longer-term, more stable and higher-quality development.

Resolutely Implementing Sustainable Development Strategy and Practicing Corporate Social Responsibility Comprehensively

In 2021, the Group established the board level ESG Committee in which the ESG Working Group was formed with the commitment to comprehensively improving the practice and disclosures of sustainable development in the ESG aspect. In future, the Group will continue to improve the relevant sustainable development policies and adopt a top down approach in its implementation, so as to ensure ESG will be taken into the consideration in the Group's development strategies and daily operation. At the same time, the Group actively facilitated the committed implementation of the environmental, social and products in a bid to achieve all-round enhancement of the sustainable and high-quality development of the Group's endurance, and create greater value for shareholders.

In terms of eco-friendly aspect, the Group proactively responds to the calls of “carbon neutrality and carbon peak”, incorporates the “green development” concept into the course of product design, operation and construction and continues to contribute energy conservation and emission reduction efforts. The Group actively explores the feasible path of “carbon neutrality” in line with its own characteristics. In addition, we will increase our efforts in detailed adjustments such as energy conservation and environmental protection, promote the layout of “green construction” externally, and advocate green office, energy conservation and emission reduction internally. In future, the Group will further implement the green development concept and strengthen the endurance of sustainable and high-quality development. According to the “Top 50 Green Credit Index of the PRC Real Estate Enterprises” jointly released by China Investment Association and Standard Ranking, KWG Group ranked 32nd position. In May 2021, KWG officially released the “Green Financing Framework” and successfully issued the first green dollar bonds, marching the first step of our green financial practice and was widely recognised by the capital market. In future, the Group will continuously practice the green concept and invest in green projects.

While developing steadily, the Group actively performs its social responsibility, devotes itself into welfare undertaking and becomes a warm and responsible company. For public welfare, the Group created a charity platform for everyone’s public welfare, mobile public welfare and digitalised public welfare through a new and innovative public welfare model, and cooperated with social welfare organisations such as Guangzhou Charity Association, Guangdong-Hong Kong-Macao Greater Bay Area Animation Promotion Association and other social welfare organisations to carry out the “Love Colour Hat” activities. With the help of the powerful Internet technology, it linked up with artists, educators and social elites from all walks of life to actively participate and carry out free public welfare. In 2021, the Group won the “11th China Public Welfare Festival — 2021 Annual Public Welfare Innovation Award”, “14th Times Marketing Ceremony Award Ceremony — 2021 Times Public Welfare Pioneer Award” and “2021 (www.thepaper.cn): Responsibility Practice Public Welfare Project”. In terms of anti-epidemic and disaster relief, as COVID-19 vaccine began its vaccination nationwide, the office buildings of the Group fully participated in epidemic prevention works and provided convenient vaccination points. In order to fully support Guangzhou’s epidemic prevention works, Guangzhou International Finance Place provides temporary vaccination points with humanised and convenient services for the community, and has completed the vaccination for over 10,000 people. The Group actively responded to the call for epidemic prevention and assisted the urban redevelopment communities to conduct nucleic acid testing and other epidemic prevention and control works.

Outlook

Looking forward into 2022, under the central government’s policy of “housing properties are for living in and not for speculation” and “city-specific policies were implemented for different cities”, “stability” will be the principal tone of real estate industry development. In 2022, the market landscape will continue to reshape. The property developers that have stable finance, pre-eminent product capability, highly efficient operational capability and diversified real estate business enterprises, are expected to outperform amid the long-term competitions and will also possess stronger capability to resist the pressure in the short run.

Under the current situation, the Group will implement rigorous and pragmatic land bank strategy. In the future, the Group will continue to explore opportunities in Greater-Bay-Area and Yangtze-River Delta Area with strong focuses on tier-one and tier-two cities. Currently, the group’s land bank and sellable resources in these two regions account for 65% and 82% of the total land bank and total gross sellable resources respectively. Looking ahead into 2022, the Group will launch high-end luxury projects under the “Zhen” series, including Guangzhou Landmark Arte Masterpiece, Guangzhou Richmond Greenville and other projects. Total sellable resources for 2022 will be RMB160 billion, among which, when analysed by regions, 70% is from Greater-Bay-Area and 15% is from Yangtze-River-Delta Area. When analysed by city ranking, 95% is from tier-one and tier-two cities. The prudent and stable land investment and expansion, high-quality land bank, as well as the conversion of urban redevelopment projects of the Group, will jointly support the Group’s steady growth in the future.

