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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)**

## **2019 UNAUDITED 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 2019. As the auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the outbreak of the novel coronavirus epidemic, the unaudited results contained herein have not been agreed by the Company’s auditor. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

### **UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 December 2019*

	<i>Notes</i>	<b>2019</b> <i>HK\$’000</i> <b>(Unaudited)</b>	2018 <i>HK\$’000</i> <b>(Audited)</b>
REVENUE	5	<b>34,466</b>	18,086
Cost of sales		<b>(11,106)</b>	(5,056)
Gross profit		<b>23,360</b>	13,030
Other income and gains	6	<b>4,379</b>	11,827
Selling expenses		<b>(14,405)</b>	(84)
Administrative and other expenses		<b>(91,669)</b>	(95,483)
Loss on change in fair value of investment properties		<b>(6,066)</b>	–
Impairment of property, plant and equipment		<b>(57,268)</b>	(28,407)
Impairment of right-of-use assets		<b>(2,203)</b>	–
Impairment of licensing rights		<b>(2,863)</b>	(1,742)
Impairment of properties held for sale		<b>(8,823)</b>	–
Impairment of trade receivables (recognised)/reversed		<b>(8,882)</b>	7,099
Finance costs	7	<b>(69,333)</b>	(44,539)
Share of profit of a joint venture		–	4,453
LOSS BEFORE TAX	8	<b>(233,773)</b>	(133,846)
Income tax credit/(expense)	9	<b>12,434</b>	(2,334)
LOSS FOR THE YEAR		<b>(221,339)</b>	(136,180)

	<i>Notes</i>	<b>2019</b> <b><i>HK\$'000</i></b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
Loss for the year attributable to:			
Owners of the Company		<b>(202,376)</b>	(122,400)
Non-controlling interests		<b>(18,963)</b>	(13,780)
		<u><b>(221,339)</b></u>	<u>(136,180)</u>
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
LOSS PER SHARE	<i>10</i>		
— Basic		<u><b>(2.91)</b></u>	<u>(1.78)</u>
— Diluted		<u><b>N/A</b></u>	<u>N/A</u>

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Loss for the year	<u>(221,339)</u>	<u>(136,180)</u>
<b>OTHER COMPREHENSIVE LOSS</b>		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>(10,057)</u>	<u>(26,874)</u>
Items that may not be subsequently reclassified to profit or loss:		
Gain on property revaluation	–	16,000
Income tax effect	–	<u>(4,000)</u>
	<u>–</u>	<u>12,000</u>
Total other comprehensive loss for the year, net of tax	<u>(10,057)</u>	<u>(14,874)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<u><b>(231,396)</b></u>	<u><b>(151,054)</b></u>
Total comprehensive loss for the year attributable to:		
Owners of the Company	<u>(211,300)</u>	(142,674)
Non-controlling interests	<u>(20,096)</u>	<u>(8,380)</u>
	<u><b>(231,396)</b></u>	<u><b>(151,054)</b></u>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>268,256</b>	356,564
Right-of-use assets		<b>52,146</b>	–
Prepaid land lease payments		–	54,830
Investment properties		<b>18,400</b>	25,000
Properties under development		<b>506,399</b>	592,573
Licensing rights		<b>15,842</b>	21,628
Pledged bank balances		<b>989</b>	22,076
		<hr/>	<hr/>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>862,032</b>	1,072,671
<b>CURRENT ASSETS</b>			
Properties held for sale under development		<b>688,752</b>	65,612
Properties held for sale		<b>2,630</b>	2,967
Deposit for acquisition of land for development		<b>89,152</b>	299,780
Inventories		<b>4</b>	26
Trade receivables	<i>11</i>	<b>3,586</b>	5,966
Prepayments, deposits and other receivables		<b>38,031</b>	13,137
Investments in wealthy management products		–	6,832
Restricted bank balances		<b>35,740</b>	–
Cash and cash equivalents		<b>56,129</b>	54,273
		<hr/>	<hr/>
<b>TOTAL CURRENT ASSETS</b>		<b>914,024</b>	448,593
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>1,776,056</b>	1,521,264
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables and accruals	<i>12</i>	<b>200,742</b>	98,548
Amount due to non-controlling interest		<b>164,217</b>	164,217
Loans and borrowings — due within one year		<b>357,516</b>	13,664
Contract liabilities	<i>13</i>	<b>65,719</b>	–
		<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>		<b>788,194</b>	276,429
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>125,830</b>	172,164
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>987,862</b>	1,244,835
		<hr/>	<hr/>

