

TARGET

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TFG INTERNATIONAL GROUP LTD: HOW MANY PEOPLE HAVE HEARD OF A 930-PERCENT GEARING RATIO ?

For the past eight Financial Years, ended December 31, 2021, TFG International Group Ltd (富元國際集團有限公司) (Code: 542, Main Board, The Stock Exchange of Hongkong Ltd) has recorded an unbroken string of financial losses.

In this medium's opinion, there is every reason to believe that this Company shall continue in its losing ways.

On May 12, 2022, Management of TFG International Group Ltd produced its 2021 Annual Report in respect of the Financial Year, ended December 31, 2021.

At Pages Three and Four of this 2021 Annual Report, Mr Yang Li Jun (楊立君), the Chairman of the Board of Directors, the Chief Executive Officer as well as being an Executive Director of the Company, in his '**REVIEW OF OPERATIONS AND FINANCIAL RESULTS**' had this to report to his shareholders:

'For the year ended 31 December 2021, the Group's revenue amounted to HK\$7.8 million, compared to HK\$22.4 million for 2020. The Group recorded a loss before tax of HK\$341.1 million, compared to the loss of HK\$216.6 million for the year of 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 sales commission payable to property agents. The Group's consolidated loss attributable to the owners of the Company for 2021 amounted to HK\$326.3 million (2020: loss of HK\$217.7 million).

'Revenue of the property development segment for the year ended 31 December 2021 amounted to 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 2020. During the year ended 31 December 2021, the Group has 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. During the year of 2021, all the projects were under construction. In 2021, pre-sales of German City project, Fuyuan Junting project and Fuyuan Square project achieved approximately 55.2%, 75.7% and 51.9% of their respective gross saleable areas available for sales...

‘The Group’s net current liabilities as at 31 December 2021 were approximately of HK\$685.9 million and loss before tax for the year ended 31 December 2021 was approximately of HK\$341.1 million, which cast significant doubt on the Group’s ability to continue as a going concern. The Company’s auditor does not express an opinion on the consolidated financial statements of the Company because of the aforesaid matters. The Directors, including the members of the audit committee of the Company, the management, and the auditor of the Company had reviewed and assessed plans and measures to improve the Group’s liquidity and financial performance. ...

*‘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 a direct wholly owned subsidiary of the Company for a consideration of HK\$282 million. The transaction contemplated herewith was a connected transaction under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). At the date of this report (May 12, 2022), the transaction is not completed and subject to the passing of the resolution by the shareholders of the Company at an **EGM** (Extraordinary General Meeting) to be held on 22 April 2022 ...’.*

At the following Page Four of the 2021 Annual Report, Chairman Yang Li Jun explained, under the heading, ‘**PROSPECT**’:

‘In 2021, the Group faced challenges coming from the outbreak of COVID-19 pandemic ravaged over the world, the adoption of tightening policies by the PRC government to reduce the leverage ratio of the property development industry participants, and the overall downward pressure on property prices in the Mainland. These challenges collectively contributed to the difficulties and uncertainties surrounding the business environment in the Mainland.

‘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 give more challenges to property sales. The Group will keep abreast of the development of COVID-19 and adjust its marketing plans and development strategies in response to the challenges in a timely manner to create greater value for Shareholders.’

CCTH CPA Ltd Has Its Say

The independent auditing company, obliged to study and to report on the financials of TFG International Group Ltd, et al, was, as at Thursday, April 21, 2022, CCTH CPA Ltd (中正天恆會計師有限公司).

At Page 41 of the 2021 Annual Report of TFG International Group Ltd, CCTH CPA Ltd headed its five-paragraph report with a '**DISCLAIMER OF OPINION**'.

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