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 FINAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of TFG International Group Limited (the "Company") hereby announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 together with the comparative figures for the year 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
CONTINUING OPERATIONS			
REVENUE	*5*	**18,086**	30,785
Cost of sales		**(5,056)**	(5,488)
Gross profit		**13,030**	25,297
Other income and gains	*6*	**11,827**	9,038
Selling expenses		**(84)**	(200)
Administrative expenses		**(95,483)**	(47,261)
Impairment of trade receivables reversed/(recognised)		**7,099**	(11,772)
Impairment of property, plant and equipment		**(28,407)**	–
Impairment of licensing rights		**(1,742)**	–
Finance costs		**(44,539)**	(15,340)
Share of profit of a joint venture		**4,453**	4,472
LOSS BEFORE TAX	*7*	**(133,846)**	(35,766)
Income tax expense	*8*	**(2,334)**	(331)
Loss for the year from continuing operations		**(136,180)**	(36,097)
DISCONTINUED OPERATIONS			
Gain from discontinued operations	*9*	**–**	16,340
LOSS FOR THE YEAR		**(136,180)**	(19,757)
Loss for the year attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(122,400)**	(36,110)
Gain from discontinued operations		**–**	16,340
		(122,400)	(19,770)
Non-controlling interests			
(Loss)/Profit for the year from continuing operations		**(13,780)**	13
		(136,180)	(19,757)
		HK cents	*HK cents*
LOSS PER SHARE	*10*		
From continuing and discontinued operations			
— Basic		**(1.78)**	(0.33)
— Diluted		**N/A**	N/A
From continuing operations			
— Basic		**(1.78)**	(0.60)
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(136,180)**	(19,757)
OTHER COMPREHENSIVE LOSS		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(26,874)**	(3,824)
Items that may not be subsequently reclassified to profit or loss:		
Gain on property revaluation	**16,000**	–
Income tax effect	**(4,000)**	–
	12,000	–
Total other comprehensive loss for the year, net of tax	**(14,874)**	(3,824)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(151,054)**	(23,581)
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(142,674)**	(23,594)
Non-controlling interests	**(8,380)**	13
	(151,054)	(23,581)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**356,564**	418,360
Investment properties		**25,000**	–
Property under development		**592,573**	–
Prepaid land lease payments		**54,830**	57,405
Licensing rights		**21,628**	26,699
Interest in a joint venture		**–**	32,862
Pledged bank balances		**22,076**	1,064
Deferred tax assets		**–**	10,056
TOTAL NON-CURRENT ASSETS		**1,072,671**	546,446
CURRENT ASSETS			
Properties held for sale under development		**65,612**	69,046
Properties held for sale		**2,967**	6,539
Deposit for acquisition of land for development		**299,780**	–
Inventories		**26**	41
Trade receivables	*11*	**5,966**	77
Prepayments, deposits and other receivables		**13,137**	11,464
Amount due from a joint venture		**–**	160,633
Investments in wealthy management products		**6,832**	–
Cash and cash equivalents		**54,273**	70,418
TOTAL CURRENT ASSETS		**448,593**	318,218
TOTAL ASSETS		**1,521,264**	864,664
CURRENT LIABILITIES			
Trade payables, other payables and accruals	*12*	**98,548**	18,125
Amount due to non-controlling interest		**164,217**	–
Loans and borrowings — due within one year		**13,664**	10,807
TOTAL CURRENT LIABILITIES		**276,429**	28,932
NET CURRENT ASSETS		**172,164**	289,286
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,244,835**	835,732

	Notes	**2018**	2017
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Loans and borrowings — due after one year		**576,250**	85,257
Deferred tax liabilities		**42,871**	33,247
TOTAL NON-CURRENT LIABILITIES		**619,121**	118,504
NET ASSETS		**625,714**	717,228
Share capital	*13*	**69,464**	67,816
Reserves		**484,259**	586,579
Equity attributable to owners of the Company		**553,723**	654,395
Non-controlling interests		**71,991**	62,833
TOTAL EQUITY		**625,714**	717,228

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 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 year, the Group's activities mainly comprised properties development and hotel business in the People's Republic of China.

2. BASIS OF PREPARATION

These 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 Ordinance. 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 investment properties and certain financial assets which have been 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.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies.

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: Development and sales of properties 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.

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.

