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## **China Cultural Tourism and Agriculture Group Limited**

**中國文旅農業集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 542)**

### **2023 FINAL RESULTS ANNOUNCEMENT**

The Board of Directors (the “**Board**”) of China Cultural Tourism and Agriculture Group Limited (formerly known as 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 2023 together with the comparative figures for the year ended 31 December 2022, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
REVENUE	5	<b>305,020</b>	1,601,799
Cost of sales		<b>(187,255)</b>	(925,532)
		<hr/>	<hr/>
Gross profit		<b>117,765</b>	676,267
Other income and gains	6	<b>95,802</b>	16,770
Selling expenses		<b>(4,950)</b>	(324)
Administrative and other expenses		<b>(75,381)</b>	(134,772)
Gain on disposal of subsidiaries	8	–	222,171
Impairment of licensing right		<b>(1,749)</b>	(3,258)
Impairment of property under development		–	(25,253)
Impairment of property held for sale		<b>(153,169)</b>	–
Finance costs	7	<b>(147,252)</b>	(203,706)
		<hr/>	<hr/>
(LOSS)/PROFIT BEFORE TAX	9	<b>(168,934)</b>	547,895
Income tax expense	10	<b>(35,495)</b>	(217,761)
		<hr/>	<hr/>
(LOSS)/PROFIT FOR THE YEAR		<b>(204,429)</b>	330,134
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/profit for the year attributable to:			
Owners of the Company		<b>(192,711)</b>	265,177
Non-controlling interests		<b>(11,718)</b>	64,957
		<hr/>	<hr/>
		<b>(204,429)</b>	330,134
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i>
(LOSS)/PROFIT PER SHARE	11		
— Basic		<b>(2.65)</b>	3.82
		<hr/>	<hr/>
— Diluted		<b>N/A</b>	N/A
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(LOSS)/PROFIT FOR THE YEAR	<u>(204,429)</u>	<u>330,134</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>(4,853)</u>	<u>2,656</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(4,853)</u>	<u>2,656</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u><u>(209,282)</u></u>	<u><u>332,790</u></u>
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	<u>(194,723)</u>	265,877
Non-controlling interests	<u>(14,559)</u>	<u>66,913</u>
	<u><u>(209,282)</u></u>	<u><u>332,790</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		153,237	173,740
Right-of-use assets		42,769	45,260
Properties under development	12	1,623,860	1,592,856
Licensing rights		480	3,160
		<u>1,820,346</u>	<u>1,815,016</u>
<b>TOTAL NON-CURRENT ASSETS</b>			
		<u>1,820,346</u>	<u>1,815,016</u>
<b>CURRENT ASSETS</b>			
Properties held for sale	13	1,026,602	1,047,016
Inventory		3,433	941
Trade receivables	14	1,021	230
Prepayments, deposits and other receivables		391,323	215,196
Amount due from a director		165	170
Amount due from a non-controlling shareholder		363	283
Restricted bank balances		131,912	235,797
Cash and cash equivalents		13,370	16,127
		<u>1,568,189</u>	<u>1,515,760</u>
<b>TOTAL CURRENT ASSETS</b>			
		<u>1,568,189</u>	<u>1,515,760</u>
<b>TOTAL ASSETS</b>			
		<u>3,388,535</u>	<u>3,330,776</u>

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables and accruals	<i>15</i>	<b>519,459</b>	966,040
Contract liabilities	<i>16</i>	<b>178,623</b>	386,981
Amount due to a non-controlling shareholder	<i>17</i>	<b>2,206</b>	–
Loans and borrowings — due within one year		<b>320,905</b>	433,369
Promissory note payable	<i>19</i>	–	108,236
Amount due to a director	<i>18</i>	–	18,212
Tax payable		<b>281,788</b>	246,472
		<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,302,981</b>	2,159,310
		<hr/>	<hr/>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>265,208</b>	(643,550)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,085,554</b>	1,171,466
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings — due after one year		<b>1,160,820</b>	929,254
Other payables		<b>468,013</b>	–
Amount due to a director	<i>18</i>	<b>148,580</b>	5,750
Promissory note payable	<i>19</i>	<b>133,182</b>	–
Deferred tax liabilities		<b>87,045</b>	87,516
		<hr/>	<hr/>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,997,640</b>	1,022,520
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>87,914</b>	148,946
		<hr/>	<hr/>
Share capital	<i>20</i>	<b>76,872</b>	69,464
Reserves		<b>(20,796)</b>	33,173
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>56,076</b>	102,637
Non-controlling interests		<b>31,838</b>	46,309
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>87,914</b>	148,946
		<hr/>	<hr/>

