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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)**

### **2020 FINAL RESULTS ANNOUNCEMENT**

The Board of Directors (the “**Board**”) of TFG International Group Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019, as follows:

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

*For the year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
REVENUE	5	<b>22,360</b>	34,466
Cost of sales		<b>(7,192)</b>	(11,106)
Gross profit		<b>15,168</b>	23,360
Other income and gains	6	<b>18,371</b>	4,379
Selling expenses		<b>(18,258)</b>	(14,405)
Administrative and other expenses		<b>(101,387)</b>	(91,669)
Gain/(loss) on change in fair value of investment properties		<b>3,194</b>	(6,066)
Impairment of property, plant and equipment		<b>(35,490)</b>	(57,268)
Impairment of right-of-use assets		–	(2,203)
Impairment of licensing rights		<b>(3,219)</b>	(2,863)
Impairment of properties held for sale under development		–	(8,823)
Impairment of trade receivables		<b>(8,193)</b>	(8,882)
Finance costs	7	<b>(86,779)</b>	(69,333)
LOSS BEFORE TAX	8	<b>(216,593)</b>	(233,773)
Income tax (expense)/credit	9	<b>(162)</b>	12,434
LOSS FOR THE YEAR		<b>(216,755)</b>	(221,339)

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		<b>(217,714)</b>	(202,376)
Non-controlling interests		<b>959</b>	(18,963)
		<u><b>(216,755)</b></u>	<u>(221,339)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>LOSS PER SHARE</b>	<i>10</i>		
— Basic		<u><b>(3.13)</b></u>	<u>(2.91)</u>
— Diluted		<u><b>N/A</b></u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(216,755)</u>	<u>(221,339)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>29,904</u>	<u>(10,057)</u>
Total other comprehensive income/(loss) for the year, net of tax	<u>29,904</u>	<u>(10,057)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(186,851)</u></u>	<u><u>(231,396)</u></u>
Total comprehensive loss for the year attributable to:		
Owners of the Company	(189,684)	(211,300)
Non-controlling interests	<u>2,833</u>	<u>(20,096)</u>
	<u><u>(186,851)</u></u>	<u><u>(231,396)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>217,223</b>	268,256
Right-of-use assets		<b>49,076</b>	52,146
Investment properties		<b>24,127</b>	18,400
Properties under development	<i>11</i>	<b>1,499,271</b>	506,399
Licensing rights		<b>10,200</b>	15,842
Goodwill		<b>50,290</b>	–
Pledged bank balances		<b>1,056</b>	989
		<hr/>	<hr/>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,851,243</b>	862,032
<b>CURRENT ASSETS</b>			
Properties held for sale	<i>12</i>	<b>1,684,314</b>	691,382
Deposit for acquisition of land for development		–	89,152
Inventories		<b>1,224</b>	4
Trade receivables	<i>13</i>	<b>737</b>	3,586
Prepayments, deposits and other receivables		<b>134,761</b>	38,031
Restricted bank balances		<b>255,835</b>	35,740
Cash and cash equivalents		<b>82,839</b>	56,129
		<hr/>	<hr/>
<b>TOTAL CURRENT ASSETS</b>		<b>2,159,710</b>	914,024
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>4,010,953</b>	1,776,056
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables and accruals	<i>15</i>	<b>904,595</b>	206,975
Amount due to non-controlling interest		<b>64,217</b>	164,217
Amount due to a director	<i>16</i>	<b>3,500</b>	–
Loans and borrowings — due within one year		<b>375,372</b>	357,516
Contract liabilities	<i>17</i>	<b>754,137</b>	59,486
		<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,101,821</b>	788,194
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>57,889</b>	125,830
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,909,132</b>	987,862
		<hr/>	<hr/>

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings — due after one year		<b>1,411,902</b>	562,400
Amount due to a director	<i>16</i>	<b>31,910</b>	—
Promissory note payable		<b>107,427</b>	—
Lease liabilities		—	822
Deferred tax liabilities		<b>150,426</b>	30,322
		<hr/>	<hr/>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,701,665</b>	593,544
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>207,467</b>	394,318
		<hr/> <hr/>	<hr/> <hr/>
Share capital	<i>18</i>	<b>69,464</b>	69,464
Reserves		<b>83,275</b>	272,959
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>152,739</b>	342,423
Non-controlling interests		<b>54,728</b>	51,895
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>207,467</b>	394,318
		<hr/> <hr/>	<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 (the “**PRC**”).

