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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 2018**

**CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE OF
HONG KONG LIMITED (THE “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 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 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 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 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

FINANCIAL HIGHLIGHTS

- The Group’s revenue amounted to HK\$54,667,000 (three months ended 31 March 2017: HK\$68,582,000) for the three months ended 31 March 2018, which represented a decrease of HK\$13,915,000 or 20.3% as compared with the corresponding previous period.
- The profit attributable to owners of the Company for the three months ended 31 March 2018 was HK\$4,032,000 (three months ended 31 March 2017: HK\$4,448,000), representing a decrease of HK\$416,000 or 9.35% 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 2018.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the three months ended 31 March 2018

	Notes	Three months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	3	54,667	68,582
Cost of sales		(27,933)	(44,141)
Gross profit		26,734	24,441
Other revenue and other income		827	644
Selling and distribution costs		(327)	(746)
Administrative expenses		(14,124)	(14,946)
Finance costs		(1,185)	(1,115)
Profit before income tax		11,925	8,278
Income tax expense	5	(5,583)	(1,493)
Profit for the period		6,342	6,785
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising on translation of foreign operations during the period		22,776	2,322
Total comprehensive income for the period		29,118	9,107
Profit for the period attributable to:			
Owners of the Company		4,032	4,448
Non-controlling interests		2,310	2,337
		6,342	6,785
Total comprehensive income for the period attributable to:			
Owners of the Company		24,760	6,453
Non-controlling interests		4,358	2,654
		29,118	9,107
Earnings per share			
– Basic	7	HK0.19 cents	HK0.22 cents
– Diluted	7	HK0.18 cents	HK0.20 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Equity attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Share-based payment reserve HK\$'000	Translation reserve HK\$'000	Capital contribution reserve HK\$'000	Convertible bonds reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Three months ended 31 March 2018 (Unaudited)												
At 1 January 2018 (Audited)	43,024	439,575	155	1,033	2,565	8,273	12,144	9,842	86,938	603,549	49,133	652,682
Profit for the period	-	-	-	-	-	-	-	-	4,032	4,032	2,310	6,342
Other comprehensive income: Exchange differences arising on translation of foreign operations	-	-	-	-	-	20,728	-	-	-	20,728	2,048	22,776
Total comprehensive income for the period	-	-	-	-	-	20,728	-	-	4,032	24,760	4,358	29,118
At 31 March 2018 (Unaudited)	43,024	439,575	155	1,033	2,565	29,001	12,144	9,842	90,970	628,309	53,491	681,800
Three months ended 31 March 2017 (Unaudited)												
At 1 January 2017 (Audited)	41,024	163,815	155	1,033	2,565	(13,982)	12,144	9,842	9,716	226,312	31,686	257,998
Profit for the period	-	-	-	-	-	-	-	-	4,448	4,448	2,337	6,785
Other comprehensive income: Exchange differences arising on translation of foreign operations	-	-	-	-	-	2,005	-	-	-	2,005	317	2,322
Total comprehensive income for the period	-	-	-	-	-	2,005	-	-	4,448	6,453	2,654	9,107
At 31 March 2017 (Unaudited)	41,024	163,815	155	1,033	2,565	(11,977)	12,144	9,842	14,164	232,765	34,340	267,105

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

1. GENERAL INFORMATION

China Trustful Group Limited (the “Company”) was incorporated in Bermuda on 14 June 2010 as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares were listed on the GEM (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”) on 26 January 2011. King Full Inc Limited and Top Bliss Holdings Limited are substantial shareholders of the Company. The Company’s registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The Company’s principal place of business is located at Units 610–611, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the provision of sourcing and procurement solutions to customers for production of watches, costume jewellery, and display and packaging products (the “Sourcing Business”), the retail and wholesale of luxury brand silverware, silver utensils and luxury goods in the People’s Republic of China (the “PRC”) (the “PRC Silverware Business”) and the research and development, manufacture and sale of rechargeable batteries, electric vehicles and related products and provision of related services (the “Electric Vehicle Business”).

This 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 condensed consolidated financial information was approved for issue by the board of directors of the Company (the “Board”) on 11 May 2018.

This 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 year beginning 1 January 2018, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the three months ended 31 March 2018 are consistent with those of the annual financial statements for the year ended 31 December 2017, 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 2017.

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 condensed consolidated financial information of the Group.

The preparation of 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 2017.

