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CHINA TRUSTFUL GROUP LIMITED

中國之信集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 8265)

**ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR
THE THREE MONTHS ENDED 31 MARCH 2020**

**CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE
OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of China Trustful Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2020 together with the comparative unaudited figures for the corresponding periods in 2019 as follows:

FINANCIAL HIGHLIGHTS

- The Group’s revenue generated from our operations amounted to HK\$nil (three months ended 31 March 2019: HK\$39,711,000) for the three months ended 31 March 2020, which represented a decrease of HK\$39,711,000 or 100% as compared with the corresponding previous period.
- The loss for the three months ended 31 March 2020 was HK\$597,415,000 (profit for three months ended 31 March 2019: HK\$4,121,000), which represented a decrease of HK\$601,536,000 or 14,597% as compared with the corresponding previous period.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	—	39,711
Cost of sales		—	(26,896)
Gross profit		—	12,815
Interest revenue		—	89
Other income		800	2,630
Selling and distribution expenses		—	(424)
Administrative expenses		(5,412)	(9,796)
Other expenses		(592,803)	—
(Loss)/profit from operation		(597,415)	5,314
Finance costs		—	(179)
(Loss)/profit before tax		(597,415)	5,135
Income tax expenses	4	—	(1,014)
(Loss)/profit for the period		(597,415)	4,121
Other comprehensive (loss)/income for the period (after tax):			
Item that may be reclassified to profit or loss:			
— Exchange differences on translating foreign operations		—	13,477
Total comprehensive (loss)/income for the period		(597,415)	17,598
(Loss)/profit for the period attributable to:			
Owners of the Company		(597,415)	2,551
Non-controlling interests		—	1,570
		(597,415)	4,121

		Three months ended	
		31 March	
		2020	2019
<i>Notes</i>		<i>HK\$'000</i>	HK\$'000
		(Unaudited)	(Unaudited)
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(597,415)	15,750
Non-controlling interests		—	1,848
		<u>(597,415)</u>	<u>17,598</u>
(Loss)/earnings per share (HK cents)			
— Basic	6	<u>(19.68)</u>	<u>0.10</u>
— Diluted		<u>(19.68)</u>	<u>0.10</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

(Unaudited)

	Attributable to owners of the Company								
	Share capital	Share premium	Translation reserve	Capital contribution	Statutory general reserve	(Accumulated	Total	Non-controlling interests	Total equity/ (deficit)
						losses)/ retained profits			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2020	60,724	543,325	(21,820)	12,144	—	(19,109)	575,264	(212)	575,052
Total comprehensive loss for the period	—	—	—	—	—	(597,415)	(597,415)	—	(597,415)
Disposal of subsidiaries	—	—	21,820	(12,144)	—	—	9,676	212	9,888
At 31 March 2020	60,724	543,325	—	—	—	(616,524)	(12,475)	—	(12,475)
At 1 January 2019	53,508	504,135	(23,022)	12,144	5,693	85,268	637,726	10,904	648,630
Effect of HKFRS 16	—	—	—	—	—	(165)	(165)	—	(165)
At 1 January 2019 (Restated)	53,508	504,135	(23,022)	12,144	5,693	85,103	637,561	10,904	648,465
Total comprehensive income for the period	—	—	13,199	—	—	2,551	15,750	1,848	17,598
At 31 March 2019	53,508	504,135	(9,823)	12,144	5,693	87,654	653,311	12,752	666,063

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

1. GENERAL INFORMATION

China Trustful Group Limited (the “Company”) was incorporated and registered as an exempted company with limited liability in Bermuda on 14 June 2010 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 26 January 2011. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The address of its principal place of business was Room 8, Flat C, 12/F., Por Mee Factory Building, 500 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong during the three months ended 31 March 2020. Subsequent to end of the reporting period, its principal place of business has been changed to Unit 1603, 16th Floor, The Phoenix, No. 23 Luard Road, Wanchai, Hong Kong on 15 March 2021.

The principal activity of the Company is investment holding.

