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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*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.*

*This announcement will remain on the “Latest Company Announcements” page on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from its date of posting and on the designated website of the Company at [www.hklistco.com/8265](http://www.hklistco.com/8265).*

The board of directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2017 together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

## **FINANCIAL HIGHLIGHTS**

- The Group’s revenue amounted to HK\$136,478,000 (six months ended 30 June 2016: HK\$120,428,000) for the six months ended 30 June 2017 (the “Period”) which represented an increase of HK\$16,050,000 or 13.3% as compared with the corresponding previous period (the “Previous Period”).
- The profit attributable to owners of the Company for the six months ended 30 June 2017 was HK\$6,069,000 (six months ended 30 June 2016: HK\$5,595,000) which represented an increase of HK\$474,000 or 8.5% as compared with the Previous Period.
- The Board does not recommend the payment of an interim dividend for the Period.

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

For the three months and six months ended 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Revenue</b>	3	<b>67,896</b>	60,326	<b>136,478</b>	120,428
Cost of sales		<b>(42,995)</b>	(37,427)	<b>(87,136)</b>	(72,337)
<b>Gross profit</b>		<b>24,901</b>	22,899	<b>49,342</b>	48,091
Other revenue and other income		<b>2,340</b>	161	<b>2,984</b>	545
Selling and distribution costs		<b>(618)</b>	(735)	<b>(1,364)</b>	(1,400)
Administrative expenses		<b>(15,107)</b>	(12,071)	<b>(30,053)</b>	(24,904)
Loss arising in fair value change of contingent consideration receivables		<b>(799)</b>	(290)	<b>(799)</b>	(290)
Finance costs	5	<b>(1,131)</b>	(810)	<b>(2,246)</b>	(1,034)
<b>Profit before income tax</b>	6	<b>9,586</b>	9,154	<b>17,864</b>	21,008
Income tax expense	7	<b>(4,553)</b>	(4,350)	<b>(6,046)</b>	(7,910)
<b>Profit for the period</b>		<b>5,033</b>	4,804	<b>11,818</b>	13,098
<b>Other comprehensive income/ (loss) for the period</b>					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
– Exchange differences arising from translation of foreign operations during the period		<b>3,863</b>	(3,350)	<b>6,185</b>	(2,876)
<b>Total comprehensive income for the period</b>		<b>8,896</b>	1,454	<b>18,003</b>	10,222

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Profit for the period attributable to:</b>					
Owners of the Company		1,621	1,177	6,069	5,595
Non-controlling interests		3,412	3,627	5,749	7,503
		<b>5,033</b>	4,804	<b>11,818</b>	13,098
<b>Total comprehensive income/ (loss) for the period attributable to:</b>					
Owners of the Company		4,695	(1,858)	11,148	2,851
Non-controlling interests		4,201	3,312	6,855	7,371
		<b>8,896</b>	1,454	<b>18,003</b>	10,222
<b>Earnings per share</b>					
- Basic	9	HK0.08 cents	HK0.08 cents	HK0.29 cents	HK0.36 cents
- Diluted	9	HK0.08 cents	HK0.06 cents	HK0.29 cents	HK0.24 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<b>91,963</b>	94,942
Interest in leasehold land		<b>20,340</b>	19,943
Prepayments for property, plant and equipment		–	625
Available-for-sale financial assets		<b>9,000</b>	9,000
		<b>121,303</b>	124,510
<b>Current assets</b>			
Inventories		<b>22,086</b>	46,175
Contingent consideration receivables		<b>6,308</b>	7,107
Trade receivables	10	<b>137,870</b>	72,706
Deposits, prepayments and other receivables		<b>10,231</b>	24,451
Amount due from a related company		<b>130</b>	126
Prepaid tax		<b>2,640</b>	–
Cash and cash equivalents		<b>396,683</b>	127,722
		<b>575,948</b>	278,287
<b>Current liabilities</b>			
Trade and other payables	11	<b>56,383</b>	53,992
Secured loan		<b>15,000</b>	15,000
Amount due to a shareholder		<b>5,438</b>	5,438
Amounts due to non-controlling interests		<b>108</b>	105
Amounts due to related companies		<b>6,888</b>	9,592
Tax payables		<b>8,713</b>	11,212
		<b>92,530</b>	95,339
<b>Net current assets</b>		<b>483,418</b>	182,948
<b>Total assets less current liabilities</b>		<b>604,721</b>	307,458

