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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

- Revenue for the year ended 31 December 2019 was HK$118,039,000, compared with HK$215,696,000 last year, representing a decrease of HK$97,657,000.
- Gross profit for the year ended 31 December 2019 was HK$12,729,000, compared with HK$75,940,000 last year, representing a decrease of HK$63,211,000.
- Loss attributable to owners of the Company was HK$104,377,000, compared with profit HK$2,960,000 last year, representing a decrease of HK$107,337,000.
- Loss per share attributable to owners of the Company amounted to HK3.81 cents, compared with earnings HK0.12 cents last year, representing a decrease of HK3.93 cents.
- No final dividend was proposed for the year ended 31 December 2019 (2018: Nil).

The Board of Directors (the "**Board**") of China Trustful Group Limited (the "**Company**") hereby to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019, together with the comparative amounts for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** *HK$'000*	**2018** *HK$'000*
Continuing operations			
Revenue	4	118,039	215,696
Cost of sales		(105,310)	(139,756)
Gross profit		12,729	75,940
Interest revenue	5	88	1,960
Other incomes	6	2,040	2,217
Selling and distribution expenses		(394)	(2,057)
Administrative expenses		(38,039)	(55,549)
Other expenses		(78,770)	—
(Loss)/profit from operation		(102,346)	22,511
Finance costs	7	(358)	(1,915)
(Loss)/profit before tax		(102,704)	20,596
Income tax expenses	8	(1,885)	(6,960)
(Loss)/profit for the year from continuing operations		(104,589)	13,636
Discontinued operation			
Loss for the year from discontinued operation		—	(4,355)
(Loss)/profit for the year	9	(104,589)	9,281
Other comprehensive income/(loss) for the year (after tax):			
Item that may be reclassified to profit or loss:			
— Exchange differences on translating foreign operations		1,202	(33,468)
Total comprehensive loss for the year		(103,387)	(24,187)

	Note	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year attributable to:			
Owners of the Company			
— Continuing operations		(104,377)	7,315
— Discontinued operation		—	(4,355)
		(104,377)	2,960
Non-controlling interests			
— Continuing operations		(212)	6,321
		(104,589)	9,281
Total comprehensive loss for the year attributable to:			
Owners of the Company			
— Continuing operations		(103,175)	(23,980)
— Discontinued operation		—	(4,355)
		(103,175)	(28,335)
Non-controlling interests			
— Continuing operations		(212)	4,148
		(103,387)	(24,187)
(Loss)/earnings per share (HK cents)	11		
Continuing and discontinued operations			
— Basic		(3.81)	0.12
— Diluted		(3.81)	0.12
Continuing operations			
— Basic		(3.81)	0.30
— Diluted		(3.81)	0.29
Discontinued operation			
— Basic		N/A	(0.18)
— Diluted		N/A	(0.17)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	**2019** *HK$'000*	**2018** *HK$'000*
Non-current assets			
Intangible assets		6,690	7,621
Property, plant and equipment		74,916	100,170
Interest in leasehold land		—	19,419
Right-of-use assets		20,564	—
Deferred tax assets		1,599	1,599
Prepayment for property, plant and equipment		9,600	9,600
		113,369	138,409
Current assets			
Inventories		40,719	71,645
Trade receivables	12	200,947	183,787
Other receivables, deposits and prepayments		292,352	271,485
Amount due from a related company		—	117
Bank and cash balances		938	56,683
		534,956	583,717
Current liabilities			
Trade and other payables	13	57,146	21,697
Contract liabilities		—	1,822
Amount due to a director		—	30,000
Amounts due to non-controlling interests		—	122
Current tax liabilities		16,127	19,855
		73,273	73,496
Net current assets		461,683	510,221
Net assets		575,052	648,630

	Note	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	14	60,724	53,508
Reserves		514,540	584,218
Equity attributable to owners of the Company		575,264	637,726
Non-controlling interests		(212)	10,904
Total equity		575,052	648,630

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 Units 2610–2611, 26/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong during the year ended 31 December 2019. Subsequent to end of the reporting period, its principal place of business has been changed to Flat B, 12/F., 83 Queen's Road East, Wanchai, Hong Kong on 15 January 2020 and Room 8, Flat C, 12/F., Por Mee Factory Building, 500 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 21 February 2020 respectively.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries (together with the Company referred to as the "**Group**") are the retail and wholesale of luxury brand silverware, silver utensils and luxury goods in the People's Republic of China ("**PRC**") (the "**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**") and provision of marketing and management services, sales and distribution of energy and petrochemical related products, including but not limited to, LNG and LPG products and licensing of petroleum gas stations (the "**Energy and Petrochemicals Business**").