### 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 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

#### **Amendments to HKFRSs that are mandatorily effective for current year**

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### *Impacts on application of Amendments to HKFRS 3 Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

### **New and revised HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## **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: 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.

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 year ended 31 December

	Property Development		Hotel Business		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>								
Revenue from contracts with customers								
— recognised at a point of time	–	1,593	–	–	3,759	–	3,759	1,593
— recognised over time	5,136	19,300	13,465	13,573	–	–	18,601	32,873
<b>Total segment revenue</b>	<b>5,136</b>	<b>20,893</b>	<b>13,465</b>	<b>13,573</b>	<b>3,759</b>	<b>–</b>	<b>22,360</b>	<b>34,466</b>
<b>Segment loss</b>	<b>(54,550)</b>	<b>(52,608)</b>	<b>(60,995)</b>	<b>(85,896)</b>	<b>(1,831)</b>	<b>–</b>	<b>(117,376)</b>	<b>(138,504)</b>
<b>Reconciliation:</b>								
Other income							2,942	1,132
Bank and other interest income							1,003	1,070
Gain/(loss) on change in fair value of investment properties							3,194	(6,066)
Gain on termination of lease							10	114
Other unallocated expenses							(19,587)	(22,186)
Finance costs							(86,779)	(69,333)
<b>Loss before tax</b>							<b>(216,593)</b>	<b>(233,773)</b>

*Note:* There were no inter-segment sales for both of the years ended 31 December 2020 and 31 December 2019.

### Geographical information

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

	2020 HK\$'000	2019 HK\$'000
<b>REVENUE</b>		
— Hong Kong	–	–
— PRC	22,360	34,466
	<b>22,360</b>	<b>34,466</b>



## 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	12,824	12,935
Customer B	2,715	8,099
	<u>12,824</u>	<u>12,935</u>
	<u>2,715</u>	<u>8,099</u>

## 5. REVENUE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sales of properties held for sale ( <i>Note</i> )	–	11,047
Sales of hygiene products	3,759	–
Licensing income	13,465	13,573
Clubhouse operating services income	–	858
Property agency income	5,136	8,988
	<u>22,360</u>	<u>34,466</u>
	<u>22,360</u>	<u>34,466</u>

### Disaggregated by timing of revenue recognition

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue recognised:		
— Point in time	3,759	1,593
— Over time	18,601	32,873
	<u>22,360</u>	<u>34,466</u>
	<u>22,360</u>	<u>34,466</u>

*Note:*

Revenue from the sales of properties held for sale in the PRC in the ordinary course of business is recognised at point in time when control of completed property is transferred to customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable. No revenue for sale of properties is recognised for the current year under review on over time basis since the sale contract does not give the Group an enforceable right to the payment for performance completed to date.

## 6. OTHER INCOME AND GAINS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	1,003	1,070
Other interest income ( <i>Note</i> )	11,885	–
Government subsidies	590	–
Write off of other payables and accruals	1,158	–
Gain on termination of lease	10	114
Rental income	2,407	2,459
Others	1,318	736
	<u>18,371</u>	<u>4,379</u>

*Note:*

In the prior year, the Group made deposit payments totalled RMB80,000,000 (equivalent to HK\$89,152,000) to PRC local authority for the acquisition of certain land in the PRC. During the current year, as a result of the cancellation of the land acquisition, total deposits together with interest thereon which is determined, pursuant to the relevant cancellation agreement, was refunded to the Group. Accordingly, the interest income amounted to HK\$11,885,000 was recognised for the current year and included in other income and gains.

## 7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on		
Loans and borrowings	120,836	102,219
Amounts due to directors	2,119	–
Lease liabilities	51	101
Promissory note	3,007	–
	<u>126,013</u>	102,320
Less: Amount capitalised on properties under development	<u>(39,234)</u>	<u>(32,987)</u>
	<u>86,779</u>	<u>69,333</u>

The borrowing costs have been capitalised at the rates ranged from 8.8% to 13% (2019: 13%) per annum.