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2017

		<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Convertible bonds	12	<b>49,578</b>	47,781
Deferred tax liability		<b>1,382</b>	1,679
		<b>50,960</b>	49,460
<b>Net assets</b>		<b>553,761</b>	257,998
<b>Capital and reserves</b>			
Share capital	13	<b>43,024</b>	41,024
Reserves		<b>472,196</b>	185,288
<b>Equity attributable to owners of the Company</b>		<b>515,220</b>	226,312
<b>Non-controlling interests</b>		<b>38,541</b>	31,686
<b>Total equity</b>		<b>553,761</b>	257,998

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

China Trustful Group Limited (formerly known as Powerwell Pacific Holdings 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 Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock 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.

This unaudited condensed consolidated financial information (the “Interim Financial Information”) is presented in Hong Kong dollar (“HK\$”), which is the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information have been prepared on the historical cost basis except for financial instrument that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

This Interim Financial Information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

This Interim Financial Information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2016 (the “2016 annual financial statements”). This Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 December 2017. Details of any changes in accounting policies are set out below.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (collectively referred to as the “new and amendments to HKFRSs”) issue by the HKICPA, which are effective for the Group’s financial period beginning from 1 January 2017. A summary of new and amendments to HKFRSs adopted by the Group is set out as follows:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the new and amendments to HKFRSs in the current period has no material impact on the Group’s financial performance and financial position for the current and prior periods.

The Group has not early applied any new and amendments to HKFRSs that have been issued by the HKICPA but not yet effective for the current accounting period.

## 3. REVENUE

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Sales of goods:				
– Watches	14,099	24,191	30,038	43,489
– Display & packaging products	6,556	8,727	9,134	21,523
– Jewellery	217	848	1,606	3,260
– Silverware	22,024	21,212	37,421	46,642
– Electric vehicles and related products	20,676	5,155	53,900	5,155
Service fee income	4,220	–	4,220	–
Freight income	104	193	159	359
	<b>67,896</b>	60,326	<b>136,478</b>	120,428



#### 4. 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) Sourcing Business; (ii) PRC Silverware Business; and (iii) Electric Vehicle Business. The management measures the performance of the segments based on their respective segment results.

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

Sourcing Business	Provision of sourcing (including product design, product development, raw material sourcing and production outsourcing) and procurement (including quality and assurance control, logistics and delivery handling service) solutions to customers for production of watches, costume jewelries, and display and packaging products
PRC Silverware Business	Retail and wholesale of luxury brand silverware and silver utensils in the People's Republic of China (the "PRC")
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 profit before income tax is as follows:

	<b>Sourcing Business (Unaudited)</b> <i>HK\$'000</i>	<b>PRC Silverware Business (Unaudited)</b> <i>HK\$'000</i>	<b>Electric Vehicle Business (Unaudited)</b> <i>HK\$'000</i>	<b>Total (Unaudited)</b> <i>HK\$'000</i>
<b>Six months ended 30 June 2017</b>				
Reportable segment revenue	<b>40,937</b>	<b>37,421</b>	<b>58,120</b>	<b>136,478</b>
Reportable segment profit	<b>35</b>	<b>17,305</b>	<b>9,309</b>	<b>26,649</b>
Bank interest income				<b>251</b>
Loss arising in fair value change of contingent consideration receivables				<b>(799)</b>
Corporate income and expenses				<b>(8,237)</b>
<b>Profit before income tax</b>				<b>17,864</b>
Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA")	<b>209</b>	<b>18,102</b>	<b>15,601</b>	<b>33,912</b>

#### 4. SEGMENT INFORMATION (CONTINUED)

	<b>Sourcing Business (Unaudited) <i>HK\$'000</i></b>	<b>PRC Silverware Business (Unaudited) <i>HK\$'000</i></b>	<b>Electric Vehicle Business (Unaudited) <i>HK\$'000</i></b>	<b>Total (Unaudited) <i>HK\$'000</i></b>
Six months ended 30 June 2016				
Reportable segment revenue	68,631	46,642	5,155	120,428
Reportable segment profit	6,873	22,260	163	29,296
Bank interest income				113
Loss arising in fair value change of contingent consideration receivables				(290)
Corporate income and expenses				(8,111)
Profit before income tax				21,008
Adjusted EBITDA	7,078	23,132	1,032	31,242

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 bank interest income, loss arising in fair value change in contingent consideration receivables and 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 monitoring performance assessment between segments and resource allocation.

