



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)

2023

Interim Report

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

YANG Lijun
(Chairman & Chief Executive Officer)
GAO Jingyao
TAM Ka Wai

NON-EXECUTIVE DIRECTOR

WONG Yuk Lun, Alan

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Chu Hoi
CHAN Hoi Ling
SO Wai Lam

COMPANY SECRETARY

WOO Chung Ping

PRINCIPAL BANKERS

China CITIC Bank International Limited
The Hongkong and Shanghai Banking
Corporation Limited

AUDITOR

CCTH CPA Limited
Unit 1510–1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

The Offices of Sterling Trust (Cayman) Limited
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George Town, Grand Cayman KY1-1102
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UNAUDITED INTERIM RESULTS

The Board of Directors (the “**Board**”) of TFG International Group Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	For the six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
REVENUE	5	32,058	414,786
Cost of sales		(21,019)	(390,998)
Gross profit		11,039	23,788
Other income and gains	6	1,048	1,953
Selling expenses		(246)	(550)
Administrative and other expenses		(62,794)	(48,170)
Gain on disposal of subsidiaries	8	–	222,171
Finance costs	7	(70,526)	(38,709)
(LOSS)/PROFIT BEFORE TAX	9	(121,479)	160,483
Income tax expense	10	(840)	(150)
(LOSS)/PROFIT FOR THE PERIOD		(122,319)	160,333
(Loss)/profit for the period attributable to:			
Owners of the Company		(113,403)	165,836
Non-controlling interests		(8,916)	(5,503)
		(122,319)	160,333
		HK cents	HK cents
(LOSS)/PROFIT PER SHARE			
ATTRIBUTABLE TO THE ORDINARY			
EQUITY HOLDERS OF PARENT	11		
— Basic		(1.63)	2.39
— Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(LOSS)/PROFIT FOR THE PERIOD	(122,319)	160,333
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	(7,423)	1,457
Other comprehensive (loss)/income for the period, net of tax	(7,423)	1,457
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(129,742)	161,790
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(116,678)	165,967
Non-controlling interests	(13,064)	(4,177)
	(129,742)	161,790

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		161,182	173,740
Right-of-use assets		43,745	45,260
Properties under development	12	1,529,089	1,592,856
Licensing rights		2,686	3,160
		<hr/>	
TOTAL NON-CURRENT ASSETS		1,736,702	1,815,016
		<hr/>	
CURRENT ASSETS			
Properties held for sale	13	1,023,191	1,047,016
Inventory		1,999	941
Trade receivables	14	454	230
Prepayments, deposits and other receivables		393,538	215,196
Amount due from a director		162	170
Amount due from a non-controlling shareholder		270	283
Restricted bank balances		167,550	235,797
Cash and cash equivalents		34,159	16,127
		<hr/>	
TOTAL CURRENT ASSETS		1,621,323	1,515,760
		<hr/>	
TOTAL ASSETS		3,358,025	3,330,776
		<hr/>	