## 8. LOSS BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of sales		
Cost of properties sold	–	4,915
Amortisation of licensing rights	2,470	2,902
Cost of inventories sold	2,579	474
Property agency service charges	2,143	2,815
	<u>7,192</u>	<u>11,106</u>
Depreciation of property, plant and equipment	23,391	28,927
Depreciation of right-of-use assets	2,540	2,890
Loss on disposal of property, plant and equipment	189	575
Rental expenses for short-term leases	4,028	5,595
Auditors' remuneration	923	887
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	22,673	22,518
— Retirement benefits scheme contributions	809	596
Exchange (gains)/losses, net	<u>(10,915)</u>	<u>3,865</u>

## 9. INCOME TAX (EXPENSE)/CREDIT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax expense	(206)	–
Deferred tax credit	<u>44</u>	<u>12,434</u>
Income tax (expense)/credit	<u>(162)</u>	<u>12,434</u>

No provision for Hong Kong profits tax has been made in the 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% (2019: 25%) of the profits of the group entities in the PRC.

## 10. 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\$217,714,000 (2019: HK\$202,376,000), and 6,946,350,040 (2019: 6,946,350,040) ordinary shares in issue during the year.

No diluted loss per share for both of the year ended 31 December 2020 and 2019 was presented as there were no potential ordinary shares in issue for both of these years.

## 11. PROPERTIES UNDER DEVELOPMENT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Properties under development, at cost	<u>1,499,271</u>	<u>506,399</u>

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

## 12. PROPERTIES HELD FOR SALE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Properties held for sale		
— Completed	1,496	2,630
— Under development	<u>1,682,818</u>	<u>688,752</u>
	<u>1,684,314</u>	<u>691,382</u>

## 13. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables, gross	92,610	90,547
Impairment loss recognised	<u>(91,873)</u>	<u>(86,961)</u>
	<u>737</u>	<u>3,586</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	222	3,586
1–3 months	63	–
4–12 months	452	–
	<u>737</u>	<u>3,586</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the year	86,961	79,666
Impairment loss recognised, net	8,193	8,882
Exchange realignment	(3,281)	(1,587)
	<u>91,873</u>	<u>86,961</u>

#### 14. LOAN RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loan receivables	19,000	19,000
Less: Impairment loss recognised	(19,000)	(19,000)
	<u>–</u>	<u>–</u>

#### 15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables for property development expenditure ( <i>Note a</i> )	643,012	117,022
Value-added tax payable	68,809	6,233
Interest payable	30,999	32,145
Lease liabilities	30	907
Short-term advances ( <i>Note b</i> )	118,156	25,074
Other payables and accruals	43,589	25,594
	<u>904,595</u>	<u>206,975</u>

Note:

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	554,116	95,783
1–3 months	88,896	21,239
	<u>643,012</u>	<u>117,022</u>

- (b) The short-term advances from a brother of a director and other parties amounted to HK\$48,966,000 (2019: HK\$19,502,000) and HK\$69,190,000 (2019: HK\$5,572,000), respectively, are unsecured, interest free and with no fixed repayment terms.

## 16. AMOUNT DUE TO A DIRECTOR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Amount due to the director repayable:		
— Within the year	3,500	—
— Within a period of more than one year but not exceeding two years	—	—
— Within a period of more than two years but not exceeding five years	31,910	—
	<u>35,410</u>	<u>—</u>
Analysed for reporting purpose:		
— Current liabilities	3,500	—
— Non-current liabilities	31,910	—
	<u>35,410</u>	<u>—</u>

The amount due to a director, Mr. Yang Lijun is unsecured, carry interest at interest rates ranged from 9% to 13% per annum and repayable within the next three years for the end of the reporting period.

## 17. CONTRACT LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Advance payments received for sales of properties	<u>754,137</u>	<u>59,486</u>

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.

The contract liabilities at 31 December 2020 to the extent of HK\$233,956,000 (2019: HK\$46,523,000) is expected to be recognised as revenue within one year with the remaining balance of HK\$520,181,000 (2019: HK\$12,963,000) expected to be recognised as revenue after one year.

The following table shows unsatisfied performance obligations resulting from property sale contracts with customers:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Transaction price for performance obligations not satisfied or partially satisfied, expected to be recognised as revenue		
— within one year	<b>372,177</b>	145,594
— after one year	<b>687,075</b>	37,870
	<u><b>1,059,252</b></u>	<u>183,464</u>

Income from sub-licensing of operating rights and property agency arose from contracts with an original expected duration of one year or less. The transaction prices for such services so allocated to the unsatisfied contracts were not disclosed.