#### 4. SEGMENT INFORMATION (CONTINUED)

Information regarding the Group's reportable operating segments assets and liabilities are as follows:

	<b>Sourcing Business</b> <i>HK\$'000</i>	<b>PRC Silverware Business</b> <i>HK\$'000</i>	<b>Electric Vehicle Business</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 30 June 2017 (Unaudited)</b>				
Reportable segment assets	<b>56,563</b>	<b>89,901</b>	<b>337,884</b>	<b>484,348</b>
Unallocated assets				<b>212,903</b>
<b>Total assets</b>				<b>697,251</b>
Reportable segment liabilities	<b>13,494</b>	<b>6,679</b>	<b>92,185</b>	<b>112,358</b>
Unallocated liabilities				<b>31,132</b>
<b>Total liabilities</b>				<b>143,490</b>
<b>At 31 December 2016 (Audited)</b>				
Reportable segment assets	64,400	84,699	223,428	372,527
Unallocated assets				30,270
Total assets				402,797
Reportable segment liabilities	20,222	8,020	82,409	110,651
Unallocated liabilities				34,148
Total liabilities				144,799

For the purposes of monitoring performance assessment between segments and resource allocation, all assets and liabilities are allocated to the reportable segments other than partial property, plant and equipment for central administrative purposes, available-for-sale financial assets, contingent consideration receivables, partial deposits, prepayments and other receivables, prepaid tax, partial cash and cash equivalents, partial other payables, amount due to a shareholder, secured loan, tax payables and deferred tax liability.

#### 4. SEGMENT INFORMATION (CONTINUED)

##### Geographical information

The Group's operations are mainly located in Hong Kong (place of domicile) and the PRC. The Group's revenue by geographical location is determined based on location at which the services were provided or the goods were delivered, or on shipment destination instructed by customers. The Group's non-current assets by geographical locations are determined based on physical location of the assets.

The following is an analysis of the Group's revenue by geographical locations:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Hong Kong	8,460	18,770
The PRC, excluding Hong Kong	93,391	46,642
United States of America	7,743	18,847
Europe		
– Denmark	3,726	404
– Germany	18,723	28,312
– Others	1,204	781
Asia	926	1,139
Oceania	2,167	5,155
Others	138	378
Total	<b>136,478</b>	120,428

The following is an analysis of the carrying amount of non-current assets analysed by geographical locations in which the assets are located:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Hong Kong	10,087	10,275
The PRC, excluding Hong Kong	111,216	114,235
Total	<b>121,303</b>	124,510

#### 4. SEGMENT INFORMATION (CONTINUED)

##### Information about major customers

Revenue from customers for the periods ended 30 June 2017 and 2016 contributing over 10% of the total revenue of the Group are as follows:

		Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Reporting segments			
Customer A	Sourcing Business	<b>29,103</b>	50,541
Customer B (i)	PRC Silverware Business	<b>N/A</b>	35,390
Customer C (ii)	PRC Silverware Business	<b>14,609</b>	N/A
Customer D (ii)	Electric Vehicle Business	<b>33,823</b>	N/A
Customer E (ii)	Electric Vehicle Business	<b>19,350</b>	N/A

No other customers contributed 10% or more to the Group's revenue for both periods.

Notes:

- (i) Revenue derived from Customer B did not contribute over 10% of revenue of the Group during the period ended 30 June 2017.
- (ii) Revenue derived from Customer C, Customer D and Customer E did not contribute over 10% of revenue of the Group during the period ended 30 June 2016.

#### 5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on secured loan	<b>225</b>	225	<b>449</b>	449
Imputed interest on convertible bonds	<b>906</b>	585	<b>1,797</b>	585
	<b>1,131</b>	810	<b>2,246</b>	1,034

## 6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Amortisation of interest in leasehold land	114	40	228	40
Depreciation of property, plant and equipment	3,373	1,464	6,915	2,081
Cost of inventories sold	42,471	37,241	86,023	68,267
Impairment loss recognised in respect of trade receivables	-	8	-	8
Loss arising in fair value change of contingent consideration receivables	799	290	799	290
Net foreign exchange gain	(2,050)	(101)	(2,194)	(428)
Operating lease charges in respect of land and buildings	983	1,228	1,985	2,777
Employee benefit expenses (including directors' remuneration):				
Salaries, allowance and benefits in kind	6,880	9,153	14,707	14,661
Retirement benefit schemes contributions	489	294	1,060	555
	7,369	9,447	15,767	15,216
Written-off of property, plant and equipment	603	-	890	-

