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TFG INTERNATIONAL GROUP LIMITED

富元國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

2022 FINAL RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of TFG International Group Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	5	1,601,799	7,774
Cost of sales		(925,532)	(3,596)
Gross profit		676,267	4,178
Other income and gains	6	16,770	5,535
Selling expenses		(324)	(9,925)
Administrative and other expenses		(134,772)	(154,913)
Gain on disposal of subsidiaries	8	222,171	–
Impairment of licensing right		(3,258)	–
Impairment of property under development		(25,253)	–
Impairment of goodwill		–	(50,290)
Finance costs	7	(203,706)	(135,687)
PROFIT/(LOSS) BEFORE TAX	9	547,895	(341,102)
Income tax expense	10	(217,761)	(404)
PROFIT/(LOSS) FOR THE YEAR		330,134	(341,506)
Profit/(loss) for the year attributable to:			
Owners of the Company		265,177	(326,264)
Non-controlling interests		64,957	(15,242)
		330,134	(341,506)
		<i>HK cents</i>	<i>HK cents</i>
PROFIT/(LOSS) PER SHARE	11		
— Basic		3.82	(4.70)
— Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>330,134</u>	<u>(341,506)</u>
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>2,656</u>	<u>10,838</u>
Other comprehensive income for the year, net of tax	<u>2,656</u>	<u>10,838</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u><u>332,790</u></u>	<u><u>(330,668)</u></u>
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	<u>265,877</u>	<u>(316,308)</u>
Non-controlling interests	<u>66,913</u>	<u>(14,360)</u>
	<u><u>332,790</u></u>	<u><u>(330,668)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		173,740	199,495
Right-of-use assets		45,260	48,336
Properties under development	<i>12</i>	1,592,856	1,549,801
Licensing rights		3,160	8,329
Goodwill	<i>13</i>	–	–
		<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS		1,815,016	1,805,961
		<hr/>	<hr/>
CURRENT ASSETS			
Properties held for sale	<i>14</i>	1,047,016	1,828,965
Inventory		941	–
Trade receivables	<i>15</i>	230	61
Prepayments, deposits and other receivables		215,196	294,445
Amount due from a director		170	–
Amount due from a non-controlling shareholder		283	–
Restricted bank balances		235,797	439,905
Cash and cash equivalents		16,127	46,669
		<hr/>	<hr/>
		1,515,760	2,610,045
Assets of disposal group classified as held for sale		–	175,007
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		1,515,760	2,785,052
		<hr/>	<hr/>
TOTAL ASSETS		3,330,776	4,591,013
		<hr/>	<hr/>

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade payables, other payables and accruals	<i>16</i>	966,040	658,450
Contract liabilities	<i>17</i>	386,981	1,974,806
Amount due to a non-controlling shareholder	<i>18</i>	–	2,142
Loans and borrowings — due within one year		433,369	785,245
Promissory note payable	<i>20</i>	108,236	–
Amount due to a director	<i>19</i>	18,212	–
Tax payable		246,472	–
		2,159,310	3,420,643
Liabilities directly associated with assets of disposal group classified as held for sale		–	50,340
TOTAL CURRENT LIABILITIES		2,159,310	3,470,983
NET CURRENT LIABILITIES		(643,550)	(685,931)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,171,466	1,120,030
NON-CURRENT LIABILITIES			
Loans and borrowings — due after one year		929,254	948,911
Amount due to a director	<i>19</i>	5,750	40,747
Promissory note payable	<i>20</i>	–	107,827
Long term lease liabilities		–	507
Deferred tax liabilities		87,516	145,239
TOTAL NON-CURRENT LIABILITIES		1,022,520	1,243,231
NET ASSETS/(LIABILITIES)		148,946	(123,201)
Share capital	<i>21</i>	69,464	69,464
Reserves		33,173	(233,033)
Equity/(deficit) attributable to owners of the Company		102,637	(163,569)
Non-controlling interests		46,309	40,368
TOTAL EQUITY/(DEFICIT)		148,946	(123,201)

NOTES

1. CORPORATE INFORMATION

TFG International Group Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office and principal place of business of the Company are located at Whitehall House, 238 North Church Street, George Town, Grand Cayman KY1-1102, Cayman Islands and Room 1301–1302, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

During the year, the Group’s activities mainly comprised properties development, hotel business and trading of food and beverage in the People’s Republic of China (the “**PRC**”).

