



TFG International Group Limited
富元國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 542

2019
INTERIM REPORT

CONTENTS

CORPORATE INFORMATION	2
UNAUDITED INTERIM RESULTS:	
Consolidated Statement of Profit or Loss	3
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to Condensed Consolidated Financial Statements	10
MANAGEMENT DISCUSSION AND ANALYSIS	23
SHARE OPTION SCHEME	26
DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS	27
PERSONS HOLDING 5% OR MORE INTEREST	28
CORPORATE GOVERNANCE AND OTHER INFORMATION	30
PURCHASE, SALE OR REDEMPTION OF SHARES	31
REVIEW OF INTERIM RESULTS	32

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

YANG Lijun (*Co-Chairman*)

(*re-designated on 29 August 2019*)

YU Shunhui (*Co-Chairman*)

(*appointed on 29 August 2019*)

YU Kam Hung

WAN Jianjun (*resigned on 14 January 2019*)

(*re-appointed on 15 April 2019*)

NON-EXECUTIVE DIRECTOR

WONG Kui Shing, Danny

(*re-designated on 1 February 2019*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Hoi Ling

SO Wai Lam

SUNG Yat Chun

COMPANY SECRETARY

WOO Chung Ping

PRINCIPAL BANKERS

China CITIC Bank International Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking

Corporation Limited

AUDITOR

CCTH CPA Limited

Unit 5-6, 7/F., Greenfield Tower

Concordia Plaza

1 Science Museum Road

Tsim Sha Tsui, Kowloon, Hong Kong

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

REGISTERED OFFICE

The Offices of Sterling Trust (Cayman) Limited

Whitehall House, 238 North Church Street

George Town, Grand Cayman KY1-1102

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 1101, 11/F., Tower A

Cheung Kei Center

18 Hung Luen Road,

Hung Hom, Kowloon

Hong Kong

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of TFG International Group Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
REVENUE	5	16,913	8,236
Cost of sales	8	(6,573)	(2,073)
		<hr/>	
Gross profit		10,340	6,163
Other income	6	2,632	2,629
Selling expenses		(1,256)	(1)
Administrative expenses		(35,131)	(57,440)
Loss on disposal of property, plant and equipment		–	(644)
Impairment of trade receivables reversed		3,473	3,685
Finance costs	7	(32,062)	(12,225)
Share of profit of a joint venture		–	4,453
		<hr/>	
LOSS BEFORE TAX	8	(52,004)	(53,380)
Income tax credit/(expense)	9	697	(3,082)
		<hr/>	
LOSS FOR THE PERIOD		(51,307)	(56,462)

		For the six months ended 30 June	
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		(49,652)	(48,230)
Non-controlling interests		(1,655)	(8,232)
		<hr/>	<hr/>
		(51,307)	(56,462)
		<hr/>	<hr/>
LOSS PER SHARE	<i>10</i>		
— Basic		HK(0.71) cents	HK(0.71) cents
		<hr/>	<hr/>
— Diluted		N/A	N/A
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(51,307)	(56,462)
OTHER COMPREHENSIVE (LOSS)/INCOME:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	(874)	187
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(52,181)	(56,275)
Total comprehensive loss for the period attributable to:		
Owners of the Company	(50,479)	(48,043)
Non-controlling interests	(1,702)	(8,232)
	(52,181)	(56,275)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		At 30 June 2019	At 31 December 2018
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		341,941	356,564
Investment properties		24,974	25,000
Property under development		443,503	592,573
Prepaid land lease payments		–	54,830
Licensing rights		20,176	21,628
Right of use assets		56,243	–
Pledged bank balances		22,053	22,076
		<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS		908,890	1,072,671
CURRENT ASSETS			
Properties held for sale	11	68,344	68,579
Deposit for acquisition of land for development		101,057	299,780
Inventories		4	26
Trade receivables	12	16,535	5,966
Prepayments, deposits and other receivables		39,545	13,137
Properties under development		493,269	–
Investments in wealthy management products		–	6,832
Cash and cash equivalents		69,070	54,273
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		787,824	448,593
		<hr/>	<hr/>
TOTAL ASSETS		1,696,714	1,521,264
CURRENT LIABILITIES			
Trade payables, other payables and accruals	14	127,673	98,548
Amount due to non-controlling interest		164,217	164,217
Loans and borrowings — due within one year		205,273	13,664
		<hr/>	<hr/>
TOTAL CURRENT LIABILITIES		497,163	276,429
		<hr/>	<hr/>
NET CURRENT ASSETS		290,661	172,164
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,199,551	1,244,835
		<hr/>	<hr/>