## 7. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current tax				
– Hong Kong Profits Tax	(40)	296	10	1,138
– PRC Enterprise Income Tax	4,743	4,151	6,333	6,869
	<b>4,703</b>	4,447	<b>6,343</b>	8,007
Deferred tax				
– credit for the period	(150)	(97)	(297)	(97)
	<b>4,553</b>	4,350	<b>6,046</b>	7,910

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.

## 8. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

## 9. EARNINGS PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
	<b>Earnings</b>			
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<b>1,621</b>	1,177	<b>6,069</b>	5,595
Effect of dilutive potential ordinary shares:				
Interest on convertible bonds, net of tax	–	489	–	489
Earnings for the purpose of diluted earnings per share	<b>1,621</b>	1,666	<b>6,069</b>	6,084
	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) '000	2016 (Unaudited) '000	2017 (Unaudited) '000	2016 (Unaudited) '000
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,090,770</b>	1,533,500	<b>2,071,099</b>	1,533,500
Effect of dilutive potential ordinary shares:				
Share options	<b>34,885</b>	37,500	<b>34,819</b>	37,500
Convertible bonds	–	1,000,000	–	1,000,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,125,655</b>	2,571,000	<b>2,105,918</b>	2,571,000

As the Company's outstanding convertible bonds where applicable had an anti-dilutive effect to the basic earnings per share calculation for the three months ended and six months ended 30 June 2017, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted earnings per share.



## 10. TRADE RECEIVABLES

The Group normally allows credit period from 1 to 90 days to its major customers. Credit period is normally not granted to other customers. Based on the invoice date, which approximates the respective revenue recognition date, the aging analysis of the Group's trade receivables (net of allowance for doubtful debts) at the end of the reporting period is as follows:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
0-30 days	<b>79,048</b>	62,675
31-60 days	<b>7,078</b>	4,504
61-90 days	<b>744</b>	207
Over 90 days	<b>51,000</b>	5,320
	<hr/> <b>137,870</b>	<hr/> 72,706

## 11. TRADE AND OTHER PAYABLES

The aging analysis (based on the invoice date) of the Group's trade payables (included in trade and other payables) at the end of the reporting period is as follows:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Trade payables:		
0-30 days	<b>23,705</b>	15,179
31-60 days	<b>4,895</b>	4,886
61-90 days	<b>4,777</b>	4,968
Over 90 days	<b>12,753</b>	18,812
	<hr/> <b>46,130</b>	<hr/> 43,845
Accruals and other payables	<b>9,644</b>	8,733
Receipt in advance	<b>145</b>	126
Trade deposit received	<b>464</b>	1,288
	<hr/> <b>56,383</b>	<hr/> 53,992

## 12. CONVERTIBLE BONDS

On 1 June 2016, the Company issued unsecured convertible bonds in the principal amount of HK\$110,000,000 to satisfy the acquisition of property, plant and equipment and interest in leasehold land. The bonds are interest free. The bondholders may convert the bonds into ordinary shares of the Company at any time prior to and exclusive of the maturity date on 31 May 2018 at an initial conversion price of HK\$0.55 per share in accordance with the convertible bonds agreements (subject to adjustment if necessary). The conversion price was adjusted to HK\$0.11 per share on 4 May 2016 upon the completion of share subdivision. On 25 May 2017, the conversion price was further adjusted to HK\$0.109 per share upon completion of placement of new shares. As at 30 June 2017, the number of convertible shares was 486,715,358 shares. If the bonds have not been converted, they will be redeemed on 31 May 2018 at principal amount.

The bonds contain two components, liability and equity elements. The equity element is presented in equity under the heading of “convertible bonds reserve”. The effective interest rate of the liability component on initial recognition is 7.41%.

