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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)

2021 UNAUDITED FINAL RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of TFG International Group Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2021. As the auditing process for the final results for the year ended 31 December 2021 has not been completed due to the recent outbreak of COVID-19, the Company’s auditors require additional time for completing their audit work. The unaudited final results contained herein have been reviewed by the Audit Committee of the Company, which have not been agreed with the Company’s auditor. An announcement relating to the audited final results will be made when the auditing process has been completed.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	<i>1</i>	16,468	22,360
Cost of sales		<u>(3,596)</u>	<u>(7,192)</u>
Gross profit		12,872	15,168
Other income and gains	<i>2</i>	5,535	18,371
Selling expenses		(9,925)	(18,258)
Administrative and other expenses		(154,565)	(101,387)
Gain on change in fair value of investment properties		–	3,194
Impairment of property, plant and equipment		–	(35,490)
Impairment of licensing rights		–	(3,219)
Impairment of trade receivables		(9,042)	(8,193)
Impairment of goodwill		(50,290)	–
Finance costs	<i>3</i>	<u>(135,687)</u>	<u>(86,779)</u>
LOSS BEFORE TAX	<i>4</i>	(341,102)	(216,593)
Income tax expense	<i>5</i>	<u>(404)</u>	<u>(162)</u>
LOSS FOR THE YEAR		<u>(341,506)</u>	<u>(216,755)</u>
Loss for the year attributable to:			
Owners of the Company		(326,264)	(217,714)
Non-controlling interests		<u>(15,242)</u>	<u>959</u>
		<u>(341,506)</u>	<u>(216,755)</u>
		<i>HK cents</i>	<i>HK cents</i>
LOSS PER SHARE	<i>6</i>		
— Basic		<u>(4.70)</u>	<u>(3.13)</u>
— Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(341,506)</u>	<u>(216,755)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>10,838</u>	<u>29,904</u>
Other comprehensive income/(loss) for the year, net of tax	<u>10,838</u>	<u>29,904</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(330,668)</u></u>	<u><u>(186,851)</u></u>
Total comprehensive (loss)/profit for the year attributable to:		
Owners of the Company	(316,308)	(189,684)
Non-controlling interests	<u>(14,360)</u>	<u>2,833</u>
	<u><u>(330,668)</u></u>	<u><u>(186,851)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		199,495	217,221
Right-of-use assets		48,336	49,076
Properties under development	7	1,549,801	1,499,271
Licensing rights		8,329	10,200
Goodwill	8	–	50,290
		<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS		1,805,961	1,826,058
CURRENT ASSETS			
Properties held for sale	9	1,828,965	1,620,794
Inventories		–	1,224
Trade receivables	10	61	594
Prepayments, deposits and other receivables		294,445	134,663
Restricted bank balances		426,855	255,835
Cash and cash equivalents		59,719	55,225
		<hr/>	<hr/>
		2,610,045	2,068,335
Assets of disposal group classified as held for sale		175,007	159,738
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		2,785,052	2,228,073
		<hr/>	<hr/>
TOTAL ASSETS		4,591,013	4,054,131

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000 (restated)
CURRENT LIABILITIES			
Trade payables, other payables and accruals	<i>11</i>	688,450	946,407
Amount due to non-controlling interest	<i>12</i>	2,142	64,217
Amount due to a director	<i>13</i>	–	3,500
Loans and borrowings — due within one year		785,245	375,372
Contract liabilities	<i>14</i>	1,974,806	753,607
		<u>3,450,643</u>	<u>2,143,103</u>
Liabilities directly associated with assets classified as held for sale		<u>20,340</u>	<u>6,756</u>
TOTAL CURRENT LIABILITIES		<u>3,470,983</u>	<u>2,149,859</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(685,931)</u>	<u>78,214</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,120,030</u>	<u>1,904,272</u>
NON-CURRENT LIABILITIES			
Loans and borrowings — due after one year		948,911	1,411,902
Amount due to a director	<i>13</i>	40,747	31,910
Promissory note payable	<i>15</i>	107,827	107,427
Long Term Lease Liabilities		507	–
Deferred tax liabilities		145,239	145,566
		<u>1,243,231</u>	<u>1,696,805</u>
TOTAL NON-CURRENT LIABILITIES		<u>1,243,231</u>	<u>1,696,805</u>
NET (LIABILITIES)/ASSETS		<u>(123,201)</u>	<u>207,467</u>
Share capital	<i>16</i>	69,464	69,464
Reserves		(233,033)	83,275
		<u>(163,569)</u>	<u>152,739</u>
Equity attributable to owners of the Company		(163,569)	152,739
Non-controlling interests		40,368	54,728
		<u>(123,201)</u>	<u>207,467</u>
TOTAL EQUITY		<u>(123,201)</u>	<u>207,467</u>