		At 30 June 2019	At 31 December 2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Loans and borrowings — due after one year		582,413	576,250
Lease liabilities		1,436	—
Deferred tax liabilities		42,169	42,871
		<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES		626,018	619,121
		<hr/>	<hr/>
NET ASSETS			
		573,533	625,714
		<hr/>	<hr/>
Share capital	<i>15</i>	69,464	69,464
Reserves		433,780	484,259
		<hr/>	<hr/>
Equity attributable to owners of the Company		503,244	553,723
Non-controlling interests		70,289	71,991
		<hr/>	<hr/>
TOTAL EQUITY		573,533	625,714
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company									
	Share capital	Share premium account	Property Revaluation reserve	Foreign currency translation reserve	Capital reduction reserve	Other reserve	Retained Profits	Total	Non-controlling interests	Total Equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2019 (Audited)	69,464	778,892	6,600	(28,199)	191,925	19,154	(484,113)	553,723	71,991	625,714
Loss for the period	-	-	-	-	-	-	(49,652)	(49,652)	(1,655)	(51,307)
Other comprehensive loss for the period	-	-	-	(827)	-	-	-	(827)	(47)	(874)
Total comprehensive loss for the period	-	-	-	(827)	-	-	(49,652)	(50,479)	(1,702)	(52,181)
At 30 June 2019 (Unaudited)	69,464	778,892	6,600	(29,026)	191,925	19,154	(533,765)	503,244	70,289	573,533
At 1 January 2018 (Audited)	67,816	738,538	-	(1,325)	191,925	19,154	(361,713)	654,395	62,833	717,228
Loss for the period	-	-	-	-	-	-	(48,230)	(48,230)	(8,232)	(56,462)
Other comprehensive income for the period	-	-	-	187	-	-	-	187	-	187
Total comprehensive income/(loss) for the period	-	-	-	187	-	-	(48,230)	(48,043)	(8,232)	(56,275)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	20,443	20,443
Placing of shares	1,648	40,354	-	-	-	-	-	42,002	-	42,002
Deregistration of subsidiaries	-	-	-	-	-	-	274	274	-	274
Other adjustment	-	-	-	-	-	-	-	-	(352)	(352)
At 30 June 2018 (Unaudited)	69,464	778,892	-	(1,138)	191,925	19,154	(409,669)	648,628	74,692	723,320

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(49,850)	(5,904)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(129,727)	3,313
NET CASH GENERATED FROM FINANCING ACTIVITIES	193,978	26,487
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,401	23,896
Cash and cash equivalents at the beginning of period	54,273	70,418
Effect of foreign exchange rate changes, net	396	(521)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	69,070	93,793
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	69,070	93,793

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

TFG International Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office and principal place of business of the Company are Whitehall House, 238 North Church Street, George Town, Grand Cayman KY1-1102, Cayman Islands and Suite 1101, 11/F., Tower A, Cheung Kei Center, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong, respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the period, the Group, comprising the Company and its subsidiaries (the “Group”), are engaged in properties development and hotel business in Mainland China (the “PRC”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The accounting policies and the basis of preparation adopted in the preparation of these unaudited condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2018, except for the adoption of the revised HKFRSs as disclosed in Note 3 below.

The unaudited consolidated financial statements for the six months ended 30 June 2019 have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value and are presented in Hong Kong Dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

For the six months ended 30 June 2019, the Group have applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

Other than as explained below regarding the impact of HKFRS 16 “Leases”, the application of other new and amended standards effective in respect of the current period had not resulted in any significant impact on the Group’s condensed consolidated financial statements. The Group has also not applied any new or amended standards that are not effective in respect of the current period.