2 BASIS OF PREPARATION

The consolidated 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 (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinances. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention except for certain financial assets and financial liabilities which are measured at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Going concern basis

As disclosed in the consolidated financial statements, the current liabilities of the Group at 31 December 2022 exceed the Group’s current assets at that date by approximately HK\$643,550,000. The Group’s total financial obligations as at 31 December 2022 amounted to approximately HK\$1,494,821,000, of which approximately HK\$559,817,000 are repayable within the next twelve months, while its cash and cash equivalents amounted to approximately HK\$251,924,000.

Moreover, on 4 December 2022, the Group failed to repay the loan of RMB66,300,000 (equivalent to HK\$75,045,000) to 電白石農村信用合作社水東信用社 (the “**Lender**”). However, the negotiation with the Lender is underway and no extensions to the repayment were granted up to the date of this announcement.

These events and conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remedy certain delayed repayments to financial institutions. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties including:

- (i) the unconditionally undertaken to provide financial support for the operation of the Group from Mr. YANG Lijun, the controlling shareholder of the Company;
- (ii) the successful negotiations with the property constructors and lenders for the renewal of or extension for repayment for those construction costs, borrowings, including those construction costs payables, loan principals and interests that are already overdue;
- (iii) the successful obtaining of additional new source of financing as and when needed; and
- (iv) successfully accelerating the pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds and controlling costs and deferring capital expenditure for the Group's projects held on hand so as to generate adequate net cash inflow.

Should the Group fail to achieve the abovementioned plans and measures, it may not be able to continue to operate as a going concern, and 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. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group identifies reportable segments, on the basis of the products and services, for internal reports about components of the Group that are regularly reviewed by the chief operation decision makers for the purpose of allocating resources to segments and assessing their performances. There are three reportable operating segments identified as follows:

- (a) Property Development Business: Property development and provision of ancillary services including agency and clubhouse operating service;
- (b) Hotel Business: Sub-licensing rights to hotel operators and related hotel management activities; and
- (c) Other Business: Trading of food and beverage.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment results represent the profit or loss earned before tax before taking into account interest income from bank deposits, unallocated other income, unallocated corporate expenses (including central administration costs and directors' remuneration) and finance costs. This is the measure reported to the chief operation decision makers and the board of directors for the purposes of resource allocation and performance assessment.

For the year ended 31 December

	Property Development		Hotel Business		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
Revenue from contracts with customers								
— recognised at a point in time	1,586,691	508	—	—	1,897	258	1,588,588	766
— recognised over time	8,823	1,263	4,388	5,745	—	—	13,211	7,008
Total segment revenue	1,595,514	1,771	4,388	5,745	1,897	258	1,601,799	7,774
Segment profit/(loss)	572,901	(126,879)	(28,368)	(17,709)	(10,625)	(1,704)	533,908	(146,292)
Reconciliation:								
Bank interest income							1,044	1,551
Other income							1,119	2,407
Gain on disposal of subsidiaries							222,171	—
Other unallocated expenses							(6,641)	(63,081)
Finance costs							(203,706)	(135,687)
Profit/(loss) before tax							547,895	(341,102)

Note: There were no inter-segment sales for both of the year ended 31 December 2022 and 31 December 2021.

Geographical information

The Group operates in one main geographical area — the PRC.

	2022	2021
	HK\$'000	HK\$'000
REVENUE		
— PRC	1,601,799	7,774

Revenue from customers contributing over 10% of the total revenue of the Group

Revenue from individual customer contributing over 10% of the total revenue of the Group is as follow:

	2022	2021
	HK\$'000	HK\$'000
Customer A (<i>Note</i>)	N/A	5,056

Note: Customer A contributed less than 10% of the total revenue of the Group during year ended 31 December 2022.

