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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)

2018 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of TFG International Group Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		For the six months ended 30 June	
	Note	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
CONTINUING OPERATIONS			
REVENUE	5	8,236	21,985
Cost of sales	8	(2,073)	(4,396)
Gross profit		6,163	17,589
Other income	6	2,629	21,960
Selling expenses		(1)	(200)
Administrative expenses		(57,440)	(26,023)
Fair value changes on available-for-sale investments		–	(261)
Loss on disposal of property, plant and equipment		(644)	–
Loss on deregistration of subsidiaries		–	(7,582)
Impairment of trade receivables reversed/ (recognised)	8, 12	3,685	(11,946)
Finance costs	7	(12,225)	(2,808)
Share of profit of a joint venture		4,453	–
LOSS BEFORE TAX	8	(53,380)	(9,271)
Income tax (expense)/credit	9	(3,082)	741
Loss for the period from continued operations		(56,462)	(8,530)
Loss for the period from discontinued operations		–	(2,191)
LOSS FOR THE PERIOD		(56,462)	(10,721)
Attributable to:			
Owners of the Company			
Loss for the period from continuing operations		(48,230)	(7,522)
Loss for the period from discontinued operations		–	(2,191)
Non-controlling interests			
Loss for the period from continuing operations		(8,232)	(1,008)
		(56,462)	(10,721)
LOSS PER SHARE			
From continuing and discontinued operations			
— Basic		HK(0.71) cents	HK(0.19) cents
— Diluted		HK(0.71) cents	HK(0.19) cents
From continuing operations			
— Basic		HK(0.71) cents	HK(0.15) cents
— Diluted		HK(0.71) cents	HK(0.15) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2018*

	For the six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	<u>(56,462)</u>	<u>(10,721)</u>
OTHER COMPREHENSIVE INCOME/(LOSS):		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>187</u>	<u>(1,346)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>187</u>	<u>(1,346)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(56,275)</u>	<u>(12,067)</u>
Total comprehensive loss for the period attributable to:		
Owners of the Company		
Comprehensive loss for the period from continuing operations	(48,043)	(8,868)
Comprehensive loss for the period from discontinued operations	–	(2,191)
Non-controlling interests		
Comprehensive loss for the period from continuing operations	<u>(8,232)</u>	<u>(1,008)</u>
	<u>(56,275)</u>	<u>(12,067)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		403,118	418,360
Land for development		508,105	–
Prepaid land lease payments		56,263	57,405
Licensing rights		25,072	26,699
Interest in a joint venture		–	32,862
Pledged bank balances		23,005	1,064
Deferred tax assets	11	5,879	10,056
TOTAL NON-CURRENT ASSETS		1,021,442	546,446
CURRENT ASSETS			
Properties held for sale under development		68,274	69,046
Properties held for sale		6,455	6,539
Inventories		26	41
Loan receivables	13	–	–
Trade receivables	12	2,444	77
Prepayments, deposits and other receivables		10,431	11,464
Amount due from a joint venture		–	160,633
Cash and cash equivalents		93,793	70,418
TOTAL CURRENT ASSETS		181,423	318,218
TOTAL ASSETS		1,202,865	864,664
CURRENT LIABILITIES			
Trade payables, other payables and accruals	14	20,465	18,125
Loan and borrowings — due within one year	15	14,226	10,807
TOTAL CURRENT LIABILITIES		34,691	28,932
NET CURRENT ASSETS		146,732	289,286

		At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Loan and borrowings — due after one year	15	77,058	85,257
Notes payable	16	158,081	—
Amount due to non-controlling shareholder	19	164,217	—
Deferred tax liabilities	11	45,498	33,247
TOTAL NON-CURRENT LIABILITIES		444,854	118,504
NET ASSETS		723,320	717,228
Share capital	18	69,464	67,816
Reserves		579,164	586,579
Equity attributable to owners of the Company		648,628	654,395
Non-controlling interests		74,692	62,833
TOTAL EQUITY		723,320	717,228

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

TFG International Group Limited 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 Whitehall House, 238 North Church Street, George Town, Grand Cayman KY1-1102, Cayman Islands and Suite 1101, 11/F., Tower A, Cheung Kei Center, 18 Hung Luen Road, Hung Hom, 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 period, the Group's activities mainly comprised properties development and hotel business in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

These unaudited consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The unaudited consolidated financial statements for the six months ended 30 June 2018 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim consolidated financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in Note 3 below.