HKFRS 16 Leases

The Group has adopted HKFRS 16 for the annual period beginning 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and the cumulative effect of initially applying HKFRS 16 has been recorded on 1 January 2019.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities and other payables. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- *reliance on previous assessments on whether leases are onerous*
- *applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application*
- *the use of a single discount rate to a portfolio of leases with reasonably similar characteristics*
- *the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and*
- *used hindsight in determining the lease term where the contract contains options to extend/terminate the lease*

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

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

(b) *Nature of the effect of adoption of HKFRS 16*

The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	<i>HK\$'000</i>
<i>Operating lease commitments disclosed as at 31 December 2018</i>	<i>5,337</i>
<i>Less: Recognition exemption — short-term leases</i>	<i>(4,618)</i>
	<hr/>
<i>Gross operating lease obligations at 1 January 2019</i>	<i>719</i>
<i>Weighted average incremental borrowing rate as at 1 January 2019</i>	<i>5.00%</i>
<i>Less: Total future interest expenses</i>	<i>(32)</i>
	<hr/>
<i>Lease liabilities/other payables as at 1 January 2019 excluding those for short term leases</i>	<i>687</i>
	<hr/>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

(c) Amounts recognised in the statement of financial position and profit or loss

	Right-of- use assets	Lease liabilities and other payables
	HK\$'000	HK\$'000
As at 1 January 2019	55,517	687
Additions	2,456	2,456
Depreciation charge	(1,456)	–
Interest	–	52
Payments	–	(413)
Disposals	(262)	(321)
Exchange realignment	(12)	2
	<hr/>	<hr/>
As at 30 June 2019	56,243	2,463

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:

Property Development Segment: development and sales of properties and provision of ancillary services including agency and clubhouse operating services; and

Hotel Business Segment: sub-licensing rights to hotel operators and 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 earned or loss sustained before tax from continuing operations before taking into account interest income from bank deposits, unallocated other income, unallocated corporate expenses (including central administration costs and directors' remuneration) and finance costs. This is the measure reported to the chief operation decision makers and the board of directors for the purposes of resource allocation and performance assessment. Comparative information in respect of the prior period has been restated to conform with the current period's presentation.

For the six months ended 30 June

	Property Development		Hotel Business		Other Business		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
<i>Segment revenue:</i>								
Revenue from external customers	9,990	951	6,923	7,285	-	-	16,913	8,236
Other income	518	695	736	653	849	848	2,103	2,196
Total segment revenue	10,508	1,646	7,659	7,938	849	848	19,016	10,432
Amortisation of licensing rights	-	-	(1,452)	(1,591)	-	-	(1,452)	(1,591)
Depreciation of property, plant and equipment	(868)	(233)	(13,941)	(14,907)	(411)	(448)	(15,220)	(15,588)
Depreciation of right-of-use assets	(503)	-	(953)	-	-	-	(1,456)	-
Amortisation of prepaid land lease payments	-	(37)	-	(963)	-	-	-	(1,000)
Impairment of trade receivable reversed	-	-	3,473	3,685	-	-	3,473	3,685
Segment loss	(5,921)	(25,719)	(5,385)	(8,940)	(759)	(370)	(12,065)	(35,029)
Bank and other interest income							529	433
Loss on disposal of property, plant and equipment							-	(644)
Other unallocated expenses							(8,406)	(10,368)
Finance costs (see Note 7)							(32,062)	(12,225)
Share of profit of a joint venture							-	4,453
Loss before tax							(52,004)	(53,380)

Geographical information

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

	<i>For the six months ended 30 June</i>	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
REVENUE		
— Hong Kong	—	—
— PRC	16,913	8,236
	<hr/>	<hr/>
	16,913	8,236
	<hr/>	<hr/>
	<i>At 30 June</i>	<i>At 31 December</i>
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
— Hong Kong	520	931
— PRC	886,317	1,049,664
	<hr/>	<hr/>
	886,837	1,050,595
	<hr/>	<hr/>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and pledged bank balances.

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

	<i>For the six months ended 30 June</i>	
	2019	2018
	HK\$'000	HK\$'000
Customer A	7,612	N/A
Customer B	6,598	5,379
	<hr/>	<hr/>

Revenue from Customer A for the six months ended 30 June 2018 did not contribute 10% or more to the Group's revenue for that period.

5. *REVENUE*

Revenue represents income from sub-licensing of operating rights, and proceeds from the sales of properties held for sale and services rendered to external customers during the period.