		As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables, other payables and accruals	15	868,466	966,040
Contract liabilities	16	417,550	386,981
Amount due to a non-controlling shareholder	17	2,162	–
Loans and borrowings		396,934	433,369
Promissory note payable	19	108,492	108,236
Amount due to a director	18	38,371	18,212
Tax payable		251,027	246,472
		<hr/>	
TOTAL CURRENT LIABILITIES		2,083,002	2,159,310
		<hr/>	
NET CURRENT LIABILITIES		(461,679)	(643,550)
		<hr/>	
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,275,023	1,171,466
		<hr/>	
NON-CURRENT LIABILITIES			
Loans and borrowings		1,165,053	929,254
Amount due to a director	18	3,500	5,750
Deferred tax liabilities		87,266	87,516
		<hr/>	
TOTAL NON-CURRENT LIABILITIES		1,255,819	1,022,520
		<hr/>	
NET ASSETS		19,204	148,946
		<hr/>	
Share capital	20	69,464	69,464
Reserves		(83,505)	33,173
		<hr/>	
Equity attributable to owners of the Company		(14,041)	102,637
Non-controlling interests		33,245	46,309
		<hr/>	
TOTAL EQUITY		19,204	148,946
		<hr/>	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company									
	Share capital	Share premium account	Property revaluation reserve	Foreign currency translation reserve	Capital reduction reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2023 (Audited)	69,464	778,892	-	(3,316)	191,925	26,533	(960,861)	102,637	46,309	148,946
Loss for the period	-	-	-	-	-	-	(113,403)	(113,403)	(8,916)	(122,319)
Other comprehensive loss for the period	-	-	-	(3,275)	-	-	-	(3,275)	(4,148)	(7,423)
Total comprehensive loss for the period	-	-	-	(3,275)	-	-	(113,403)	(116,678)	(13,064)	(129,742)
At 30 June 2023 (Unaudited)	69,464	778,892	-	(6,591)	191,925	26,533	(1,074,264)	(14,041)	33,245	19,204
At 1 January 2022 (Audited)	69,464	778,892	6,600	863	191,925	19,154	(1,230,467)	(163,569)	40,368	(123,201)
Profit/(loss) for the period	-	-	-	-	-	-	165,836	165,836	(5,503)	160,333
Other comprehensive income for the period	-	-	-	131	-	-	-	131	1,326	1,457
Total comprehensive income/(loss) for the period	-	-	-	131	-	-	165,836	165,967	(4,177)	161,790
Disposal of subsidiaries	-	-	-	(9,424)	-	(8,047)	17,471	-	(47,191)	(47,191)
Other changes in equity	-	-	(6,600)	4,545	-	15,426	(13,042)	329	(13,781)	(13,452)
At 30 June 2022 (Unaudited)	69,464	778,892	-	(3,885)	191,925	26,533	(1,060,202)	2,727	(24,781)	(22,054)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2023	2022
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(180,864)	47,029
Cash flows from investing activities		
Bank and other interest income received	301	644
Purchase of property, plant and equipment	(13)	(15)
Proceeds from disposal of property, plant and equipment	31	6
Additions to properties under development	–	–
Disposal of subsidiaries	–	253,587
NET CASH GENERATED FROM INVESTING ACTIVITIES	319	254,222
Cash flows from financing activities		
Payment of lease liabilities	(299)	(334)
Drawdown of other borrowings	343,642	–
Repayment of loan and borrowings	(86,881)	(248,960)
(Repayment)/drawdown of loans from a director	18,812	(42,072)
Interest paid	(75,373)	(43,289)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	199,901	(334,655)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	19,356	(33,404)
Cash and cash equivalents at the beginning of the period	16,127	85,150
Effect of foreign exchange rate changes, net	(1,324)	(3,310)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	34,159	48,436
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	34,159	48,436

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, P.O. Box 1043, George Town, Grand Cayman KY1-1102, Cayman Islands and Rooms 1301 and 1302, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the 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

The condensed consolidated financial statements for the six months ended 30 June 2023 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 applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The accounting policies and the basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2022, except for the adoption of the revised HKFRSs as disclosed in Note 3 below.

The condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared under the historical cost convention. The condensed consolidated financial statements are presented in Hong Kong Dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

3. CHANGE IN ACCOUNTING POLICIES

New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim result announcement for the current accounting period:

<i>Amendments to HKAS 8</i>	<i>Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates</i>
<i>Amendments to HKAS 12</i>	<i>Income taxes: Deferred tax related to assets and liabilities arising from a single transaction</i>
<i>Amendments to HKAS 12</i>	<i>Income taxes: International tax reform — Pillar Two model rules</i>

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The directors anticipate that the adoption of these new or amendments to HKFRSs will have no material impact on the results and financial position of the Group.

4. OPERATING SEGMENT INFORMATION

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

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

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

	For the six months ended 30 June							
	Property Development		Hotel Business		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue								
Revenue from contracts with customers								
— recognised at a point in time	21,896	408,151	-	-	5,627	-	27,523	408,151
— recognised over time	4,213	4,177	322	2,458	-	-	4,535	6,635
Total segment revenue	26,109	412,328	322	2,458	5,627	-	32,058	414,786
Segment loss	(30,182)	(6,851)	(13,898)	(12,233)	(3,244)	-	(47,324)	(19,084)
Reconciliation:								
Bank interest income							301	644
Other income							371	707
Gain on disposal of subsidiaries							-	222,171
Other unallocated expenses							(4,301)	(5,246)
Finance costs							(70,526)	(38,709)
(Loss)/Profit before tax							(121,479)	160,483

Note: There were no inter-segment sales for both of the six months ended 30 June 2023 and 30 June 2022.