The unaudited consolidated financial statements for the six months ended 30 June 2018 have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value and are presented in Hong Kong Dollars and all values are rounded to the nearest thousand except when otherwise indicated. The functional currency of the Group is Renminbi and the presentation currency is Hong Kong Dollars.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

For the six months ended 30 June 2018, the Group have applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to the Group for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
Amendments to HKAS 28	<i>As part of the Annual Improvements to HKFRSs 2014-2016 Cycle</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>

The application of the above amendments to HKFRSs for the six months ended 30 June 2018 has had no material effect on the amounts reported in the unaudited consolidated financial statements and/or disclosures set out in the unaudited consolidated financial statements. The Group has not applied any new standard or amendment that is not effective for the current accounting period.

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 two reportable operating segments identified as follows:

- (a) The property development segment comprises the development and sales of properties;
- (b) The hotel business segment comprises the sub-licensing rights to hotel operators and certain hotel management activities.

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 from continuing operations 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.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	For the six months ended 30 June					
	Property Development		Hotel Business		Total	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:						
Sales to external customers	951	3,655	7,285	18,330	8,236	21,985
Other income	1,070	721	653	616	1,723	1,337
Total segment revenue	2,021	4,376	7,938	18,946	9,959	23,322
Amortisation of licensing rights	–	–	(1,591)	(2,839)	(1,591)	(2,839)
Depreciation of property, plant and equipment	(233)	(214)	(14,907)	(19,746)	(15,140)	(19,960)
Amortisation of prepaid land lease payments	(37)	(34)	(963)	(950)	(1,000)	(984)
Impairment of trade receivables reversed/ (recognised)	–	–	3,685	(11,946)	3,685	(11,946)
Segment results	(3,746)	(1,854)	(8,940)	(11,186)	(12,686)	(13,040)
Reconciliation:						
Unallocated expenses					(32,711)	(4,603)
					(45,397)	(17,643)
Bank interest income					433	231
Loss on deregistration of subsidiaries					–	(7,582)
Loss on disposal of property, plant and equipment					(644)	–
Gain on disposal of subsidiaries					–	18,531
Share of profit of a joint venture					4,453	–
Finance costs (see Note 7)					(12,225)	(2,808)
Loss before tax from continuing operations					(53,380)	(9,271)

Geographical information

The Group operates in two main geographical areas — Hong Kong and the PRC.

	For the six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
REVENUE		
— Hong Kong	—	—
— PRC	8,236	21,985
	8,236	21,985
	At	At
	30 June	31 December
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
— Hong Kong	1,300	717
— PRC	991,258	534,609
— Other countries	—	—
	992,558	535,326

The non-current asset information above is based on the locations of the assets and excludes financial instruments, pledged bank balances and deferred tax assets.

Information about a major customer

Sales to external customers of approximately of HK\$5,379,370 (2017: HK\$10,671,000) was derived from one single customer of hotel business segment.

5. REVENUE

Revenue represents income from sub-licensing of operating rights, and proceeds from the sales of properties held for sale and services rendered to external customers during the period.

	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
licensing income	7,285	18,330
Sales of properties held for sale and rendering of services	951	3,655
	<u>8,236</u>	<u>21,985</u>

6. OTHER INCOME

	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Bank interest income	433	231
Loan interest income	848	848
Gain on disposal of subsidiaries	–	18,531
Rental income	644	615
Others	704	1,735
	<u>2,629</u>	<u>21,960</u>

7. FINANCE COSTS

	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on loan and borrowings	3,483	2,808
Interest on notes payable	7,943	–
Imputed interest on notes (<i>Note 16</i>)	267	–
Other interest	532	–
	<u>12,225</u>	<u>2,808</u>

8. LOSS BEFORE TAX

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

	For the six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of sales		
Cost of inventories sold	482	588
Cost of properties sold	—	969
Amortisation of licensing rights	1,591	2,839
	2,073	4,396
Foreign exchange differences	23,986	(5,945)
Depreciation	15,588	19,987
Amortisation of prepaid land lease payments	1,000	984
Impairment of trade receivables (reversed)/recognised	(3,685)	11,946
Minimum lease payments under operating lease in respect of land and building	3,055	697
External auditors' remuneration		
— Audit services — for current period	118	133
Staff costs (including directors' remuneration)		
— Wages and salaries	6,588	4,766
— Retirement benefits scheme contributions	309	198
Interest Income		
Bank interest income	(433)	(231)
Loan interest income	(848)	(848)
	(1,281)	(1,079)