	For the year ended 31 December							
	Property Development		Hotel Business		Other business		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Revenue from external customers	**3,656**	5,404	**14,430**	25,381	**–**	–	**18,086**	30,785
Other income	**1,359**	1,226	**1,244**	1,236	**67**	–	**2,670**	2,462
Amortisation of licensing rights	**–**	–	**(3,166)**	(3,157)	**–**	–	**(3,166)**	(3,157)
Depreciation of property, plant and equipment	**(582)**	(437)	**(29,687)**	(39,023)	**(852)**	(116)	**(31,121)**	(39,576)
Amortisation of prepaid land lease payments	**(71)**	(70)	**(1,913)**	(1,906)	**–**	–	**(1,984)**	(1,976)
Impairment of property, plant and equipment	**–**	–	**(28,407)**	–	**–**	–	**(28,407)**	–
Impairment of licensing rights	**–**	–	**(1,742)**	–	**–**	–	**(1,742)**	–
Impairment of trade receivables reversed/(recognised)	**–**	–	**7,099**	(11,772)	**–**	–	**7,099**	(11,772)
Segment (loss)/profit	**(34,246)**	(3,104)	**(43,254)**	(15,903)	**(1,517)**	3,340	**(79,017)**	(15,667)
Reconciliation:								
Bank and other interest income							**3,390**	2,161
Excess of fair value of investments properties over the carrying amount upon reclassification							**5,767**	–
Gain on disposal of available-for-sale investment							**–**	4,415
Other unallocated expenses							**(22,048)**	(15,807)
Loss on early redemption of notes							**(1,852)**	–
Finance costs							**(44,539)**	(15,340)
Share of profit of a joint venture							**4,453**	4,472
Loss before tax							**(133,846)**	(35,766)

Geographical information

The Group operates in two main geographical areas — Hong Kong and the People's Republic of China (excluding Hong Kong) (the "PRC").

	2018 *HK$'000*	2017 *HK$'000*
REVENUE		
— Hong Kong	**–**	–
— PRC	**18,086**	30,785
	18,086	30,785

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

Revenue amounted to approximately HK$12,365,000 (2017: HK$10,259,000) was derived by the Group's hotel business segment from a single customer.

5. REVENUE

Revenue represents the aggregate of income from sub-licensing of operating rights, sales of properties held for sale, clubhouse operation services rendered and property agency income is analysed as follows:

	2018 *HK$'000*	2017 *HK$'000*
Licensing income	**14,430**	25,381
Sales of properties held for sale	**–**	3,172
Clubhouse operating services income	**1,879**	2,232
Property agency income	**1,777**	–
	18,086	30,785

6. OTHER INCOME AND GAINS

	2018 *HK$'000*	2017 *HK$'000*
Bank interest income	**1,041**	451
Interest from investments in wealthy management products	**639**	–
Loan interest income	**1,710**	1,710
Excess of fair value of investments properties over the carrying amount upon reclassification	**5,767**	–
Gain on disposal of available-for-sale investment	**–**	4,415
Rental income	**1,244**	1,236
Others	**1,426**	1,226
	11,827	9,038

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	2018	2017
	HK$'000	*HK$'000*
Cost of sales		
Cost of inventories sold	**897**	1,151
Cost of properties sold	**–**	1,180
Amortisation of licensing rights	**3,166**	3,157
Property agency service charges	**993**	–
	5,056	5,488
Depreciation	**31,121**	39,576
Amortisation of prepaid land lease payments	**1,984**	1,976
Impairment of property, plant and equipment	**28,407**	–
Impairment of licensing rights	**1,742**	–
Impairment of trade receivables (reversed)/recognised	**(7,099)**	11,772
Loss on disposal of property, plant and equipment	**644**	–
Loss on early redemption of notes	**1,852**	–
Minimum lease payments under operating lease in respect of land and buildings	**5,916**	1,428
Auditors' remuneration	**1,008**	583
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	**16,447**	7,010
— Retirement benefits scheme contributions	**555**	377
Exchange losses/(gains)	**21,062**	(14,520)
Finance costs		
Interest on loans and borrowings	**34,263**	15,340
Interest on notes payable	**10,276**	–
	44,539	15,340

8. INCOME TAX EXPENSE

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 for 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.

	2018	2017
	HK$'000	*HK$'000*
Current tax	**–**	–
Deferred tax charge	**(2,334)**	(331)
Income tax expense	**(2,334)**	(331)

9. GAIN/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS

	2018	2017
	HK$000	*HK$000*
Loss for the year from discontinued operations	**–**	(2,191)
Gain on disposal of subsidiaries including discontinued operations	**–**	18,531
	–	16,340

10. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss attributable to ordinary equity holders of the Company amounted to HK$122,400,000 (2017: HK$19,770,000), and the weighted average of 6,868,732,330 (2017: 6,052,322,972) ordinary shares in issue during the year.

No diluted loss per share for both 2018 and 2017 was presented as there were no potential ordinary share in issue for both 2018 and 2017.