## NOTES

### 1. CORPORATE INFORMATION

China Cultural Tourism and Agriculture Group Limited (formerly known as 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 94 Solaris Avenue, 2nd Floor Camana Bay, Grand Cayman KY1-1203, Cayman Islands and Unit 402, Kowloon City Plaza, 128 Carpenter Road, Kowloon City, Kowloon, Hong Kong, respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

During the year, the Group’s activities mainly comprised properties development, hotel business and trading of food and beverage 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**

For the year ended 31 December 2023, the Group recorded a net loss of approximately HK\$204,429,000. As at 31 December 2023, the Group’s financial obligations approximately HK\$1,302,981,000, which are due for repayment within the next twelve months. Among these obligations, approximately HK\$256,248,000 of bank borrowings are repayable on demand while Group’s available cash and cash equivalents amount to approximately HK\$13,370,000. These events and conditions indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group’s liquidity and financial position, and to remedy certain delayed repayments to financial institutions. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties including:

- (i) the successful obtaining of additional new source of finance as and when needed;

- (ii) accelerating the pre-sales of properties under development and speeding up the delivery of completed properties to property buyers; and
- (iii) the successful negotiations with the property constructors and lenders for the renewal or extension of repayment for those construction costs, borrowings, including those construction costs payables, loan principals and interests that are already overdue.

Should the Group fail to achieve the abovementioned plans and measures, it may not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

### **3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS**

#### **New standard and amendments to standards effective for the current accounting period beginning on 1 January 2023 and relevant to the Group**

HKFRS 17	Insurance Contracts and related amendments
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendment to HKAS 12	International Tax Reform — Pillar Two Model Rules

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.

## **Amendments and interpretations to standards relevant to the Group that are not yet effective in 2023 and have not been early adopted by the Group**

The Group has not early adopted the following amendments and interpretations to standards that have been issued but are not yet effective for the year ended 31 December 2023:

Amendments to HKAS 1 Presentation of Financial Statements	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Hong Kong Interpretation 5 (revised)	Presentation of Financial Statements — Classification by the borrower of a term loan that contains a repayment on demand clause <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments) <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

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

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 goods.

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	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>								
Revenue from contracts with customers								
— recognised at a point in time	288,447	1,586,691	—	—	7,440	1,897	295,887	1,588,588
— recognised over time	8,502	8,823	631	4,388	—	—	9,133	13,211
Total segment revenue	<u>296,949</u>	<u>1,595,514</u>	<u>631</u>	<u>4,388</u>	<u>7,440</u>	<u>1,897</u>	<u>305,020</u>	<u>1,601,799</u>
Segment (loss)/profit	<u>(204)</u>	<u>572,901</u>	<u>(24,444)</u>	<u>(28,368)</u>	<u>(6,216)</u>	<u>(10,625)</u>	<u>(30,864)</u>	<u>533,908</u>
Reconciliation:								
Bank interest income							504	1,044
Other income							16,662	1,119
Gain on disposal of subsidiaries							—	222,171
Other unallocated expenses							(7,984)	(6,641)
Finance costs							<u>(147,252)</u>	<u>(203,706)</u>
(Loss)/profit before tax							<u>(168,934)</u>	<u>547,895</u>

*Note:* There were no inter-segment sales for both of the year ended 31 December 2023 and 31 December 2022.

### Geographical information

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>REVENUE</b>		
— PRC	<u>305,020</u>	<u>1,601,799</u>

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

Revenue from individual customer contributing over 10% of the total revenue of the Group is as follow:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A ( <i>Note</i> )	<u>156,961</u>	<u>N/A</u>

*Note:* Customer A contributed 51% of the total revenue of the Group during year ended 31 December 2023.