Looking forward into the future, the KWG Group will develop steadily in multiple race tracks, realising the synergetic co-existence of diversified businesses in terms of residential, shopping malls, office buildings, hotels, city-industry integration, and massive health industry. The Group will persist our prudent and solid finance standard, capitalise on new opportunities brought by digital management and constantly improve operational management capability. The Group will continue to adhere to the concept of “building home with heart and creating future with aspiration”, constantly enhance the value of brands, and continue to create value for clients. We will adhere to long-termism through prudent and high-quality development.

Overview of the Group’s Property Development

As at 31 December 2021, the Group’s major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Lingshui, Wenchang, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing, Foshan, Hefei, Wuhan, Xuzhou, Jiaxing, Taizhou, Jinan, Changshu, Lishui, Chongqing, Taicang, Wuxi, Zhaoqing, Zhongshan, Nantong, Liuzhou, Shenzhen, Shaoxing, Huizhou, Jiangmen, Wenzhou, Dongguan, Yangzhou, Ningbo, Meishan, Chenzhou, Wuzhou, Xi’an, Kunming, Yancheng, Fuzhou, Sanya and Hong Kong.

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (<i>'000 sq.m.</i>)	Interest Attributable to the Group (%)
1	The Summit	Guangzhou	Residential/villa/serviced apartment/office/commercial/ hotel	1,034	100
2	International Metropolitan Plaza	Guangzhou	Office/commercial	40	50
3	Tian Hui Plaza (including The Riviera and Top Plaza)	Guangzhou	Serviced apartment/office/ commercial/hotel	44	33.33
4	KWG Flourishing Biotech Square	Guangzhou	Office/commercial	84	100
5	Top of World	Guangzhou	Villa/serviced apartment/office/ commercial/hotel	297	100
6	The Eden	Guangzhou	Residential/commercial	2	50
7	Paradise by Moony Sky	Guangzhou	Villa/hotel	41	100
8	Essence of City	Guangzhou	Residential/villa/commercial	19	100
9	International Commerce Place	Guangzhou	Office/commercial	50	50
10	CFC (including Mayfair and IFE (International Finance Edifice))	Guangzhou	Serviced apartment/office/ commercial	63	33.33
11	The Horizon	Guangzhou	Residential/villa/serviced apartment/office/commercial/ hotel	14	50
12	Blooming River	Guangzhou	Residential/villa/commercial	83	50
13	Nansha River Paradise	Guangzhou	Residential/commercial	7	40
14	V-city	Guangzhou	Serviced apartment/commercial	149	70
15	Montkam	Guangzhou	Residential/villa	23	30
16	E-city	Guangzhou	Serviced apartment/commercial	466	67
17	Guangzhou Luogang M • Cube	Guangzhou	Commercial/hotel	15	60
18	Technology Commerce Center	Guangzhou	Office/commercial	8	50
19	The Beryl (Guangzhou Development Area Hotel A Project)	Guangzhou	Villa/serviced apartment/ commercial/hotel	12	60
20	The Beryl (Guangzhou Development Area Hotel B Project)	Guangzhou	Villa/serviced apartment/office/ commercial	16	60
21	Landmark Arte Masterpiece	Guangzhou	Residential/serviced apartment/ commercial	78	80
22	Clover Shades	Guangzhou	Residential/commercial	77	62.5
23	The Emerald	Guangzhou	Residential	75	100
24	KWG Biovalley (formerly known as Guangzhou Biotech Park)	Guangzhou	Villa/serviced apartment/office/ commercial	192	80
25	Longyatt Mansion	Guangzhou	Residential/commercial	92	100
26	Dreams Garden	Guangzhou	Residential/commercial	281	100
27	Lakeside Mansion	Guangzhou	Residential/commercial	323	100
28	Richmond Greenville	Guangzhou	Residential	95	100
29	Guangzhou Nansha Project	Guangzhou	Educational	89	60
30	The Star Garden	Guangzhou	Residential/commercial	194	87.5
31	Tianhe District Zhujiang New Town Project	Guangzhou	Serviced apartment/office/ commercial/hotel	69	100
32	IFP	Guangzhou	Office/commercial	61	100

