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TFG INTERNATIONAL GROUP LIMITED

富元國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

2021 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 2021 together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	5	7,774	22,360
Cost of sales		<u>(3,596)</u>	<u>(7,192)</u>
Gross profit		4,178	15,168
Other income and gains	6	5,535	18,371
Selling expenses		(9,925)	(18,258)
Administrative and other expenses		(154,913)	(101,387)
Gain on change in fair value of investment properties		–	3,194
Impairment of property, plant and equipment		–	(35,490)
Impairment of licensing rights		–	(3,219)
Impairment of trade receivables		–	(8,193)
Impairment of goodwill	12	(50,290)	–
Finance costs	7	<u>(135,687)</u>	<u>(86,779)</u>
LOSS BEFORE TAX	8	(341,102)	(216,593)
Income tax expense	9	<u>(404)</u>	<u>(162)</u>
LOSS FOR THE YEAR		<u>(341,506)</u>	<u>(216,755)</u>
 (Loss)/profit for the year attributable to:			
Owners of the Company		(326,264)	(217,714)
Non-controlling interests		<u>(15,242)</u>	<u>959</u>
		<u>(341,506)</u>	<u>(216,755)</u>
		<i>HK cents</i>	<i>HK cents</i>
LOSS PER SHARE	10		
— Basic		<u>(4.70)</u>	<u>(3.13)</u>
— Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		199,495	217,223
Right-of-use assets		48,336	49,076
Investment properties		–	24,127
Properties under development	<i>11</i>	1,549,801	1,499,271
Licensing rights		8,329	10,200
Goodwill	<i>12</i>	–	50,290
Pledged bank balances		–	1,056
		<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS		1,805,961	1,851,243
CURRENT ASSETS			
Properties held for sale	<i>13</i>	1,828,965	1,684,314
Inventories		–	1,224
Trade receivables	<i>14</i>	61	737
Prepayments, deposits and other receivables		294,445	134,761
Restricted bank balances		439,905	255,835
Cash and cash equivalents		46,669	82,839
		<hr/>	<hr/>
		2,610,045	2,159,710
Assets of disposal group classified as held for sale		175,007	–
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		2,785,052	2,159,710
		<hr/>	<hr/>
TOTAL ASSETS		4,591,013	4,010,953

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade payables, other payables and accruals	<i>15</i>	658,450	904,595
Contract liabilities	<i>16</i>	1,974,806	754,137
Amount due to non-controlling interest	<i>17</i>	2,142	64,217
Amount due to a director	<i>18</i>	–	3,500
Loans and borrowings — due within one year		785,245	375,372
		3,420,643	2,101,821
Liabilities directly associated with assets of disposal group classified as held for sale		50,340	–
TOTAL CURRENT LIABILITIES		3,470,983	2,101,821
NET CURRENT (LIABILITIES)/ASSETS		(685,931)	57,889
TOTAL ASSETS LESS CURRENT LIABILITIES		1,120,030	1,909,132
NON-CURRENT LIABILITIES			
Loans and borrowings — due after one year		948,911	1,411,902
Amount due to a director	<i>18</i>	40,747	31,910
Promissory note payable	<i>19</i>	107,827	107,427
Long term lease liabilities		507	–
Deferred tax liabilities		145,239	150,426
TOTAL NON-CURRENT LIABILITIES		1,243,231	1,701,665
NET (LIABILITIES)/ASSETS		(123,201)	207,467
Share capital	<i>20</i>	69,464	69,464
Reserves		(233,033)	83,275
Equity attributable to owners of the Company		(163,569)	152,739
Non-controlling interests		40,368	54,728
TOTAL EQUITY		(123,201)	207,467

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 Room 1301–1302, 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 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

The 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 Ordinances. 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 certain financial assets and financial liabilities which are 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.

The preparation of financial statements in conformity with HKFRSs require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Going concern basis

Notwithstanding that the current liabilities of the Group at 31 December 2021 exceed the Group’s current assets at that date by approximately HK\$685,931,000 and the Group incurred net loss of approximately HK\$341,506,000 and HK\$216,755,000 for the years ended 31 December 2021 and 31 December 2020 respectively. The Directors considered it appropriate for the preparation of the consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures to be implemented:

- (a) On 28 March 2022, Mr. YANG Lijun, the controlling shareholder of the Company, has unconditionally undertaken to provide financial support for the continuing operation of the Group. The Directors believe that this undertaking is available for draw down as additional working capital of the Group, as and when needed.