## 5. REVENUE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of properties held for sale	288,447	1,586,691
Sales of food and beverage	–	1,897
Sales of goods	7,440	–
Licensing income	631	4,388
Property agency income	<u>8,502</u>	<u>8,823</u>
	<u>305,020</u>	<u>1,601,799</u>

### Disaggregated by timing of revenue recognition

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue recognised:		
— Point in time	295,887	1,588,588
— Over time	<u>9,133</u>	<u>13,211</u>
	<u>305,020</u>	<u>1,601,799</u>

## 6. OTHER INCOME AND GAINS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	504	1,044
Government subsidies	–	120
Rental income	734	999
Others	2,014	893
Fair value change of financial liabilities	4,720	–
Gain of modification of financial liabilities	87,830	13,714
	<u>95,802</u>	<u>16,770</u>

## 7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interests on		
Loans and borrowings	150,808	205,452
Amounts due to a director	1,284	1,937
Promissory note payable	8,036	10,183
Lease liabilities	25	91
	<u>160,153</u>	<u>217,663</u>
Less: Amount capitalised on properties under development	<u>(12,901)</u>	<u>(13,957)</u>
	<u>147,252</u>	<u>203,706</u>

The borrowing costs have been capitalised at the rates ranged from 7.2% to 13% (2022: from 8.8% to 13%) per annum.

## 8. DISPOSAL OF SUBSIDIARIES

### Disposal of Ceneric Properties Limited

On 5 November 2021, the Company entered into a sale and purchase agreement (the “**Agreement**”) with a purchaser, 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 of the Company (the “**Disposal Company**”) together with its subsidiaries (the “**Disposal Group**”) (the “**Disposal**”) for a consideration of 282,000,000 (the “**Consideration**”). The purchaser whose sole director is Mr. Yang Lijun (“**Mr. Yang**”) who indirectly holds the entire issued share capital of the purchaser. Mr. Yang is also a controlling shareholder, an executive director, and a chairman of the board of directors of the Company. 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 Disposal had been approved by the shareholders of the Company at an extraordinary general meeting (“**EGM**”) held on 22 April 2022, and was completed on 20 May 2022.

The assets and liabilities of disposal group as at the date of disposal were as follow:

	<b>20/05/2022</b>
	<i>HK\$'000</i>
Fixed assets	1
Investment properties	10,921
Pledged bank balance	1,056
Property held for sales	1,312
Amount due from an immediate holding company	43,132
Accounts receivable	364
Other debtors, deposit paid and prepayment	17
Property under development	67,140
Cash at bank	28,413
Other creditors	(772)
Accrued liabilities	(1,117)
Deferred tax liabilities	(1,561)
	<u>148,906</u>
Non-controlling shareholder	(47,191)
	<u>101,715</u>
<b>Gain on disposal of subsidiaries:</b>	
Consideration received	282,000
Waiver of loan due to disposal group	43,132
Payment of professional fees	(1,246)
Net assets disposed of	(101,715)
	<u>222,171</u>
<b>Gain on disposal of subsidiaries</b>	<u>222,171</u>
<b>Net cash inflow arising on disposal:</b>	
Cash consideration received	282,000
Less: Bank balances and cash disposal of	(28,413)
	<u>253,587</u>

During the year ended 31 December 2022, the Disposal Group contributed revenue approximately of HK\$11,525,000 and profit before tax approximately of HK\$9,528,000 to the Group. It also contributed net cash outflow approximately of HK\$10,068,000 to the Group.

## 9. (LOSS)/PROFIT BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of sales		
Cost of properties sold	178,836	919,379
Cost of inventories sold	6,956	2,297
Amortisation of licensing rights	923	1,881
Property agency service charges	540	1,975
	<u>187,255</u>	<u>925,532</u>
Depreciation of property, plant and equipment	18,649	19,206
Depreciation of right-of-use assets	399	563
Loss on disposal of property, plant and equipment	–	48
Rental expenses for short-term leases	643	1,514
Auditors' remuneration	1,056	1,043
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	20,411	23,231
— Retirement benefits scheme contributions	1,178	1,771
Exchange losses, net	<u>6,705</u>	<u>32,570</u>

## 10. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax expense		
PRC enterprise income tax		
— Provision for the year	<u>(5,172)</u>	<u>(111,076)</u>
PRC Land appreciation tax (“LAT”)		
— Provision for the year	<u>(30,793)</u>	<u>(164,220)</u>
	<u>(35,965)</u>	<u>(275,296)</u>
Deferred tax	<u>470</u>	<u>57,535</u>
Income tax expense	<u>(35,495)</u>	<u>(217,761)</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% (2022: 25%) of the profits of the group entities in the PRC.