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
At the beginning of the reporting period	<b>47,781</b>	–
Issuance of convertible bonds	–	94,892
Conversion into shares during the period/year	–	(51,168)
Imputed interest expenses	<b>1,797</b>	4,057
	<hr/>	<hr/>
At the end of the reporting period	<b>49,578</b>	47,781

### 13. SHARE CAPITAL

	30 June 2017		31 December 2016	
	Number of ordinary shares (Unaudited) '000	Carrying amount (Unaudited) HK\$'000	Number of ordinary shares (Audited) '000	Carrying amount (Audited) HK\$'000
Ordinary shares of HK\$0.02 each				
<b>Authorised:</b>				
At the beginning of the reporting period	5,000,000	100,000	1,000,000	100,000
Share subdivision ( <i>Note i</i> )	-	-	4,000,000	-
<b>At the end of the reporting period</b>	<b>5,000,000</b>	<b>100,000</b>	<b>5,000,000</b>	<b>100,000</b>
<b>Issued and fully paid:</b>				
At the beginning of the reporting period	2,051,209	41,024	306,700	30,670
Share subdivision ( <i>Note i</i> )	-	-	1,226,800	-
Conversion of convertible bonds ( <i>Note ii</i> )	-	-	517,709	10,354
Placement of new shares ( <i>Note iii</i> )	100,000	2,000	-	-
<b>At the end of the reporting period</b>	<b>2,151,209</b>	<b>43,024</b>	<b>2,051,209</b>	<b>41,024</b>

*Notes:*

- (i) At a special general meeting of the Company held on 3 May 2016, a resolution was passed to approve the share subdivision of every existing issued and unissued shares of par value of HK\$0.10 each in the share capital of the Company subdivided into five shares of par value of HK\$0.02 each in the share capital of the Company. The share subdivision was completed and effective on 4 May 2016.
- (ii) On 19 December 2016, a convertible bonds holder has exercised its conversion rights attached to the convertible bonds with an aggregate principal amount of HK\$56,948,026 into 517,709,327 ordinary shares of the Company at the adjusted conversion price of HK\$0.11 per share.
- (iii) On 25 May 2017, the Company allotted and issued an aggregate 100,000,000 new shares of HK\$0.02 each to not less than six places at a price of HK\$2.80 per share. The net proceeds of approximately HK\$277,760,000 will be used for the development of the Electric Vehicle Business and general working capital.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2017, China Trustful Group Limited (formerly known as Powerwell Pacific Holdings Limited) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) continued to engaged in the provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products (the “Sourcing Business”), the retail and wholesale of luxury brand silverware and silver utensils 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”).

As approved by the shareholders at the annual general meeting of the Company held on 8 May 2017, the name of the Company was changed from “Powerwell Pacific Holdings Limited” to “China Trustful Group Limited” and “中國之信集團有限公司” has been adopted as the new secondary name to replace “宏峰太平洋集團有限公司” with effect from 17 May 2017. The Group believes that using the new name, the Company will build a new and better corporate image and identity, and also facilitate its future business development.

### Results of the Group

During the six months ended 30 June 2017, the Group reported revenue of HK\$136,478,000, representing a 13.3% increase as compared with the same period in 2016 (30 June 2016: HK\$120,428,000) and gross profit and gross profit margin of HK\$49,342,000 and 36.2% respectively (30 June 2016: HK\$48,091,000 and 39.9% respectively). The Group recorded profit for the period of HK\$11,818,000 (30 June 2016: HK\$13,098,000) and other comprehensive income of HK\$6,185,000 (30 June 2016: loss of HK\$2,876,000), being exchange differences arising from translating foreign operations. Profit attributable to owners of the Company was HK\$6,069,000 as compared with HK\$5,595,000 for the same period last year; whereas basic earnings per share was HK0.29 cents (30 June 2016: HK0.36 cents).

In general, despite the improvement in the Group’s revenue as a result of the growth in the Electric Vehicle Business, our Group’s profit for the period recorded a decrease of approximately 9.8% as a result of the increase in expenses including finance costs on convertible bonds.

## **Business Review**

### *Electric Vehicle Business*

The Electric Vehicle Business is comprised of two divisions namely the battery division and the 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 for the Electric Vehicle Business. This segment commenced its operation since June 2016.

During the six months ended 30 June 2017, our revenue from the Electric Vehicle Business was mainly derived from the selling of rechargeable batteries and auto parts for the electric vehicles. Besides securing sales orders on rechargeable batteries and auto parts from its existing customers, our senior management has also been actively exploring projects in relation to electric vehicles and electric bus system solutions with good profitability in different countries and cities including Macau, Hong Kong and some Southeast Asian countries.