No.	Project	District	Type of Product	Total GFA	Interest
				Attributable to the Group's Interest ('000 sq.m.)	Attributable to the Group (%)
33	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
34	The Mulian Huadu	Guangzhou	Hotel	25	100
35	W Hotel / W Serviced Apartments	Guangzhou	Hotel/serviced apartment	80	100
36	The Mulian Guangzhou	Guangzhou	Hotel	8	100
37	The Sapphire	Suzhou	Residential/serviced apartment/office/commercial/hotel	21	100
38	Suzhou Apex	Suzhou	Residential/serviced apartment/commercial/hotel	112	100
39	Suzhou Emerald	Suzhou	Residential/commercial	1	100
40	Leader Plaza	Suzhou	Serviced apartment/office/commercial	24	100
41	Fortune Plaza (formerly known as Fortune Building)	Suzhou	Office/commercial/hotel	22	100
42	Suzhou Jade Garden	Suzhou	Residential/commercial	2	100
43	Orient Aesthetics	Suzhou	Residential/commercial	2	16
44	Orient Moon Bay	Suzhou	Residential	1	50
45	Swan Harbor Park	Suzhou	Residential/serviced apartment/office/commercial	155	50
46	Lunar River	Suzhou	Residential/commercial	47	51
47	Blessedness Seasons	Suzhou	Residential/commercial	37	49
48	Moonlit River	Suzhou	Residential	48	50
49	The Vision of the World	Chengdu	Residential/serviced apartment/commercial	51	100
50	Chengdu Cosmos	Chengdu	Residential/serviced apartment/office/commercial/hotel	239	100
51	Chengdu Sky Ville	Chengdu	Residential/serviced apartment/office/commercial	119	50
52	Yunshang Retreat	Chengdu	Residential/villa/serviced apartment/commercial/hotel	581	55
53	The Jadeite	Chengdu	Residential/villa/commercial/hotel	48	100
54	Fragrant Seasons	Beijing	Residential/villa/serviced apartment/commercial	2	100
55	La Villa	Beijing	Residential/villa/commercial	8	50
56	Beijing Apex	Beijing	Residential/villa/serviced apartment/commercial	27	50
57	M • Cube	Beijing	Commercial	16	100
58	Summer Terrace	Beijing	Residential/commercial	16	100
59	Uptown Riverside I	Beijing	Serviced apartment/office/commercial	128	100
60	Uptown Riverside II	Beijing	Serviced apartment/office/commercial	66	100
61	Rose and Ginkgo Mansion	Beijing	Residential/villa/office/commercial	27	33
62	The Core of Center (Beijing Niulanshan Complex Project)	Beijing	Residential/villa/commercial/hotel	194	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (<i>'000 sq.m.</i>)	Interest Attributable to the Group (%)
63	The Core of Center (Beijing Niulanshan 1107# Project)	Beijing	Residential	16	100
64	New Chang'an Mansion	Beijing	Residential/office/commercial/hotel	31	100
65	Pearl Coast	Lingshui	Residential/villa/commercial/hotel	97	100
66	Moon Bay (formerly known as Villa Como)	Wenchang	Residential/villa/commercial/hotel	343	100
67	The Cloud World (formerly known as Hainan Wenchang Changsa Project)	Wenchang	Villa/commercial	76	100
68	International Metropolis Plaza	Shanghai	Office/commercial	30	75.5
69	Shanghai Apex	Shanghai	Residential/serviced apartment/commercial/hotel	19	51
70	Shanghai Sapphire	Shanghai	Serviced apartment/commercial	26	51
71	Amazing Bay	Shanghai	Residential/serviced apartment/office/commercial/hotel	49	50
72	Vision of World	Shanghai	Residential/serviced apartment/commercial/hotel	56	51
73	Glory Palace	Shanghai	Residential	3	100
74	KWG Biovalley (formerly known as Shanghai Biotech Park)	Shanghai	Office/commercial	121	90
75	Jinnan New Town	Tianjin	Residential/villa/serviced apartment/commercial	241	25
76	Tianjin The Cosmos	Tianjin	Residential/villa/commercial	262	100
77	Tianjin Apex	Tianjin	Residential/office/commercial	71	100
78	Beautiful and Happy Life (formerly known as Jin Yue Fu)	Tianjin	Residential/commercial	96	100
79	Haya City	Tianjin	Residential/commercial	173	60
80	The Core of Center	Nanning	Residential/villa/serviced apartment/commercial/hotel	263	100
81	International Finance Place	Nanning	Office/commercial	61	100
82	Top of World	Nanning	Residential/villa/serviced apartment/commercial/hotel	82	100
83	Fragrant Season	Nanning	Residential/villa/commercial	16	100
84	Impression Discovery Bay I	Nanning	Residential/commercial	1	34
85	Impression Discovery Bay II	Nanning	Residential/commercial	3	34
86	Emerald City	Nanning	Residential/serviced apartment/commercial	414	100
87	The Mulian Hangzhou	Hangzhou	Commercial/hotel	18	100
88	The Moon Mansion	Hangzhou	Residential/villa	2	51
89	Sky Ville	Hangzhou	Residential/villa	1	100
90	Puli Oriental	Hangzhou	Residential/commercial	8	50
91	Urban Artwork	Hangzhou	Serviced apartment/commercial	1	60
92	Malus Moon	Hangzhou	Residential/villa/commercial	4	100
93	Oriental Dawn	Hangzhou	Residential/commercial	54	50