2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK$104,589,000 and a net cash outflow from operating activities of approximately HK$78,953,000 for the year ended 31 December 2019 and events after the reporting period mentioned in note 15 to this announcement. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome that restructuring plans to improve its financial position, to provide liquidity and cash flows. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value 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 liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountant (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Report Standards ("**HKFRS**"); Hong Kong Accounting Standard ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

The Group has adopted HKFRS 16 "Leases" from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the consolidated statement of financial position on 1 January 2019.

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 1 January 2019.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

— the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

— reliance on previous assessments on whether leases are onerous;

— the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

— the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease".

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

The principal activity of the Group are the Silverware Business, the Electric Vehicle Business and the Energy and Petrochemicals Business.

Revenue mainly represent contract revenue from the Silverware Business, contract revenue from the Electric Vehicle Business and contract revenue from the Energy and Petrochemicals Business.

Disaggregation of revenue from contracts with customers:

	2019	**2018**
	HK$'000	*HK$'000*
Continuing operations:		
Sales of goods:		
— Silverware and porcelain	—	41,532
— Electric vehicles and related products	22,184	106,824
— Energy and petrochemical related products	78,255	—
Commission and consultancy fee income	17,600	67,340
Revenue from contracts with customers	118,039	215,696

Segment information

The management reviews the Group's internal reporting for performance assessment between segments and resource allocation. The management has determined the operating segments based on business lines (products and services) and geographical areas. The management has determined that the Group is organised into three main operating segments: (i) Silverware Business; (ii) Electric Vehicle Business; and (iii) Energy and Petrochemicals Business. The management measures the performance of the segments based on their respective segment results.

In view of the continuous diversification of the Group's business and growth in certain segments, the Group has added one new segment, namely Energy and Petrochemicals Business, for the year ended 31 December 2019. No operating segment have been aggregated to form the following reportable segments.

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;

(2) Electric Vehicle Business — research and development, manufacture and sale of rechargeable batteries, electric vehicles and related products and provision of related services; and

(3) Energy and Petrochemicals Business — provision of marketing and management services, sales and distribution of energy and petrochemical related products, including but not limited to, LNG and LPG products and licensing of petroleum gas stations.

Sales of goods (silverware and porcelain, electric vehicles and related products and energy and petrochemical related products)

The Group manufactures and sells goods to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

The products are sold with volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the prices specified in the contracts, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the volume discounts, using the expected value method. A contract liability is recognised for the expected volume discounts payable to customers in relation to the sales made.

The products sold to customers are returnable to the Group within one month from delivery to the customers. Revenue from these sales is recognised based on the prices specified in the contracts, net of the estimated sales return. Accumulated experience is used to estimate and provide for the sales return, using the expected value method. A contract liability is recognised for the expected sales return payable to customers in relation to the sales made.

The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

Sales to customers are normally made with credit terms of 30 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Commission and consultancy fee income

The Group provides consultancy service to the customers. Commission and consultancy fee income is recognised when the related service is rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

Segment revenue and segment results

Information regarding the Group's reportable operating segments including the reconciliations to (loss)/profit before tax are as follows. The segment information reported below does not include any figures for the discontinued operation.

	Energy and Petrochemicals Business *HK$'000*	Electric Vehicle Business *HK$'000*	Total *HK$'000*
Year ended 31 December 2019			
Reportable segment revenue *(note (a))*	78,255	39,784	118,039
Reportable segment profit	2,536	4,918	7,454
Interest revenue			88
Corporate income and expenses			(110,246)
Loss before tax			(102,704)
Adjusted earnings before interest, tax, depreciation and amortisation *(note (b))*	2,536	18,120	20,656

	Silverware Business *HK$'000*	Electric Vehicle Business *HK$'000*	Total *HK$'000*
Year ended 31 December 2018			
Reportable segment revenue *(note (a))*	41,532	174,164	215,696
Reportable segment profit	16,690	22,054	38,744
Interest revenue			1,960
Corporate income and expenses			(20,108)
Profit before tax			20,596
Adjusted earnings before interest, tax, depreciation and amortisation *(note (b))*	17,356	35,327	52,683

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent profit earned by each segment without allocation of interest income, central administrative income and expenses including partial other revenue and other income, directors' remuneration and partial finance costs under the heading of "corporate income and expenses". This is the measure reported to management for the purposes of performance assessment between segments and resource allocation.

Notes:

(a) Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2018: nil).

(b) Adjusted earnings before interest, tax, depreciation and amortisation is also a measurement basis regularly reviewed by the directors in performance assessment between segments and resources allocation. This measurement basis is consistent with that of the segment results except that finance costs, amortisation of intangible assets, depreciation of property, plant and equipment and right of use assets are not included in the adjusted earnings before interest, tax, depreciation and amortisation.