	<i>For the six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Licensing income</i>	<i>6,923</i>	<i>7,285</i>
<i>Sales of properties held for sale</i>	<i>286</i>	<i>–</i>
<i>Clubhouse operating services income</i>	<i>855</i>	<i>951</i>
<i>Property agency income</i>	<i>8,849</i>	<i>–</i>
	<hr/>	<hr/>
	<i>16,913</i>	<i>8,236</i>
	<hr/>	<hr/>

Revenue from sales of properties held of sale and clubhouse operating services income is recognised at a point of time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Based on the historical pattern, the directors of the Company are of the opinion that the income from licensing, service rendering and agency services are derived from services rendered for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

6. *OTHER INCOME*

	<i>For the six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Bank and other interest income</i>	<i>529</i>	<i>433</i>
<i>Loan interest income</i>	<i>849</i>	<i>848</i>
<i>Rental income</i>	<i>739</i>	<i>644</i>
<i>Others</i>	<i>515</i>	<i>704</i>
	<hr/>	<hr/>
	<i>2,632</i>	<i>2,629</i>
	<hr/>	<hr/>

7. *FINANCE COSTS*

	<i>For the six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Interest on loan and borrowings</i>	<i>2,895</i>	<i>3,483</i>
<i>Imputed interest on notes</i>	<i>–</i>	<i>8,210</i>
<i>Lease interest</i>	<i>52</i>	<i>–</i>
<i>Other interest</i>	<i>45,145</i>	<i>532</i>
	<hr/>	<hr/>
	<i>48,092</i>	<i>12,225</i>
<i>Less: Amount capitalised on properties under development</i>	<i>(16,030)</i>	<i>–</i>
	<hr/>	<hr/>
	<i>32,062</i>	<i>12,225</i>
	<hr/>	<hr/>

8. *LOSS BEFORE TAX*

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

	<i>For the six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Cost of sales</i>		
<i>Cost of inventories sold</i>	<i>472</i>	<i>482</i>
<i>Cost of properties sold</i>	<i>163</i>	<i>–</i>
<i>Amortisation of licensing rights</i>	<i>1,452</i>	<i>1,591</i>
<i>Property agency service charges</i>	<i>4,486</i>	<i>–</i>
	<hr/>	<hr/>
	<i>6,573</i>	<i>2,073</i>
<i>Exchange (gains)/losses</i>	<i>(807)</i>	<i>23,986</i>
<i>Depreciation of property, plant and equipment</i>	<i>15,220</i>	<i>15,588</i>
<i>Depreciation of right-of-use assets</i>	<i>1,456</i>	<i>–</i>
<i>Amortisation of prepaid land lease payments</i>	<i>–</i>	<i>1,000</i>
<i>Minimum lease payments under operating lease in respect of land and building</i>	<i>–</i>	<i>3,055</i>
<i>Rental expenses for short-term lease</i>	<i>2,508</i>	<i>–</i>
<i>Auditors' remuneration</i>		
— <i>Audit services</i>	<i>143</i>	<i>118</i>
<i>Staff costs (including directors' remuneration)</i>		
— <i>Wages and salaries</i>	<i>9,933</i>	<i>6,588</i>
— <i>Retirement benefits scheme contributions</i>	<i>295</i>	<i>309</i>
	<hr/>	<hr/>

9. *INCOME TAX CREDIT/(EXPENSE)*

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year under review. Subsidiaries in the PRC are subject to PRC Enterprise Income Tax at 25% (2018: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	<i>For the six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Current tax:</i>		
<i>Hong Kong</i>	-	-
<i>PRC</i>	-	-
	<hr/>	<hr/>
	-	-
<i>Deferred tax credit/(charge)</i>	697	(3,082)
	<hr/>	<hr/>
<i>Income tax credit/(expense)</i>	697	(3,082)
	<hr/> <hr/>	<hr/> <hr/>

10. *LOSS PER SHARE*

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company amounted to HK\$49,652,000 (six months ended 30 June 2018: HK\$48,230,000), and the weighted average of 6,946,350,040 (2018: 6,789,783,139) ordinary shares in issue during the period.

No diluted loss per share for both of the periods was presented as there were no potential ordinary shares in issue during the periods.