- (b) The Group is implementing various measures, such as organizing marketing campaigns to stimulate the pre-sales revenue amount of properties and controlling the costing to improve the profit margin and operating cashflows of properties development and hotel business.
- (c) The Group will also continue to seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2021. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their net realisable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and amendments to HKFRSs that are mandatorily effective for the 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 2021 for the preparation of the consolidated financial statements:

New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform — phase 2
Amendment to HKFRS 16	Covid-19-Related rent concessions

In addition, the Group has early applied the Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021.

The application of 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.

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:

Amendments to HKFRS 3	Reference to the conceptual framework ¹
Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use ¹
Annual Improvements	Annual Improvements to HKFRSs 2018-2020 Cycle ¹
Amendments to HKAS 37	Onerous Contracts — cost of fulfilling a contract ¹
Amendments to HKAS 1	Classification of liabilities as current or non-current ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies ²
Amendments to HKAS 8	Definition of accounting estimates ²
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction ²
HKFRS 17	Insurance contracts ²

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

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 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: Trading of hygiene products.

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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment revenue								
Revenue from contracts with customers								
— recognised at a point in time	508	—	—	—	258	3,759	766	3,759
— recognised over time	1,263	5,136	5,745	13,465	—	—	7,008	18,601
Total segment revenue	<u>1,771</u>	<u>5,136</u>	<u>5,745</u>	<u>13,465</u>	<u>258</u>	<u>3,759</u>	<u>7,774</u>	<u>22,360</u>
Segment loss	<u>(126,879)</u>	<u>(54,550)</u>	<u>(17,709)</u>	<u>(60,995)</u>	<u>(1,704)</u>	<u>(1,831)</u>	<u>(146,292)</u>	<u>(117,376)</u>
Reconciliation:								
Bank interest income							1,551	1,003
Other income							2,407	2,942
Gain on change in fair value of investment properties							—	3,194
Gain on termination of lease							—	10
Other unallocated expenses							(63,081)	(19,587)
Finance costs							<u>(135,687)</u>	<u>(86,779)</u>
Loss before tax							<u>(341,102)</u>	<u>(216,593)</u>

Note: There were no inter-segment sales for both of the year ended 31 December 2021 and 31 December 2020.

Geographical information

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

	2021 HK\$'000	2020 HK\$'000
REVENUE		
— PRC	<u>7,774</u>	<u>22,360</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:

	2021 HK\$'000	2020 HK\$'000
Customer A	5,056	12,824
Customer B	—	2,715

5. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of properties held for sale	508	–
Sales of hygiene products	258	3,759
Licensing income	5,745	13,465
Property agency income	1,263	5,136
	<u>7,774</u>	<u>22,360</u>

Disaggregated by timing of revenue recognition

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue recognised:		
— Point in time	766	3,759
— Over time	7,008	18,601
	<u>7,774</u>	<u>22,360</u>

6. OTHER INCOME AND GAINS

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

7. FINANCE COSTS

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

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

8. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of sales		
Cost of properties sold	177	–
Cost of inventories sold	406	2,579
Amortisation of licensing rights	1,884	2,470
Property agency service charges	1,129	2,143
	<u>3,596</u>	<u>7,192</u>
Depreciation of property, plant and equipment	20,432	23,391
Depreciation of right-of-use assets	2,115	2,540
Loss on disposal of property, plant and equipment	78	189
Rental expenses for short-term leases	2,881	4,028
Auditors' remuneration	1,007	923
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	19,970	22,673
— Retirement benefits scheme contributions	1,574	809
Exchange gains, net	<u>(6,489)</u>	<u>(10,915)</u>

9. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax expense		
PRC enterprise income tax		
— Provision for the year	(658)	(206)
— Under provision in prior year	(145)	—
	<u>(803)</u>	<u>(206)</u>
Deferred tax credit	399	44
	<u>399</u>	<u>44</u>
Income tax expense	<u>(404)</u>	<u>(162)</u>

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

PRC enterprise income tax is calculated at 25% (2020: 25%) of the profits of the group entities in the PRC.

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\$326,264,000 (2020: HK\$217,714,000), and 6,946,350,040 (2020: 6,946,350,040) ordinary shares in issue during the year.

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

11. PROPERTIES UNDER DEVELOPMENT

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

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

12. GOODWILL

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

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit (“CGU”) that is expected to benefit from that business combination.