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (<i>'000 sq.m.</i>)	Interest Attributable to the Group (%)
94	Precious Mansion	Hangzhou	Residential/villa/office/ commercial	92	100
95	Season Mix	Hangzhou	Residential/commercial/hotel	43	25
96	Shine City	Nanjing	Residential/office/commercial	1	50
97	South Bank Palace	Nanjing	Residential/commercial	2	19.75
98	Ruyi Palace	Nanjing	Residential/commercial	1	50
99	Oriental Bund	Foshan	Residential/villa/serviced apartment/commercial/hotel	939	50
100	The Riviera	Foshan	Residential/commercial	35	51
101	One Palace	Foshan	Residential/serviced apartment/ commercial	32	33.3
102	Foshan Apex	Foshan	Residential/serviced apartment/ commercial	7	50
103	China Image	Foshan	Residential/commercial	29	34
104	Water Moon	Hefei	Residential/commercial	61	100
105	City Moon	Hefei	Residential/commercial	2	100
106	The One	Hefei	Residential/commercial	92	100
107	Park Mansion	Hefei	Residential	2	50
108	The Buttonwood Season I	Wuhan	Residential/villa/commercial	9	100
109	The Buttonwood Season II	Wuhan	Residential/villa/commercial	142	100
110	Exquisite Bay	Xuzhou	Residential/commercial	3	50
111	Fragrant Season	Xuzhou	Residential/commercial	11	50
112	Xuzhou Tongshan Project I	Xuzhou	Residential	6	33
113	Xuzhou Tongshan Project II	Xuzhou	Residential/commercial	24	33
114	Oriental Milestone	Xuzhou	Residential	137	100
115	Majestic Mansion	Jiaxing	Residential/commercial	4	100
116	Star City	Jiaxing	Residential	1	25
117	Noble Peak	Jiaxing	Residential	2	100
118	International Commercial Plaza	Jiaxing	Residential/serviced apartment/ office/commercial/hotel	361	100
119	Top of World Residence I	Taizhou	Residential	2	100
120	Top of World Residence II	Taizhou	Residential/commercial	4	100
121	Linhai Mansion	Taizhou	Residential/commercial	3	100
122	Star Mansion	Taizhou	Residential/commercial	2	33
123	Lead Peak Mansion	Taizhou	Residential/commercial	1	100
124	Emerald the Bay	Taizhou	Residential/serviced apartment/ office/commercial	255	50
125	Jinan Zhangqiu Project	Jinan	Residential	87	49
126	Jinan Zhang Ma Tun C6# Project	Jinan	Residential/commercial	1	20
127	Jinan Zhang Ma Tun C8# Project	Jinan	Residential/commercial	26	20
128	Fragrant Season	Changshu	Residential	9	40
129	The Inherited Villa (formerly known as Brown Stone Life)	Changshu	Residential	3	25
130	Liu Xiang Mansion	Lishui	Residential/commercial	8	49
131	The Riviera Chongqing	Chongqing	Residential/commercial/hotel	22	100
132	The Cosmos Chongqing	Chongqing	Residential/serviced apartment/ office/commercial/hotel	257	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (<i>'000 sq.m.</i>)	Interest Attributable to the Group (%)