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings — due after one year		<b>562,400</b>	576,250
Lease liabilities		<b>822</b>	—
Deferred tax liabilities		<b>30,322</b>	42,871
		<hr/>	<hr/>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>593,544</b>	619,121
		<hr/>	<hr/>
<b>NET ASSETS</b>			
		<b>394,318</b>	625,714
		<hr/>	<hr/>
Share capital	<i>14</i>	<b>69,464</b>	69,464
Reserves		<b>272,959</b>	484,259
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>342,423</b>	553,723
Non-controlling interests		<b>51,895</b>	71,991
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>394,318</b>	625,714
		<hr/>	<hr/>

## 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 Flat 403 and 405, 4th Floor, Kowloon City Plaza, 128 Carpenter Road, Kowloon City, 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 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property

Other than as explained below regarding the impact of HKFRS 16 “Leases”, the application of other new and amended standards effective in respect of the current year had no material impact on the Group’s financial position and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial positions.

#### ***HKFRS 16 Leases***

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”) and the related interpretations.

### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities. Any difference of the date of initial application is recognized in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contract;

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- (ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends 12 months of the date of initial application;
- (iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iv) applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC was determined on a portfolio basis; and
- (v) use hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5%.

	<b>At 1 January 2019</b> <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	5,337
Less: Recognition exemption — short-term leases	<u>(4,618)</u>
Gross operating lease obligations at 1 January 2019	719
Discounting	<u>(32)</u>
Lease liabilities/other payables as at 1 January 2019	<u><u>687</u></u>
Analysed as:	
Current	452
Non-current	<u>235</u>
	<u><u>687</u></u>

(a) The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	<i>HK\$'000</i>
<b>Assets</b>	
Increase in right-of-use assets	55,517
Decrease in prepaid land lease payments	<u>(54,830)</u>
Increase in total assets	<u><u>687</u></u>
<b>Liabilities</b>	
Increase in trade payables, other payables and accruals	452
Increase in lease liabilities	<u>235</u>
Increase in total liabilities	<u><u>687</u></u>

(b) Amounts recognised in the unaudited consolidated statement of financial position and unaudited consolidated profit or loss

	<b>Right of use assets</b> <i>HK\$'000</i>	<b>Lease liabilities and other payables</b> <i>HK\$'000</i>
As at 1 January 2019	55,517	687
Additions	2,456	2,456
Depreciation charge	(2,890)	—
Interest	—	101
Payments	—	(889)
Impairment	(2,203)	—
Disposals	(464)	(578)
Exchange realignment	<u>(270)</u>	<u>(48)</u>
As at 31 December 2019	<u><u>52,146</u></u>	<u><u>1,729</u></u>



#### 4. OPERATING SEGMENT INFORMATION

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

- (a) 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		Total	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Segment revenue						
Revenue from contracts with customers						
— recognised at a point of time	10,580	3,656	13,573	14,430	24,153	18,086
— recognised over time	10,313	—	—	—	10,313	—
Total segment revenue	<u>20,893</u>	<u>3,656</u>	<u>13,573</u>	<u>14,430</u>	<u>34,466</u>	<u>18,086</u>
Segment loss	<u>(52,608)</u>	<u>(34,246)</u>	<u>(85,896)</u>	<u>(43,254)</u>	<u>(138,504)</u>	<u>(77,500)</u>
Reconciliation:						
Other income					1,132	67
Bank and other interest income					1,070	3,390
Excess of fair value of investments properties over the carrying amount upon reclassification					—	5,767
Loss on change in fair value of investment properties					(6,066)	—
Gain on disposal of right-of-use assets					114	—
Other unallocated expenses					(22,186)	(23,632)
Loss on early redemption of notes					—	(1,852)
Finance costs					(69,333)	(44,539)
Share of profit of a joint venture					—	4,453
Loss before tax					<u>(233,773)</u>	<u>(133,846)</u>