5. REVENUE

Revenue represents the aggregate of income from sales of properties held for sale, sales of hygiene products, sub-licensing of operating rights, property agency income and trading of food and beverage is analysed as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales of properties held for sale	1,586,691	508
Sales of food and beverage	1,897	–
Sales of hygiene products	–	258
Licensing income	4,388	5,745
Property agency income	8,823	1,263
	<u>1,601,799</u>	<u>7,774</u>

Disaggregated by timing of revenue recognition

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised:		
— Point in time	1,588,588	766
— Over time	13,211	7,008
	<u>1,601,799</u>	<u>7,774</u>

6. OTHER INCOME AND GAINS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	1,044	1,551
Government subsidies	120	–
Rental income	999	2,407
Others	893	1,577
Gain of modification change	13,714	–
	<u>16,770</u>	<u>5,535</u>

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interests on		
Loans and borrowings	205,452	148,124
Amounts due to a director	1,937	3,562
Promissory note payable	10,183	10,174
Lease liabilities	91	28
	<u>217,663</u>	<u>161,888</u>
Less: Amount capitalised on properties under development	<u>(13,957)</u>	<u>(26,201)</u>
	<u><u>203,706</u></u>	<u><u>135,687</u></u>

The borrowing costs have been capitalised at the rates ranged from 8.8% to 13% (2021: from 8.8% to 13%) per annum.

8. DISPOSAL OF SUBSIDIARIES

Disposal of Ceneric Properties Limited

On 5 November 2021, the Company entered into a sale and purchase agreement (the “**Agreement**”) with a purchaser, pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to buy the entire issued share capital of a direct wholly-owned subsidiary of the Company (the “**Disposal Company**”) together with its subsidiaries (the “**Disposal Group**”) (the “**Disposal**”) for a consideration of HK\$282,000,000 (the “**Consideration**”). The purchaser whose sole director is Mr. Yang Lijun (“**Mr. Yang**”) who indirectly holds the entire issued share capital of the purchaser. Mr. Yang is also a controlling shareholder, an executive director, and a chairman of the board of directors of the Company. Therefore, the purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company. The Disposal had been approved by the shareholders of the Company at an extraordinary general meeting (“**EGM**”) held on 22 April 2022, and was completed on 20 May 2022.

The assets and liabilities of disposal group as at the date of disposal were as follow:

	20/05/2022
	<i>HK\$'000</i>
Fixed assets	1
Investment properties	10,921
Pledged bank balance	1,056
Property held for sales	1,312
Amount due from an immediate holding company	43,132
Accounts receivable	364
Other debtors, deposit paid and prepayment	17
Property under development	67,140
Cash at bank	28,413
Other creditors	(772)
Accrued liabilities	(1,117)
Deferred tax liabilities	(1,561)
	<u>148,906</u>
Non-controlling shareholder	(47,191)
	<u>101,715</u>
Gain on disposal of subsidiaries:	
Consideration received	282,000
Waiver of loan due to disposal group	43,132
Payment of professional fees	(1,246)
Net assets disposed of	(101,715)
	<u>222,171</u>
Gain on disposal of subsidiaries	<u>222,171</u>
Net cash inflow arising on disposal:	
Cash consideration received	282,000
Less: Bank balances and cash disposal of	(28,413)
	<u>253,587</u>

During the year ended 31 December 2022, the Disposal Group contributed revenue approximately of HK\$11,525,000 and profit before tax approximately of HK\$9,528,000 to the Group. It also contributed net cash outflow approximately of HK\$10,068,000 to the Group.

9. PROFIT/(LOSS) BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of sales		
Cost of properties sold	919,379	177
Cost of inventories sold	2,297	406
Amortisation of licensing rights	1,881	1,884
Property agency service charges	1,975	1,129
	<u>925,532</u>	<u>3,596</u>
Depreciation of property, plant and equipment	19,206	20,432
Depreciation of right-of-use assets	563	2,115
Loss on disposal of property, plant and equipment	48	78
Rental expenses for short-term leases	(145)	2,881
Auditors' remuneration	1,043	1,007
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	23,231	19,970
— Retirement benefits scheme contributions	1,771	1,574
Exchange losses/(gains), net	<u>32,570</u>	<u>(6,489)</u>

10. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax expense		
PRC enterprise income tax		
— Provision for the year	(111,076)	(658)
— Under provision in prior year	—	(145)
	<u>(111,076)</u>	<u>(803)</u>
PRC Land appreciation tax (“LAT”)		
— Provision for the year	(164,220)	—
	<u>(275,296)</u>	<u>(803)</u>
Deferred tax	<u>57,535</u>	<u>399</u>
Income tax expense	<u>(217,761)</u>	<u>(404)</u>

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no assessable profit arising in Hong Kong for both of the years presented.