Goodwill arose from the acquisition of Eway International Investment Limited (“**Eway International**”) which was completed in September 2020. The CGU to which the goodwill was allocated represents Eway International which, through its PRC subsidiaries, is principally engaging in the development, leasing and management of properties located in the PRC.

The Company engaged a valuer, B.I. Appraisals Limited (“**the valuer**”) to conduct a valuation, according to Hong Kong Accounting Standard 36, “Impairment of Assets” (“**HKAS 36**”) on the value in use of the CGU as at 31 December 2021 and 31 December 2020, respectively.

The key assumptions for the value-in-use calculation are those regarding the discount rates, the budgeted revenue and budgeted expenses during the forecasting periods, which are determined by the management based on the past performance and management’s expectations for the market development.

The recoverable amount of the CGU was determined based on value-in-use calculations using cash flow projections based on financial budgets covering a five-year period approved by the management. Cash flows beyond five-year period are extrapolated using growth rate of 2.0% per annum (2020: 2.6% per annum). The cash flow projections are discounted at discount rate of 10.51% per annum (2020: 10.51% per annum), which reflects the specific risks relating to such CGU.

Based on the calculation of the value-in-use of the CGU to which the goodwill is allocated and the PRC real estate market has been impacted by the persistence of the Novel Coronavirus together with the relevant negative government measures in relation to the property development industry in the PRC, the management of the Group considered it appropriate to make full impairment of goodwill in the consolidated financial statements.

13. PROPERTIES HELD FOR SALE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Properties held for sale		
— Completed	—	1,496
— Under development	<u>1,828,965</u>	<u>1,682,818</u>
	<u><u>1,828,965</u></u>	<u><u>1,684,314</u></u>

14. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables, gross	94,965	92,610
Impairment loss recognised	<u>(94,904)</u>	<u>(91,873)</u>
	<u><u>61</u></u>	<u><u>737</u></u>

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

An aged analysis of the trade receivables after impairment loss recognised, based on invoice date, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	61	222
1–3 months	—	63
4–12 months	<u>—</u>	<u>452</u>
	<u><u>61</u></u>	<u><u>737</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	91,873	86,961
Impairment loss recognised, net	—	8,193
Exchange realignment	<u>3,031</u>	<u>(3,281)</u>
At the end of the year	<u><u>94,904</u></u>	<u><u>91,873</u></u>

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables for property development expenditure (<i>Note a</i>)	275,204	643,012
Value-added tax payable	140,343	68,809
Interest payable	92,355	30,999
Lease liabilities	541	30
Short-term advances (<i>Note b</i>)	–	118,156
Other payables and accruals	150,007	43,589
	<u>658,450</u>	<u>904,595</u>

Note:

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

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

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

16. CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Advance payments received for sales of properties	1,974,806	754,137

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 NON-CONTROLLING INTEREST

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

18. AMOUNT DUE TO A DIRECTOR

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

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

19. PROMISSORY NOTE PAYABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Promissory note payable:		
— Within a period of more than one year but not exceeding two years	107,827	–
— Within a period of more than two years but not exceeding five years	–	107,427
	<u>107,827</u>	<u>107,427</u>

20. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised: 100,000,000,000 (2020: 100,000,000,000) ordinary shares of HK\$0.01 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid: 6,946,350,040 (2020: 6,946,350,040) ordinary shares of HK\$0.01 each	<u>69,464</u>	<u>69,464</u>

21. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2021, nor had any dividend been proposed since the end of the reporting period (2020: Nil).

22. PROJECT COMMITMENTS

As at 31 December 2021, the Group had outstanding commitments for property development expenditure and acquisition of land for development contracted but not provided for amounted to approximately HK\$832,008,000 (2020: HK\$390,086,000).

23. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2021 (2020: Nil).

24. CONTINGENT LIABILITIES

As at 31 December 2021, the Group had contingent liabilities amounting to HK\$365,046,000 (2020: HK\$130,641,000) 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.

The following is an extract of the auditors' report on the Group's financial statements for the year ended 31 December 2021:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Going concern

As disclosed in the consolidated financial statements, the current liabilities of the Group at 31 December 2021 exceed the Group's current assets at that date by approximately HK\$685,931,000 and the Group incurred net loss of approximately HK\$341,506,000 and HK\$216,755,000 for the years ended 31 December 2021 and 31 December 2020 respectively.

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the measures to be undertaken by the Group. In view of the extent of the material uncertainties relating to the results of those measures (detailed in note 2) to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, we are unable to form an opinion as to whether it is appropriate for the preparation of the consolidated financial statement on a going concern basis.