## Geographical information

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

	<b>2019</b> <i>HK\$’000</i> (Unaudited)	2018 <i>HK\$’000</i> (Audited)
<b>REVENUE</b>		
— Hong Kong	—	—
— PRC	<u>34,466</u>	<u>18,086</u>
	<u><b>34,466</b></u>	<u>18,086</u>

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

Revenue from individual customers contributing over 10% of the total revenue of the Group is as follows:

	<b>2019</b> <i>HK\$’000</i> (Unaudited)	2018 <i>HK\$’000</i> (Audited)
Customer A	<b>12,935</b>	12,365
Customer B	<u><b>8,099</b></u>	<u>N/A</u>

Revenue from Customer B for the year ended 31 December 2018 did not contribute 10% or more to the Group’s revenue for that year.

## 5. REVENUE

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

	<b>2019</b> <i>HK\$’000</i> (Unaudited)	2018 <i>HK\$’000</i> (Audited)
Sales of properties held for sale	<b>11,048</b>	—
Licensing income	<b>13,572</b>	14,430
Clubhouse operating services income	<b>858</b>	1,879
Property agency income	<u><b>8,988</b></u>	<u>1,777</u>
	<u><b>34,466</b></u>	<u>18,086</u>

## Disaggregated by timing of revenue recognition

	<b>2019</b> <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Point in time	<b>24,153</b>	18,086
Over time	<b>10,313</b>	–
	<u><b>34,466</b></u>	<u>18,086</u>

## 6. OTHER INCOME AND GAINS

	<b>2019</b> <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Bank interest income	<b>1,070</b>	1,041
Interest from investments in wealthy management products	–	639
Loan interest income	–	1,710
Excess of fair value of investments properties over the carrying amount upon reclassification	–	5,767
Gain on disposal of right-of-use assets	<b>114</b>	–
Rental income	<b>2,459</b>	1,244
Others	<b>736</b>	1,426
	<u><b>4,379</b></u>	<u>11,827</u>

## 7. FINANCE COSTS

	<b>2019</b> <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Interest on		
Loans and borrowings	<b>102,219</b>	34,263
Lease liabilities	<b>101</b>	–
Notes payable	–	10,276
	<u><b>102,320</b></u>	<u>44,539</u>
Less: Amount capitalised on properties under development	<u><b>(32,987)</b></u>	<u>–</u>
	<u><b>69,333</b></u>	<u>44,539</u>

The borrowing costs have been capitalised at a rate of 13% (2018: Nil) per annum.

## 8. LOSS BEFORE TAX

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

	<b>2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
Cost of sales		
Cost of properties sold	4,915	–
Amortisation of licensing rights	2,902	3,166
Cost of inventories sold	474	897
Property agency service charges	2,815	993
	<u>11,106</u>	<u>5,056</u>
Depreciation of property, plant and equipment	28,927	31,121
Depreciation of right-of-use assets	2,890	–
Amortisation of prepaid land lease payments	–	1,984
Loss on disposal of property, plant and equipment	575	644
Loss on early redemption of notes	–	1,852
Minimum lease payments under operating lease in respect of land and buildings	–	5,916
Rental expenses for short-term leases	5,595	–
Auditors' remuneration	887	1,008
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	22,518	16,447
— Retirement benefits scheme contributions	596	555
Exchange losses	<u>3,865</u>	<u>21,062</u>

## 9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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% (2018: 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.

	<b>2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
Current tax	–	–
Deferred tax credit/(charge)	<u>12,434</u>	<u>(2,334)</u>
Income tax credit/(expense)	<u>12,434</u>	<u>(2,334)</u>

## 10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to ordinary equity holders of the Company amounted to HK\$202,376,000 (2018: HK\$122,400,000), and the weighted average of 6,946,350,040 (2018: 6,868,732,330) ordinary shares in issue during the year.