During the period ended 30 June 2017, the Group recorded segment revenue of HK\$58,120,000 (30 June 2016: HK\$5,155,000) in the Electric Vehicle Business, representing 42.6% of the Group's total revenue (30 June 2016: 4.3%). This segment recorded gross profit of HK\$20,057,000 (30 June 2016: HK\$1,344,000), segment profit of HK\$9,309,000 (30 June 2016: HK\$163,000), and segment margin of 16.0% (30 June 2016: 3.2%).

### *PRC Silverware Business*

After thorough analysis in relation to the revenue and cost models of the PRC Silverware Business, the senior management of the Group changed its business strategies by focusing on developing stable and long-term relationship with its wholesale customers and exploring potential new wholesale customers, and further scaling down its retail operations by decreasing its number of outlets from 7 as at 31 December 2016 to 2 as at 30 June 2017. During the six months ended 30 June 2017, the Group successfully secured sales orders from its existing wholesale customers and its newly identified wholesale customers. These customers are incorporated in China, and are mainly engaged in the e-commerce and the wedding services businesses. However, as a result of the decrease in number of retail outlets, both revenue and profits of the PRC Silverware Business recorded a drop compared to same period last year.

For the six months ended 30 June 2017, the PRC Silverware Business recorded segment revenue of HK\$37,421,000 (30 June 2016: HK\$46,642,000), representing 27.4% of the Group's total revenue (30 June 2016: 38.7%). It recorded gross profit of HK\$19,635,000 (30 June 2016: HK\$28,164,000), segment profit of HK\$17,305,000 (30 June 2016: HK\$22,260,000), as a result of the decrease in revenue. Its segment margin was 46.2%, which was relatively stable as compared to same period last year of 47.7%.

## *Sourcing Business*

The first half of year 2017 was very tough for our Sourcing Business, the overall results was significantly affected with a shrink in revenue in our business. According to the recent reports, retail sales were badly affected that shops and outlets throughout the United States are being closed since the beginning of the year. One of our major brand owner customers in watch business are heavily involved with their problems in defining their smart watch business, they are undergoing a major re-organisation exercises, a significant percentage of their staff in Hong Kong and China has been redundant in the first half of 2017.

In our analog watches business and costume jewelries business, most of the brand owner customers were badly affected by the slow retails sales in the United States, we noted a major decline in orders received from them. Simultaneously, the revenue of our display and packaging business has also been affected.

The overall results in our Sourcing Business for the six months ended 30 June 2017 were hurt and we have already reduced in significant percentage of our operating staff, with our tight cost control and cost saving policies, we strove hard to keep our bottom line in “black” and remained self-liquidating and self-financing.

This segment recorded segment revenue of HK\$40,937,000 (30 June 2016: HK\$68,631,000), representing 30.0% of the Group’s total revenue (30 June 2016: 57.0%). It recorded gross profit of HK\$9,650,000 (30 June 2016: HK\$18,583,000), segment profit of HK\$35,000 (30 June 2016: HK\$6,873,000), and segment margin of 0.1% (30 June 2016: 10.0%), as a result of the drop in both revenue and profitability.

## **Prospects**

### *Electric Vehicle Business*

With the increasing peoples’ awareness on environmental protection in worldwide, the senior management of the Group will continue to aim to process towards sustainable development, and we will place our strong emphasis on our Electric Vehicle Business. Although we have just taken our initial step in entering into the Electric Vehicle Business since June 2016, this operation has been benefiting from the policies on new energy in various countries including the PRC. In the second half of year 2017, the Group will continue to put its resources and effort in securing sales orders from its existing customers, and also to actively explore projects in relation to electric vehicles and electric bus system solutions with good profitability in different countries and cities including but not limited to Macau, Hong Kong, and certain Southeast Asian countries. Through taking the initiative to promote our electric vehicles and electric bus system solutions and continuously focusing on improving our products and solutions, our senior management is confident that the Group will be able to overcome fierce competitions in this industry, and secure profitable projects from our existing and potential customers.

### *PRC Silverware Business*

After revamping our business strategies, our senior management will continue to put our resources in developing stable relationships with our existing wholesale customers and also identifying new customers. Since the late 2016, the Group has been successfully allied with a PRC company specialised in preparation of wedding ceremony to promote its luxury silverware branded by S-collodi. In the second half of year 2017, the Group is confident that through designing and developing products with specific themes, such as wedding, children and birthday, and through different promotion channels, such as attending the Hangzhou International Tea Expo, our PRC Silverware Business will continue to be a promising operation to the Group. Management will also put efforts to build a strong brand image of S-collodi in order to promote the silverware as a means of healthy and luxury utensils.