LAT is levied on properties developed by the Group for sale, at progressive rates from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

#### 11. (LOSS)/PROFIT PER SHARE

The calculation of the basic (loss)/profit per share is based on the (loss)/profit attributable to owners of the Company amounted to HK\$192,711,000 (2022: HK\$265,177,000), and 7,273,117,404 (2022: 6,946,350,040) ordinary shares in issue during the year.

No diluted (loss)/profit per share for both of the year ended 31 December 2023 and 2022 was presented as there were no potential ordinary shares in issue for both of the years.

#### 12. PROPERTIES UNDER DEVELOPMENT

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Properties under development, at cost	<u>1,623,860</u>	<u>1,592,856</u>

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

#### 13. PROPERTIES HELD FOR SALE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Properties held for sale — Under development	<u>1,026,602</u>	<u>1,047,016</u>

#### 14. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables, gross	85,765	87,697
Impairment loss recognised	<u>(84,744)</u>	<u>(87,467)</u>
	<u>1,021</u>	<u>230</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	317	173
1–3 months	55	57
4–12 months	649	–
	<u>1,021</u>	<u>230</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At the beginning of the year	87,467	94,904
Exchange realignment	(2,723)	(7,437)
	<u>84,744</u>	<u>87,467</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables for property development expenditure ( <i>Note a</i> )	277,835	588,701
Value-added tax payable	117,037	78,875
Interest payable	4,423	161,477
Lease liabilities	–	465
Other payables and accruals	120,164	136,522
	<u>519,459</u>	<u>966,040</u>

*Note:*

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	81,093	237,562
1–3 months	196,742	351,139
	<u>277,835</u>	<u>588,701</u>

## 16. CONTRACT LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Advance payments received for sales of properties	<u>178,623</u>	<u>386,981</u>

The Group received payments from customers based on billing schedules as stipulated in the property sale contracts. Payments are usually received in advance of the performance under the sale contracts.

As at 1 January 2022, contract liabilities amounted to HK\$1,974,806,000.

## 17. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The amount due to a non-controlling shareholder is unsecured, interest free and repayable on demand.

## 18. AMOUNT DUE TO A DIRECTOR

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Amount due to a director repayable:		
— Within one year	–	18,212
— Within a period of more than one year but not exceeding three years	<u>148,580</u>	<u>5,750</u>
	<u>148,580</u>	<u>23,962</u>
Analysed for reporting purpose:		
— Current liabilities	–	18,212
— Non-current liabilities	<u>148,580</u>	<u>5,750</u>
	<u>148,580</u>	<u>23,962</u>

The amount due to a director, Mr. Yang Lijun is unsecured, carries interest at 12%–13% per annum (2022: 13% per annum).

## 19. PROMISSORY NOTE PAYABLE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Promissory note payable:		
— Within one year	–	108,236
— Within a period of more than one year but not exceeding eight years	<u>133,182</u>	<u>–</u>
	<u>133,182</u>	<u>108,236</u>

## 20. SHARE CAPITAL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Authorised: 100,000,000,000 (2022: 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: 7,687,158,040 (2022: 6,946,350,040) ordinary shares of HK\$0.01 each	<u>76,872</u>	<u>69,464</u>

## 21. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2023, nor had any dividend been proposed since the end of the reporting period (2022: Nil).

## 22. PROJECT COMMITMENTS

As at 31 December 2023, the Group had outstanding commitments for property development expenditure and acquisition of land for development contracted but not provided for amounted to approximately HK\$221,041,000 (2022: HK\$223,485,000).

## 23. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2023 (2022: Nil).

## 24. CONTINGENT LIABILITIES

As at 31 December 2023, the Group had contingent liabilities amounting to HK\$301,082,000 (2022: HK\$361,076,000) 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 2023:

## **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**

For the year ended 31 December 2023, the Group recorded a net loss of approximately HK\$204,429,000. As at 31 December 2023, the Group's financial obligations approximately HK\$1,302,981,000, which are due for repayment within the next twelve months. Among these obligations, approximately HK\$256,248,000 of bank borrowings are repayable on demand while Group's available cash and cash equivalents amount to approximately HK\$13,370,000. These events and conditions, together with other matters described in Note 2 to this announcement, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remedy certain delayed repayments to financial institutions, which are set out in Note 2 to this announcement. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties including:

- (i) the successful obtaining of additional new source of finance as and when needed;
- (ii) accelerating the pre-sales of properties under development and speeding up the delivery of completed properties to property buyers; and
- (iii) the successful negotiations with the property constructors and lenders for the renewal or extension of repayment for those construction costs, borrowings, including those construction costs payables, loan principals and interests that are already overdue.