Should the going concern assumption be inappropriate, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

MATERIAL DIFFERENCES BETWEEN ANNOUNCEMENT OF UNAUDITED AND AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to Announcement of Unaudited Annual Results for the year ended 31 December 2021. Since subsequent adjustments have been made to the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement for the year ended 31 December 2021 upon completion of the auditing process, shareholders and potential investors of the Company are advised to pay attention to the following material differences between the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement and the audited annual results of the Group for the year ended 31 December 2021 in this announcement.

Item for the year ended 31 December 2021

	<i>Notes</i>	Disclosure in this announcement <i>HK\$'000</i> (audited)	Disclosure in the Unaudited Annual Announcement <i>HK\$'000</i> (unaudited)	Difference <i>HK\$'000</i>
Consolidated Statement of Profit or Loss				
Revenue	<i>a</i>	7,774	16,468	(8,694)
Gross profit	<i>a</i>	4,178	12,872	(8,694)
Administrative and other expenses	<i>a</i>	(154,913)	(154,565)	(348)
Impairment of trade receivables	<i>a</i>	–	(9,042)	9,042
		<u> </u>	<u> </u>	<u> </u>
Consolidated Statement of Financial Position				
Restricted bank balances	<i>b</i>	439,905	426,855	13,050
Cash and cash equivalents	<i>b</i>	46,669	59,719	(13,050)
		<u> </u>	<u> </u>	<u> </u>

Notes:

- (a) The differences were mainly due to the decrease in revenue recognition in hotel licensing income.
- (b) Reclassification of cash and cash equivalents to restricted bank balances.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2021, the Group's revenue was approximately of HK\$7.8 million, compared to HK\$22.4 million for 2020. The Group recorded a loss before tax of approximately HK\$341.1 million, compared to the loss of HK\$216.6 million for 2020. Such loss is amongst other things, due to (i) increase in finance costs which related to borrowings obtained for the finance of certain property development projects; and (ii) increase in administrative and other expenses.

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

PROPERTY DEVELOPMENT SEGMENT

Revenue of the property development segment for the year ended 31 December 2021 was approximately of HK\$1.8 million, compared to HK\$5.1 million for the corresponding period 2020. Loss of the property development segment for the year ended 31 December 2021 was HK\$ 126.9 million, compared to the loss of HK\$54.6 million for the corresponding period in 2020.

During the year ended 31 December 2021, 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.

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 4th quarter of 2019. Up to 31 December 2021, German City project had achieved sales contracts amounted to 55.2% of its gross saleable areas available for sale. The earliest date of completion of construction work for the portion that had been pre-sold is expected to be 30 June 2022.

Fuyuan Junting project holds two land parcels of total gross floor area of approximately 120,500 sq.m., of which 85,102 sq.m. is available for sale. The land parcel is located in Ande Zhen, Pidun 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 31 December 2021, first phase and second phase of Fuyuan Junting project had achieved sales contracts approximately 99.1% and 39.6% of its respective total gross saleable areas available for sale. Construction work of the first phase has completed in the 4th quarter of 2021 and is pending for approval from the government before handing over the properties to the buyers. Construction work of the second phase is expected to be completed by the end of 2022.

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 31 December 2021, Fuyuan Square project had achieved sales contracts approximately 51.9% of its total gross saleable areas available for sale. Construction work of the project will be completed from 2nd quarter 2022 to 2024.

Up to 31 December 2021, approximately of 99.98% completed residential and commercial units of Morning Star Plaza (“MSP”) project in Zhongshan were sold, whilst all completed residential and commercial units of Morning Star Villa (“MSV”) project in Zhongshan were sold. During the year, the Company entered into a sale and purchase agreement with a controlling shareholder, executive director and chairman of the Company, to dispose of a wholly owned subsidiary of the Company, which indirectly holds MSP and MSV. At the date of this announcement, the transaction contemplated herewith is not completed and is subject to the passing of the resolution by the shareholders of the Company at an EGM to be held on 22 April 2022.

For the year ended 31 December 2021, the segment reported a loss as most of the property units were under construction, which have been planned to deliver to property buyers from first half of 2022 onwards.

HOTEL BUSINESS

For the year ended 31 December 2021, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK\$5.7 million, compared to HK\$13.5 million for the corresponding period 2020. Loss of the segment amounted to HK\$17.7 million for the year ended 31 December 2021, compared to a loss of HK\$61.0 million for the corresponding period 2020. The loss is mainly attributable to the depreciation of property, plant and equipment and finance costs incurred during the year.