Geographical information

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
REVENUE		
— PRC	32,058	414,786

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

During the six months ended 30 June 2023 and 2022, no individual customers contributed over 10% of the total revenue of the Group.

5. REVENUE

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

	<i>For the six months ended 30 June</i>	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of properties held for sale	21,896	408,151
Sales of food and beverage	5,627	–
Licensing income	322	2,458
Property agency income	4,213	4,177
	<hr/>	<hr/>
	32,058	414,786
	<hr/>	<hr/>

Disaggregated by timing of revenue recognition

	<i>For the six months ended 30 June</i>	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue recognised:		
— Point in time	27,523	408,151
— Over time	4,535	6,635
	<hr/>	<hr/>
	32,058	414,786
	<hr/>	<hr/>

6. OTHER INCOME AND GAINS

	<i>For the six months ended 30 June</i>	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Bank interest income</i>	301	644
<i>Government subsidies</i>	–	80
<i>Rental income</i>	371	626
<i>Others</i>	376	603
	1,048	1,953

7. FINANCE COSTS

	<i>For the six months ended 30 June</i>	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Interests on</i>		
<i>Loans and borrowings</i>	69,131	36,978
<i>Amounts due to directors</i>	508	1,675
<i>Promissory note</i>	5,103	5,050
<i>Lease liabilities</i>	20	53
	74,762	43,756
<i>Less: Amount capitalised on properties under development</i>	(4,236)	(5,047)
	70,526	38,709

The borrowing costs have been capitalised at the rates ranged from 8.8% to 13% (six months ended 30 June 2022: from 8.8% to 13%) per annum.

8. DISPOSAL OF SUBSIDIARIES

Disposal of Ceneric Properties Limited

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

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

	20 May 2022
	HK\$'000
Property, plant and equipment	1
Investment properties	10,921
Pledged bank balance	1,056
Property held for sales	1,312
Amount due from an immediate holding company	43,132
Accounts receivable	364
Other debtors, deposit paid and prepayment	17
Property under development	67,140
Cash at bank	28,413
Other creditors	(772)
Accrued liabilities	(1,117)
Deferred tax liabilities	(1,561)
	<hr/>
	148,906
Non-controlling shareholder	(47,191)
	<hr/>
Net assets disposed of	<u>101,715</u>

20 May 2022

HK\$'000

Gain on disposal of subsidiaries:

Consideration received	282,000
Waiver of loan due to Disposal Group	43,132
Payment of professional fees	(1,246)
Net assets disposed of	<u>(101,715)</u>

Gain on disposal of subsidiaries 222,171

Net cash inflow arising on disposal:

Cash consideration received	282,000
Less: Bank balances and cash disposal of	<u>(28,413)</u>

253,587

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

9. (LOSS)/PROFIT BEFORE TAX

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

	<i>For the six months ended 30 June</i>	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Cost of sales</i>		
Cost of properties sold	15,483	388,220
Cost of inventories sold	5,074	–
Amortisation of licensing rights	462	942
Property agency service charges	–	1,836
	21,019	390,998
<i>Depreciation of property, plant and equipment</i>	9,387	9,829
<i>Depreciation of right-of-use assets</i>	251	283
<i>Loss on disposal of property, plant and equipment</i>	–	48
<i>Rental expenses for short-term leases</i>	316	117
<i>Auditors' remuneration</i>	125	132
<i>Employee benefit expenses (including directors' remuneration)</i>		
— Wages and salaries	10,201	10,150
— Retirement benefits scheme contributions	661	907
	10,862	11,057
<i>Exchange loss, net</i>	26,775	19,347

10. INCOME TAX EXPENSE

	<i>For the six months ended 30 June</i>	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Current tax expense</i>		
PRC enterprise income tax		
— Provision for the year	(1,040)	(350)
<i>Deferred tax credit</i>	200	200
<i>Income tax expense</i>	(840)	(150)

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

PRC enterprise income tax is calculated at 25% (six months ended 30 June 2022: 25%) of the profits of the group entities in the PRC.