11. PROPERTIES HELD FOR SALE

	<i>At 30 June</i> 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	<i>At 31 December</i> 2018 <i>HK\$'000</i> <i>(Audited)</i>
<i>Properties held for sale</i>		
— Completed	2,801	2,967
— Under development	65,543	65,612
	<hr/>	<hr/>
	68,344	68,579
	<hr/>	<hr/>

12. TRADE RECEIVABLES

	<i>At 30 June</i> 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	<i>At 31 December</i> 2018 <i>HK\$'000</i> <i>(Audited)</i>
<i>Trade receivables, gross</i>	92,705	85,632
<i>Impairment loss recognised</i>	(76,170)	(79,666)
	<hr/>	<hr/>
	16,535	5,966
	<hr/>	<hr/>

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

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

	<i>At 30 June</i> 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	<i>At 31 December</i> 2018 <i>HK\$'000</i> <i>(Audited)</i>
<i>Within 1 month</i>	8,093	1,258
<i>1–3 months</i>	3,242	2,279
<i>4–12 months</i>	5,200	2,429
	<hr/>	<hr/>
	16,535	5,966
	<hr/>	<hr/>

13. LOAN RECEIVABLES

	<i>At 30 June</i> 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	<i>At 31 December</i> 2018 <i>HK\$'000</i> <i>(Audited)</i>
<i>Loan receivables</i>	19,000	19,000
<i>Less: impairment loss recognised</i>	(19,000)	(19,000)
	<hr/> —	<hr/> —

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	<i>At 30 June</i> 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	<i>At 31 December</i> 2018 <i>HK\$'000</i> <i>(Audited)</i>
<i>Payables for property development expenditure</i>	67,045	68,005
<i>Interest payable</i>	29,923	7,180
<i>Lease liabilities</i>	1,027	—
<i>Others</i>	29,678	23,363
	<hr/> 127,673	<hr/> 98,548

15. SHARE CAPITAL

	<i>At 30 June</i> 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	<i>At 31 December</i> 2018 <i>HK\$'000</i> <i>(Audited)</i>
<i>Authorised:</i>		
<i>100,000,000,000 (31 December 2018: 100,000,000,000)</i> <i>ordinary shares of HK\$0.01</i> <i>(31 December 2018: HK\$0.01) each</i>	1,000,000	1,000,000
<i>Issued and fully paid:</i>		
<i>6,946,350,040 (31 December 2018: 6,946,350,040)</i> <i>ordinary shares of HK\$0.01</i> <i>(31 December 2018: HK\$0.01) each</i>	69,464	69,464

16. *PROJECT COMMITMENTS*

As at 30 June 2019, the Group had outstanding commitments for property development expenditure and acquisition of land for development contracted but not provided for amounted to approximately HK\$568,636,000 (31 December 2018: HK\$667,678,000).

17. *DIVIDEND*

No dividend was paid or proposed for the six months ended 30 June 2019, nor has any dividend been proposed since the end of the reporting period (31 December 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended at 30 June 2019, the Group's revenue amounted to HK\$16.9 million, compared to HK\$8.2 million for the corresponding period 2018. The Group recorded a loss before tax of HK\$52.0 million, compared to the loss of HK\$53.4 million for the corresponding period 2018. Such loss is, amongst other things, mainly attributable to (i) significantly increased interest and finance costs because of raising up substantial amount of loans and borrowings to finance certain property development projects of the Group during the period; and (ii) depreciation of Group assets and staff payroll and directors' fees, which collectively shared substantial proportion of total operating expenses of the Group.

The Group's consolidated loss attributable to the owners of the Company for the six months ended 30 June 2019 amounted to HK\$49.7 million, compared to the loss of HK\$48.2 million for the corresponding period 2018.

PROPERTY DEVELOPMENT SEGMENT

For the six months ended 30 June 2019, sales of the property development segment amounted to HK\$10.0 million, compared to HK\$1.0 million for the corresponding period 2018. Loss of the segment for the six months ended 30 June 2019 was HK\$5.9 million, compared to the loss of HK\$25.7 million for the corresponding period 2018.

As at 30 June 2019, approximately 99.9% of residential units of Morning Star Villa ("MSV") and approximately 99.9% of all residential and commercial units of Morning Star Plaza ("MSP") were sold.

The Group continues focusing on the sale of completed unsold properties, and is actively looking for profitable investment opportunities relating to property development business which is consistently the major business focus of the Group.

HOTEL BUSINESS SEGMENT

For the six months ended 30 June 2019, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK\$6.9 million, compared to HK\$7.3 million for the corresponding period 2018. Loss of the segment amounted to HK\$5.4 million for the six months ended 30 June 2019, compared to a loss of HK\$8.9 million for the corresponding period 2018. The loss is mainly attributable to the finance cost, depreciation of property plant and equipment and right-of-use assets.