PRC enterprise income tax is calculated at 25% (2021: 25%) of the profits of the group entities in the PRC.

LAT is levied on properties developed by the Group for sale, at progressive rates from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

11. PROFIT/(LOSS) PER SHARE

The calculation of the basic profit/(loss) per share is based on the profit/(loss) attributable to owners of the Company amounted to HK\$265,177,000 (2021: HK\$326,264,000), and 6,946,350,040 (2021: 6,946,350,040) ordinary shares in issue during the year.

No diluted profit/(loss) per share for both of the year ended 31 December 2022 and 2021 was presented as there were no potential ordinary shares in issue for both of the years.

12. PROPERTIES UNDER DEVELOPMENT

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Properties under development, at cost	<u>1,592,856</u>	<u>1,549,801</u>

The properties are located in Hengqin and Doumen district, Zhuhai City, the PRC.

13. GOODWILL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Carrying amount		
At the beginning of the year	–	50,290
Impairment of goodwill	–	<u>(50,290)</u>
At the end of the year	<u>–</u>	<u>–</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit (“CGU”) that is expected to benefit from that business combination.

Goodwill arose from the acquisition of Eway International Investment Limited (“**Eway International**”) which was completed in September 2020. The CGU to which the goodwill was allocated represents Eway International which, through its PRC subsidiaries, is principally engaging in the development, leasing and management of properties located in the PRC.

The Company engaged a valuer, B.I. Appraisals Limited (“**the valuer**”) to conduct a valuation, according to Hong Kong Accounting Standard 36, “Impairment of Assets” (“**HKAS 36**”) on the value in use of the CGU as at December 2021.

The key assumptions for the value-in-use calculation are those regarding the discount rates, the budgeted revenue and budgeted expenses during the forecasting periods, which are determined by the management based on the past performance and management’s expectations for the market development.

At 31 December 2021, the recoverable amount of the CGU was determined based on value-in-use calculations using cash flow projections based on financial budgets covering a five-year period approved by the management. Cash flows beyond five-year period are extrapolated using growth rate of 2.0% per annum. The cash flow projections are discounted at discount rate of 10.5% per annum, which reflects the specific risks relating to such CGU.

Based on the calculation of the value-in-use of the CGU to which the goodwill is allocated and the PRC real estate market has been impacted by the persistence of the Novel Coronavirus together with the relevant negative government measures in relation to the property development industry in the PRC, the management of the Group considered it appropriate to make full impairment of goodwill in the consolidated financial statements.

14. PROPERTIES HELD FOR SALE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Properties held for sale		
— Completed	—	—
— Under development	<u>1,047,016</u>	<u>1,828,965</u>
	<u><u>1,047,016</u></u>	<u><u>1,828,965</u></u>

15. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables, gross	87,697	94,965
Impairment loss recognised	<u>(87,467)</u>	<u>(94,904)</u>
	<u><u>230</u></u>	<u><u>61</u></u>

Credit period normally granted to customers of the Group is 30 days.

An aged analysis of the trade receivables after impairment loss recognised, based on invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	173	61
1–3 months	<u>57</u>	<u>—</u>
	<u><u>230</u></u>	<u><u>61</u></u>

Movements in impairment loss recognised on trade receivables are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the year	94,904	91,873
Exchange realignment	<u>(7,437)</u>	<u>3,031</u>
At the end of the year	<u><u>87,467</u></u>	<u><u>94,904</u></u>

16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables for property development expenditure (<i>Note a</i>)	588,701	275,204
Value-added tax payable	78,875	140,343
Interest payable	161,477	92,355
Lease liabilities	465	542
Other payables and accruals	<u>136,522</u>	<u>150,006</u>
	<u><u>966,040</u></u>	<u><u>658,450</u></u>

Note:

- (a) The following is an aged analysis of trade payables for property development expenditure presented based on the invoice date:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	237,562	143,020
1–3 months	<u>351,139</u>	<u>132,184</u>
	<u><u>588,701</u></u>	<u><u>275,204</u></u>

17. CONTRACT LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Advance payments received for sales of properties	<u>386,981</u>	<u>1,974,806</u>

The Group received payments from customers based on billing schedules as stipulated in the property sale contracts. Payments are usually received in advance of the performance under the sale contracts.

18. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The amount due to a non-controlling shareholder is unsecured, interest free and has no fixed repayment terms.

19. AMOUNT DUE TO A DIRECTOR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amount due to a director repayable:		
— Within one year	18,212	—
— Within a period of more than one year but not exceeding two years	<u>5,750</u>	<u>40,747</u>
	<u>23,962</u>	<u>40,747</u>
Analysed for reporting purpose:		
— Current liabilities	18,212	—
— Non-current liabilities	<u>5,750</u>	<u>40,747</u>
	<u>23,962</u>	<u>40,747</u>

The amount due to a director, Mr. Yang Lijun is unsecured, carries interest at 13% per annum (2021: 9% to 13% per annum).

20. PROMISSORY NOTE PAYABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Promissory note payable:		
— Within one year	108,236	—
— Within a period of more than one year but not exceeding two years	<u>—</u>	<u>107,827</u>
	<u>108,236</u>	<u>107,827</u>

21. SHARE CAPITAL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Authorised: 100,000,000,000 (2021: 100,000,000,000) ordinary shares of HK\$0.01 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid: 6,946,350,040 (2021: 6,946,350,040) ordinary shares of HK\$0.01 each	<u>69,464</u>	<u>69,464</u>

22. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2022, nor had any dividend been proposed since the end of the reporting period (2021: Nil).

23. PROJECT COMMITMENTS

As at 31 December 2022, the Group had outstanding commitments for property development expenditure and acquisition of land for development contracted but not provided for amounted to approximately HK\$223,485,000 (2021: HK\$832,008,000).

24. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2022 (2021: Nil).

25. CONTINGENT LIABILITIES

As at 31 December 2022, the Group had contingent liabilities amounting to HK\$361,076,000 (2021: HK\$365,046,000) in respect of the buy-back guarantee in favour of banks to secure mortgage loan facilities granted to the purchasers of the Group's properties.

The following is an extract of the auditors' report on the Group's financial statements for the year ended 31 December 2022:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Going concern

As disclosed in the consolidated financial statements, the current liabilities of the Group at 31 December 2022 exceed the Group's current assets at that date by approximately HK\$643,550,000. The Group's total financial obligations as at 31 December 2022 amounted to approximately HK\$1,494,821,000, of which approximately HK\$559,817,000 are repayable within the next twelve months, while its cash and cash equivalents amounted to approximately HK\$251,924,000.

Moreover, on 4 December 2022, the Group failed to repay the loan of RMB66,300,000 (equivalent to HK\$75,045,000) to 電白石農村信用合作社水東信用社. However, the negotiation with the Lender is underway and no extensions to the repayment were granted up to the date of this announcement.

These events and conditions, together with other matters described in Note 2 to this announcement, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remedy certain delayed repayments to financial institutions, which are set out in Note 2 to this announcement. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties including:

- (i) the unconditionally undertaken to provide financial support for operation of the Group from Mr. YANG Lijun, the controlling shareholder of the Company;

- (ii) the successful negotiations with the property constructors and lenders for the renewal of or extension for repayment for those construction costs, borrowings, including those construction costs payables, loan principals and interests that are already overdue;
- (iii) the successful obtaining of additional new source of financing as and when needed; and
- (iv) successfully accelerating the pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds and controlling costs and deferring capital expenditure for the Group's projects held on hand so as to generate adequate net cash inflow.

Should the Group fail to achieve the abovementioned plans and measures, it may not be able to continue to operate as a going concern, and 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. The effects of these adjustments have not been reflected in these consolidated financial statements.