No diluted loss per share for both 2019 and 2018 was presented as there were no potential ordinary share in issue for both 2019 and 2018.

## 11. TRADE RECEIVABLES

	<b>2019</b> <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Trade receivables, gross	<b>90,547</b>	85,632
Impairment loss recognised	<b>(86,961)</b>	(79,666)
	<b><u>3,586</u></b>	<u>5,966</u>

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:

	<b>2019</b> <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Within 1 month	<b>3,586</b>	1,258
1–3 months	–	2,279
4–12 months	–	2,429
	<b><u>3,586</u></b>	<u>5,966</u>

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

	<b>2019</b> <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
At 1 January	<b>79,666</b>	91,216
Impairment loss recognised/(reversed), net, for the year	<b>8,882</b>	(7,099)
Exchange realignment	<b>(1,587)</b>	(4,451)
At 31 December	<b><u>86,961</u></b>	<u>79,666</u>

## 12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Trade payable for property development expenditure	117,022	68,005
Interest payable	32,145	7,180
Lease liabilities	907	–
Other payables and accruals	50,668	23,363
	<u>200,742</u>	<u>98,548</u>

The following is an ageing analysis of trade payable for property development expenditure presented based on invoice date at the end of the reporting period.

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Within 1 month	95,783	68,005
1–3 months	21,239	–
	<u>117,022</u>	<u>68,005</u>

## 13. CONTRACT LIABILITIES

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Contract liabilities related to sales of properties	65,719	–
	<u>65,719</u>	<u>–</u>

The contract liabilities represents payments received from sales of properties which were usually in advance of the performance under the contracts.

## 14. SHARE CAPITAL

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Authorised: 100,000,000,000 (2018: 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 (31 December 2018: 6,946,350,040) ordinary shares of HK\$0.01 each	<u>69,464</u>	<u>69,464</u>

## 15. CAPITAL COMMITMENTS

As at 31 December 2019, the Group did not have any significant capital commitments (2018: Nil).

## 16. 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 2019, the Group had total future minimum lease receivables falling due as follows:

	<b>2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
Within one year	<b>1,260</b>	1,224
In the second to fifth years, inclusive	<b>4,323</b>	4,272
After five years	<b>7,352</b>	8,672
	<b>12,935</b>	14,168

### (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.

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

	2018 <i>HK\$'000</i> (Audited)
Within one year	5,097
In the second to fifth years, inclusive	240
	<u>5,337</u>

## **17. PROJECT COMMITMENTS**

As at 31 December 2019, the Group had outstanding commitments for property development expenditure and acquisition of land for development contracted but not provided for approximately of HK\$705,590,000 (2018: 667,678,000).

## **18. EVENTS AFTER REPORTING PERIOD**

Since early 2020, the epidemic of Coronavirus Disease 2019 (the “COVID-19 outbreak”) has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

The overall financial effect of the above cannot be reliably estimated as of the date of this announcement. The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the property market, the financial position and operating results of the Group.

## **19. DIVIDEND**

No dividend was paid or proposed for the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (31 December 2018: Nil).



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the year ended 31 December 2019, the Group's revenue amounted to HK\$34.5 million, compared to HK\$18.1 million for 2018. The Group recorded a loss before tax of HK\$233.8 million, compared to the loss of HK\$133.8 million for 2018. Such loss is amongst other things, mainly attributable to (i) the impairment of trade receivables of licensing rights the collectability of which is doubtful, (ii) the impairment of property, plant and equipment and licensing rights of the Group, (iii) the loss on property revaluation on investment properties, (iv) the increase in selling expenses such as expenses for promotional and marketing activities for the Group's new property development projects launched for sales, and (v) increase in interest expenses and finance costs of the Group's certain loans and borrowings which were raised to finance the Group's new property development projects.