GEOGRAPHICAL SEGMENT

During the period, the Group did not have revenue generated from Hong Kong, and those revenue generated from elsewhere in the PRC mainly relating to hotel business and property development.

REVIEW OF FINANCIAL POSITION

OVERVIEW

Non-current assets of the Group as at 30 June 2019, consisted mainly of property, plant and equipment, right of use assets, land for development and licensing rights amounting to HK\$908.9 million, compared to HK\$1,072.7 million as at 31 December 2018. Current assets as at 30 June 2019 amounted to HK\$787.8 million, compared to HK\$448.6 million as at 31 December 2018. Current liabilities as at 30 June 2019 amounted to HK\$497.2 million, compared to HK\$276.4 million as at 31 December 2018. Non-current liabilities as at 30 June 2019 amounted to HK\$626.0 million, compared to HK\$619.1 million as at 31 December 2018.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group's total interest bearing borrowings amounted to approximately HK\$787.7 million (31 December 2018: HK\$589.9 million) comprised borrowings from financial institutions of HK\$146.6 million (31 December 2018: HK\$80.8 million) and borrowings from independent third parties of HK\$641.1 million (31 December 2018: HK\$509.1 million). These borrowings were used for financing our hotel operations and property development.

The Group's total equity as at 30 June 2019 was HK\$573.5 million (31 December 2018: HK\$625.7 million).

The Group's gearing ratio as at 30 June 2019 was 137.3% (31 December 2018: 94.3%). The gearing ratio was calculated on the basis of total interest bearing borrowings over the total equity of the Group. The significant increase in gearing ratio is mainly due to substantial amount of interest bearing borrowings raised to finance the development of property projects in Zhuhai and Chengdu.

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 capital commitments as at 30 June 2019 (31 December 2018: HK\$Nil million).

CONTINGENT LIABILITIES

As at 30 June 2019, the Group had contingent liabilities amounting to approximately HK\$0.1 million (31 December 2018: HK\$0.1 million) which were mainly buy-back guarantees in favour of banks to secure mortgage facilities granted to the purchasers of properties developed by MSV and MSP.

The directors consider that in case of default in payments, the net realizable value of the related properties can cover the outstanding mortgage principals together with accrued interest and penalty. Therefore, no provision for loss in this respect is required in the consolidated financial statements.

CHARGES ON GROUP ASSETS

As at 30 June 2019, part of the Group's leasehold land and buildings with a carrying value of approximately HK\$381.4 million (31 December 2018: HK\$393.3 million) had been pledged to a financial institution to secure mortgage loans.

In addition, non-current bank balances approximately of (i) HK\$1.0 million (31 December 2018: HK\$1.0 million) were pledged to certain banks to secure mortgage loan facilities granted to purchasers of the Group's properties held for sale, and (ii) HK\$21.0 million (31 December 2018: HK\$21.0 million) were pledged to a bank to secure the issuance of performance guarantee under the Land Grant Contract with Zhuhai Land Bureau for the acquisition of a land parcel located in Hengqin Zhuhai, the PRC.

STAFF ANALYSIS

The total number of staff employed by the Group as at 30 June 2019 was 168, compared to 51 as at 31 December 2018. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group continues to implement its overall human resources training and development programme and to equip its employees with necessary knowledge, skills and experience to deal with existing and future requirements and challenges.

OUTLOOK

As the central government's plan for the development of "Guangdong-Hong Kong-Macau Greater Bay Area" continues to progress, the Group have completed the acquisition of 100% interest of Rich Source Property Holdings Limited ("Rich Source") in 2018. The principal asset of Rich Source is a site designated for research and development and commercial uses in Hengqin, Zhuhai with an area of approximately 60,340 square meter. The site is capable of building a commercial property project of gross floor area of approximately 100,000 square meters, the saleable area of which is approximately 50,000 square meters. The average land cost is approximately RMB3,700 per square meter based on floor area. Our company plans to build a large scale building complex that integrates scientific research and development, office, ancillary business facilities, catering facilities and staff quarters. As of 30 June 2019, this project was under construction as scheduled. We expect the project will be available for pre-sale by the end of 2019.