## 18. SHARE CAPITAL

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised:		
100,000,000,000 (2019: 100,000,000,000) ordinary shares of HK\$0.01 each	<u><b>1,000,000</b></u>	<u>1,000,000</u>
Issued and fully paid:		
6,946,350,040 (2019: 6,946,350,040) ordinary shares of HK\$0.01 each	<u><b>69,464</b></u>	<u>69,464</u>

## 19. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2020, nor had any dividend been proposed since the end of the reporting period (31 December 2019: Nil).

## 20. PROJECT COMMITMENTS

As at 31 December 2020, the Group had outstanding commitments for property development expenditure and acquisition of land for development contracted but not provided for amounted to approximately HK\$390,086,000 (2019: HK\$705,590,000).

## 21. ACQUISITION OF SUBSIDIARIES

On 29 June 2020, the Company entered into an agreement with Mr. Yang Lijun (“**Mr. Yang**”), a director of the Company, under which the Company has conditionally agreed to acquire 100% equity interest in an entity, Eway International Investment Limited (“**Eway**”), an entity indirectly held by Mr. Yang, for a consideration of HK\$108,600,000. Under the terms of the agreement, the consideration for the acquisition of Eway is satisfied by the issue of promissory note payable by the Company with principal amount of HK\$108,600,000 at interest rate of 9% per annum. Eway, through its PRC subsidiaries, is engaged in development, leasing and management of properties in the PRC.

Completion of the acquisition of Eway by the Company has taken place on 15 September 2020.

Fair values of the consideration transferred and the identifiable assets acquired and liabilities assumed were as follows:

	<i>HK\$'000</i>
<b>Consideration transferred</b>	
Promissory notes issued by the Company	<u>107,312</u>
<b>Assets acquired and liabilities recognised at the date of acquisition</b>	
Development properties (comprising properties under development and properties held for sales under development)	1,020,600
Prepayments, deposits and other receivable	14,699
Cash and cash equivalents	75,476
Trade payables, other payables and accruals	(112,575)
Amount due to a director	(31,547)
Contract liabilities	(60,263)
Loan and borrowings	(729,624)
Deferred tax liabilities	<u>(119,744)</u>
Net assets acquired	<u>57,022</u>
<b>Goodwill arising on acquisition</b>	
Consideration transferred	107,312
Recognised amount of net assets acquired	<u>(57,022)</u>
Goodwill arising on acquisition	<u>50,290</u>

## 22. CAPITAL COMMITMENTS

The Group did not have any significant capital commitment as at 31 December 2020 and 2019.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the year ended 31 December 2020, the Group's revenue amounted to HK\$22.4 million, compared to HK\$34.5 million for 2019. The Group recorded a loss before tax of HK\$216.6 million, compared to the loss of HK\$233.8 million for 2019. Such loss is amongst other things, due to (i) the consolidation of administrative and other expenses of certain subsidiaries acquired by the Company during the year; and (ii) increase in finance costs which related to borrowings obtained for the finance of certain property development projects. The contraction of the Group's loss before tax was mainly attributable to (i) other interest income received from a PRC government authority in respect of the termination of a land grant contract; (ii) gain on change of fair value of investment properties; and (iii) decline in the impairment loss on property, plant and equipment.

Loss attributable to the owners of the Company for the year ended 31 December 2020 amounted to HK\$217.7 million, compared to the loss of HK\$202.4 million for the corresponding period 2019.

### **PROPERTY DEVELOPMENT SEGMENT**

Revenue of the property development segment for the year ended 31 December 2020 amounted to HK\$5.1 million, compared to HK\$20.9 million for the corresponding period 2019. Loss of the property development segment for the year ended 31 December 2020 was HK\$54.6 million, compared to the loss of HK\$52.6 million for the corresponding period 2019.

During the year, the Group completed an acquisition of a group subsidiary, which holds a property development project, namely Fuyuan Square. For the year ended 31 December 2020, the Group had three projects under development on hand, namely German City project located in Hengqin, Fuyuan Junting project located in Chengdu, and Fuyuan Square project located in Doumen, respectively. As at 31 December 2020, contracted sales of German City project, Fuyuan Junting project and Fuyuan Square project shared approximately 29.0%, 49.8% and 39.9% of their respective saleable units.

As at 31 December 2020, there were approximately 0.2% of completed unsold residential and commercial units of Morning Star Plaza project. During the year, the Group had been seeking approval from relevant governmental authorities for the development of certain land parcels under Morning Star Villa project, with site area of 151,675 sq. m. in Zhongshan. Approval of the relevant governmental authorities is expected to be obtained in the third quarter of 2021.