Geographical information

Since over 90% of the Group's revenue and operating profit were generated in the PRC for both years and over 90% of the Group's non-current assets were located in the PRC, no geographical segment information in accordance with HKFRS 8 Operating Segments is presented.

Information about major customers

Revenue from customers for the years ended 31 December 2019 and 2018 contributing over 10% of the total revenue of the Group are as follows:

	Reporting segments	**2019** *HK$'000*	**2018** *HK$'000*
Customer A *(Note i)*	Electric Vehicle Business	—	111,564
Customer B *(Note i)*	Electric Vehicle Business	—	35,822
Customer C *(Note ii)*	Electric Vehicle Business	17,600	—

Notes:

(i) Revenue derived from Customer A and B did not contribute 10% or more to the Group's total revenue during the year ended 31 December 2019.

(ii) Revenue derived from Customer C did not contribute 10% or more to the Group's total revenue during the year ended 31 December 2018.

Except as disclosed above, no other customers contributed 10% or more of the Group's total revenue for both years.

5. INTEREST REVENUE

	2019 *HK$'000*	2018 *HK$'000*
Continuing operations:		
Bank interest income	88	1,960

6. OTHER INCOMES

	2019 *HK$'000*	2018 *HK$'000*
Continuing operations:		
Foreign exchange gain	—	461
Government grant *(note)*	1,152	962
Sundry income	888	794
	2,040	2,217

Note: Government grants of approximately HK$1,152,000 (2018: HK$962,000) have been received during the year ended 31 December 2019. There were no unfulfilled conditions or contingencies relating to these government grants.

7. FINANCE COSTS

	2019 *HK$'000*	2018 *HK$'000*
Continuing operations:		
Interest on secured loan	—	307
Imputed interest on convertible bonds	—	1,608
Imputed interest on lease liabilities	358	—
	358	1,915

8. INCOME TAX EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
Current tax — Hong Kong Profits Tax		
— Provision for the year	1,885	1,207
Current tax — PRC Corporate Income Tax		
— Provision for the year	—	7,681
Deferred taxation	—	(1,928)
	1,885	6,960

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC subsidiaries are subject to PRC Corporate Income Tax at 25% for both years.

9. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging the following:

	2019 *HK$'000*	2018 *HK$'000*
Continuing operations		
Auditors' remuneration:		
— Audit service	600	610
— Non-audit services	—	224
	600	834
Cost of inventories sold	96,265	132,986
Amortisation of interest in leasehold land	—	480
Amortisation of intangible assets	2,280	145
Depreciation of property, plant and equipment	25,254	14,304
Loss on disposal of property, plant and equipment	—	2,135
Allowance for bad and doubtful debts for trade receivables	—	11,087
Lease payments under operating leases in respect of land and buildings	—	4,778
Staff costs including directors' emoluments:		
— Salaries, bonus and allowances	7,578	13,529
— Retirement benefit scheme contributions	980	1,556
Total staff costs	8,558	15,085
Written-off of property, plant and equipment	—	242

10. DIVIDENDS

No final dividend was paid or proposed during the year, nor has any dividend been proposed by the Board of Directors subsequent to the end of the reporting period.

11. (LOSS)/EARNINGS PER SHARE

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

	2019 *HK$'000*	2018 *HK$'000*
(Loss)/earnings for the purpose of calculating basic and diluted earning per share		
From continuing operations	(104,377)	7,315
From discontinued operation	—	(4,355)
	(104,377)	2,960

Number of shares

	2019 *'000*	2018 *'000*
Issued ordinary shares at 1 January	2,675,424	2,151,209
Effect of shares issued to owners of the Company in 2018	—	308,787
Effect of shares issued to owners of the Company in 2019	62,215	—
Weighted average number of ordinary shares for the purpose of calculating basic earnings for share	2,737,639	2,459,996
Effect of dilutive potential ordinary shares — arising from share options	—	13,006
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per shares	2,737,639	2,473,002

The denominators used are same as those detailed above for both basic and diluted (loss)/earnings per share from continuing and discontinued operations.

12. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	200,947	194,874
Less: Allowance for credit losses	—	(11,087)
	200,947	183,787

Trade receivables are non-interest bearing and are generally allows a credit period of 30 to 180 days to its customers.