From continuing operations

The calculation of the basic loss per share is based on the loss attributable to ordinary equity holders of the Company amounted to HK$122,400,000 (2017: HK$36,110,000), and the weighted average of 6,868,732,330 (2017: 6,052,322,972) ordinary shares in issue during the year.

No diluted loss per share for both 2018 and 2017 was presented as there were no potential ordinary share in issue for both 2018 and 2017.

11. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables, gross	**85,632**	91,293
Impairment loss recognised	**(79,666)**	(91,216)
	5,966	77

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

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**1,258**	77
1–3 months	**2,279**	–
4–12 months	**2,429**	–
	5,966	77

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

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**91,216**	73,135
Impairment loss (reversed)/recognised for the year	**(7,099)**	11,772
Exchange realignment	**(4,451)**	6,309
At 31 December	**79,666**	91,216

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK$'000	*HK$'000*
Other payables and accruals	**98,548**	18,125

During the year, there was no significant purchases from suppliers and no outstanding trade payable as at 31 December 2018. Accordingly, no credit was granted by suppliers.

13. SHARE CAPITAL

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
100,000,000,000 (2017: 100,000,000,000) ordinary shares of HK$0.01 each	**1,000,000**	1,000,000
Issued and fully paid:		
6,946,350,040 (31 December 2017: 6,781,638,040) ordinary shares of HK$0.01 each	**69,464**	67,816

On 22 June 2018, the Company allotted and issued 164,712,000 shares at the issue price of HK$0.255 per share which gave rise to the gross proceeds of approximately HK$42 million (2017: Nil).

14. CAPITAL COMMITMENTS

As at 31 December 2018, the Group did not have any significant capital commitments (2017: the Group had commitment to pay a consideration of HK$175 million for the acquisition of 50% equity interest in an equity).

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases out part of its properties under a non-cancellable operating lease agreement with terms ranging from 3 years to 15 years. The lease agreements requires the tenants to pay security deposits for the leases.

At 31 December 2018, the Group had total future minimum lease receivables falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**1,224**	1,175
In the second to fifth years, inclusive	**4,272**	–
After five years	**8,672**	–
	14,168	1,175

(b) As lessee

The Group leases office premises under operating lease commitments. Leases for premises are negotiated for terms ranging from one to five years. None of the leases includes contingent rentals. Lease payments under operating leases recognised in the respect of the office premises for the year amounted to HK$5,916,000 (2017: HK$1,428,000).

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**5,097**	6,059
In the second to fifth years, inclusive	**240**	5,059
	5,337	11,118

16. PROJECT COMMITMENTS

As at 31 December 2018, the Group had outstanding commitments for property development expenditure and acquisition of land for development contracted but not provided for approximately of HK$667,678,000 (2017: Nil).

17. DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2018, the Group's revenue amounted to HK$18.1 million, compared to HK$30.8 million for 2017. The Group recorded a loss before tax of HK$133.8 million, compared to the loss of HK$35.8 million for 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 year of 2018 upon translation of the assets and liabilities of the Group the functional currency of which are Renminbi, (ii) the amortisation and depreciation of leasehold land and property, plant and equipment of the Group, (iii) increase in interest expenses and finance costs of the Group in respect of the notes issued in January 2018 as part of the consideration for the acquisition of subsidiaries and loans and borrowings, (iv) impairment of property, plant and equipment and licensing rights of the Group, and (v) increase in other administrative expenses including rental expenses, directors' fees and staff payroll of the Group.

The Group's consolidated loss attributable to the owners of the Company for 2018 amounted to HK$122.4 million, compared to the loss of HK$19.8 million for 2017.

Property Development Segment

In 2018, sales of the property development segment amounted to HK$3.7 million, compared to HK$5.4 million for 2017. Loss of the segment for 2018 was HK$34.2 million, compared to the loss of HK$3.1 million for 2017. The loss of the segment is mainly attributable to the exchange loss arising from the translation of assets and liabilities the functional currency of which is Renminbi and other operating costs relating to the development of projects located in Hengqin, Zhuhai and Chengdu.

As at 31 December 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 focus of the group.

Hotel Business Segment

In 2018, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK$14.4 million, compared to HK$25.4 million for 2017. Loss of the segment for 2018 amounted to HK$43.2 million, compared to a loss of HK$15.9 million for 2017. The loss is mainly attributable to the depreciation of property, plant and equipment, the amortisation of leasehold land, the impairment of property, plant and equipment and licensing rights.

Geographical Segment

During the year, the Group did not have revenue generated from Hong Kong, and the revenue generated from elsewhere in the PRC mainly related 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 site 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 was funded by the Group's internal resources and debt financing.