The Group added two premium residential land parcels located in Sichuan province, China in 2018 to response to the group's business expansion need. The land parcels' site areas is approximately 75,313 square meters. The average land cost is approximately RMB2,400 per square meter based on the gross floor area. This project is expected to launch pre-sale in the fourth quarter of 2019. We intend to complete the acceptance and registration within the fourth quarter of 2020 and the residential units will be delivered by the end of 2020.

SHARE OPTION SCHEME

A new share option scheme (the "Scheme") was adopted pursuant to an ordinary resolution passed by the shareholders of the Company at a general meeting held on 8 June 2011. The purpose of the Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible participants.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any options to be granted under any other scheme must not in aggregate exceed 10% of the total number of shares in issue as at 10 June 2011 (the "Adoption Date").

With the approval of the Shareholders in general meeting, the total number of shares available for issue upon the exercise of all options to be granted under the Scheme and any other scheme under the limit as "refreshed" shall not exceed 10% of the shares in issue of the Company as at the date on which the shareholders approve the "refreshed" limit.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other scheme shall not exceed 30% of the shares in issue from time to time. No options may be granted under the Scheme and no options may be granted under any other schemes if this will result in the limit being exceeded.

The Scheme became effective on the Adoption Date, subject to earlier termination at any time decided by the Board of Directors and approved in advance by shareholders of the Company by ordinary resolution in a general meeting. The Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options under the Scheme will be granted. As of the date of this report, the remaining life of the Scheme is approximately of 22 months.

During the six months ended 30 June 2019, no options were granted nor were there any option outstanding under the Scheme.

As of the date of this report, the total number of shares available for issue under the Scheme may not exceed 193,164,814 shares, which represents 10% of the shares in issue of the Company at the Adoption Date or 2.78% of the shares in issue of the Company as at 30 June 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June, 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or which were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were set out below:

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

Name of directors	Name of company	Capacity	Number of ordinary shares	Percentage of issued share capital
YANG Lijun (Note 1)	The Company	Held by controlled corporations	2,830,195,152	40.74%
	The Company	Beneficial owner	11,608,000	0.17%
	All Great International Holdings Limited	Held by controlled corporation	25,500	51%
	Jade Leader International Investment Limited	Beneficial owner	50,000	100%

Note 1: As at 30 June 2019, All Great International Holdings Limited was owned as to 51% by Jade Leader International Investment Limited. Yang Lijun, an Executive Director and Chairman of Board of Directors of the Company (re-designated as Co-Chairman on 29 August 2019), was the sole beneficial owner of Jade Leader International Investment Limited. Accordingly, Yang Lijun and Jade Leader International Investment Limited were deemed to be interested in the 2,830,195,152 shares of the Company interested by All Great International Holdings Limited pursuant to the SFO.

Save as disclosed above, as at 30 June 2019, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

PERSONS HOLDING 5% OR MORE INTERESTS

As at 30 June 2019, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the shares of the Company:

Name of shareholders	Capacity	<i>Notes</i>	Number of ordinary shares	Percentage of issued ordinary shares
YU Shunhui	Held by controlled corporations	1, 2, 3	2,994,907,152	43.11%
All Great International Holdings Limited ("All Great")	Beneficial owner	1, 3	2,830,195,152	40.74%
Honor Huge Investment Holdings Limited ("Honor Huge")	Held by controlled corporations	1, 3	2,830,195,152	40.74%
Jade Leader International Investment Limited ("Jade Leader")	Held by controlled corporation	1, 3	2,830,195,152	40.74%
Ever Star International Investment Limited ("Ever Star")	Held by controlled corporation	1, 3	2,830,195,152	40.74%
LIN Rujie	Interest of spouse	4	2,841,803,152	40.91%
ZHANG Zhen Cheng	Beneficial owner		1,320,000,000	19.00%

Notes:

1. *As at 30 June 2019, Yu Shunhui was interested in the entire equity interests of Honor Huge, which in turn was interested in 35% of equity interests of All Great and in entire equity interests of Ever Star, which in turn was interested in 14% of equity interests of All Great. Accordingly, Yu Shunhui, Honor Huge and Ever Star were deemed to be interested in the 2,830,195,152 shares of the Company interested by All Great pursuant to the SFO. Yu Shunhui was also interested in the entire equity interests of Rising Giant Investments Limited, which in turn was interested in 164,712,000 shares of the Company, representing approximately 2.37% of the issued share capital of the Company as at 30 June 2019. Accordingly, Yu Shunhui was also deemed to be interested in such 164,712,000 shares of the Company interested by Rising Giant Investments Limited pursuant to the SFO.*
2. *On 29 August 2019, YU Shunhui was appointed as an Executive Director of the Company and a Co-Chairman of the Board of Directors of the Company.*
3. *As at 30 June 2019, All Great was owned as to 51% by Jade Leader, 35% by Honor Huge and 14% by Ever Star. Yang Lijun, an Executive Director and Chairman of the Board of Directors of the Company (re-designated as Co-Chairman on 29 August 2019), was the sole beneficial owner of Jade Leader. Accordingly, Yang Lijun and Jade Leader were deemed to be interested in the 2,830,195,152 shares of the Company interested by All Great pursuant to the SFO, and such number of shares had duplicated with equivalent number of shares as disclosed in Note 1 to the section headed "Directors' and Chief Executive's interests in Securities and Debentures of the Company and its associated corporations".*
4. *As at 30 June 2019, Lin Rujie, spouse of Yang Lijun was deemed to be interested in the shares of the Company deemed to be interested by Yang Lijun, an Executive Director and Chairman of the Board of Directors of the Company (re-designated as Co-Chairman on 29 August 2019).*

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

During the six months ended 30 June 2019, the Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarized below:

CODE PROVISIONS A.6.7

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

Due to other business engagements, two (2) Executive Directors and one (1) Independent Non-executive Directors could not attend the AGM of the Company held on 28 May 2019. However, there were one (1) Executive Director, one (1) Non-executive Director and two (2) Independent Non-executive Directors present to enable the Board to develop a balanced understand of the views of the Shareholders.

CODE PROVISION E.1.2

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

Due to other business engagements, Mr. Yang Lijun, Chairman of the Board (“Mr. Yang”) (re-designated as Co-Chairman on 29 August 2019) could not attend the annual general meeting (the “AGM”) held on 28 May 2019. However, Ms. Chan Hoi Ling, an Independent Non-executive Director of the Company took the chair of the AGM. Chairmen of Audit Committee and Remuneration Committee were present thereat to be available to answer any question to ensure effective communication with the Shareholders.

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 period.

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. Wan ("Mr. Wan") resigned as an Executive Director of the Company with effect from 14 January 2019. Mr. Wan was re-appointed as Executive Director of the Company and Chief Executive Officer of the Group with effect from 15 April 2019. Mr. Wan was offered a director's fee of HK\$160,000 per month plus year end discretionary bonus which is determined with reference to Mr. Wan's performance, responsibilities with the Company and the Company's remuneration policy.
- Mr. YU Shunhui ("Mr. YU") was appointed as an Executive Director of the Company (the "Executive Director") and a Co-Chairman of the Board (the "Co-Chairman") with effect from 29 August 2019. Mr. YU was offered a director's fee of HK\$150,000 per month plus year end discretionary bonus which is determined with reference to Mr. YU's performance, responsibilities with the Company and the Company's remuneration policy.
- Contemporaneous with the appointment of Mr. YU as an Executive Director and Co-Chairman of the Board, Mr. YANG Lijun ("Mr. YANG"), the Chairman of the Board immediately prior to Mr. YU's appointment, will be re-named a Co-Chairman, acting jointly with Mr. YU in the role of chairman of the Board (the "Re-naming"). Mr. YANG is an existing Executive Director and the controlling shareholder of the Company. He will continue to act as an Executive Director and there will be no change to his existing remuneration package.

Immediately prior to the Re-naming, Mr. YANG was entitled to annual remuneration of HK\$1,800,000, payable in 12 monthly instalments of HK\$150,000 and an annual discretionary bonus but did not enter into any service agreement with the Company. Upon the Re-naming, the Company has entered into a service agreement with Mr. YANG for a term of 3 years, setting out the same remuneration package as he was entitled immediately prior thereto, namely, an annual remuneration of HK\$1,800,000, payable in 12 monthly instalments of HK\$150,000 and an annual discretionary bonus.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2019 have been reviewed by the Audit Committee and the management. The Audit Committee constitutes three Independent Non-Executive Directors of the Company.

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

Hong Kong, 29 August 2019