9. INCOME TAX(EXPENSE)/CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year under review. Subsidiaries in the PRC are subject to PRC Enterprise Income Tax at 25% (2017: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	For the six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	—	—
PRC	—	—
Adjustment for prior year over-provision	—	—
Deferred tax (charge)/credit	(3,082)	741
Income tax (expense)/credit	(3,082)	741

10. LOSS PER SHARE

The calculation of basic and diluted loss per share amounts is based on the loss attributable to ordinary equity holders of the Company for the period ended 30 June 2018, and the weighted average number of ordinary shares of 6,789,783,139 (2017: 5,681,638,040) in issue during the period.

11. DEFERRED TAX ASSETS AND LIABILITIES

As at 30 June 2018 and 31 December 2017, the Group's deferred tax assets and liabilities shown in the consolidated statement of financial position are as follows:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Deferred tax assets	<u>5,879</u>	<u>10,056</u>
Deferred tax liabilities	<u>(45,498)</u>	<u>(33,247)</u>

The movements in deferred tax assets/(liabilities) for the period ended 30 June 2018 were as follows:

Deferred tax assets and liabilities

	Tax losses and provision for impairments HK\$'000	Accelerated tax depreciation HK\$'000	Changes in fair value of land for development HK\$'000	Total HK\$'000
At 1 January 2018	10,056	(33,247)	–	(23,191)
Acquisition of subsidiaries (Note 17)	–	–	(13,218)	(13,218)
(Charged)/credited to profit or loss	(4,049)	967	–	(3,082)
Exchange realignment	(128)	–	–	(128)
At 30 June 2018	<u>5,879</u>	<u>(32,280)</u>	<u>(13,218)</u>	<u>(39,619)</u>

Deferred tax assets are recognized for tax losses and provision for impairments to the extent that the realization of the related benefit through the future taxable profits is probable.

12. TRADE RECEIVABLES

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Trade receivables, gross	88,942	91,293
Impairment loss recognised	<u>(86,498)</u>	<u>(91,216)</u>
	<u>2,444</u>	<u>77</u>

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
Within 1 month	1,258	77
1–3 months	1,186	–
	<u>2,444</u>	<u>77</u>

The movement in provision for impairment of trade receivables are as follows:

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
At 1 January	91,216	73,135
Impairment loss (reversed)/recognized for the period (<i>Note</i>)	(3,685)	11,772
Exchange realignment	(1,033)	6,309
At 30 June/31 December	<u>86,498</u>	<u>91,216</u>

Note: In the year of 2016, the hotel operating rights holders defaulted in the payment of fixed monthly fee and royalty fee. The Group repeatedly made requests and demand from the hotel operating rights holders to settle all monies outstanding. On 14 March 2017, the Group instituted legal actions against the hotel operating rights holders to claim damages and other costs suffered by the Group. Accordingly, the Group made impairment of trade receivables due to uncertainties about recoverability underlying the claims. On 24 January 2018, the Group signed and executed a settlement agreement with one of the previous hotel operating rights holders who committed to settle the outstanding debts of approximately of RMB14.6 million by 30 monthly instalments. As at 30 June 2018, the hotel operating rights holder had repaid RMB3 million according to the repayment schedule and a corresponding amount of impairment loss previously made was reversed accordingly.

13. LOAN RECEIVABLES

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
Loan receivables	19,000	19,000
Less: impairment loss recognised	(19,000)	(19,000)
	<u>–</u>	<u>–</u>

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Amount received in advance for the rental	350	–
Other payables and accruals	20,115	18,125
	<u>20,465</u>	<u>18,125</u>

15. LOAN AND BORROWINGS

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Loans and borrowings repayables:		
Within 1 year	14,226	10,807
After 1 year but within 2 years	77,058	14,410
After 2 years but within 5 years	–	70,847
	<u>91,284</u>	<u>96,064</u>
Less: Portion repayable within one year included in current liabilities	(14,226)	(10,807)
Portion not repayable within one year included in non-current liabilities	<u>77,058</u>	<u>85,257</u>

At 30 June 2018, loan and borrowings lent by a financial institution to a subsidiary of the Group were secured by the leasehold land and buildings located in Maoming City, the PRC.