11. (LOSS)/PROFIT PER SHARE

The calculation of the basic (loss)/profit per share is based on the loss attributable to owners of the Company amounted to HK\$113,403,000 (six months ended 30 June 2022: profit of HK\$165,836,000), and 6,946,350,040 (six months ended 30 June 2022: 6,946,350,040) ordinary shares in issue during the period.

No diluted (loss)/profit per share for both of the periods ended 30 June 2023 and 2022 was presented as there were no potential ordinary shares in issue for both of the periods.

12. PROPERTIES UNDER DEVELOPMENT

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Properties under development, at cost	1,529,089	1,592,856

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

13. PROPERTIES HELD FOR SALE

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Properties held for sale		
— Completed	—	—
— Under development	1,023,191	1,047,016
	1,023,191	1,047,016

14. TRADE RECEIVABLES

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Trade receivables, gross	92,735	87,697
Impairment loss recognised	(92,281)	(87,467)
	454	230

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:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within 1 month	86	173
1–3 months	108	57
4–12 months	260	–
	454	230

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
At the beginning of the period/year	87,467	94,904
Impairment loss recognised, net	–	–
Exchange realignment	4,814	(7,437)
At the end of the period/year	92,281	87,467

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Trade payables for property development expenditure (Note a)	504,355	588,701
Value-added tax payable	69,233	78,875
Interest payable	197,720	161,477
Lease liabilities	186	465
Other payables and accruals	96,972	136,522
	868,466	966,040

Note:

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within 1 month	238,262	237,562
1–3 months	266,093	351,139
	504,355	588,701

16. CONTRACT LIABILITIES

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Advance payments received for sales of properties	417,550	386,981

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.

17. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The amount due to a non-controlling interest is unsecured, interest free and repayable on demand.

18. AMOUNT DUE TO A DIRECTOR

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
<i>Amount due to a director repayable:</i>		
— Within one year	38,371	18,212
— Within a period of more than one year but not exceeding two years	3,500	5,750
	<hr/>	<hr/>
	41,871	23,962
	<hr/>	<hr/>
<i>Analysed for reporting purpose:</i>		
— Current liabilities	38,371	18,212
— Non-current liabilities	3,500	5,750
	<hr/>	<hr/>
	41,871	23,962
	<hr/>	<hr/>

The amount due to a director, Mr. Yang Lijun is unsecured, carries interest at 13% per annum (31 December 2022: from 9% to 13% per annum).

19. PROMISSORY NOTE PAYABLE

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
<i>Promissory note payable:</i>		
— Within one year	108,492	108,236
	<hr/>	<hr/>
	108,492	108,236
	<hr/>	<hr/>

20. SHARE CAPITAL

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
<i>Authorised:</i>		
100,000,000,000 (31 December 2022: 100,000,000,000) ordinary shares of HK\$0.01 each	1,000,000	1,000,000
<i>Issued and fully paid:</i>		
6,946,350,040 (31 December 2022: 6,946,350,040) ordinary shares of HK\$0.01 each	69,464	69,464

21. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2023, nor had any dividend been proposed since the end of the reporting period (31 December 2022: Nil).

22. PROJECT COMMITMENTS

As at 30 June 2023, the Group had outstanding commitments for property development expenditure and acquisition of land for development contracted but not provided for amounted to approximately HK\$273,919,000 (31 December 2022: HK\$223,485,000).

23. CAPITAL COMMITMENTS

The Group did not have any significant capital commitment as at 30 June 2023 and 31 December 2022.

24. CONTINGENT LIABILITIES

As at 30 June 2023, the Group had contingent liabilities amounting to approximately HK\$324,766,000 (31 December 2022: HK\$361,076,000) in respect of the buy-back guarantee in favour of banks to secure mortgage loan facilities granted to the purchasers of the Group's properties.