NOTES

1. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of properties held for sale	508	–
Sales of hygiene products	257	3,759
Licensing income	14,440	13,465
Property agency income	1,263	5,136
	<u>16,468</u>	<u>22,360</u>

Disaggregated by timing of revenue recognition

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue recognised:		
— Point in time	765	3,759
— Over time	15,703	18,601
	<u>16,468</u>	<u>22,360</u>

2. OTHER INCOME AND GAINS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	1,551	1,003
Other interest income	–	11,885
Government subsidies	–	590
Write off of other payable and accruals	–	1,158
Gain on termination of lease	–	10
Rental income	2,407	2,407
Others	1,577	1,318
	<u>5,535</u>	<u>18,371</u>

3. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interests on		
Loans and borrowings	148,124	120,836
Amounts due to directors	3,562	2,119
Promissory note	10,174	3,007
Lease liabilities	28	51
	<u>161,888</u>	<u>126,013</u>
Less: Amount capitalised on properties under development	<u>(26,201)</u>	<u>(39,234)</u>
	<u><u>135,687</u></u>	<u><u>86,779</u></u>

The borrowing costs have been capitalised at the rates ranged from 8.8% to 13% (2020: from 8.8% to 13%) per annum.

4. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of sales		
Cost of properties sold	177	–
Cost of goods sold	406	2,579
Amortisation of licensing rights	1,884	2,470
Property agency service charges	1,129	2,143
	<u>3,596</u>	<u>7,192</u>
Depreciation of property, plant and equipment	20,432	23,386
Depreciation of right-of-use assets	2,115	2,540
Loss on disposal of property, plant and equipment	78	189
Rental expenses for short-term leases	2,881	4,028
Auditors' remuneration	977	923
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	19,970	22,673
— Retirement benefits scheme contributions	1,574	809
Exchange gains, net	<u>(6,692)</u>	<u>(10,915)</u>

5. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax expense	(145)	–
PRC enterprise income tax	(658)	(206)
Deferred tax credit	<u>399</u>	<u>44</u>
Income tax expense	<u>(404)</u>	<u>(162)</u>

No provision for Hong Kong profits tax has been made in the condensed 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% (2020: 25%) of the profits of the group entities in the PRC.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company amounted to HK\$326,264,000 (2020: HK\$217,714,000), and 6,946,350,040 (2020: 6,946,350,040) ordinary shares in issue during the year.

No diluted loss per share for both of the year ended 31 December 2021 and 2020 was presented as there were no potential ordinary shares in issue for both of the years.

7. PROPERTIES UNDER DEVELOPMENT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Properties under development, at cost	<u>1,549,801</u>	<u>1,499,271</u>

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

8. GOODWILL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amount		
At the beginning of the year	50,290	–
Arising from acquisition of subsidiaries	–	50,290
Impairment of goodwill	<u>(50,290)</u>	<u>–</u>
At the end of the year	<u>–</u>	<u>50,290</u>

9. PROPERTIES HELD FOR SALE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Properties held for sale		
— Completed	—	—
— Under development	<u>1,828,965</u>	<u>1,620,794</u>
	<u><u>1,828,965</u></u>	<u><u>1,620,794</u></u>

10. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables, gross	113,375	92,467
Impairment loss recognised	<u>(113,314)</u>	<u>(91,873)</u>
	<u><u>61</u></u>	<u><u>594</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	61	79
1–3 months	—	63
4–12 months	<u>—</u>	<u>452</u>
	<u><u>61</u></u>	<u><u>594</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	91,873	86,961
Impairment loss recognised, net	9,042	8,193
Exchange realignment	<u>12,399</u>	<u>(3,281)</u>
	<u><u>113,314</u></u>	<u><u>91,873</u></u>