The following is an aging analysis of trade receivables, net of allowance for credit losses reorganised, presented based on the invoice date, which approximates the respective revenue recognition dates and net of allowance for credit losses:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	—	53,744
31–60 days	—	—
61–90 days	—	—
91–180 days	—	78
181–365 days	17,160	129,965
Over 365 days	183,787	—
	200,947	183,787

13. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	28,661	13,490
Accruals and other payables	19,620	8,207
Amount due to an ex-director	7,072	—
Receipt in advance	117	—
Trade deposits received	1,676	—
	57,146	21,697

The following is an aging analysis of trade payables, based on the invoice date:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	—	8,134
31–60 days	—	—
61–90 days	—	—
Over 90 days	28,661	5,356
	28,661	13,490

The average credit period granted by supplier ranging from 30 to 180 days.

14. SHARE CAPITAL

Movements of the share capital of the Company are as follows:

	Number of shares	Amount
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.02 each		
At 1 January 2018, 31 December 2018 and 31 December 2019	5,000,000	100,000
Issued and fully paid:		
At 1 January 2018	2,151,209	43,024
Exercise of share options *(note i)*	37,500	750
Conversion of convertible bonds *(note ii)*	486,715	9,734
At 31 December 2018	2,675,424	53,508
Placement of new shares *(notes iii and iv)*	360,776	7,216
At 31 December 2019	3,036,200	60,724

Notes:

(i) During the year ended 31 December 2018, several option holders exercised their option right to subscribe for 37,500,000 new ordinary shares at exercise price of HK$0.234 per share.

(ii) On 1 June 2018, a convertible bond holder has exercised its conversion rights attached to the convertible bonds with an aggregate principal amount of HK$53,051,974 into 486,715,358 ordinary shares of the Company at the adjusted conversion price of HK$0.109 per share.

(iii) On 24 June 2019, the Company allotted and issued an aggregate of 60,776,000 new shares of HK$0.02 each to not less than six placees at a price of HK$0.53 per share. The net proceeds of the placing of approximately HK$19,260,000 is intended to be used for working capital and approximately of HK$12,150,000 is intended to be used for developing energy bus projects.

(iv) On 25 November 2019, the Company allotted and issued an aggregate of 300,000,000 new shares of HK$0.05 per share. The net proceeds from the subscription amount to approximately HK$15,000,000. Approximately HK$5,000,000 of the net proceeds will be used for working capital to the Group to meet any future development and obligations. Approximately HK$10,000,000 of the net proceeds was intended to develop electric charging and oil and gas business.

15. EVENT AFTER THE REPORTING PERIOD

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. As such, the operation of the Group's silverware business was temporarily suspended.

The Company has already appointed PRC lawyer to verify the seizure situation and follow up with the Special Circumstance including the possibility for recovering the Records and Documents. The Company has obtained a preliminary legal opinion report issued by PRC lawyers in which the PRC lawyer advised that there is no way to recover the Records and Documents at the moment as now it is under the criminal investigation and carried out by the Ministry of Public Security of the PRC. The Company was further advised that the Record and Documents would be released only in such criminal investigation case was closed and found innocence with the criminal investigation.

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 consolidated financial statements have 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 Ministry of Public Security of the PRC since January 2020 and were lost due to the resignation of an experienced finance manager and top management personnel.

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) 上海食巽文化傳播有限公司

The directors considered that the control over the following subsidiary had been lost since January 2020. The results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements 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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance. 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.

BASIS FOR DISCLAIMER OF OPINION

1. Limited accounting books and records of the Group

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the Group for the years ended 31 December 2019 and 2018, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 31 December 2019 and 2018 and the assets and liabilities as at those dates, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

	2019	**2018**
	HK$'000	*HK$'000*
Income and expenses for the years ended 31 December:		
Continuing operations		
Revenue	118,039	215,696
Cost of sales	(105,310)	(139,756)
Gross profit	12,729	75,940
Interest revenue	87	1,705
Other incomes	2,040	1,869
Selling and distribution expenses	(394)	(1,112)
Administrative expenses	(21,915)	(37,966)
Other expenses	(78,770)	—
(Loss)/profit from operation	(86,223)	40,436
Finance costs	(81)	—
(Loss)/profit before tax	(86,304)	40,436
Income tax expenses	(1,885)	(6,960)
(Loss)/profit for the year from continuing operations	(88,189)	33,476
Discontinued operation		
Loss for the year from discontinued operation	—	(4,620)
(Loss)/profit for the year	(88,189)	28,856