Should the Group fail to achieve the abovementioned plans and measures, it may not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis. In view of the extent of the material uncertainties relating to the results of those measures 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the year ended 31 December 2023, the Group's revenue was approximately of HK\$305.0 million, compared to HK\$1,601.8 million for 2022. The Group recorded a loss before tax approximately of HK\$168.9 million, compared to the profit of HK\$547.9 million for 2022. The decrease in total revenue was mainly due to a substantial decrease in the sales of property the Group in 2023. The loss, amongst other things, was mainly attributable to (i) the impairment of certain assets of the Group; and (ii) the recognition of a one-off gain from the disposal of subsidiaries in 2022 which was no longer available in 2023.

Loss attributable to the owners of the Company for the year ended 31 December 2023 was approximately of HK\$192.7 million, compared to the profit of HK\$265.2 million for the corresponding period in 2022.

## PROPERTY DEVELOPMENT SEGMENT

Revenue of the property development segment for the year ended 31 December 2023 was approximately of HK\$296.9 million, compared to HK\$1,595.5 million for 2022. Loss of the property development segment for the year ended 31 December 2023 was HK\$0.2 million, compared to the profit of HK\$572.9 million for the corresponding period in 2022. The loss was mainly due to the impairment of property held for sales in 2023.

During the year ended 31 December 2023, the Group had three projects under development on hand, namely German City project located in Hengqin New District, Zhuhai City, Fuyuan Junting project located in Chengdu, and Fuyuan Square project located in Doumen, respectively.

German City project holds a land parcel with total gross floor area approximately of 145,176 sq. m., of which approximately of 49,999 sq. m. is for sales. German City project is designated to be developed into a research and commercial complex. German City project had started pre-sales since the 4th quarter of 2019. As at 31 December 2023, German City project had achieved sales amounting to 54.40% of its gross saleable areas available for sale. The construction work of German City project is expected to be completed in December 2024.

Fuyuan Junting project holds two land parcels with total gross floor area approximately of 120,500 sq. m., of which 84,425 sq. m. is available for sales. Fuyuan Junting project is to be developed into a residential complex. Fuyuan Junting project had started pre-sales since the 4th quarter of 2019. As at 31 December 2023, first phase and second phase of Fuyuan Junting project had achieved sales amounting to approximately of 100% and 64.80% of its respective total gross saleable areas available for sales. Construction work of the first phase of the project had been completed. The completed properties of the first phase of the project had been handed over to the buyers since May 2022. Construction work of the second phase of the project is expected to be completed in September 2024.

Fuyuan Square project holds a land parcel of gross floor area of approximately 197,391 sq. m., of which approximately of 61,654 sq. m. is available for sales. Fuyuan Square project is designated to be developed into a commercial complex which comprises office towers, a 5-star standard hotel and a shopping center with basement car parks. Fuyuan Square project had started pre-sales since July 2020. As at 31 December 2023, Fuyuan Square project had achieved sales contracts approximately 59.63% of its total gross saleable areas available for sale. Construction work of Fuyuan Square project is expected to be completed in June 2024.

The Group is striving to accelerate the progress of pre-sale of properties.

## **HOTEL BUSINESS**

For the year ended 31 December 2023, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK\$0.63 million, compared to HK\$4.4 million for the corresponding period 2022. Loss of the segment amounted to HK\$24.4 million for the year ended 31 December 2023, compared to a loss of HK\$28.4 million for the corresponding period 2022. The loss was mainly attributable to the depreciation and amortisation of property, plant and equipment, finance costs incurred, and impairment of licensing right in 2023.

### **Geographical Segment**

During the year, the Group did not have revenue generated from Hong Kong, and the revenue so generated elsewhere in the PRC mainly related to hotel business and property development.