16. NOTES PAYABLE

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Unsecured notes, at amortised cost	–	–
At date of issue, 31 January 2018	157,814	–
Imputed interest on notes	267	–
	<u>158,081</u>	<u>–</u>

Notes were issued by the Group as part of consideration payable for the acquisition of subsidiaries which had been completed on 31 January 2018. The notes with principal amount of HK\$160,000,000 bear 12.0% coupon and are unsecured and matured on the third anniversary from the date of issue. The notes were initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

17. ACQUISITION OF SUBSIDIARIES

On 31 January 2018, the Group completed the acquisition of the remaining 50% equity interests in the joint venture not owned by the Group and shareholder's loan due to its former shareholders. The purchase consideration for the acquisition was satisfied by the cash payment of HK\$15,000,000 and non-convertible 3-year 12% coupon notes with principal amount of HK\$160,000,000 (*Note 16*). Fair values of the identifiable assets acquired, liabilities assumed and consideration given for the acquisition were as follows:

	Fair value recognised on acquisition HK\$'000
Fair value of the identifiable assets acquired and liabilities assumed	
Land for development	518,551
Pledged bank balances	45,773
Prepayments, deposits and other receivables	19
Cash and cash equivalents	13,191
Trade payables, other payables and accruals	(1,320)
Amount due to a non-controlling shareholder	(164,217)
Deferred tax liabilities	(13,218)
Total identifiable assets at fair value	398,779
Satisfied by	
Fair value of consideration given	
Cash	15,000
Notes at fair value, at amortised cost (<i>Note 16</i>)	157,814
Equity interest previously held by the Group	37,889
Amount due from a subsidiary	167,633
Non-controlling interest	20,443
Total	398,779

18. SHARE CAPITAL

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Authorised:		
100,000,000,000 (31 December 2017: 100,000,000,000) ordinary shares of HK\$0.01 (31 December 2017: HK\$0.01) each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
6,946,350,040 (31 December 2017: 6,781,638,040) ordinary shares of HK\$0.01 (31 December 2017: HK\$0.01) each	<u>69,464</u>	<u>67,816</u>

On 22 June 2018, the Company allotted and issued 164,712,000 shares at HK\$0.255 each share for a total consideration of approximately HK\$42 million under the General Mandate

19. AMOUNT DUE TO NON-CONTROLLING SHAREHOLDER

Amount due to a non-controlling shareholder is due after three years from date of borrowing, unsecured and interest free.

20. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases part of its property in Maoming City, the PRC under a non-cancellable operating lease agreement, with lease terms for five years. The lease agreement requires the tenant to pay security deposit of the lease.

At 30 June 2018, the Group had total future minimum lease receivables falling due as follows:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Continuing operations		
Within one year	473	1,175
In the second to fifth years, inclusive	<u>—</u>	<u>—</u>
	<u>473</u>	<u>1,175</u>

(b) As lessee

The Group leases certain of its office properties under operating lease commitments. Leases for properties are negotiated for terms ranging from one to five years. None of the leases includes contingent rentals.

Minimum lease payments under operating leases during the period:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Continuing operations		
Office premises	<u>3,055</u>	<u>1,428</u>

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Continuing operations		
Within one year	5,027	6,059
In the second to fifth years, inclusive	<u>2,075</u>	<u>5,059</u>
	<u><u>7,102</u></u>	<u><u>11,118</u></u>

21. CONTINGENT LIABILITIES

As at 30 June 2018, the Group had contingent liabilities amounting to approximately of HK\$105,000 (31 December 2017: HK\$2,414,000) in respect of the buy-back guarantee in favor of banks to secure mortgage loans facilities granted to the purchasers of the Group's properties held for sales.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the accounts for the guarantees.

22. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 June 2018 (31 December 2017: HK\$175 million).

23. DIVIDEND

No dividend was paid or proposed for the period ended 30 June 2018, nor has any dividend been proposed since the end of the reporting period (31 December 2017: Nil).