	2019	2018
	HK$'000	*HK$'000*
Other comprehensive income/(loss) for the year (after tax):		
Item that may be reclassified to profit or loss:		
— Exchange differences on translating foreign operations	1,202	(33,468)
Total comprehensive loss for the year	(86,987)	(4,612)
(Loss)/profit for the year attributable to:		
Owners of the Company		
— Continuing operations	(87,977)	26,890
— Discontinued operation	—	(4,355)
	(87,977)	22,535
Non-controlling interests		
— Continuing operations	(212)	6,321
	(88,189)	28,856
Total comprehensive loss for the year attributable to:		
Owners of the Company		
— Continuing operations	(86,775)	(4,405)
— Discontinued operation	—	(4,355)
	(86,775)	(8,760)
Non-controlling interests		
— Continuing operations	(212)	4,148
	(86,987)	(4,612)

	2019	2018
	HK$'000	*HK$'000*
Assets and liabilities as at 31 December:		
Non-current assets		
Intangible assets	6,690	7,621
Property, plant and equipment	71,993	96,220
Interest in leasehold land	—	19,419
Right-of-use assets	18,720	—
Deferred tax assets	1,599	1,599
Prepayment for property, plant and equipment	9,600	9,600
	108,602	134,459
Current assets		
Inventories	40,719	71,645
Trade receivables	200,947	183,787
Other receivables, deposits and prepayments	290,650	269,116
Amount due from a related company	—	117
Bank and cash balances	853	51,814
	533,169	576,479
Current liabilities		
Trade and other payables	43,113	20,600
Contract liabilities	—	1,822
Amounts due to non-controlling interests	—	107
Current tax liabilities	16,127	19,855
	59,240	42,384
Net current assets	473,929	534,095
Net assets	582,531	668,554

2. **Commitments and contingent liabilities**

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2019 and 2018.

3. **Related party transactions and disclosures**

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the years ended 31 December 2019 and 2018 and balances as at 31 December 2019 and 2018 as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

4. **Consolidated statement of changes in equity**

Except for share capital and share premium, no sufficient evidence has been provided to satisfy ourselves as to the movements and balances of reserves as included in the consolidated statement of changes in equity for the two years ended 31 December 2019 and 2018.

5. **Consolidated statement of cash flows**

No sufficient evidence has been provided to satisfy ourselves as to the cash flows as included in the consolidated statement of cash flows for the two years ended 31 December 2019 and 2018.

6. **Other disclosures in the consolidated financial statements**

No sufficient evidence has been provided to satisfy ourselves as to the accuracy and completeness of the disclosures in relation to the financial risk management, directors' and employees' emoluments, (loss)/earnings per share, subsidiaries and operating leases commitments as disclosed in notes 6, 13, 15, 26 and 27.

Any adjustments to the figures as described from points 1 to 6 above might have a significant consequential effect on the Group's financial performance and cash flows for the two years ended 31 December 2019 and 2018 and the financial position of the Group as at 31 December 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

7. Material uncertainty relating to the going concern basis

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of HK$104,589,000 and a net cash outflow from operating activities of approximately HK$78,953,000 for the year ended 31 December 2019 and events after the reporting period mentioned in note 28. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome that restructuring plans to improve its financial position, to provide liquidity and cash flows. The consolidated financial statements do not include any adjustments that would result from the failure to complete restructuring plans to improve its financial position, to provide liquidity and cash flows. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the successful completion of restructuring plans to improve its financial position, to provide liquidity and cash flows, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

For the year ended 31 December 2019, China Trustful Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") engage in the business of 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 ("**PRC**") (the "**Silverware Business**") and provision of marketing and management services, sales and distribution of energy and petrochemical related products, including but not limited to, LNG and LPG products, and licensing of petroleum gas stations (the "**Energy and Petrochemical Business**").

Business Review

Results of the Group

In relation to the Electric Vehicle Business and Energy and Petrochemical Business (collectively referred to as the "**Continuing Operations**"), during the year ended 31 December 2019, the Group recorded revenue of HK$118,039,000, representing a 45.3% decrease as compared with the same period in 2018 (31 December 2018: HK$215,696,000) and gross profit and gross profit margin of HK$12,729,000 and 10.8% respectively (31 December 2018: HK$75,940,000 and 35.2% respectively). Combining with other income and expenses, the Group recorded loss for the year ended 31 December 2019 of HK$104,589,000 (31 December 2018: profit of HK$9,281,000) and other comprehensive income of HK$1,202,000 (31 December 2018: loss of HK$33,468,000), being exchange differences arising from translating foreign operations during the year. Loss attributable to owners of the Company from Continuing Operations was HK$104,377,000 as compared with a profit of HK$7,315,000 for the same period last year; whereas basic loss per share for both continuing and discontinued operations was HK3.81 cents (31 December 2018: earnings of HK0.12 cents).

The Group's selling and distribution costs and administrative expenses, in total, decreased from HK$57,606,000 for the same period last year to HK$38,433,000 during the year ended 31 December 2019.