25. EVENTS AFTER REPORTING PERIOD

On 15 June 2023, a direct wholly-owned subsidiary of the Company (the "Purchaser") entered into an agreement with a vendor (the "Vendor"), pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued share capital of the target company at a consideration of RMB169,324,150 (equivalent to approximately HK\$188,627,103) (the "Acquisition") which is to be settled by (i) the issue and allotment of 740,808,000 consideration shares at a price of HK\$0.2 per consideration share (equivalent to approximately RMB133,000,000), and (ii) payment of cash in the amount of RMB36,324,150. The Acquisition was completed on 24 July 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2023, the Group's revenue was approximately of HK\$32.0 million, compared to HK\$414.8 million for the corresponding period 2022. The significant decrease in the Group's revenue was mainly due to most of the properties are in the construction stage so that revenue recognition will be scheduled to the second half of 2023. The Group recorded a loss before tax of approximately HK\$121.5 million, compared to the profit of HK\$160.5 million for the corresponding period 2022. The loss, amongst other things, was mainly attributable to (i) the increase in finance costs due to the increase in the Group's loans and borrowings in the first half of 2023; (ii) the increase in exchange losses due to the significant depreciation of the RMB in the first half of 2023; and (iii) The one-off gain arising from the disposal of subsidiaries recorded in the first half of 2022 no longer exists in the first half of 2023.

Loss attributable to the owners of the Company for the six months ended 30 June 2023 was approximately of HK\$113.4 million, compared to a profit of HK\$165.8 million for the corresponding period in 2022.

PROPERTY DEVELOPMENT SEGMENT

Revenue of the property development segment for the six months ended 30 June 2023 was approximately of HK\$26.1 million, compared to HK\$412.3 million for the corresponding period 2022. Loss of the property development segment for the six months ended 30 June 2023 and 2022 was HK\$30.2 million and HK\$6.9 million, respectively. The loss was due to most of the properties are in the construction stage. Revenue cannot be recognised until the completed properties are to be delivered to property buyers.

During the six months ended 30 June 2023, the Group had three projects under development, namely German City project located in Hengqin, Fuyuan Junting project located in Chengdu, and Fuyuan Square project located in Doumen, respectively.

German City project holds a land parcel of gross floor area of approximately 145,176 sq.m., of which approximately 49,999 sq.m. is available for sale. The land parcel is located in Hengqin New District, Zhuhai City, the PRC and is designated to be developed into a research and commercial complex. The pre-sale activities of German City project had started in the fourth quarter of 2019. Up to 30 June 2023, German City project had achieved sales contracts amounted to 54.8% of its gross saleable areas available for sale. Construction work of the project is expected to be completed by the end of 2023.

Fuyuan Junting project holds two land parcels of total gross floor area of approximately 120,500 sq.m., of which 84,425 sq.m. is available for sale. The land parcel is located in Ande Zhen, Pidu District, Chengdu City, the PRC and is designated to be developed into a residential and commercial complex. The pre-sale activities of Fuyuan Junting project had started in the 4th quarter of 2019. Up to 30 June 2023, first phase and second phase of Fuyuan Junting project had achieved sales contracts approximately 100% and 61.9% of its respective total gross saleable areas available for sale. Construction work of the second phase will be completed in 2023.

Fuyuan Square project holds a land parcel of gross floor area of approximately 197,391 sq.m., of which 61,654 sq.m. is available for sale. The land parcel is located in Doumen District, Zhuhai City, the PRC and is designated to be developed into a commercial complex comprising office towers, a 5-star standard hotel and a shopping center with basement car parks. The pre-sale activities of Fuyuan Square project had started in July 2020. Up to 30 June 2023, Fuyuan Square project had achieved sales contracts approximately 59.4% of its total gross saleable areas available for sale. Construction work of the project will be completed in 2024.

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

HOTEL BUSINESS

For the six months ended 30 June 2023, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK\$0.3 million, compared to HK\$2.5 million for the corresponding period 2022. Loss of the segment amounted to HK\$13.9 million and HK\$12.2 million for the six months ended 30 June 2023 and 2022, respectively. The loss is mainly attributable to the depreciation of property, plant and equipment, amortisation of licensing rights, and finance costs incurred during the period.

Geographical Segment

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

MATERIAL ACQUISITIONS

On 15 June 2023, a direct wholly-owned subsidiary of the Company (the “**Purchaser**”) entered into an agreement with a vendor (the “**Vendor**”), pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued share capital of the target company at a consideration of approximately RMB169.3 million (equivalent to approximately HK\$188.6 million) (the “**Acquisition**”) which is to be settled by (i) the issue and allotment of 740,808,000 consideration shares at a price of HK\$0.2 per consideration share (equivalent to approximately RMB133.0 million), and (ii) payment of cash in the amount of approximately RMB36.3 million. The Acquisition was completed on 24 July 2023.