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis. In view of the extent of the material uncertainties relating to the results of those measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, we are unable to form an opinion as to whether it is appropriate for the preparation of the consolidated financial statement on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2022, the Group's revenue was approximately of HK\$1,601.8 million, compared to HK\$7.8 million for 2021. The significant increase in the Group's revenue was mainly due to the recognition of revenue after delivery of the completed properties to property buyers during the period. The Group recorded a profit before tax approximately of HK\$547.9 million, compared to the loss of HK\$341.1 million for 2021. The profit, amongst other things, was mainly attributable to (i) the recognition of a one-off gain from the disposal of subsidiaries which was completed in May 2022, and (ii) the profit generated from the sales of completed properties during the year of 2022.

Profit attributable to the owners of the Company for the year ended 31 December 2022 was approximately of HK\$265.2 million, compared to the loss of HK\$326.3 million for the corresponding period in 2021.

PROPERTY DEVELOPMENT SEGMENT

Revenue of the property development segment for the year ended 31 December 2022 was approximately of HK\$1,595.5 million, compared to HK\$1.8 million for the corresponding period 2021. Profit of the property development segment for the year ended 31 December 2022 was HK\$572.9 million, compared to the loss of HK\$126.9 million for the corresponding period in 2021. The profit was due to the recognition of revenue upon the delivery of completed properties to property buyers during the year.

During the year ended 31 December 2022, the Group had three projects under development on hand, namely German City project located in Hengqin New District, Zhuhai City, Fuyuan Junting project located in Chengdu, and Fuyuan Square project located in Doumen, respectively.

German City project holds a land parcel with total gross floor area approximately of 145,176 sq. m., of which approximately of 49,999 sq. m. is for sales. German City project is designated to be developed into a research and commercial complex. German City project had started pre-sales since the 4th quarter of 2019. As at 31 December 2022, German City project had achieved sales amounting to 53.94 % of its gross saleable areas available for sale. The construction work of German City project is expected to be completed in December 2023.

Fuyuan Junting project holds two land parcels with total gross floor area approximately of 120,500 sq. m., of which 84,425 sq. m. is available for sales. Fuyuan Junting project is to be developed into a residential complex. Fuyuan Junting project had started pre-sales since the 4th quarter of 2019. As at 31 December 2022, first phase and second phase of Fuyuan Junting project had achieved sales amounting to approximately of 99.34% and 45.37% of its respective total gross saleable areas available for sales. Construction work of the first phase of the project had been completed. The completed properties of the first phase of the project had been handed over to the buyers since May 2022. Construction work of the second phase of the project is expected to be completed in November 2023.

Fuyuan Square project holds a land parcel of gross floor area of approximately 197,391 sq. m., of which approximately of 61,654 sq. m. is available for sales. Fuyuan Square project is designated to be developed into a commercial complex which comprises office towers, a 5-star standard hotel and a shopping center with basement car parks. Fuyuan Square project had started pre-sales since July 2020. As at 31 December 2022, Fuyuan Square project had achieved sales contracts approximately 59.34% of its total gross saleable areas available for sale. Construction work of Fuyuan Square project is expected to be completed in June 2024.

The Group is striving to accelerate the progress of pre-sale of properties.

HOTEL BUSINESS

For the year ended 31 December 2022, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK\$4.4 million, compared to HK\$5.7 million for the corresponding period 2021. Loss of the segment amounted to HK\$28.4 million for the year ended 31 December 2022, compared to a loss of HK\$17.7 million for the corresponding period 2021. The loss is mainly attributable to the depreciation of property, plant and equipment, and finance costs incurred during the year.

Geographical Segment

During the year, the Group did not have revenue generated from Hong Kong, and the revenue so generated elsewhere in the PRC mainly related to hotel business and property development.

MATERIAL ACQUISITIONS AND DISPOSALS

On 5 November 2021, the Company entered into a sale and purchase agreement (the “**Agreement**”) with a purchaser, pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to buy the entire issued share capital of a direct wholly-owned subsidiary of the Company (the “**Disposal Company**”) together with its subsidiaries (the “**Disposal Group**”) (the “**Disposal**”) for a consideration of HK\$282,000,000 (the “**Consideration**”). The purchaser whose sole director is Mr. Yang Lijun (“**Mr. Yang**”) who indirectly holds the entire issued share capital of the purchaser. Mr. Yang is also a controlling shareholder, an executive director, and a chairman of the board of directors of the Company. Therefore, the purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company. The Disposal had been approved by the shareholders of the Company at an EGM held on 22 April 2022, and was completed on 20 May 2022.