For the year ended 31 December 2019, the Group has recorded other expenses of HK$78,770,000 in relation to Silverware Business. More information is set out in the section of below "Silverware Business".

In general, the Group's result during the year ended 31 December 2019 has been decreased and our business were affected by the intense competition in the market. Further description of the business performances from our businesses are described below.

Electric Vehicle Business

The Electric Vehicle Business is comprised of two divisions namely the battery division and electric vehicle division. The battery division is engaged in the manufacture and supply of rechargeable lithium batteries, while the electric vehicle division is engaged in the manufacture of electric vehicles and provision of related services for the Electric Vehicle Business.

During the year ended 31 December 2019, our revenue from the Electric Vehicle Business was mainly derived from the selling of rechargeable batteries, auto parts for the electric vehicles and electric bus system solutions and provision of relevant consultancy services. Under the intense competition in the market, revenue from Electric Vehicle Business was dropped. The Group has been considering various strategies to counter and minimize the contingent risks from the changing global business environment. Our senior management has also been actively exploring projects in relation to electric vehicles and electric bus system solutions.

During the year ended 31 December 2019, the Group recorded segment revenue of HK$39,784,000 (31 December 2018: HK$174,164,000) in the Electric Vehicle Business, representing 33.7% of the Group's total revenue generated from Continuing Operations (31 December 2018: 80.7%). This segment recorded segment profit of HK$4,918,000 (31 December 2018: HK$22,054,000), and segment margin of 12.4% (31 December 2018: 12.7%).

Energy and Petrochemical Business

In 2019, the national and global economic were unstable, to cope with the impact of this tough conditions, the Group has initiated to participate in the Energy and Petrochemical Business in order to enhance and diversify the Group's business prospect.

For the year ended 31 December 2019, the Energy and Petrochemical Business recorded a revenue of HK$78,255,000, representing 66.3% of the Group's total revenue.

Silverware Business

The Company has been reported by relevant staff that 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. More information is set out in the Company's announcement dated 19 February 2020.

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 (the "**De-Consolidation**"). Therefore, the Group has recorded other expenses of approximately HK$78,770,000 in relation to Silverware Business.

MANAGEMENT'S VIEW ON THE DISCLAIMER OF OPINION

The management of the Company has given careful consideration to the Disclaimer of Opinion and the basis of Disclaimer of Opinion and has had ongoing discussion with Auditor when preparing the Group's consolidated financial statements.

For the Disclaimer Opinion of (1) Limited accounting books and records of certain subsidiaries of the Group (2) Commitments and contingent liabilities (3) Related party transactions and disclosures (4) Consolidated statement of changes in equity (5) Consolidated statement of cash flows (6) Other disclosures in the consolidated financial statements, as disclosed in note 15 of this announcement and the announcement of the Company dated 19 February 2020, 17 August 2020 and 7 September 2020, the books and accounting records, vouchers, computers etc of certain subsidiaries are seized by the Ministry of Public Security of the PRC and we are unable to provide sufficient information to our auditor for their audit procedures.

The Company has already appointed PRC lawyer to verify the seizure situation and follow up with the Special Circumstance including the possibility for recovering the Records and Documents. The Company has obtained a preliminary legal opinion report issued by PRC lawyers in which the PRC lawyer advised that there is no way to recover the Records and Documents at the moment as now it is under the criminal investigation and carried out by the Ministry of Public Security of the PRC. The Company was further advised that the Record and Documents would be released only in such criminal investigation case was closed and found innocence with the criminal investigation.

The consolidated financial statements have 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 Ministry of Public Security of the PRC since January 2020 and were lost due to the resignation of an experienced finance manager and top management personnel. The directors considered that the control over the certain subsidiaries had been lost since January 2020. The results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group since January 2020.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The audit committee of the Company confirmed that it had independently review and agree with the management's position concerning the disclaimer of opinion for reasons stated in paragraph headed "Management's View on the Disclaimer of Opinion".

REMOVAL OF DISCLAIMER OF OPINION

As discussed with Auditor, it is expected that the deconsolidation of the deconsolidated subsidiaries proceeds and is completed on or prior to 31 December 2020, the qualification is expected to be removed in the Group's consolidated financial statements for the year ending 31 December 2022, as the financial information of deconsolidated subsidiaries would also affect the corresponding figures in its consolidated financial statements for the year ending 31 December 2021 but would not further affect its consolidated financial statements for the year ending 31 December 2022.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 31 December 2019, the Group had current assets of HK$534,956,000 (2018: HK$583,717,000) comprising cash and cash equivalents of HK$938,000 (2018: HK$56,683,000), and net current assets of HK$461,683,000 (2018: HK$510,221,000). The Group did not have any bank borrowings, guarantee and banking facilities, while the Group's other borrowings included amount due to an ex-director of HK$7,072,000 (2018: HK$30,000,000) and amount due to non-controlling interests of HK$nil (2018: HK$122,000). As at 31 December 2019, the Group's equity attributable to owners of the Company decreased by HK$62,462,000 to HK$575,264,000 (2018: HK$637,726,000), which was mainly due to the effect of the De-Consolidation of Silverware Business.