3. REVENUE

	Three months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Sales of goods	8,570	19,906
Freight income	–	55
Retail and wholesale of silverware	25,281	15,397
Revenue from electric vehicles and related products	20,816	33,224
	<u>54,667</u>	<u>68,582</u>

4. SEGMENT INFORMATION

The Group has three reportable segments:

1. Sourcing Business
2. PRC Silverware Business
3. Electric Vehicle Business

Information regarding the Group's reportable operating segments including the reconciliations to profit before income tax is as follows:

	Sourcing Business (Unaudited) HK\$'000	PRC Silverware Business (Unaudited) HK\$'000	Electric Vehicle Business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Three months ended 31 March 2018				
Reportable segment revenue	<u>8,570</u>	<u>25,281</u>	<u>20,816</u>	<u>54,667</u>
Reportable segment (loss)/profit	<u>(2,669)</u>	<u>6,302</u>	<u>12,974</u>	<u>16,607</u>
Interest income				468
Corporate income and expenses				<u>(5,150)</u>
Profit before income tax				<u><u>11,925</u></u>
Adjusted (loss)/earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA")	<u>(2,592)</u>	<u>6,472</u>	<u>15,753</u>	<u>19,633</u>
Three months ended 31 March 2017				
Reportable segment revenue	<u>19,961</u>	<u>15,397</u>	<u>33,224</u>	<u>68,582</u>
Reportable segment profit	<u>333</u>	<u>6,321</u>	<u>5,613</u>	<u>12,267</u>
Interest income				94
Corporate income and expenses				<u>(4,083)</u>
Profit before income tax				<u><u>8,278</u></u>
Adjusted EBITDA	<u>421</u>	<u>6,455</u>	<u>8,846</u>	<u>15,722</u>

5. INCOME TAX EXPENSE

	Three months ended 31 March	
	2018 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	–	50
– PRC Enterprise Income Tax	5,741	1,590
Deferred tax		
– credit for the period	(158)	(147)
	<u>5,583</u>	<u>1,493</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for both periods. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods.

6. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the three months ended 31 March 2018 (three months ended 31 March 2017: nil).

7. EARNINGS PER SHARE

	Three months ended 31 March	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	4,032	4,448
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds, net of tax	801	744
	<u>4,833</u>	<u>5,192</u>
Earnings for the purpose of diluted earnings per share	<u><u>4,833</u></u>	<u><u>5,192</u></u>
	Three months ended 31 March	
	2018	2017
	(Unaudited)	(Unaudited)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,151,209	2,051,209
Effect of dilutive potential ordinary shares:		
Share options	34,767	34,757
Convertible bonds	486,715	482,291
	<u>2,672,691</u>	<u>2,568,257</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>2,672,691</u></u>	<u><u>2,568,257</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 31 March 2018, China Trustful Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) continued to engage in the research and development, manufacture and sale of rechargeable batteries, electric vehicles and related products and provision of related services (the “Electric Vehicle Business”), the retail and wholesale of luxury brand silverware, silver utensils and luxury goods in the People’s Republic of China (the “PRC”) (the “PRC Silverware Business”), and the provision of sourcing and procurement solutions to customers for production of watches, costume jewellery, and display and packaging products (the “Sourcing Business”).

Results of the Group

During the three months ended 31 March 2018, the Group reported revenue of HK\$54,667,000, representing a 20.3% decrease as compared with the same period in 2017 (31 March 2017: HK\$68,582,000) and gross profit and gross profit margin of HK\$26,734,000 and 48.9% respectively (31 March 2017: HK\$24,441,000 and 35.6% respectively). The Group recorded profit for the period of HK\$6,342,000 (31 March 2017: HK\$6,785,000) and other comprehensive income of HK\$22,776,000 (31 March 2017: HK\$2,322,000), being exchange differences arising from translating foreign operations. Profit attributable to owners of the Company was HK\$4,032,000 as compared with HK\$4,448,000 for the same period last year; whereas basic earnings per share was HK0.19 cents (31 March 2017: HK0.22 cents).

In general, despite the improvement in the Group’s results due to growth in the Electric Vehicle Business and the PRC Silverware Business, our Group’s profit for the period recorded a decrease of approximately 6.5% as a result of the continued loss recorded in our Sourcing Business.

Business Review

Electric Vehicle Business

During the three months ended 31 March 2018, our revenue from the Electric Vehicle Business mainly derived from the sale of electric vehicles and its related parts and related services. In particular, we assisted customers in obtaining electric bus tender from relevant government authorities by providing electric bus system solutions consultancy services about the sourcing, design and qualification checking of a new type of electric vehicles.

During the period ended 31 March 2018, the Group recorded segment revenue of HK\$20,816,000 (31 March 2017: HK\$33,224,000) in the Electric Vehicle Business, representing 38.1% of the Group's total revenue (31 March 2017: 48.4%). This segment recorded segment profit of HK\$12,974,000 (31 March 2017: HK\$5,613,000). Segment margin increased to 62.3% from 16.9% in the same period last year mainly because we put substantial resources in providing electric bus system solutions consultancy services to our customers which recorded a higher net profit margin, while there was a drop in batteries sales orders received from our customers, leading to a decrease in our sales of rechargeable batteries.

PRC Silverware Business

In 2018, the Group's PRC Silverware Business recorded steady growth. Continuously maintaining our strategies in strengthening our product mix and client mix in our retail stores and with our wholesale customers, we received sizable sales orders for our silverware products.