### *Sourcing Business*

The outlook for our Sourcing Business for the remaining months of the year is gloomy. The recovery of the global retail business of watches and costume jewelries is still yet to be seen, our line of business will be very challenging in the coming months. We will continue to practice tight cost control including reduce staff cost. We shall maintain competitive and always be alert for new potential customers.

## **Financial Review**

### *Liquidity, Financial Resources and Capital Structure*

As at 30 June 2017, the Group had current assets of HK\$575,948,000 (31 December 2016: HK\$278,287,000) comprising cash and cash equivalents of HK\$396,683,000 (31 December 2016: HK\$127,722,000), and net current assets of HK\$483,418,000 (31 December 2016: HK\$182,948,000). The Group did not have any bank borrowings, guarantee and banking facilities, while the Group's other borrowings included a secured loan amounted to HK\$15,000,000 (31 December 2016: HK\$15,000,000), and amount due to a shareholder amounted to HK\$5,438,000 (31 December 2016: HK\$5,438,000), details of which are described in the paragraph below. As at 30 June 2017, the Group's equity attributable to owners of the Company increased by HK\$288,908,000 to HK\$515,220,000 (31 December 2016: HK\$226,312,000), which was mainly due to the placing completed, and also the total comprehensive income incurred by the Group during the period.

The Group's gearing ratio represented its total borrowings (including secured loan and amount due to a shareholder) over the equity attributable to owners of the Company. As at 30 June 2017, the Group had total borrowings amounted to HK\$20,438,000, which included a secured loan amounted to HK\$15,000,000, which was denominated in Hong Kong dollars with variable interest rate at 1% per annum above the HKD prime lending rate published by The Hongkong and Shanghai Banking Corporation Limited and is fully secured by the shares charge in respect of the entire share capital of Powerwell Pacific Limited (a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands), and amount due to a shareholder of HK\$5,438,000. The Group's equity attributable to owners of the Company as at 30 June 2017 amounted to HK\$515,220,000. The Group's gearing ratio was therefore maintained at a low level of 4.0% as at 30 June 2017, which was lower than that at 31 December 2016 of 9.0%, as a result of the completion of placing of new shares during the period.

The Group's current ratio, calculated based on current assets over current liabilities of HK\$92,530,000 (31 December 2016: HK\$95,339,000), was at a healthy level of 6.22 times (31 December 2016: 2.92 times).

As at 30 June 2017, our trade receivables amounted to HK\$137,870,000, which was an increase of 89.6% compared to HK\$72,706,000 as at 31 December 2016. The significant increase was mainly due to the outstanding balances due from two customers totalling HK\$51,000,000 which invoice dates were over 90 days from 30 June 2017. Our senior management has been actively communicating with these customers, and as at the date of this announcement, approximately 70% of the balances with invoice dates over 90 days from 30 June 2017 has been settled. Our Directors have reviewed the recoverability of the trade receivables and considered that no impairment was required for the six months ended 30 June 2017.

During the period ended 30 June 2017, the issued share capital of the Company increased from 2,051,209,327 shares of HK\$0.02 each (the "Shares") to 2,151,209,327 Shares as a result of the issuance of 100,000,000 Shares by way of placing on 25 May 2017 at the placing price of HK\$2.80 per Share (the "Placing"). Details of the Placing are set out in the section headed "Fund Raising Activity – Placing of New Shares under General Mandate" below.

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 raising.



### *Convertible Bonds*

On 1 June 2016, the Company issued convertible bonds with principal amount of HK\$110,000,000 (the “Convertible Bonds”) as the consideration payable of the sale assets under the sale and purchase agreement dated 5 November 2015 entered into by 湖州信成電動汽車有限公司 (literally translated as “Huzhou Xincheng Electric Vehicle Co., Ltd”), an indirect wholly-owned subsidiary of the Company and as the purchaser, and 湖州百成電池有限公司 (literally translated as “Huzhou Brighsun Battery Co., Ltd”) and 湖州百成客車有限公司 (literally translated as “Huzhou Brighsun Automobile Co., Ltd”) collectively as the vendors, and 黃科竣 (Huang Kejun) and 章根江 (Zhang Genjiang) collectively as the guarantors. The holders of the Convertible Bonds have the right to convert the outstanding principal amount of the Convertible Bonds on the expiry of 6 months from the date of issue of the convertible bonds up to the maturity date of 1 June 2018. As at 30 June 2017, the outstanding Convertible Bonds amounted to HK\$53,051,974 which can be converted into 486,715,358 Shares at the conversion price of HK\$0.109, all of which are held by Huzhou Brighsun Automobile Co., Ltd.