The Group's gearing ratio represented its total borrowings over the equity attributable to owners of the Company. As at 31 December 2019, the Group had total borrowings amounted to HK$7,072,000 (2018: HK$30,122,000). The Group's equity attributable to owners of the Company as at 31 December 2019 amounted to HK$575,264,000 (2018: HK$637,726,000). The Group's gearing ratio was therefore maintained at a low level of 1.2%, which was lower than that at 31 December 2018 of 4.7%, as a result of the repayment of amounts due to ex-director.

The Group's current ratio, calculated based on current assets of HK$534,956,000 (2018: HK$583,717,000) over current liabilities of HK$73,273,000 (2018: HK$73,496,000), was at a healthy level of 7.30 times (2018: 7.94 times).

As at 31 December 2019, our trade receivables amounted to HK$200,947,000, which was an increase of HK$17,160,000 compared to HK$183,787,000 as at 31 December 2018, our trade payables as at 31 December 2019 also increased to HK$28,661,000 from HK$13,490,000 as at 31 December 2018. The significant increase in these balances was mainly due to the outstanding balances due from our customers/to our suppliers from the Electric Vehicle Business. The Group granted credit terms of 180 days for part of the outstanding balances.

Furthermore, the deposits, prepayments and other receivables of the Group increased from HK$271,485,000 as at 31 December 2018 to HK$292,352,000 as at 31 December 2019.

The cash and cash equivalents of the Group amount to HK$938,000 as at 31 December 2019.

During the year ended 31 December 2019, the issued share capital of the Company increased from 2,675,424,685 shares of HK$0.02 each to 3,036,200,685 shares as a result of the completion of placing shares. More information is set out in the Company's announcement date 24 June 2019 and 25 November 2019.

The Group continues to maintain a prudent approach in managing its financial requirements. In the long run, the Group finances its daily operations and future acquisitions from internally generated cash flows and/or external debt and/or by equity fund raisings.

Convertible Bonds

There are no outstanding convertible bonds as at 31 December 2019 and 2018.

Share Option Scheme

There are no outstanding share options as at 31 December 2019 and 2018.

Contingent Consideration Receivables and Profit Guarantee

There was no contingent consideration receivables and profit guarantee for the year ended 31 December 2019 and 2018.

Connected Transaction

There was no material connected transaction or related party transactions for the year ended 31 December 2019 except the exempt connected transaction of HK$7,072,000 (2018: connected transaction of HK$30,000,000).

Income Tax

The effective tax rate for the year was 1.8% (2018: 33.8%), which was for the tax rates applicable to the relevant jurisdictions ranging from 0% to 25%.

Foreign Currency Management

The Group's transactions, trade receivables, trade payables and cash and cash equivalents are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. Therefore, the Group is exposed to foreign currency exchange rate risk. The directors of the Company have a positive attitude to regularly monitor the Group's exposure to foreign exchange so as to reduce the foreign exchange rate risk to a minimum level. To a larger extent, foreign exchange risks were minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it was considered that the Group's exposure to foreign exchange risks was not significant and no hedging measure had been undertaken by the Group.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2019 (2018: Nil).

Pledge of Assets

As at 31 December 2019, save as disclosed above, no other assets of the Group were pledged (2018: Nil).

Capital Commitments

As at 31 December 2019, the Group had material capital commitments of HK$22,400,000 (2018: HK$22,400,000).

Dividends

The Group did not recommend the payment of any dividend during the year ended 31 December 2019 (31 December 2018: Nil).

Significant Investments Held and Material Acquisitions and Disposals

There were no significant investment held as at 31 December 2019, and there were no material acquisitions and disposals of subsidiaries during the year ended 31 December 2019.

Employees and Remuneration Policies

Total staff costs for the year, including Directors' remuneration, was HK$8,558,000 (2018: HK$15,085,000). The Group's remuneration practices are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognises the importance of a good relationship with the employees by providing competitive remuneration package to the employees including salaries, allowances, insurance, discretionary bonus, share option scheme and training for human resources upskilling.