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables for property development expenditure (<i>Note a</i>)	275,204	643,012
Value-added tax payable	140,343	68,809
Interest payable	92,355	30,999
Lease liabilities	541	30
Short-term advances (<i>Note b</i>)	–	118,156
Other payables and accruals	180,007	85,401
	<u>688,450</u>	<u>946,407</u>

Note:

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	143,020	554,116
1–3 months	132,184	88,896
	<u>275,204</u>	<u>643,012</u>

- (b) The short-term advances from a brother of a director and other parties amounting to HK\$nil (31 December 2020: HK\$48,966,000) and HK\$nil (31 December 2020: HK\$69,190,000), respectively, are unsecured, interest free and with no fixed repayment terms.

12. AMOUNT DUE TO NON-CONTROLLING INTEREST

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

13. AMOUNT DUE TO A DIRECTOR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amount due to a director repayable:		
— Within one year	–	3,500
— Within a period of more than one year but not exceeding two years	40,747	–
— Within a period of more than two years but not exceeding five years	–	31,910
	40,747	35,410
Analysed for reporting purpose:		
— Current liabilities	–	3,500
— Non-current liabilities	40,747	31,910
	40,747	35,410

The amount due to a director, Mr. Yang Lijun is unsecured, carrying interest at interest rates ranged from 9% to 13% per annum (2020: 9% to 13% per annum).

14. CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Advance payments received for sales of properties	1,974,806	753,607

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.

15. PROMISSORY NOTE PAYABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Promissory note payable within a period of more than one year but within five years	107,827	107,427

16. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:		
100,000,000,000 (2020: 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 (2020: 6,946,350,040) ordinary shares of HK\$0.01 each	<u>69,464</u>	<u>69,464</u>

REVIEW OF FINANCIAL PERFORMANCE

For the year ended 31 December 2021, the Group's revenue was approximately of HK\$16.5 million, compared to HK\$22.4 million for 2020. The Group recorded a loss before tax of approximately HK\$341.1 million, compared to the loss of HK\$216.6 million for 2020. Such loss is amongst other things, due to (i) increase in finance costs which related to borrowings obtained for the finance of certain property development projects; and (ii) increase in sales commission payable to property agents.

Loss attributable to the owners of the Company for the year ended 31 December 2021 was approximately of HK\$326.3 million, compared to the loss of HK\$217.7 million for the corresponding period in 2020.

REVIEW OF FINANCIAL POSITION

Non-current assets of the Group as at 31 December 2021, consisting mainly of property under development, property, plant and equipment, right-of-use assets, investment properties, licensing rights and goodwill amounted to a total of HK\$1,806.0 million, compared to HK\$1,826.1 million as at 31 December 2020. Current assets as at 31 December 2021 amounted to HK\$2,785.1 million, compared to HK\$2,228.1 million as at 31 December 2020. Current liabilities as at 31 December 2021 amounted to HK\$3,471.0 million, compared to HK\$2,149.9 million as at 31 December 2020. Non-current liabilities as at 31 December 2021 amounted to HK\$1,243.2 million, compared to HK\$1,696.8 million as at 31 December 2020. Net liabilities as at 31 December 2021 amounted to HK\$123.2 million, compared to net assets HK\$207.5 million as at 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSALS

On 5 November 2021, the Company entered into a Sale and Purchase Agreement (the “**Agreement**”) with Mr. Yang Lijun (“**Mr. Yang**”), an executive director, a controlling shareholder and chairman of the Company, pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to buy the entire issued share capital of a wholly owned subsidiary (the “**Disposal Company**”) of the Company (the “**Disposal**”). The purchaser whose sole director is Mr. Yang and the entire issued share capital of the purchaser is indirectly wholly-owned by Mr. Yang. 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 consideration of the Disposal is HK\$282,000,000 (the “**Consideration**”) which was arrived at after arm’s length negotiations between the Company and the purchaser after taking into account (i) the waiver of a loan indebted by the Company to the Disposal Company, and (ii) the unaudited consolidated adjusted net asset value of the Disposal Company and its directly and indirectly owned subsidiaries (the “**Disposal Group**”) of approximately HK\$415.7 million. The Consideration comprises (i) HK\$30,000,000 which had been paid by the purchaser in cash as deposit in November 2021, and (ii) the remaining balance of HK\$252,000,000 to be payable by the purchaser in cash upon completion.