For the three months ended 31 March 2018, the PRC Silverware Business recorded segment revenue of HK\$25,281,000 (31 March 2017: HK\$15,397,000), representing 46.2% of the Group's total revenue (31 March 2017: 22.5%). It recorded segment profit of HK\$6,302,000, which was at similar level compared to that for last period of HK\$6,321,000. Its segment margin was 24.9%, which was lower than that for last year same period of 41.1%. This was mainly because in order to promote fast moving of inventories and penetrate into a larger group of customers, we accepted sales orders from customers who intend to use our products for promotion and gift purposes. Such sales orders, compared other wholesale and retail customers, recorded a lower gross profit margin.

Sourcing Business

The first quarter of the year 2018 remains a doldrums for our Sourcing Business. Orders from our major brand owners' customers dropped significantly due to the poor economy and weak retail markets for brand distributors and department stores in the United States.

We have suffered a loss in our watches business despite trying hard to maintain limited margin in other businesses, our overall results in the Sourcing Business were very bad for the Period. Tight cost control and cost saving policies were carried out, with reduction of our staff costs and overheads. We have been striving hard to keep self-liquidating and self-financing through our limited reserves.

This segment recorded segment revenue of HK\$8,570,000 (31 March 2017: HK\$19,961,000), representing 15.7% of the Group's total revenue (31 March 2017: 29.1%). It recorded segment loss of HK\$2,669,000 (31 March 2017: segment profit of HK\$333,000), and segment margin of negative 31.1% (31 March 2017: positive 1.7%), as a result of the drop in both revenue and profitability.

Prospects

Electric Vehicle Business

The Board is highly optimistic about the future of the green transportation and electric vehicle industry worldwide especially in the PRC. The dominance of the industry by Chinese companies continues, and according to certain international analysts, it is estimated that the number of electric buses will triple within seven years, and virtually all of them will be in China.

Being in this competitive industry, we continuously strive to maintain our competitive edges, search for areas of improvement and are alert to the latest global trends. In the rest of year 2018, the Group will continue to secure sales orders from its existing customers, and will actively explore projects in relation to electric vehicle and electric bus system solutions with good profitability potential in different countries and cities. Benefitting from the management vision of the vertically-integrated and well-versed professional and project teams, we believe our electric vehicles business will continue to be the main engine of growth for the Group, bringing favourable return to the Company and its shareholders.

PRC Silverware Business

The PRC Silverware Business remains promising, and the products designed by us have been receiving positive responses from our wholesale and retail customers. Through sponsoring different events organised in Hangzhou, such as the Spring Tea Tasting Meeting, our potential customers show their interests in our silverware products, and consider our products as being differentiable and collectable. In 2018, our senior management will continue to commit resources towards developing stable relationships with our existing wholesale customers and also identifying new customers. Through designing and developing products with specific themes and through different promotion channels, such as attending different exhibitions, our PRC Silverware Business will continue to be a promising operation for the Group. Management will also strive to build a strong brand image of S-collodi in order to promote the silverware as a means of healthy and luxurious utensils.

Sourcing Business

We have been advised by two of our major brand owner customers that their parent companies in the US have decided to relocate their Hong Kong and/or PRC operations to India and Philippines, thus the outlook for our Sourcing Business looks very challenging in the future. We will continue to practice tight cost control policies including reduction of staff costs and overheads. Our Group considers the prospect of our Sourcing Business is gloomy, and is open to different strategies to minimise the loss.

Capital Structure

During the three months ended 31 March 2018, no share capital of the Company was issued.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2018.

INTEREST IN A COMPETING BUSINESS

During the three months ended 31 March 2018, 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.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules throughout the three months ended 31 March 2018.

DIRECTORS SECURITIES TRANSACTIONS

The Company adopted the model code for securities transactions by the Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. On specific enquiry made, all the Directors have confirmed compliance with the Model Code throughout the three months ended 31 March 2018.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors and is chaired by Mr. Sit Sai Hung, Billy, who has appropriate professional qualifications and experience as required by the GEM Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2018, which is of the opinion that such information comply with the applicable accounting standards, the Exchange and legal requirements, and that adequate disclosures have been made.

By order of the Board
China Trustful Group Limited
Fei Jie
Chairman and Executive Director

Hong Kong, 11 May 2018

As at the date of this announcement, the executive Directors are Mr. Fei Jie (Chairman), Mr. Ng Chin Ming Stephen and Mr. Zhang Genjiang and the independent non-executive Directors are Mr. Jim Yiu Ming, Mr. Sit Sai Hung, Billy and Mr. Shen Ruolei.

This announcement will remain on the website of GEM of The Stock Exchange of Hong Kong Limited at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.

This announcement will also be published and remains on the website of the Company at www.irasia.com/listco/hk/chinatrustful.