## **MATERIAL ACQUISITION**

On 15 June 2023, a direct wholly-owned subsidiary of the Company (the “**Purchaser**”) entered into an agreement with a vendor (the “**Vendor**”), pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued share capital of the target company at a consideration of approximately RMB169.3 million (equivalent to approximately HK\$188.6 million) (the “**Acquisition**”) which is to be settled by (i) the issue and allotment of 740,808,000 consideration shares at a price of HK\$0.2 per consideration share (equivalent to approximately RMB133.0 million), and (ii) payment of cash in the amount of approximately RMB36.3 million. The Acquisition was completed on 24 July 2023.

## REVIEW OF FINANCIAL POSITION

### Overview

As at 31 December 2023, non-current assets of the Group consisted of property under development, property, plant and equipment, right-of-use assets, and licensing rights approximately amounting to a total of HK\$1,820.3 million, compared to HK\$1,815.0 million as at 31 December 2022. Current assets as at 31 December 2023 approximately amounted to a total of HK\$1,568.2 million, compared to HK\$1,515.8 million as at 31 December 2022. Current liabilities as at 31 December 2023 approximately amounted to a total of HK\$1,303.0 million, compared to HK\$2,159.3 million as at 31 December 2022. Non-current liabilities as at 31 December 2023 approximately amounted to a total of HK\$1,997.6 million, compared to HK\$1,022.5 million as at 31 December 2022. Net assets of the Group as at 31 December 2023 amounted to approximately HK\$87.9 million, as compared to net assets of HK\$148.9 million as at 31 December 2022.

### Capital Structure, Liquidity and Financial Resources

As at 31 December 2023, the Group's total interest bearing borrowings amounted to approximately of HK\$1,763.5 million (31 December 2022: HK\$1,476.7 million) which comprised borrowings from financial institutions of HK\$573.0 million (31 December 2022: HK\$372.1 million), borrowings from independent third parties of HK\$844.5 million (31 December 2022: HK\$926.4 million), promissory note payable of HK\$133.2 million (31 December 2022: HK\$108.2 million), other lender of HK\$64.2 million (31 December 2022: HK\$64.2 million), and amount due to a director of HK\$148.6 million (31 December 2022: HK\$5.8 million).

The Group's total equity as at 31 December 2023 amounted to approximately HK\$87.9 million (31 December 2022: HK\$148.9 million).

The Group's gearing ratio as at 31 December 2023 is approximately of 2,005.9% (31 December 2022: 991.4%). The gearing ratio was calculated on the basis of total interest bearing borrowings over the total equity 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 2023 (31 December 2022: Nil).

## **Project Commitments**

As at 31 December 2023, the Group's outstanding commitments in respect of the costs of property development and acquisition of land for development, contracted but not provided for, amounted to approximately of HK\$221.0 million (31 December 2022: HK\$223.5 million).

## **Contingent Liabilities**

As at 31 December 2023, the Group had contingent liabilities amounting to HK\$301.1 million (31 December 2022: HK\$361.1 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 2023, part of the Group's leasehold land and buildings with a carrying amount of HK\$195.6 million (31 December 2022: HK\$218.2 million) had been pledged to a financial institution to secure mortgage loans. Restricted bank balance of HK\$131.9 million (31 December 2022: HK\$235.8 million) were pledged to certain banks for facilities granted to the Group.

## **GOING CONCERN AND MITIGATION MEASURES**

The Company's auditor expressed a disclaimer of opinion on the Company's audited consolidated financial statements for the year ended 31 December 2023 in respect of uncertainties relating to going concern (the "**Disclaimer**").

The Disclaimer, amongst other things, was due to certain events and conditions casting significant doubts and uncertainties about the Group's going concern, including:

- (i) the Group recorded a net loss of approximately HK\$204,429,000,
- (ii) the Group's financial obligations due within twelve months as at 31 December 2023 approximately HK\$1,302,981,000, and

(iii) the Group's bank borrowing approximately HK\$256,248,000 repayable on demand.

While the Group's available cash and cash equivalents amount to approximately HK\$13,370,000.

The directors of the Company have been undertaking certain plans and measures to improve the Group's liquidity and financial position, which include:

- (i) negotiating with existing lenders to extend the repayment days of certain loans and borrowings and interest;
- (ii) obtaining additional new sources of finance;
- (iii) accelerating the pre-sales of properties under development and speed up the delivery of completed properties to property buyers; and
- (iv) negotiating with contractors to extend for the payment of contracting costs.