The assets being disposed mainly consist of (i) land parcels approximately of 151,674.59 sq. m., (ii) two clubhouses, and (iii) unsold properties. The Group has long been seeking approval from the regulatory authorities to approve the revision of plot ratio from 1.5 to 2.5 in relation to the development of the land parcel. Since 2019, the PRC economy took a downward turn and faced with huge uncertainties such as China-US trade wars. While faced with external economic uncertainties, the Group is faced with an increase in capital commitment regarding the development of the land parcel, and has approached several credible and reputable property developers in the PRC to see if they had any interest in investing in the assets being disposed. The Group did not receive positive feedback so far. On the other hand, the Group’s gearing ratio is high and the liquidity of the Group may not be sufficient to repay its short term liabilities. The Disposal would (i) provide an exit for the Group to realise its investment in the Disposal Group; (ii) enable the Group to capture a gain on the Disposal amid the current stringent regulatory environment of the PRC property market in general; and (iii) provide financial flexibility to the Group, enhance the liquidity and improve its gearing ratio so as to allow the Group to reallocate its resources and invest in other business with higher revenue generating potential when suitable opportunities arise.

At the date of this announcement, the Disposal is not completed and subject to (i) the passing of the resolution by the shareholders of the Company at an EGM which is scheduled to be held on 22 April 2022, and (ii) the execution of a deed of waiver to waive and release the obligation of the Company to repay a loan indebted by the Company to the Disposal Company.

OUTLOOK

Outlook and Planning

In 2021, the main issues surrounding the Group's business operations included the COVID-19 pandemic, the adoption of some tightening policies to reduce the leverage ratio of property development industry participants by the central government, and the downturn of overall property prices in the Mainland China, which collectively made the business environment in the Mainland China difficult and full of uncertainties.

Looking ahead to 2022, the business environment in the Mainland China will still be affected by the COVID-19 pandemic, coupled with the ongoing trade dispute between China and the US, and the military tension between Ukraine and Russia, which will affect the buying sentiment of real estate buyers and bring more challenges to real estate sales. The Group expects that the Group's projects currently under development will be able to recognize revenue in 2022, thus improving the Group's financial performance and position.

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 2021, 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 Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

On 5 February 2021, Mr. Yang Lijun (“**Mr. Yang**”) was appointed as chief executive officer of the Company. Mr. Yang, the chairman and an executive director of the Company, has extensive experience in the businesses of property development and investment. The Board believes that by holding both roles of the chairman and the chief executive officer, Mr. Yang will be able to provide strong leadership for the Board and effective and efficient business decisions of the Group. The Board believes that the present structure of the Board would provide adequate checks and balances, and a variety of opinions relating to the affairs of the business of the Group.

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.

Two (2) executive directors and one (1) non-executive directors could not attend the annual general meeting (the “**AGM**”) of the Company held on 28 May 2021 due to COVID-19 pandemic. However, there were one non-executive director and three independent non- executive directors presented 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.

Mr. Yang Lijun (“**Mr. Yang**”), the chairman of the Board could not attend the AGM held on 28 May 2021 due to COVID-19 pandemic. However, Ms. Chan Hoi Ling, an independent non- executive director and chairman of audit committee of the Company took the chair of the AGM. Chairman of remuneration committee and chairman of nomination committee were present to be available to answer any question to ensure effective communication with the shareholders.

Further information on the Company’s corporate governance practices during the period under review will be set out in the Corporate Governance Report to be contained in the Company’s 2021 Annual Report.

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 2021.

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:

On 5 February 2021, Mr. Gao Jingyao (“**Mr. Gao**”) was appointed as executive director and deputy president of the Company.

On 12 July 2021, Mr. Wong Kui Shing Danny (“**Mr. Wong**”) resigned from the position of executive director and chief executive officer of BCI Group Holdings Limited (stock code: 08412).

On 6 September 2021, Mr. Yu Shunhui (“**Mr. Yu**”) resigned as non-executive director of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

AUDIT COMMITTEE AND REVIEW OF UNAUDITED 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 and the management of the Company have reviewed the Group's unaudited financial statements for the year ended 31 December 2021.

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

Hong Kong, 28 March, 2022

As at the date of this announcement, the Board comprises Mr. YANG Lijun (Chairman) and Mr. GAO Jingyao 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.