The unaudited condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”), which is the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated. This unaudited condensed consolidated financial information was approved for issue by the board of directors of the Company (the “Board”) on 12 May 2021.

This unaudited condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Except for the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial period beginning 1 January 2020, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the three months ended 31 March 2020 are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements. This condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The application of these new and revised HKFRSs is not expected to have material impact on the unaudited condensed consolidated financial information of the Group.

The preparation of unaudited condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2019.

For the Silverware Business, all the assets, including but not limited to the books and accounting records, vouchers, computers, company stamps, relevant stocks, etc, of two subsidiaries of the Group in the PRC, namely 浙江通銀貴金屬經營有限公司 (for identification purpose, Zhejiang Tong Yin Precious Metal Operation Company Limited (“Zhejiang Tong Yin”) and 杭州銀鑫投資管理有限公司 (for identification purpose, Hangzhou Yin Xin Investment Management Company Limited) (the “Records and Documents”) were seized by the Ministry of Public Security of the PRC as the Records and Documents were kept and stored in a shared office with one of the resigned executive director, Mr. Zhang Genjiang, who holds 49% equity interest of Zhejiang Tong Yin and was arrested during the course of seizure of other businesses of Mr. Zhang Genjiang (the “Special Circumstance”). The Company has not received any official documentation from the Ministry of Public Security of the PRC nor any relevant departments from the PRC government and the Special Circumstance was merely notified to the Company in January 2020 by relevant staff of the PRC subsidiaries of the Group. The Company has checked relevant information from the Bureau of Industry and Commerce of the PRC and other unofficial company search engine to verify the Special Circumstance and no information could be founded except the equity of Zhejiang Tong Yin was frozen in January 2020.

The Company has obtained an investigation report from a PRC lawyer in which the PRC lawyer advised that there is no way to recover the seized records and documents at this moment as it is under the criminal investigation by the Public Security. According to the announcements published by the Public Security, Mr. Zhang Genjiang, a former executive director of the Company and the controller of 浙江之信控股集團有限公司 (Zhejiang Zhixin Holdings Group Co. Ltd.*), was arrested for suspected illegal absorption of public deposits. The Public Security has seized various properties, assets, cash and other things related to the suspects. The PRC lawyer advised that according to PRC laws, the Group’s subsidiaries operating the silverware business and those operating the electric vehicle business were considered as connected with the suspects. The PRC lawyer further advised that the seized record and documents would only be dealt with after the relevant criminal investigation or court trial was closed. Other than the announcements published by the Public Security, the PRC lawyer was unable to obtain any further information relating to the investigation by the Public Security.

For the Electric Vehicle Business, the subsidiaries which are operating the Electric Vehicle Business in PRC that such PRC subsidiaries are also subject to investigation by the Ministry of Public Security of the PRC (the “Investigated Electric Vehicle Business Subsidiaries”) in connection with the Special Circumstance.

In July 2020, the Company was informed orally by the subsidiary which is operating the Electric Vehicle Business in PRC that as revealed by a governmental website, a piece of land of that subsidiary was disposed pursuant an order of the Government in early 2020 (the “Land Disposal”). In this circumstance, the Company was only aware this incident recently and in fact, no official documentation was received by the Company and the Company then did not have any knowledge as to the situation about the Land Disposal. Accordingly, the Company has taken appropriate action immediately to appoint PRC lawyer to investigate, gather evidence and take appropriate action, subject to the advice by the PRC lawyer, in order for the purpose to verify whether it was an inappropriate disposal and try the best to preserve the assets of the subsidiary and whether the Group could lodge a petition to the Court to appeal against the Land Disposal in order to retrieve back the Group’s asset.

In addition, the Company was also informed by the subsidiary which is operating the Electric Vehicle Business in PRC that the bank accounts under the Electric Vehicle Business’s subsidiaries have been restricted for any withdrawal which is in connection with the investigation by the Ministry of Public Security of the PRC regarding the resigned executive director, Mr. Zhang Genjiang. The Company would also seek legal advice from the PRC lawyer in order to enable the Company to take any appropriate action including but not limited to uplifting the restriction. The Company are given to understand that the withdrawal restrictions of such bank accounts would last for and up to 8 February 2021 subject to further extension taken out by the Ministry of Public Security of the PRC.