## **STAFF ANALYSIS**

The total number of staff employed by the Group as at 31 December 2023 was 98, compared to 113 as at 31 December 2022. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group continues to implement its overall human resource training and development programme and to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

## **OUTLOOK**

### **Outlook and Planning**

Since the epidemic loosened in the middle of 2023, China's economy has recorded growth in 2023, and the central government has also relaxed its financing policies for the real estate business. However, China's economic growth in 2023 did not have a significant boost to domestic real estate sales. Looking forward to 2024, the Group expects to take advantage of China's persistent economic growth to drive up the Group's property sales.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

During the year ended 31 December 2023, the Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules, except for the below deviation:

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yang Lijun (“**Mr. Yang**”) is the chairman of the Board and the chief executive officer of the Company. As Mr. Yang 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 for 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 and the businesses of the Group.

Save as disclosed above, in the opinion of the Directors, the Company has complied with the relevant provisions of the Corporate Governance Code during the period and up to the date of this report.

Further information on the Company’s corporate governance practices during the period under review will be set out in the Corporate Governance Report contained in the Company’s 2023 Annual Report.

## CHANGES IN DIRECTORS’ INFORMATION

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

On 3 March 2023, Mr. Wong Kui Shing, Danny resigned as non-executive Director of the Company.

On 3 March 2023, Mr. Sung Yat Chun resigned as independent non-executive Director, the chairman of nomination committee, a member of audit committee and a member of remuneration committee of the Company.

On 3 March 2023, Mr. Tam Ka Wai was appointed as an executive Director and a member of executive committee of the Company.

On 3 March 2023, Mr. Wong Yuk Lun, Alan was appointed as a non-executive Director of the Company.

On 3 March 2023, Ms. Chan Chu Hoi was appointed as an independent non-executive Director, the chairman of nomination committee, a member of audit committee and a member of remuneration committee of the Company.

## **CHANGE OF COMPANY NAME AND AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION**

A special resolution was passed by the shareholders of the Company at an extraordinary general meeting held on 16 November 2023 to approve, amongst other things, (i) the change of the English name of the Company from “TFG International Group Limited” to “China Cultural Tourism and Agriculture Group Limited” and change of the dual foreign name in Chinese of the Company from “富元國際集團有限公司” to “中國文旅農業集團有限公司”, and (ii) the amendments of certain memorandum and articles of association of the Company and the adoption of the new amended and restated memorandum and articles of association, in substitution for and to the exclusion of the amended and restated memorandum and articles of association of the Company adopted by a special resolution passed by the Shareholders on 27 June 2022, by making consequential amendments to reflect the name change of the Company and making housekeeping amendments for the correction of certain typographical errors and grammatical mistakes.

The Group is principally engaged in property development and hotel business in the People’s Republic of China. Following the completion of the acquisition of the entire issued share capital of China Cultural Tourism Group Limited in July 2023, the Group has been able to make new breakthroughs in its business, tap into the cultural and tourism markets in the region, seize relevant development opportunities and expand the Group’s business scope. In addition to the cultural and tourism business, the Group is exploring opportunities to expand its business activities into the wholesale and retail of agricultural and food products.

## **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 2023.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares.

## **AUDIT COMMITTEE AND REVIEW OF FINAL RESULTS**

The Board has established the audit committee of the Company (the “**Audit Committee**”) which comprises three independent non-executive directors.

The Audit Committee, the auditors and the management of the Company have reviewed the Group’s audited consolidated financial statements for the year ended 31 December 2023.

## **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 2023 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 2023 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.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 April 2024. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 5 April 2024.

By order of the Board  
**China Cultural Tourism and Agriculture Group Limited**  
**YANG Lijun**  
*Chairman*

Hong Kong, 3 April 2024

*As at the date of this announcement, the Board comprises Mr. YANG Lijun (Chairman), Mr. GAO Jingyao and Mr. TAM Kai Wai being the executive Directors, Mr. WONG Yuk Lun, Alan being the non-executive Director, and Ms. CHAN Chu Hoi, Ms. CHAN Hoi Ling and Ms. SO Wai Lam being the independent non-executive Directors.*