Fund Raising Activity

Placing of New Shares under General Mandate

On 24 May 2019 (after trading hours), the Company entered into the placing agreement with the placing agent whereby the Company agreed to place, through the placing agent, on a best effort basis, a maximum of 100,000,000 new Shares to any number of placees at a price of HK$0.53 per Placing Share. All the conditions set out in the placing agreement had been fulfilled and completion of the placing took place on 24 June 2019. An aggregate of 60,776,000 Placing Shares, representing approximately 2.22% of the Company's issued share capital immediately after the completion on 24 June 2019, have been successfully placed to not less than six placees at the placing price of HK$0.53 per placing share.

On 5 November 2019 (after trading hours), the Company entered into two subscription agreements with two subscribers, pursuant to which the subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, a total of 300,000,000 subscription shares (150,000,000 subscription shares for each subscriber) at the subscription price of HK$0.050 per subscription share. All the conditions set out in the subscription agreement had been fulfilled and completion of the subscription took place on 25 November 2019. An aggregate of 300,000,000 subscription shares, representing approximately 9.88% of the Company's issued share capital immediately after the completion on 25 November 2019, have been successfully subscripted by two subscribers at the subscription price of HK$0.050 per subscription share.

More information is set out in the Company's announcement date 24 June 2019 and 25 November 2019.

Principal Risks and Uncertainties

The Group's businesses, financial conditions, results of operations or growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors that could result in the Group's businesses, financial conditions, results of operations or growth prospects are identified as below, while there may be other risks and uncertainties in addition to those identified below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market Risk

As the growth of traditional automobile market worldwide is expected to slow down, more and more automobile manufacturers enter into the green transportation and electric vehicle industry. Market risk arises from the intensifying competitions of the Electric Vehicle Business of the Group.

With an aim to become one of the market leaders in the green transportation and electric vehicle industry, not only have we engaged qualified managerial, operational and marketing team to deal with the Electric Vehicle Business, in order to minimise the market risk, the Group also builds our competitive edge in the Electric Vehicle Business by being customer-oriented and provision of tailor-made solutions to our customers.

Regulatory Risk

The Group is exposed to regulatory risks, especially in the Electric Vehicle Business, in relation to failure to comply with relevant laws and regulations in financial, operational and environment aspects. While there is no non-compliance of laws and regulations during the year, the Group will remain sensitive to any changes in the regulations, and respond to any changes to ensure our businesses comply with the relevant policies.

Financial Risks

Details of the financial risks are set out in note 6 to the consolidated financial statements.

Currency Market Risk

The Group's currency exposure mainly arises from its businesses and assets based in the PRC, further details of which are set out in the paragraph "Foreign Currency Management" under the section headed "Financial Review" above.

Global Economic and Environment Risk

In 2019, the national and global economic environments was unstable and complicated, the economies faced a lot of uncertainties including the trade war between the US and China.

Looking forward to 2020, the Group would continue to provide quality services and to expand customer base into the industries it already set foot in. In case of adverse market condition, we will pay close attention to the market changes of the industries involved and adjust our business strategies in a timely manner to avoid visible risks. The Group will take risk management and risk investigation as its paramount concerns, and improve its asset management and team management abilities while enhancing the comprehensive strength of the Group.

Subsequent Events After the Reporting Period

Significant event took place subsequent to the end of the reporting period is shown in the note of 15.

PROSPECT

For the Electric Vehicle Business, based on the information available to the new Board, the PRC subsidiaries operating the Electric Vehicle Business have suspended their operation due to the investigation by the Public Security, the Land Disposal and departure of most of the officers and employees. The new Board is still in the process of making enquiries with the Public Security regarding the investigation, identifying former staff and gathering information and documents in order to take control of the PRC subsidiaries.

Despite the aforesaid, the new 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 the supply chains in the production of electric vehicles including but not limited to manufacturing and supply of electric vehicle components and parts.

For the Energy Business, it is currently idle and the new Board is in the process of evaluating the continued operation of the Energy Business.

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 year.

CORPORATE GOVERNANCE

The Group is committed to upholding high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial for the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of shareholders of the Company.

The Company has complied with the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the year.

AUDIT COMMITTEE

The Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2019.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited ("**ZHONGHUI**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by ZHONGHUI 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 ZHONGHUI on the preliminary announcement.

MODEL CODE FOR 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 year.

Relevant employees who are likely to be in possession of inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code for the year.

PUBLICATION OF ANNUAL REPORT

The annual report 2019 of the Company containing all information required by the Listing Rules will be published on the website of the Company at www.china-trustful.com and the website of the Stock Exchange at http://www.hkexnews.hk in due course.

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
Executive Director

Hong Kong, 23 February 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 Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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 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.china-trustful.com.