Up to the date of this announcement, the PRC lawyer is still working in progress on the above mentioned events, details were set out in the Company’s announcement date 19 February 2020, 17 August 2020 and 7 September 2020.

Deconsolidation of subsidiaries

The condensed consolidated financial information has been prepared based on the books and records maintained by the Group. The directors were informed that a significant portion of such books and records were maintained in the PRC. However, access to such books and records was limited because such books and records were seized by the Public Security of the PRC since January 2020 and were lost due to the departure of top management personnel including relevant directors, legal representatives and finance manager.

The directors considered that the control over the following subsidiaries had been lost since 2019. The results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group since 2019. The major subsidiaries were deconsolidated as follows:

- (i) 杭州銀鑫投資管理有限公司
- (ii) 浙江通銀貴金屬經營有限公司
- (iii) 上海銀擎投資管理有限公司
- (iv) 上海食異文化傳播有限公司

The directors considered that the control over the following subsidiaries had been lost since January 2020. The results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the condensed consolidated financial information of the Group since January 2020. The major subsidiaries were deconsolidated as follows:

- (v) 湖州信成電動汽車有限公司
- (vi) 湖州信馳電動汽車有限公司
- (vii) 湖州信宇汽車銷售服務有限公司
- (viii) 江西信成電動汽車有限公司
- (ix) 肇慶信遠汽車銷售服務有限公司
- (x) Ecological Green Transportation Limited (Incorporated in United Kingdom)
- (xi) Ecological Green Transportation Limited (Incorporated in Hong Kong)
- (xii) China Energy and Chemical Investment Limited
- (xiii) Hong Kong Trustful Energy and Chemical Limited
- (xiv) Ultimate Growth Investments Limited
- (xv) Great Fortune Enterprise Company Limited
- (xvi) Gulf Energy (China) Limited

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers:

	Three months ended	
	31 March	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of goods:		
— Silverware and porcelain	—	14,152
— Electric vehicles and related products	—	25,559
	<hr/>	<hr/>
Revenue from contracts with customers	<u>—</u>	<u>39,711</u>

Segment information

The principal products and services of each of these operations are as follows:

- (1) Silverware Business — retail and wholesale of luxury brand silverware, silver utensils and luxury goods in the PRC; and
- (2) Electric Vehicle Business — research and development, manufacture and sale of rechargeable batteries, electric vehicles and related products and provision of related services.

Information regarding the Group's reportable operating segments including the reconciliations to loss/profit before tax are as follows:

Three months ended 31 March 2020

	Silverware Business HK\$'000 (Unaudited)	Electric Vehicle Business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Reportable segment revenue	<u>—</u>	<u>—</u>	<u>—</u>
Reportable segment profit	<u>—</u>	<u>—</u>	<u>—</u>
Interest revenue			—
Corporate income and expenses			<u>(597,415)</u>
Loss before tax			<u><u>(597,415)</u></u>
Adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA")	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

Three months ended 31 March 2019

	Silverware Business HK\$'000 (Unaudited)	Electric Vehicle Business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Reportable segment revenue	<u>14,152</u>	<u>25,559</u>	<u>39,711</u>
Reportable segment profit	<u>3,916</u>	<u>5,954</u>	<u>9,870</u>
Interest revenue			89
Corporate income and expenses			<u>(4,824)</u>
Profit before tax			<u><u>5,135</u></u>
Adjusted EBITDA	<u><u>4,060</u></u>	<u><u>9,805</u></u>	<u><u>13,865</u></u>

4. INCOME TAX EXPENSES

	Three months ended	
	31 March	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — PRC Corporate Income Tax		
— Provision for the period	<u>—</u>	<u>1,014</u>

PRC subsidiaries are subject to PRC Corporate Income Tax at 25% for the three months ended 31 March 2020 (three months ended 31 March 2019: 25%).