REVIEW OF FINANCIAL POSITION

OVERVIEW

Non-current assets of the Group as at 30 June 2023 mainly comprised properties under development, property, plant and equipment, right-of-use assets, and licensing rights amounting to HK\$1,736.7 million, compared to HK\$1,815.0 million as at 31 December 2022. Current assets as at 30 June 2023 amounted to HK\$1,621.3 million, compared to HK\$1,515.8 million as at 31 December 2022. Current liabilities as at 30 June 2023 amounted to HK\$2,083.0 million, compared to HK\$2,159.3 million as at 31 December 2022. Non-current liabilities as at 30 June 2023 amounted to HK\$1,255.8 million, compared to HK\$1,022.5 million as at 31 December 2022. The increase in non-current liabilities was mainly due to a new loan approximately of HK\$229.1 million granted to the Group by a financial institution in the first half of 2023.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group's total interest bearing borrowings amounted to HK\$1,680.8 million (31 December 2022: HK\$1,476.7 million) which comprised borrowings from financial institutions approximately of HK\$572.0 million (31 December 2022: HK\$372.1 million), borrowings from independent third parties of HK\$925.8 million (31 December 2022: HK\$926.4 million), promissory note payable of HK\$108.5 million (31 December 2022: HK\$108.2 million), other loans of HK\$64.2 million (31 December 2022: HK\$64.2 million), and amount due to a director of HK\$10.3 million (31 December 2022: HK\$5.8 million).

The Group's total equity as at 30 June 2023 amounted to HK\$19.2 million (31 December 2022: HK\$148.9 million).

The Group's gearing ratio as at 30 June 2023 is 8,752.0% (31 December 2022: 991.4%). The gearing ratio was calculated on the basis of total interest-bearing borrowings over the total equity of the Group. The significant increase in the gearing ratio is mainly due to a substantial amount of interest-bearing borrowings raised to finance the operations of a property development project of the Group and the decrease in total equity of the Group during the period.

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

CAPITAL COMMITMENTS

The Group did not have any significant capital commitment as at 30 June 2023 and 31 December 2022.

PROJECT COMMITMENTS

As at 30 June 2023, 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, amounted to approximately HK\$273.9 million (31 December 2022: HK\$223.5 million).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had contingent liabilities amounting to approximately HK\$324.8 million (31 December 2022: HK\$361.1 million). The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the property buyers of the Group. The Board considered that in case of default in payments, the related properties will be sold at prices which exceed the outstanding mortgage principals together with the accrued interest and penalty, therefore, no provision has been made in the financial statements for the guarantees.

CHARGES ON GROUP ASSETS

As at 30 June 2023, part of the Group's leasehold land and buildings with a carrying amount of approximately HK\$204.5 million (31 December 2022: HK\$218.2 million) had been pledged to a financial institution to secure mortgage loans. Restricted bank balance of approximately HK\$167.6 million (31 December 2022: HK\$235.8 million) were pledged to certain banks for facilities granted to the Group.

GOING CONCERN AND MITIGATION MEASURES

The Company's auditor expressed a disclaimer of opinion on the Company's audited consolidated financial statements for the year ended 31 December 2022 in respect of uncertainties relating to going concern (the "**Disclaimer**") even if the Company's financial performance and position had been improved substantially since the audited financial statements of the Group for the year ended 31 December 2021.

The Disclaimer, amongst other things, was due to the current liabilities of the Group on 31 December 2022 exceeding the Group's current assets at that date by approximately HK\$643.6 million. The Group's total financial obligations as at 31 December 2022 amounted to approximately HK\$1,494.8 million, of which approximately HK\$559.8 million were repayable within the next twelve months since 31 December 2022, whilst cash and cash equivalents of the Group amounted to approximately HK\$251.9 million as at 31 December 2022. Apart from that, an indirect wholly-owned subsidiary of the Company had not reached an agreement with a financial institution to extend a loan of RMB66.3 million expired on 4 December 2022.