REVIEW OF FINANCIAL POSITION

Overview

As at 31 December 2022, non-current assets of the Group consisted of property under development, property, plant and equipment, right-of-use assets, and licensing rights amounting to a total of HK\$1,815.0 million, compared to HK\$1,806.0 million as at 31 December 2021. Current assets as at 31 December 2022 amounted to HK\$1,515.8 million, compared to HK\$2,785.1 million as at 31 December 2021. Current liabilities as at 31 December 2022 amounted to HK\$2,159.3 million, compared to HK\$3,471.0 million as at 31 December 2021. Non-current liabilities as at 31 December 2022 amounted to HK\$1,022.5 million, compared to HK\$1,243.2 million as at 31 December

2021. The decrease in current liabilities was mainly attributable to the reduction in contract liabilities as a result of the Group's recognition of revenue after delivery of completed properties to property buyers during the year. Net assets of the Group as at 31 December 2022 amounted to HK\$148.9 million, as compared to net liabilities of HK\$123.2 million as at 31 December 2021. The financial position of the Group has been significantly improved.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2022, the Group's total interest bearing borrowings amounted to HK\$1,476.7 million (31 December 2021: HK\$1,882.7 million) which comprised borrowings from financial institutions approximately of HK\$372.1 million (31 December 2021: HK\$413.3 million), borrowings from independent third parties of HK\$926.4 million (31 December 2021: HK\$1,256.7 million), promissory note payable of HK\$108.2 million (31 December 2021: HK\$107.8 million), other lender of HK\$64.2 million (31 December 2021: HK\$64.2 million), and amount due to a director of HK\$5.8 million (31 December 2021: HK\$40.7 million).

The Group's total equity as at 31 December 2022 amounted to HK\$148.9 million (31 December 2021: deficiency of HK\$123.2 million).

The Group's gearing ratio as at 31 December 2022 is approximately of 991.4% (31 December 2021: not presented). The gearing ratio was calculated on the basis of total interest bearing borrowings over the total equity of the Group.

As part of treasury management, the Group centralises funding for all of its operations at the Group level. The Group's foreign currency exposure relates mainly to Renminbi, which is derived from its hotel business, the sales of the property units in Zhongshan, and other property development projects in the PRC.

Capital Commitments

The Group did not have any significant capital commitment as at 31 December 2022 (31 December 2021: Nil).

Project Commitments

As at 31 December 2022, the Group's outstanding commitments in respect of the costs of property development and acquisition of land for development, contracted but not provided for, amounted to approximately of HK\$223.5 million (31 December 2021: HK\$832.0 million).

Contingent Liabilities

As at 31 December 2022, the Group had contingent liabilities amounting to HK\$361.1 million (31 December 2021: HK\$365.0 million). The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the property buyers of the Group. The Board considered that in case of default in payments, the related properties will be sold at prices which exceed the outstanding mortgage principals together with the accrued interest and penalty, therefore, no provision has been made in the financial statements for the guarantees.

Charges on Group Assets

As at 31 December 2022, part of the Group's leasehold land and buildings with a carrying amount of HK\$218.2 million (31 December 2021: HK\$246.2 million) had been pledged to a financial institution to secure mortgage loans. Restricted bank balance of HK\$235.8 million (31 December 2021: HK\$439.9 million) were pledged to certain banks for facilities granted to the Group.

STAFF ANALYSIS

The total number of staff employed by the Group as at 31 December 2022 was 113, compared to 156 as at 31 December 2021. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group continues to implement its overall human resource training and development programme and to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

OUTLOOK

Outlook and Planning

In 2022, the global economy was affected by factors such as the pneumonia virus, the Russia-Ukraine war, and regional politics instability, causing fuel prices and various commodity prices to soar. Apart from that, many countries gradually raised interest rates in the second half of 2022, resulting in weak consumer sentiment and investment confidence, and slowing down the growth of the global economy.