No provision for Hong Kong Profits Tax has been made since there were no assessable profits in Hong Kong for the three months ended 31 March 2020 (three months ended 31 March 2019: nil).

5. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the three months ended 31 March 2020 (three months ended 31 March 2019: nil).

6. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the following:

	Three months ended	
	31 March	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	<u>(597,415)</u>	<u>2,551</u>

Number of shares	Three months ended	
	31 March	
	2020	2019
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<u>3,036,200</u>	<u>2,473,002</u>

(b) Diluted loss/earnings per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the three months ended 31 March 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Results of the Group

During the three months ended 31 March 2020, the Group recorded revenue of HK\$nil, representing a 100% decrease as compared with the same period in 2019 (31 March 2019: HK\$39,711,000). The Group recorded loss for the three months ended 31 March 2020 of HK\$597,415,000 (31 March 2019: profit of HK\$4,121,000) and other comprehensive income of HK\$nil (31 March 2019: income of HK\$13,477,000), being exchange differences arising from translating foreign operations during the period. Loss attributable to owners of the Company was HK\$597,415,000 as compared with a profit of HK\$2,551,000 for the same period last year; whereas basic loss per share was HK19.68 cents (31 March 2019: earnings of HK0.10 cents).

The Group's selling and distribution costs and administrative expenses, in total, decreased from HK\$10,220,000 for the same period last year to HK\$5,412,000 during the three months ended 31 March 2020.

For the three months ended 31 March 2020, the Group has recorded other expenses of HK\$592,803,000 in relation to deconsolidation of subsidiaries, including but not limited to Electric Vehicle Business and Energy and Petrochemical Business. More information is set out in the section of deconsolidation of subsidiaries under note 2.

Electric Vehicle Business

During the three months ended 31 March 2020, the Group recorded segment revenue of HK\$nil (31 March 2019: HK\$25,559,000) in the Electric Vehicle Business, representing 0% of the Group's total revenue generated (31 March 2019: 64.4%). This segment recorded segment profit of HK\$nil (31 March 2019: HK\$5,954,000), and segment margin of 0% (31 March 2019: 23.3%).

Energy and Petrochemical Business

For the three months ended 31 March 2020, the Energy and Petrochemical Business recorded a revenue of HK\$nil, representing 0% of the Group's total revenue.

Silverware Business

The Group has loss control on Zhejiang Tong Yin and Hangzhou Yin Xin Investment Management Company Limited and accounted for deconsolidated for the year ended 31 December 2019. More information is set out in the annual report for the year ended 31 December 2019.

Prospects

Despite the aforesaid, the Board is determined to continue to engage in the Electric Vehicle Business. The Company considers that the prospects of electric vehicles in the PRC is promising in view of favourable government policies and growing market demands. The Group will focus on providing customized one stop solutions to customers for the supply of vehicle accessories and parts in China.

Capital Structure

During the three months ended 31 March 2020, there was no movement of the issued share capital of the Company.

Dividends

The Group did not recommend the payment of any dividend during the three months ended 31 March 2020 (31 March 2019: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

INTEREST IN A COMPETING BUSINESS

During the three months ended 31 March 2020, none of the directors, the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the three months ended 31 March 2020, which is of the opinion that such information comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 18 May 2020 and will remain suspended until the Company fulfills the Resumption Guidance.

By order of the Board
China Trustful Group Limited
Luo Huangshi
Chairman

Hong Kong, 12 May 2021

As at the date of this announcement, the executive Directors are Mr. Luo Huangshi and Mr. Tao Wah Wai Calvin; the independent non-executive Directors are Mr. Hu Chao, Mr. Wong Lok Man and Mr. Lo Cheuk Fei Jeffrey.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM Exchange’s website at <http://www.hkgem.com> for at least 7 days from the date of its posting. This announcement will also be published and remains on the website at www.irasia.com/listco/hk/chinatrustful/.