The Directors and the management had carried out certain action plans and measures to improve the Group's liquidity and financial performance during the first six months ended 30 June 2023, which included:

1. An agreement has been reached between the Group and a financial institution in the first half of 2023 to grant a new loan of RMB66.0 million to the Group to replace the aforementioned loan of RMB66.3 million that expired on 4 December 2022.
2. A new loan of RMB212.0 million was granted by a financial institution to the Group in the first half of 2023 to finance the operations of a property development project of the Group.
3. Active negotiations among the Group and certain financial institutions and/or independent third-party lenders to extend and/or revise the repayment schedules of certain loans and borrowings of the Group have been executed during the first half of 2023.
4. The Group's plans to hand over completed properties to property buyers in the second half of 2023 have been formulated and implemented.

The management is striving to carry out all possible action plans and measures to improve the financial position and performance of the Group.

STAFF ANALYSIS

The total number of staff employed by the Group as at 30 June 2023 was 118, compared to 113 as at 31 December 2022. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group continues to implement its overall human resource training and development programme and to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

OUTLOOK

OUTLOOK AND PLANNING

Since the loosening of epidemic measures in early 2023, the economies of Hong Kong and the Mainland had been anticipated to be gradually improved. However, the recovery of the markets in Hong Kong and the Mainland in the first half of 2023 was lagged behind expectations. The recent default of certain huge property developers in the Mainland has no doubt adversely affected property buyers' purchase sentiment. Apart from that, the geopolitical instability, the Russia-Ukraine war, and the global interest rate rise seem persistently to impact the economic growth in Hong Kong and the Mainland within a short period of time.

In 2023, the operating environments of the Group remain volatile and challenging. The future operating performance of the Group is still difficult to predict. In view of the recent lowering of the lending rate by China's Central Government, the Group expects that market liquidity will increase, which in turn boost property buyers' purchase sentiment and benefit the Group's property sales.

SHARE OPTION SCHEME

A share option scheme was adopted pursuant to an ordinary resolution passed by the shareholders of the Company on 8 June 2011 (the “**2011 Share Option Scheme**”). The 2011 Share Option Scheme has been terminated upon adoption of a new share option scheme by ordinary resolution of shareholders of the Company at the annual general meeting of the Company held on 28 May 2021 (“**2021 Share Option Scheme**”). Upon termination of the 2011 Share Option Scheme, no further options of the 2011 Share Option Scheme shall be offered thereunder.

The purpose of the 2021 Share Option Scheme is to provide incentives or rewards to the participants for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any invested entity of the Group.

The total number of shares which may be issued upon exercise of all options which may be granted under the 2021 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue on 28 May 2021 (the “**Adoption Date**”) (the “**Scheme Mandate Limit**”) unless the Company obtains a fresh approval from the shareholders in general meeting.

With the approval of the shareholders in general meeting to refresh the Scheme Mandate Limit, the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the refreshment by the shareholders.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the 2021 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time. Under the 2021 Share Option Scheme, the Directors have discretion to set a minimum period for which an option has to be held before the exercise of the subscription rights attaching thereto.

The Board may grant options to any participant if the total number of shares issued and to be issued upon exercise of all options granted and to be granted in excess of 1% of the shares in issue in any 12-month period subject to the approval of shareholders in general meeting (with the proposed participant and his associates abstaining from voting).

According to the new share option plan, the Board has the absolute discretion to determine a period not exceeding ten (10) years within which an option to be held by a participant before exercise, subject to the requirements of the 2021 Share Option Scheme. During the six months ended 30 June 2023 and as of the date of this report, no options were granted, exercised, forfeited, cancelled or lapsed nor were there any option outstanding under the 2021 Share Option Scheme.

The exercise price will be determined by the Board at its absolute discretion. The minimum exercise price shall not be less than the highest of: (A) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (B) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the date of grant; and (C) the nominal value of a share on the date of grant. A participant shall pay HK\$1.00 to the Company by way of consideration for the grant.

The 2021 Share Option Scheme became effective on the Adoption Date, subject to earlier termination at any time decided by the Board and approval of shareholders by ordinary resolution in a general meeting. The 2021 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options will be granted. As of the date of this report, the remaining life of the 2021 Share Option Scheme is approximately of 8 years.