133	The Moon Mansion	Chongqing	Residential/commercial	1	39
134	Splendid City	Chongqing	Residential/commercial	2	50
135	Mansion of Jasper	Chongqing	Residential/commercial	1	50
136	Jade Moon Villa	Chongqing	Residential/commercial	2	50
137	Jinzhū Tianyi Huayuan	Taicang	Residential	77	100
138	Oriental Mansion	Wuxi	Residential/commercial	1	20
139	Exquisite Palace	Wuxi	Residential/commercial	3	45
140	Star Mansion	Wuxi	Residential/commercial	3	50
141	Vision of the World	Zhaoqing	Residential/commercial	102	100
142	River View Mansion	Zhaoqing	Residential/commercial	32	33
143	The Moon Mansion	Zhongshan	Residential/commercial	50	50
144	Serenity in Prosperity	Nantong	Residential/villa/commercial	4	51
145	Oriental Beauty	Nantong	Residential	1	70
146	Central Mansion	Nantong	Residential	21	70
147	The Moon Mansion	Liuzhou	Residential/villa/commercial	60	100
148	Fortunes Season	Liuzhou	Residential/commercial/hotel/ educational	1,013	100
149	Shenzhen Bantian Project	Shenzhen	Serviced apartment/office/ commercial	61	51
150	KWG Topchain City Center	Shenzhen	Serviced apartment/office/ commercial	52	51
151	Grand Oasis	Shenzhen	Serviced apartment/office/ commercial/hotel	41	55
152	Shenzhen Longhua Project	Shenzhen	Residential	90	50
153	Shaoxing Project	Shaoxing	Residential/villa	1	24.9
154	Skyline Seasons	Huizhou	Residential/commercial	244	100
155	Huizhou Longmen Project- Educational#[2019]011	Huizhou	Educational	11	100
156	Huizhou Longmen Project- Educational#[2019]014	Huizhou	Educational	61	100
157	The Horizon	Jiangmen	Residential	1	100
158	Jiangmen Apex International	Jiangmen	Residential/serviced apartment/ commercial	60	100
159	Cullinan Mansion	Wenzhou	Residential/commercial	30	100
160	Art Wanderland	Dongguan	Residential/commercial	1	12.5
161	Center Mansion (formerly known as Dongguan Hengli Project)	Dongguan	Residential/villa/commercial	22	20
162	Yangzhou Apex	Yangzhou	Residential/commercial	102	80
163	Ningbo Beilun Project	Ningbo	Residential	1	49
164	Parkview Palace	Ningbo	Residential	2	49
165	Cloud Mansion	Ningbo	Residential	37	50
166	Meishan Apex	Meishan	Residential/commercial	2	100
167	River State	Meishan	Residential/commercial	61	34
168	Chenzhou Wangxian Eco- tourism Project	Chenzhou	Residential/villa	71	50
169	KWG Tusholdings Ice Snow	Wuzhou	Residential/commercial	256	75
170	Meet	Xi'an	Serviced apartment/commercial/ hotel	32	100
171	Salar de Uyuni	Kunming	Residential/commercial/hotel	273	67.11