24. EVENTS AFTER REPORTING PERIOD

On 29 August 2018, the Group succeeded in an auction which was administered by Chengdu Public Resources Exchange Services Center to bid two parcels of land with site area of 42,050.54 square meters and 33,262.93 square meters, respectively. Total consideration for acquiring the two land parcels is approximately of RMB176.82 million. The land parcels are located in Chengdu City, the PRC and designated for residential use with land use rights of a term of 70 years. The total consideration will be funded by the Group's internal resources and/or by way of equity and/or debt financing.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended at 30 June 2018, the Group's revenue amounted to HK\$8.2 million, compared to HK\$22.0 million for the corresponding period 2017. The Group recorded a loss before tax of HK\$53.4 million, compared to the loss of HK\$9.3 million for the corresponding period 2017. Such loss is, amongst other things, mainly attributable to (i) the increase in foreign exchange loss due to the adverse movement of exchange rate in Renminbi during the six months ended 30 June 2018 giving rise to exchange loss upon translation of the assets and liabilities of the Group the functional currency of which are Renminbi into Hong Kong Dollars, (ii) the amortisation and depreciation of leasehold land and property, plant and equipment of the Group, and (iii) interest expenses incurred in respect of the notes issued in January 2018 as part of the consideration for the acquisition of subsidiaries.

The Group's consolidated loss attributable to the owners of the Company for the six months ended 30 June 2018 amounted to HK\$48.2 million, compared to the loss of HK\$9.7 million for the corresponding period 2017.

Property Development Segment

For the six months ended 30 June 2018, sales of the property development segment amounted to HK\$1.0 million, compared to HK\$3.7 million for the corresponding period 2017. Loss of the segment for the six months ended 30 June 2018 was HK\$3.7 million, compared to the loss of HK\$1.9 million for the corresponding period 2017.

As at 30 June 2018, approximately 99.9% of residential units of Morning Star Villa ("MSV") and approximately 98.1% of all residential and commercial units of Morning Star Plaza ("MSP") were sold.

The Group continues focusing on the sale of completed unsold properties, and is actively looking for profitable investment opportunities relating to property development business which is consistently the major business focus of the Group.

Hotel Business Segment

For the six months ended 30 June 2018, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK\$7.3 million, compared to HK\$18.3 million for the corresponding period 2017. Loss of the segment amounted to HK\$8.9 million for the six months ended 30 June 2018, compared to a loss of HK\$11.2 million for the corresponding period 2017. The loss is mainly attributable to the finance cost, depreciation of property plant and equipment and amortisation of prepaid land lease payment.

Geographical Segment

During the period, the Group did not have revenue generated from Hong Kong, and those revenue generated from elsewhere in the PRC mainly relating to hotel business and property development.

Material Acquisitions

On 31 January 2018, the Group completed an acquisition of a number of subsidiaries (“the Subsidiaries”) for a total consideration of HK\$175 million which was divided into cash payment of HK\$15 million and non-convertible 3-year 12% coupon notes of HK\$160 million. Principal assets of the Subsidiaries comprise a land parcel located in Zhuhai Hengqin District, the PRC with a total area of 60,339.83 square meters. Given the unique location and the positive economic prospects of the land parcel, the Group plans to develop the land parcel into research and development complexes and commercial properties with a view for selling and/or leasing with potential capital appreciation and/or steady stream of income.

On 29 August 2018, the Group succeeded in an auction which was administered by Chengdu Public Resources Exchange Services Center to bid two parcels of land with site area of 42,050.54 square meters and 33,262.93 square meters, respectively. Total consideration for acquiring the two land parcels is approximately of RMB176.82 million. The land parcels are located in Chengdu City, the PRC and designated for residential use with land use rights of a term of 70 years. The total consideration will be funded by the Group’s internal resources and/or by way of equity and/or debt financing.

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets of the Group as at 30 June 2018, consisted mainly of property, plant and equipment, prepaid land lease payment, land for development and licensing rights amounting to HK\$1,021.4 million, compared to HK\$546.4 million as at 31 December 2017. Current assets of as at 30 June 2018 amounted to HK\$181.4 million, compared to HK\$318.2 million as at 31 December 2017. Current liabilities as at 30 June 2018 amounted to HK\$34.7 million, compared to HK\$28.9 million as at 31 December 2017. Non-current liabilities as at 30 June 2018 amounted to HK\$444.9 million, compared to HK\$118.5 million as at 31 December 2017.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2018, the Group’s total interest bearing borrowings amounted to HK\$249.4 million (31 December 2017: HK\$96.1 million) which is mainly attributable to a borrowing from a financial institution and notes issued for the acquisition of subsidiaries. As at 30 June 2018, the Group’s available banking facilities not utilised is nil (31 December 2017: nil).