Up to the date of this report, there is no options granted under the 2021 Share Option Scheme.

As at the date of this report, the total number of shares available for issue under the 2021 Share Option Scheme may not exceed 694,635,004 shares, which represents 10% of the shares in issue of the Company at the Adoption Date.

DIRECTORS' INTERESTS IN THE SECURITIES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or which were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were set out below:

Long position in shares of the Company and its associated corporations:

Name of directors	Name of company	Capacity	Number of ordinary shares	Percentage of issued ordinary shares
YANG Lijun (Note 1)	The Company	Held by controlled corporations	3,087,027,152	44.44%
	The Company	Beneficial owner	11,608,000	0.17%

Note 1: As at 30 June 2023, All Great International Holdings Limited ("All Great") was owned as to 51% by Jade Leader International Investment Limited ("Jade Leader"), 35% by Honor Huge Investment Holdings Limited ("Honor Huge") and 14% by Ever Star International Investment Limited ("Ever Star"). Mr. Yang Lijun, an executive Director and Chairman of the Board, was the sole beneficial owner of Jade Leader. Mr. Yang Lijun was the sole ultimate beneficial owner of the entire issued share capital of each of Honor Huge and Ever Star, which was interested in 35% and 14% of the issued share capital of All Great respectively. Accordingly, Mr. Yang Lijun was deemed to be interested in the 3,087,027,152 shares of the Company held by All Great pursuant to the SFO.

Save as disclosed above, as at 30 June 2023, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

PERSONS HOLDING 5% OR MORE INTERESTS

As at 30 June 2023, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the shares of the Company:

Name of shareholders	Capacity	Notes	Number of ordinary shares	Percentage of issued share capital
All Great International Holdings Limited	Beneficial Owner	2	3,087,027,152	44.44%
Jade Leader International Investment Limited	Held by controlled corporation	2	3,087,027,152	44.44%
Honor Huge Investment Holdings Limited	Held by controlled corporation	2	3,087,027,152	44.44%
LIN Rujie	Interest of Spouse	3	3,098,635,152	44.61%
Huang Anpeng	Held by controlled corporation	4	1,320,000,000	19%
Bright Goal Investment Holding Limited	Beneficial Owner	4	1,320,000,000	19%
Huang Anpeng	Beneficial Owner	4	59,448,000	0.86%

Notes:

2. *As at 30 June 2023, All Great was owned as to 51% by Jade Leader, 35% by Honor Huge and 14% by Ever Star. Mr. YANG Lijun, an executive Director and Chairman of the Board, was the sole beneficial owner of Jade Leader. Mr. YANG Lijun was the sole ultimate beneficial owner of the entire issued share capital of each of Honor Huge and Ever Star, which was interested in 35% and 14% of the issued share capital of All Great respectively. Mr. YANG Lijun, Jade Leader and Honor Huge were deemed to be interested in the 3,087,027,152 shares of the Company held by All Great pursuant to the SFO, and such number of shares had duplicated with equivalent number of shares as disclosed in note 1 to the section headed “Directors’ interests in the securities and debentures of the Company and its associated corporations” above.*
3. *Ms. LIN Rujie, spouse of Mr. YANG Lijun was deemed to be interested in the shares of the Company deemed to be interested in by Mr. YANG Lijun, an executive Director and Chairman of the Board.*
4. *As at 30 June 2023, Mr. Huang Anfeng was interested in 100% issued share capital of Bright Goal Investment Holding Limited.*

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 six months ended 30 June 2023, the Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, except for the below deviation:

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yang Lijun (“**Mr. Yang**”) is the chairman of the Board and the chief executive officer of the Company. As Mr. Yang 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 for 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 and the businesses of the Group.

Save as disclosed above, in the opinion of the Directors, the Company has complied with the relevant provisions of the Corporate Governance Code during the period and up to the date of this report.

Further information on the Company’s corporate governance practices during the period under review will be set out in the Corporate Governance Report contained in the Company’s 2023 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 six months ended 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

The Audit Committee, the Company’s auditor and the management of the Company have reviewed the Group’s unaudited condensed consolidated financial information for the six months ended 30 June 2023.

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

Hong Kong, 30 August 2023