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (<i>'000 sq.m.</i>)	Interest Attributable to the Group (%)
172	Salar de Uyuni Guan Lake [Phase 2 - #17-28]	Kunming	Residential/Commercial	87	70.56
173	Salar de Uyuni Guan Lake [Phase 1 - #17-29]	Kunming	Residential/Commercial	112	70.56
174	KWG Haya City	Yancheng	Residential/serviced apartment/ commercial/hotel	671	100
175	Phoenix International	Fuzhou	Serviced apartment/office/ commercial	47	22.4
176	Sanya Haitangwan Project	Sanya	Serviced apartment	8	6.72
177	Hong Kong Ap Lei Chau Project	Hong Kong	Residential	35	50
178	Upper RiverBank	Hong Kong	Residential/commercial	12	50

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2021, the Group employed a total of approximately 6,500 employees (31 December 2020: approximately 6,000). Employee benefit expense (excluding Directors' and chief executive's remuneration) of the Group incurred was approximately RMB1,414.0 million during the year ended 31 December 2021. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

The Company has adopted the share option scheme and the share award scheme in order to recognise and motivate the contributions by the eligible participants of the Group, and help in retaining them for the Group's further development.

In addition, training and development programmes are provided on an on-going basis throughout the Group.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: RMB53 cents per ordinary share).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the “2022 AGM”) will be held on Thursday, 2 June 2022. A circular containing the information required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), together with the notice of the 2022 AGM, will be published on the Company’s website (www.kwggroupholdings.com) and the HKEXnews website (www.hkexnews.hk), and despatched to the shareholders of the Company (the “Shareholders”) in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders’ entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2022 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 27 May 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

By the shareholders’ resolution passed by the Shareholders at the annual general meeting of the Company held on 3 June 2021, the Directors were granted a general mandate to buy back a maximum of 318,052,285 shares of the Company, representing 10% of the total number of issued shares of the Company as at 3 June 2021.

During the year ended 31 December 2021, the Company bought back an aggregate of 594,500 ordinary shares of the Company on the Stock Exchange at a paid aggregate consideration of HK\$3,623,665 (before expenses). All the bought back shares have been cancelled on 16 February 2022.

Details of the shares bought back during the year are as follows:

Date	Number of shares bought back	Price paid per share		Aggregate consideration
		Highest (HK\$)	Lowest (HK\$)	(before expenses) (HK\$)
17 September 2021	387,000	6.13	5.95	2,352,015
20 September 2021	57,500	6.02	6.02	346,150
21 September 2021	150,000	6.17	6.17	925,500
Total:	<u>594,500</u>			<u>3,623,665</u>

The above share buy-backs were made with a view to enhancing the earnings per share of the Company and thus benefit the Shareholders as whole.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2021.

CORPORATE GOVERNANCE

During the year ended 31 December 2021, the Company complied with the requirements under the code provisions (the "Code Provision") set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules, except for the deviation from Code Provision A.1.7.

Code provision A.1.7 stipulates that if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

During the year, the following continuing connected transactions were dealt by written resolutions instead of physical board meeting:

- the leasing of certain properties to Guangzhou Kai Chuang Business Investments Company Limited* (廣州凱創商務投資有限公司) (“Guangzhou Kai Chuang”) of which Mr. KONG Jiantao is the executive Director and chief executive officer of the Company, and also a director and the ultimate beneficial owner of Guangzhou Kai Chuang. Therefore, Mr. KONG Jiantao was regarded as having material interests in those leasing.
- the supplemental agreements in relation to the revision of annual caps of the (i) property lease framework agreement, (ii) residential property management services framework agreement, (iii) property agency services framework agreement and (iv) commercial property management services framework agreement entered into between the Company and KWG Living. Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan, being the executive Directors, are the ultimate controlling shareholders of each of the Company and KWG Living pursuant to the shareholders’ agreements entered into among their respective controlled entities. Therefore, KWG Living, as an associate of the controlling shareholders of the Company, is a connected person of the Company.

The Board considered that (1) the terms of the above transactions are on normal commercial terms or better, and the relevant terms of the agreements for those transactions (including the relevant annual caps) are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole; (2) the relevant Directors have abstained from voting on the relevant resolutions of the above transactions; and (3) the adoption of written resolutions would facilitate and maximize the effectiveness of decision-making and implementation.

The Board shall nevertheless review its board meeting arrangement from time to time to ensure the appropriate action is being taken to comply with the requirements under the Code Provision.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive Directors for the purposes of reviewing and monitoring the Group’s financial reporting procedures and risk management (including but not limited to the business, operation as well as environmental, social and governance related risks) and internal control systems. The Audit Committee has reviewed the unaudited annual results for the year ended 31 December 2021, risk management framework, internal control systems and other functions as set out in its terms of reference together with the participation of the management.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young 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 HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the consolidated financial statements of KWG Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that as of 31 December 2021, the Group's current portion of interest-bearing bank and other borrowings amounted to RMB20,333.9 million, while its cash and cash equivalents amounted to RMB7,715.4 million. This condition, along with the current situation as set forth in note 2.1, which indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

ANNUAL REPORT

The 2021 annual report containing all the information required by the Listing Rules will be published on the Company's website (www.kwggroupholdings.com) and the HKEXnews website (www.hkexnews.hk), and despatched to the Shareholders in due course.

By order of the Board
KWG Group Holdings Limited
KONG Jianmin
Chairman

Hong Kong, 15 April 2022

As at the date of this announcement, the Board comprises seven Directors, of whom Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao (Chief Executive Officer), Mr. KONG Jiannan and Mr. CAI Fengjia are executive Directors; and Mr. LEE Ka Sze, Carmelo JP, Mr. TAM Chun Fai and Mr. LI Binhai are independent non-executive Directors.