The Group's consolidated loss attributable to the owners of the Company for 2019 amounted HK\$202.4 million, compared to the loss of HK\$122.4 million for 2018.

### **PROPERTY DEVELOPMENT SEGMENT**

In 2019, sales of the property development segment amounted to HK\$20.9 million, compared to HK\$3.7 million. Such increase is due to 2 new property projects, namely German City located in Zhuhai and Fuyuan Junting located in Chengdu, launched for sales in the 4th quarter of 2019. Loss of the segment for 2019 was HK\$52.6 million, compared to the loss of HK\$34.2 million for 2018. The loss of the segment is mainly attributable to the impairments of property, plant and equipment, investment properties, right-of-use assets and properties held for sale under development.

As at 31 December 2019, approximately 12.6% and 6.7% of units of German City and Fuyuan Junting, respectively, were sold. The remaining units of these two projects would be put to the market in the year 2020.

For the year ended 31 December 2019, there was only one unit of Morning Star Villa sold. As at 31 December 2019, there were approximately 1.9% of completed residential and commercial units available for sales of Morning Star Plaza remained unsold.

Management have been working on obtaining relevant government approval on the development of the land parcels of Morning Star Villa. The land parcels measuring area of 227 mu of land for developing residential units with carrying value of HK\$55.4 million was included in properties held for sale under development in the balance sheet as at 31 December 2019. To date, approval from relevant governmental authorities is still pending.

## **HOTEL BUSINESS**

In 2019, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK\$13.6 million, compared to HK\$14.4 million for 2018. Loss of the segment amounted to HK\$85.9 million for 2019, compared to a loss of HK\$43.3 million for 2018. The loss is mainly attributable to the depreciation of property, plant and equipment, the depreciation of right-of-use assets, 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 AND DISPOSALS**

The Group did not have material acquisition and disposal during the year.

## **REVIEW OF FINANCIAL POSITION**

### **Overview**

Non-current assets of the Group as at 31 December 2019, consisting mainly of investment properties, property under development, property, plant and equipment, right-of-use assets, and licensing rights amounted to HK\$862.0 million, compared to HK\$1,072.7 million as at 31 December 2018. Current assets as at 31 December 2019 amounted to HK\$914.0 million, compared to HK\$448.6 million as at 31 December 2018. Current liabilities as at 31 December 2019 amounted to HK\$788.2 million, compared to HK\$276.4 million as at December 2018. Non-current liabilities as at 31 December 2019 amounted to HK\$593.5 million, compared to HK\$619.1 million as at 31 December 2018.

### **Capital Structure, Liquidity and Financial Resources**

As at 31 December 2019, the Group's total interest bearing borrowings amounted to HK\$919.9 million (31 December 2018: HK\$589.9 million) which comprised borrowings from a financial institution of HK\$143.9 million (31 December 2018: HK\$80.8 million) and from independent third parties of HK\$776.0 (31 December 2018: HK\$509.1 million).

The Group's total equity as at 31 December 2019 was HK\$394.3 million (31 December 2018: HK\$625.7 million).

The Group's gearing ratio as at 31 December 2019 was 233.3% (31 December 2018: 94.3%). 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 2019. (31 December 2018: Nil).

### **Project Commitments**

As at 31 December 2019, 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\$705.6 million (31 December 2018: HK\$667.7 million).

### **Contingent Liabilities**

As at 31 December 2019, the Group had contingent liabilities amounting to HK\$0.1 million (31 December 2018: HK\$0.1 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 2019, part of the Group's leasehold land and buildings with a carrying value of HK\$316.0 million (31 December 2018: HK\$393.3 million) had been pledged to a financial institution to secure mortgage loans. In addition, non-current bank balances of HK\$1.0 million (31 December 2018: HK\$22.1 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.