All of the Group's operations are located in Mainland China. Since the outbreak of the pneumonia virus in China at the end of 2019, the Group's property sales and hotel business operations had been severely affected, which could be reflected by the worse consumer sentiment and slump in property prices.

Looking forward to 2023, with the gradual relaxation of the epidemic prevention measures in China and Hong Kong in the first quarter of 2023, and the Chinese government starting to reduce the bank deposit reserve ratio in order to encourage domestic demand and consumption, the economies of China and Hong Kong would be expected gradually to return to normal. The Group will seize the opportunity to accelerate its property sales, consolidate its hotel business, and identify feasible investment projects so as to bring maximum return to the shareholders of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Compliance With Code On Corporate Governance Practices

The Company is committed to maintain high corporate governance standards and uphold accountability and transparency.

During the year ended 31 December 2022, the Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

Code Provisions F.2.2

Code Provision F.2.2 stipulates that the chairman of the board should attend the annual general meeting. The chairman of the board should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

The Chairman of the Board who is also an executive director of the Company and one (1) independent non-executive director did not attend the extraordinary general meeting held on 22 April 2022 (the “**202204 EGM**”) because of the COVID-19 pandemic and/or their other business engagements. However, the Chairman of the Audit Committee and the Chairman of the Remuneration Committee who were independent non-executive directors of the Company had attended the 202204 EGM to answer questions.

The Chairman of the Board who is also an executive director of the Company, one (1) another executive director, one (1) non-executive director, and one (1) independent non-executive director could not attend the annual general meeting (the “**AGM**”) and the extraordinary general meeting of the Company held on 27 June 2022 (the “**202206 EGM**”) because of the COVID-19 pandemic and/or their other business engagements. However, the Chairman of the Remuneration Committee and the Chairman of the Nomination Committee who were independent non-executive directors of the Company had attended the AGM and 202206 EGM to answer questions.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2022 Annual Report.

CHANGES IN DIRECTORS' INFORMATION

The changes in directors' information, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

On 3 March 2023, Mr. Wong Kui Shing, Danny resigned as non-executive Director of the Company.

On 3 March 2023, Mr. Sung Yat Chun resigned as independent non-executive Director, the chairman of nomination committee, a member of audit committee and a member of remuneration committee of the Company.

On 3 March 2023, Mr. Tam Ka Wai was appointed as an executive Director and a member of executive committee of the Company.

On 3 March 2023, Mr. Wong Yuk Lun, Alan was appointed as a non-executive Director of the Company.

On 3 March 2023, Ms. Chan Chu Hoi was appointed as an independent non-executive Director, the chairman of nomination committee, a member of audit committee and a member of remuneration committee of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry to the directors, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the year ended 31 December 2022.

AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

A special resolution was passed by the shareholders of the Company at an extraordinary general meeting held on 27 June 2022 to make certain amendments to the memorandum and articles of association of the Company for the purposes of, amongst other things (i) conforming to a uniform set of 14 core standards for shareholder protections as required by Appendix 3 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") with effect from 1 January 2022 onwards, and (ii) allowing general meetings of the Company to be held as an electronic meeting or hybrid meeting.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

AUDIT COMMITTEE AND REVIEW OF FINAL RESULTS

The Board has established the audit committee of the Company (the “**Audit Committee**”) which comprises three independent non-executive directors.

The Audit Committee, the auditors and the management of the Company have reviewed the Group's audited condensed consolidated financial statement for the year ended 31 December 2022.

SCOPE OF WORK OF CCTH CPA LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, CCTH CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH CPA Limited on this announcement.

DISCLOSURE OF INFORMATION

The annual report of the Group for the year ended 31 December 2022 containing the relevant information required by the Listing Rules will subsequently be published on the Company's and the Stock Exchange's websites in due course.

By order of the Board
TFG International Group Limited
YANG Lijun
Chairman

Hong Kong, 29 March, 2023

As at the date of this announcement, the Board comprises Mr. YANG Lijun (Chairman), Mr. GAO Jingyao and Mr. TAM Kai Wai being the executive Directors, Mr. WONG Yuk Lun, Alan being the non-executive Director, and Ms. CHAN Chu Hoi, Ms. CHAN Hoi Ling and Ms. SO Wai Lam being the independent non-executive Directors.