The Group’s total equity as at 30 June 2018 was HK\$723.3 million (31 December 2017: HK\$717.2 million).

The Group’s gearing ratio as at 30 June 2018 was 34.5% (31 December 2017: 13.4%). 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 and the sales of property units in Zhongshan, the PRC.

Capital Commitments

The Group did not have any capital commitments as at 30 June 2018 (31 December 2017: HK\$175.0 million).

Contingent Liabilities

As at 30 June 2018, the Group had contingent liabilities amounting to approximately of HK\$0.1 million (31 December 2017: HK\$2.4 million) which were mainly in respect of buy-back guarantees in favour of banks to secure mortgage facilities granted to the purchasers of the properties developed by MSV and MSP.

The directors consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision for loss in this respect is required to be made in the consolidated financial statements.

Fund Raising Activities

On 22 June 2018, the Company allotted and issued an aggregate of 164,712,000 Subscription Shares under the General Mandate at the Subscription Price of HK\$0.255 per Subscription Share, for a total consideration of approximately HK\$42 million. The net proceeds, after deduction related expenses of approximately HK\$1 million will be approximately HK\$41 million, will be applied as general working capital of the Group.

Charges on Group Assets

As at 30 June 2018, part of the Group's leasehold land and buildings with a carrying value approximately of HK\$442.4 million (31 December 2017: HK\$459.4 million) had been pledged to a financial institution to secure mortgage loans.

In addition, non-current bank balances (i) approximately of HK\$1.0 million (31 December 2017: HK\$1.1 million) were pledged to certain banks to secure mortgage loan facilities granted to purchasers of the Group's properties held for sale, and (ii) approximately of HK\$22.0 million were pledged to a bank to secure the issuance of a performance guarantee to honour the Group's obligations under a Land Grant Contract with Zhuhai Land Bureau for the acquisition of a land parcel located in Hengqin Zhuhai, the PRC.

STAFF ANALYSIS

The total number of staff employed by the Group as at 30 June 2018 was 58, compared to 53 as at 31 December 2017. 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 Plan

Looking ahead to the second half of 2018, trade war poses threats and uncertainties on global economic environment. Nevertheless, China's economy grows continuously at an orderly pace with steady demand for residential and commercial properties. The Group is bullish on the prospect of property market in China and overseas and will continue to look for other property development projects and investment opportunities. The Group's core businesses continue to be property development and hotel business.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Code on Corporate Governance Practices

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

During the six months ended 30 June 2018, 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 summarized below:

Code Provisions A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, two (2) Executive Directors and one (1) Independent Non-executive Directors could not attend the AGM of the Company held on 28 May 2018. However, there were some Executive Directors and Independent Non-Executive Directors present to enable the Board to develop a balanced understand of the views of the Shareholders.

Code Provision E.1.2

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate to attend. These persons should be available to answer questions at the annual general meeting.

Due to other business engagements, Mr. Yang Lijun, Chairman of the Board ("Mr. Yang") could not attend the annual general meeting (the "AGM") held on 28 May 2018. However, Ms. Chan Hoi Ling, an Independent Non-executive Director of the Company took the chair of the AGM. Chairmen of Audit Committee and Remuneration Committee were present thereat to be available to answer any question to ensure effective communication with the Shareholders.

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 period.

CHANGE IN DIRECTORS' INFORMATION

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

- With effect from 1 January 2018, Mr. Yang, Executive Director and Chairman of the Board, has been offered a director's fee of HK\$150,000 per month plus year end discretionary bonus which is determined with reference to Mr. Yang's performance, responsibilities with the Company and the terms of the Company's remuneration policy.
- Mr. Yu Kam Hung ("Mr. Yu") has been appointed as Executive Director of the Company for a period of three (3) years with effect from 12 July 2018. Mr. Yu is entitled to a director's fee of HK\$100,000 per month plus an annual discretionary bonus which is determined at the Board's absolute discretion.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2018 have been reviewed by the Audit Committee and the management. The Audit Committee constitutes three Independent Non-Executive Directors of the Company.

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

Hong Kong, 29 August 2018

As at the date of this announcement, the Board comprises Mr. YANG Lijun, Mr. WAN Jianjun, Mr. WONG Kui Shing, Danny and Mr. YU Kam Hung being the executive Directors; and Ms. CHAN Hoi Ling, Ms. SO Wai Lam and Mr. SUNG Yat Chun being the independent non-executive Directors.