For the year ended 31 December 2020, the segment reported a loss as all property development projects were under construction, which are expected to be completed by second half of 2021. Sales will then be recognised.

## **HOTEL BUSINESS**

For the year ended 31 December 2020, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK\$13.5 million, compared to HK\$13.6 million for the corresponding period 2019. Loss of the segment amounted to HK\$61.0 million for the year ended 31 December 2020, compared to a loss of HK\$85.9 million for the corresponding period 2019. The loss is mainly attributable to the depreciation of property, plant and equipment and finance costs.

### **Geographical Segment**

During the period, 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**

On 29 June 2020, the Company entered into a Sale and Purchase Agreement (the “**Agreement**”) with Mr. Yang Lijun (“**Mr. Yang**”), a director of the Company, to acquire conditionally the entire issued share capital of Eway International Investment Limited (“**Eway**”) together with its subsidiaries (the “**Target Group**”) (the “**Acquisition**”), an entity indirectly held by Mr. Yang for a consideration of HK\$108,600,000. Under the terms of the Agreement, the consideration for the Acquisition is satisfied by the issue of promissory note payable by the Company with principal amount of HK\$108,600,000 at interest rate of 9% per annum. The principal asset of the Target Group comprises a land parcel of site area of approximately 48,653.2 sq.m. which is located in Doumen District, Zhuhai City, the PRC. The land parcel 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 Group is principally engaged in property development and hotel business in the PRC. The Acquisition is in line with the principal businesses of the Group. The Board is of the opinion that the Acquisition will broaden the Group’s income stream, strengthen the Group’s profitability, enhance its competitiveness and is in the interests of the Company and the Shareholders as a whole. Completion of the Acquisition has taken place on 15 September 2020.

Other than the above, 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 2020, consisting mainly of investment properties, property under development, property, plant and equipment, right-of-use assets, licensing rights and goodwill amounted to a total of HK\$1,851.2 million, compared to HK\$862.0 million as at 31 December 2019. Current assets as at 31 December 2020 amounted to HK\$2,159.7 million, compared to HK\$914.0 million as at 31 December 2019. Current liabilities as at 31 December 2020 amounted to HK\$2,101.8 million, compared to HK\$788.2 million as at 31 December 2019. Non-current liabilities as at 31 December 2020 amounted to HK\$1,701.7 million, compared to HK\$593.5 million as at 31 December 2019.

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

As at 31 December 2020, the Group's total interest bearing borrowings amounted to HK\$1,930.1 million (31 December 2019: HK\$919.9 million) which comprised borrowings from a financial institution of HK\$425.7 million (31 December 2019: HK\$143.9 million), independent third parties of HK\$1,361.6 million (31 December 2019: HK\$776.0 million) and directors of HK\$142.8 million.

The Group's total equity as at 31 December 2020 was HK\$207.5 million (31 December 2019: HK\$394.3 million).

The Group's gearing ratio as at 31 December 2020 was approximately 930% (31 December 2019: approximately 230%). 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 acquisition and development of the Group's property projects.

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 commitment as at 31 December 2020 (31 December 2019: Nil).

### **Project Commitments**

As at 31 December 2020, 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\$390.0 million (31 December 2019: HK\$705.6 million).

### **Contingent Liabilities**

As at 31 December 2020, the Group had contingent liabilities amounting to HK\$130,641,000 (31 December 2019: HK\$77,000). The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the purchasers of properties. 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 31 December 2020, part of the Group's leasehold land and buildings with a carrying amount of HK\$264.4 million (31 December 2019: HK\$316.0 million) had been pledged to a financial institution to secure mortgage loans. In addition, non-current bank balances of HK\$1.1 million (31 December 2019: HK\$1.0 million) were pledged to banks to secure mortgage loan facilities granted to purchasers of the Group's properties held for sale.

## **STAFF ANALYSIS**

The total number of staff employed by the Group as at 31 December 2020 was 126, compared to 135 as at 31 December 2019. 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**

Looking forward into 2021, the epidemic of COVID-19 on the Mainland China is basically under control while the infected numbers in overseas starts to decrease, it is believed that the epidemic will sustain for a period of time. Though the lately launched vaccines caused the epidemic around the world to ease, the epidemic still posed a far-reaching adverse impact on the global economy. In addition, certain regions have been facing the escalating geopolitical risks with unsolved problems such as multilateral trading conflicts worldwide, and therefore the development of issues is vital to the recovery of the global economy.