There were no conversion of the Convertible Bonds during the six months ended 30 June 2017.

### *Foreign Currency Management*

The Group’s transactions, trade balances 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 30 June 2017 (31 December 2016: Nil).

### *Pledge of Assets*

As at 30 June 2017, save as disclosed above, no other assets of the Group were pledged.

### *Capital Commitments*

As at 30 June 2017, the Group had no material capital commitments (31 December 2016: HK\$1,056,000).

### *Dividends*

The Group did not recommend the payment of any dividend during the six months ended 30 June 2017 (30 June 2016: Nil).

### *Significant Investments Held and Material Acquisitions and Disposals*

There were no significant investment held as at 30 June 2017, and there were no material acquisitions and disposals of subsidiaries during the six months ended 30 June 2017.

## **Fund Raising Activity**

### *Placing of New Shares under General Mandate*

During the six months ended 30 June 2017, the Company issued 100,000,000 shares at a placing price of HK\$2.80 per share. The net placing price was approximately HK\$2.78 per share. The number of the Company's issued shares increased from 2,051,209,327 as at 1 January 2017 to 2,151,209,327 upon the completion of the Placing on 25 May 2017. The gross proceeds raised by the Company from the Placing amounted to HK\$280,000,000, and the net proceeds raised, after the deduction of share issuing expenses, was approximately HK\$277,760,000. The Company intended to apply HK\$20,000,000 for general working capital of the Group and the remaining balance for the development of the Electric Vehicle Business. For more details, please refer to the Company's announcements dated 21 April 2017 and 25 May 2017.

As at 30 June 2017, all the net proceeds raised was remained unused and placed with licensed banks in Hong Kong and the PRC.

## **Employees and Remuneration Policies**

The Group had 142 employees including the Directors (31 December 2016: 197) as at 30 June 2017. Total staff costs for the period, including Directors' remuneration, was HK\$15,767,000 (30 June 2016: HK\$15,216,000). 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.

## **Share Option Scheme**

On 27 May 2015 (the “Date of Grant”), the Company granted share options (the “Share Options”) to the eligible persons within the Group (the “Grantees”) pursuant to the Company’s share option scheme launched on 22 December 2010, subject to acceptance by the Grantees. The Share Options entitle the Grantees to subscribe for a total of 15,000,000 ordinary shares with nominal value of HK\$0.10 each (the “Shares”) in the capital of the Company upon exercise of the Share Options in full. The exercise price of the Share Options granted of HK\$1.17 per Share represent the highest of (i) the closing price of HK\$1.17 per Share on the Date of Grant; (ii) the average closing price of HK\$1.04 per Share for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of HK\$0.10 per Share. Details of the Grant of Share Options was set out in the announcement of the Company dated 27 May 2015. 7,500,000 options had been exercised and gross proceeds of HK\$8,775,000 was received from exercise of these options. Upon the subdivision of Shares from par value of HK\$0.10 each into five subdivided Shares of par value of HK\$0.02 each which became effective on 4 May 2016, the exercise price and the number of outstanding options were adjusted to HK\$0.234 and 37,500,000 options respectively in accordance with the terms and conditions of the Share Option Scheme. As at 30 June 2017, no option was lapsed and there were 37,500,000 options outstanding under the Share Option Scheme.

## **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 Period.

## **DIRECTORS’ INTEREST IN A COMPETING BUSINESS**

During the Period, none of the Directors, the management 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 (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules throughout the Period, save as disclosed below:

Code provision A.6.7 of the CG Code requires all independent non-executive directors and non-executive directors should attend general meetings of listed issuers. Mr. Jim Yiu Ming, an independent non-executive Director, was unable to attend the annual general meeting held on 8 May 2017 due to his personal commitment.

## **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 Period.

## **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 Period, which is of the opinion that such statements 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, 8 August 2017

*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.*