### **STAFF ANALYSIS**

The total number of staff employed by the Group as at 31 December 2019 was 135, compared to 51 as at 31 December 2018. 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**

2019 was an extraordinary year. Global economic situation kept changing. Stiff competition between major powers was heightened. Anti-globalisation became increasingly severe. All of these made the state of global economy sounded a bit depressed. While in early 2020, the outbreak of widespread Novel Coronavirus (COVID-19) in China and other countries, and the oil shocks, brought the global economies in turmoil, likely moving to a recession gradually. Accordingly, this will affect the performance of China's national economic growth, and, to certain extent, restrain the business development of the group.

In early December 2019, the Group's residential property project located in Pidu District, Chengdu had started pre-sale. Up to the date of this announcement, the Group has recorded a pre-sale subscription amount of approximately RMB77.0 million according to the subscription contracts. The pre-sale amounted to approximately 12.1% of the project's area for sale. The revenue from the pre-sale recognised for the year ended 31 December 2019 amounted to HK\$2.1 million. The Group will continue to accelerate the sales in 2020.

In the middle of November 2019, the Group's commercial property project located in Hengqin, Zhuhai, Great Bay Area, had started pre-sale and recorded a pre-sale subscription amount of approximately RMB241.9 million up to the date of this announcement according to the subscription contracts. The pre-sale accounted for approximately 13.7% of the project's area for sale. The revenue from the pre-sale recognised for the year ended 31 December 2019 amounted to HK\$8.2 million. The Group was also exploring business opportunities with a German technology company for a healthcare project to be launched in this property project. The Group will put more efforts into this healthcare project in 2020 and expect this healthcare project will make a positive contribution to the Group's revenue in the foreseeable future.

In spite of the gloomy economic picture depicted above, the Group is still confident in China's prospects. Management has been working on novel business opportunities that could maximise benefits of our shareholders. This included exploitation of German technologies on healthcare industry that could make better use of our existing property development projects.

## **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 2019, 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 2019. 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 2019. 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.

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 2019 Annual Report which will be sent to the Shareholders of the Company in April 2020.

### **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 2019.

## **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:

- Mr. YU Shunhui (“Mr. Yu”) was appointed as executive Director the Company and Co-Chairman of the Board with effect from 29 August 2019.
- Mr. YANG Lijun (“Mr. Yang”), executive Director of the Company, was redesigned as Co-Chairman of the Board with effect from 29 August 2019.
- Mr. YU Kam Hung (“Mr. Yu Kam Hung”) resigned as an executive Director of the Company and a member of Executive Committee of the Board with effect from 1 November 2019.
- Mr. Wan (“Mr. Wan”) resigned as executive Director of the Company and Chief Executive Officer of the Group with effect from 2 December 2019.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year ended 31 December 2019, 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. The Audit Committee constituted three Independent Non-Executive Directors.

## **REVIEW OF 2019 UNAUDITED FINAL RESULTS AND DELAY IN ANNOUNCEMENT OF THE 2019 AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

Due to the recent travel and other restrictions imposed by the Chinese government and the Hong Kong government to contain the COVID-19 outbreak, the reporting and audit processes of the Group's financial statements for the year ended 31 December 2019 has been disrupted, and the Company is unable to publish the 2019 audited final results announcement for the year ended 31 December 2019 by 30 March 2020 in accordance with the Listing Rules. The unaudited results contained herein have not been agreed by the Company's auditors.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

The 2019 audited results of the Company will be announced on or before 17 April 2020 and the annual report will be published when the auditing process is completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants, together with the material differences (if any) as compared with the unaudited annual results contained herein.

It is expected that the auditors' audit will resume as soon as practicable once the travel restrictions to the PRC and the quarantine arrangements are relieved. The Company will despatch the annual report as and when appropriate, according to the Listing Rules. The Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

#### **DISCLOSURE OF INFORMATION OF THE STOCK EXCHANGE'S WEBSITE**

The annual report of the Group for the year ended 31 December 2019 containing the relevant information required by the Listing Rules will subsequently be published on the Stock Exchange's website in due course.

**The financial information contained herein in respect of the 2019 final results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 30 March, 2020

*As at the date of this announcement, the Board comprises Mr. YANG Lijun (Co-Chairman), Mr. YU Shunhui (Co-Chairman), both 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.*