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets of the Group as at 31 December 2018, consisting mainly of investment properties, property under development, property, plant and equipment, prepaid land lease payment, and licensing rights amounted to HK$1,072.7 million, compared to HK$546.4 million as at 31 December 2017. Current assets as at 31 December 2018 amounted to HK$448.6 million, compared to HK$318.2 million as at 31 December 2017. Current liabilities as at 31 December 2018 amounted to HK$276.4 million, compared to HK$28.9 million as at 31 December 2017. Non-current liabilities as at 31 December 2018 amounted to HK$619.1 million, compared to HK$118.5 million as at 31 December 2017.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2018, the Group's total interest bearing borrowings amounted to HK$589.9 million (31 December 2017: HK$96.1 million) which comprised borrowings from a financial institution of HK$80.8 million (2017: HK$96.1 million) and from independent third parties of HK$509.1 million (2017: Nil).

The Group's total equity as at 31 December 2018 was HK$625.7 million (31 December 2017: HK$717.2 million).

The Group's gearing ratio as at 31 December 2018 was 94.3% (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. The significant increase in gearing ratio is mainly due to substantial amount of interest bearing borrowings raised to finance the costs of development of project in Zhuhai and payment of land fees in respect of the land in Chengdu which the Group successfully bid on 29 August 2018.

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 property units in Zhongshan, and other property development projects in the PRC.

Capital Commitments

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

Project Commitments

As at 31 December 2018, the Group had outstanding commitments in respect of the property development expenditure and acquisition of land for development, which were contracted but not provided for approximately of HK$667.7 million (2017: Nil).

Contingent Liabilities

As at 31 December 2018, the Group had contingent liabilities amounting to HK$0.1 million (31 December 2017: HK$2.4 million). The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by MSV and MSP. The Board considered that the fair value of such guarantees were insignificant.

Charges on Group Assets

As at 31 December 2018, part of the Group's leasehold land and buildings with a carrying value of HK$393.3 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 of HK$22.1 million (31 December 2017: HK$1.1 million) were pledged to banks to secure mortgage loan facilities granted to purchasers of the Group's properties held for sale and the issuance of a performance letter of guarantee in favour of a government department in honour of the sale and purchase agreement relating to the Group's purchase of land in Hengqin, Zhuhai.

Fund Raising Activities

On 22 June 2018, the Company completed a subscription of shares up to 164,712,000 new shares of the Company ("Subscription Share") at a subscripting price of HK$0.255 per Subscription Share (the "Subscription"). The net proceeds from the Subscription (after deduction of related expenses) amounted to approximately of HK$41 million, which has been applied as general working capital of the Group.

STAFF ANALYSIS

The total number of staff employed by the Group as at 31 December 2018 was 51, 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

The external economic environment is full of challenges and opportunities. As the tensions brought about by the Sino-US trade war have slightly loosened, the Chinese economy is expected to continue to grow. While China's national policy goal is to stabilize the real estate market, it is expected that China's commercial and residential property markets will grow at a steady rate.

The Group completed the acquisition of a subsidiary company in 2018, which indirectly holds a site designated for research and development and commercial uses in Hengqin, Zhuhai; which is capable of building a commercial project with a gross floor area of approximately 100,000 square meters. In the same year, the Group also successfully bid two parcels of land for residential use with total site area of approximately 75,300 square meters in Chengdu. It is expected that after completion of the development of these two projects in the near future, there will be considerable benefits for the Group.

The Group is confident in investing in China's real estate and will continue to focus on property development and hotel business as its core businesses.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

During the year ended 31 December 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 summarised 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 and chairman of Audit Committee of the Company took the chair of the AGM. Chairmen of Remuneration Committee was present thereat to be available to answer any question to ensure effective communication with the Shareholders.

Code Provisions A.2.1 to A.2.9

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Code provisions A.2.2 to A.2.9 of the CG Code further stipulate various roles and responsibilities of the chairman.

During the year of 2018, Mr. WONG Kui Shing Danny ("Mr. WONG") was the Chief Executive Officer ("CEO") of the Company. The Company complied with Code Provision A.2.1 in the year of 2018

The Company does not have a CEO after Mr. WONG's resignation from the position of CEO on 1 February 2019. At the date of this announcement, the Company does not have a CEO. It is the Board's intention to appoint a CEO as soon as a suitable and appropriate candidate is identified.

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 2018 Annual Report which will be sent to the Shareholders of the Company in April 2019.

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 year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the audited financial statements for the year ended 31 December 2018 with the Company's auditors. The Audit Committee constituted three Independent Non-Executive Directors.

DISCLOSURE OF INFORMATION OF THE STOCK EXCHANGE'S WEBSITE

The annual report of the Group for the year ended 31 December 2018 containing the relevant information required by the Listing Rules will subsequently be published on the Stock Exchange's website in due course.

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

Hong Kong, 15 March 2019

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