In China, following that the pandemic was gradually under control since the second quarter of 2020, all sectors have resumed operation. To support the macro-economy and local employment, local governments have implemented a series of relief measures to ease the operational pressure on real estate enterprises. In terms of austerity, the central government continued to set the target of "stable land prices, housing prices and market expectations". The austerity measures of local governments were partially loosened. Austerity measures of some cities were implemented through adjustment to talent structure policy. The overall environment for industry policy was stable.

The Group is confident about China's economy. Thus, the Company entered into a sale and purchase agreement with Mr. Yang Lijun, a director of the Company, on 29 June 2020, under which the Company has conditionally agreed to acquire 100% equity interest in an entity, Eway International Investment Limited (“Eway”), for a consideration of HK\$108,600,000. Eway, through its PRC subsidiaries, was the beneficial owner of a land parcel of site area of approximately 48,653.2 sq.m. located in Doumen District, Zhuhai City, Guangdong, the PRC. Eway plans to develop the land parcel into commercial properties and retail shops for sale, a shopping center with GFA of approximately 60,000 sq.m. for leasing and a 5-star standard hotel. The Group consider that, with stable government policy and unique location and optimistic economic prospect, the acquisition will broaden the Group's income stream, strengthen the Group's profitability and enhance its competitiveness.

Besides, the Group will keep monitoring the development of COVID-19 and assessing the Group's finance and operation environment. The Group will adjust its marketing plans and development strategies in a timely manner, with an aim to ensure the Group is working in the interest of the Company and the shareholders as a whole.

The Group remains confident about the future development of its business segments, and will continue to deliver steady growth by enhancing internal management capabilities, optimising operational management model and continuously upgrading product.

## **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 2020, 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) Independent Non-executive Directors could not attend the AGM of the Company held on 28 May 2020 due to COVID-19 pandemic. However, there were some Non-executive Director 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 COVID-19 pandemic, Mr. Yang Lijun (“**Mr. Yang**”) and Mr. Yu Shunhui (“**Mr. Yu**”), both being Co-chairmen of the Board could not attend the annual general meeting (the “**AGM**”) held on 28 May 2020. 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 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 2020 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 2020.

## 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 re-designated as a non-executive Director of the Company and stepped down as Co-Chairman of the Board and a member of the executive committee with effect from 1 June 2020.
- Mr. Yang Lijun (“**Mr. Yang**”) became the sole chairman of the Board with effect from 1 June 2020.
- Mr. Wong Kui Shing, Danny (“**Mr. Wong**”) resigned from the position of executive director of Greater Bay Area Dynamic Growth Holding Limited (stock code: 1189) with effect from 25 August 2020, and was appointed as an executive Director and the chief executive officer of BCI Group Holdings Limited (stock code: 8412) with effect from 16 February 2021.
- Mr. Gao Jingyao (“**Mr. Gao**”) was appointed as an executive Director and deputy president of the Company, and a member of executive committee of the Board with effect from 5 February 2021.
- Mr. Yang Lijun (“**Mr. Yang**”) was appointed as chief executive officer of the Company with effect from 5 February 2021.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

## AUDIT COMMITTEE AND REVIEW OF 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 has met with the auditors of the Group and the Company's management to review the accounting principles and practices adopted by the Company, the effectiveness of internal systems and controls of the Group, and the audited financial statements of the Group for the year ended 31 December 2020.

## **SCOPE OF WORK OF CCTH CPA LIMITED**

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, CCTH CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH CPA Limited on this announcement.

## **DISCLOSURE OF INFORMATION**

The annual report of the Group for the year ended 31 December 2020 containing the relevant information required by the Listing Rules will subsequently be published on the Company's and the Stock Exchange's websites in due course.

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

Hong Kong, 18 March, 2021

*As at the date of this announcement, the Board comprises Mr. YANG Lijun (Chairman) and Mr. GAO Jingyao being the executive Directors, Mr. YU Shunhui and Mr. WONG Kui Shing, Danny being the non-executive Directors and Ms. CHAN Hoi Ling, Ms. SO Wai Lam and Mr. SUNG Yat Chun, being the independent non-executive Directors.*