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

On 5 November 2021, the Company entered into a Sale and Purchase Agreement (the “**Agreement**”) with Mr. Yang Lijun (“**Mr. Yang**”), an executive director, a controlling shareholder and chairman of the Company, pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to buy the entire issued share capital of a direct wholly owned subsidiary (the “**Disposal Company**”) of the Company (the “**Disposal**”). The purchaser whose sole director is Mr. Yang and the entire issued share capital of the purchaser is indirectly wholly-owned by Mr. Yang. Therefore, the purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company.

The consideration of the Disposal is HK\$282,000,000 (the “**Consideration**”) which was arrived at after arm’s length negotiations between the Company and the purchaser after taking into account (i) the waiver of a loan indebted by the Company to the Disposal Company, and (ii) the unaudited consolidated adjusted net asset value of the Disposal Company and its directly and indirectly owned subsidiaries (the “**Disposal Group**”) of approximately HK\$415.7 million. The Consideration comprises (i) HK\$30,000,000 which had been paid by the purchaser in cash as deposit in November 2021, and (ii) the remaining balance of HK\$252,000,000 to be payable by the purchaser in cash upon completion.

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

At the date of this announcement, the Disposal is not completed and subject to the passing of the resolution by the shareholders of the Company at an EGM which is scheduled to be held on 22 April 2022.

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets of the Group as at 31 December 2021, consisting mainly of property under development, property, plant and equipment, right-of-use assets, investment properties, licensing rights and goodwill amounted to a total of HK\$1,806.0 million, compared to HK\$1,851.2 million as at 31 December 2020. Current assets as at 31 December 2021 amounted to HK\$2,785.1 million, compared to HK\$2,159.7 million as at 31 December 2020. Current liabilities as at 31 December 2021 amounted to HK\$3,471.0 million, compared to HK\$2,101.8 million as at 31 December 2020. Non-current liabilities as at 31 December 2021 amounted to HK\$1,243.2 million, compared to HK\$1,701.7 million as at 31 December 2020.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2021, the Group's total interest bearing borrowings amounted to HK\$1,882.7 million (31 December 2020: HK\$1,930.1 million) which comprised borrowings from financial institutions approximately of HK\$413.3 million (31 December 2020: HK\$425.7 million), independent third parties of HK\$1,256.7 million (31 December 2020: HK\$1,361.6 million), promissory note payable of HK\$107.8 million (31 December 2020: HK\$107.4 million), amount due to a non-controlling shareholder of HK\$64.2 million (31 December 2020: nil), and amount due to a director of HK\$40.7 million (31 December 2020: HK\$35.4 million).

The Group's total equity as at 31 December 2021 was deficiency of HK\$(123.2) million (31 December 2020: equity of HK\$207.5 million).

The Group's gearing ratio as at 31 December 2021 is not presented (31 December 2020: approximately 930%). 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 of Fuyuan Square project in 2020 and the property development projects of the Group.

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 31 December 2021 (31 December 2020: Nil).

Project Commitments

As at 31 December 2021, 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\$832.0 million (31 December 2020: HK\$390.0 million).

Contingent Liabilities

As at 31 December 2021, the Group had contingent liabilities amounting to HK\$365.0 million (31 December 2020: HK\$130.6 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 31 December 2021, part of the Group's leasehold land and buildings with a carrying amount of HK\$246.2 million (31 December 2020: HK\$264.4 million) had been pledged to a financial institution to secure mortgage loans. Restricted bank balance of HK\$426.9 million (31 December 2020: HK\$255.8 million) were pledged to certain banks for facilities granted to the Group.

STAFF ANALYSIS

The total number of staff employed by the Group as at 31 December 2021 was 156, compared to 126 as at 31 December 2020. 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.

SHARE OPTION SCHEME

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

OUTLOOK

Outlook and Planning

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Compliance With Code On Corporate Governance Practices

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

During the year ended 31 December 2021, the Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

Code Provision A.2.1

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

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

Code Provisions A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

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

Code Provision E.1.2

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate to attend. These persons should be available to answer questions at the annual general meeting.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry to the directors, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the year ended 31 December 2021.

CHANGE IN DIRECTORS' INFORMATION

The changes in director's information, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

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

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

On 6 September 2021, Mr. Yu Shunhui ("**Mr. Yu**") resigned from the position of non-executive director of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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 2021 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 2021 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, 21 April, 2022

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