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 2017

CHARACTERISTICS OF THE GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

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

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

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

The Board of Directors (the "Board") of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017 (the "Year") together with the comparative figures for the corresponding year in 2016 (the "Previous Year") as follows:

FINANCIAL HIGHLIGHTS

- Revenue for the Year increased by approximately 94.1% or HK$285.3 million to approximately HK$588.5 million as compared with the Previous Year.
- Gross profit for the Year increased by approximately 102.4% or HK$102.0 million to approximately HK$201.7 million as compared with the Previous Year.
- Gross profit margin for the Year increased by approximately 1.4% from approximately 32.9% to approximately 34.3% as compared with the Previous Year.
- Profit attributable to owners of the Company for the Year was HK$77.2 million, increased by HK$66.9 million as compared to HK$10.3 million for the Previous Year.
- Basic earnings per share for the Year amounted to HK3.66 cents (2016: HK0.67 cents). Diluted earnings per share for the Year amounted to HK3.05 cents (2016: HK0.65 cents).
- The Board does not recommend the payment of a final dividend for the Year (2016: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Revenue	*3*	**588,544**	303,268
Cost of sales		**(386,852)**	(203,597)
Gross profit		**201,692**	99,671
Other revenue and other income	*4*	**4,252**	2,550
Selling and distribution costs		**(2,646)**	(3,034)
Administrative expenses		**(61,556)**	(53,867)
Loss arising in fair value change of contingent consideration receivable		**(4,511)**	(1,275)
Other operating expenses		**–**	(8)
Finance costs	*6*	**(4,563)**	(4,957)
Profit before income tax	*7*	**132,668**	39,080
Income tax expense	*8*	**(40,986)**	(14,819)
Profit for the year		**91,682**	24,261
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations during the year		**25,242**	(14,533)
Other comprehensive income/(loss) for the year		**25,242**	(14,533)
Total comprehensive income for the year		**116,924**	9,728

	Notes	2017 HK$'000	2016 HK$'000
Profit for the year attributable to:			
Owners of the Company		**77,222**	10,328
Non-controlling interests		**14,460**	13,933
		91,682	24,261
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**99,477**	(2,312)
Non-controlling interests		**17,447**	12,040
		116,924	9,728
Earnings per share			
Basic	*10*	**HK3.66 cents**	HK0.67 cents
Diluted	*10*	**HK3.05 cents**	HK0.65 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**88,931**	94,942
Interest in leasehold land		**20,964**	19,943
Prepayment for property, plant and equipment		**2,865**	625
Available-for-sale financial assets		**–**	9,000
		112,760	124,510
Current assets			
Inventories		**33,738**	46,175
Contingent consideration receivable	*11*	**–**	7,107
Available-for-sale financial assets		**3,122**	–
Trade receivables	*12*	**381,714**	72,706
Deposits, prepayments and other receivables	*13*	**70,517**	24,451
Amount due from a related company		**–**	126
Amount due from a director		**9,018**	–
Tax recoverable		**771**	–
Cash and cash equivalents		**293,853**	127,722
		792,733	278,287
Current liabilities			
Trade and other payables	*14*	**128,955**	53,992
Secured loan		**15,000**	15,000
Convertible bonds	*15*	**51,444**	–
Amount due to a shareholder		**5,438**	5,438
Amounts due to non-controlling interests		**118**	105
Amounts due to related companies		**7,242**	9,592
Tax payables		**43,540**	11,212
		251,737	95,339
Net current assets		**540,996**	182,948
Total assets less current liabilities		**653,756**	307,458

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Non-current liabilities			
Convertible bonds	*15*	–	47,781
Deferred tax liability		**1,074**	1,679
		1,074	49,460
Net assets		**652,682**	257,998
Capital and reserves			
Share capital		**43,024**	41,024
Reserves		**560,525**	185,288
Equity attributable to owners of the Company		**603,549**	226,312
Non-controlling interests		**49,133**	31,686
Total equity		**652,682**	257,998

NOTES

1. GENERAL

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

The Company's shares were listed on the GEM ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 January 2011.

The consolidated financial statements are presented in HK$, which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The principal activity of the Company is investment holding. The principal activities of the Group are 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, silver utensils and luxury goods in the People's Republic of China (the "PRC") (the "PRC Silverware Business") and the research and development, manufacture and sale of rechargeable batteries, electric vehicles and related products and provision of related services (the "Electric Vehicle Business").

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on the GEM of the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning from 1 January 2017. A summary of the new and revised HKFRSs applied by the Group is set out as follows:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle relating to Amendments to HKFRS 12 *Disclosure of Interests in Other Entities*
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from these financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The application of these amendments has had no impact on the Group's financial performance and financial positions.

The Group has not early applied the following new and revised to HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle except HKFRS 12 (Amendments)[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[2]
HKAS 40 (Amendments)	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting period. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9 entities may make an irrecoverable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies, the directors of the Company (the "Directors") anticipated application of HKFRS 9 in the future may have the following potential impact on the Group's financial assets:

Classification and measurement

- Debt security classified as available-for-sale investments carried at cost less impairment: this security qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for designating this security to be measured at FVTOCI and will measure this security at fair value with subsequent fair value gains or losses to be recognised in profit or loss.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. However, the Directors do not anticipate that the application of the expected credit loss model of HKFRS 9 will have material impact to the opening retained earnings as at 1 January 2018.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors have assessed the impact on application of HKFRS 15 and do not anticipate a material impact on revenue from sales of goods. However, application of HKFRS 15 may have impact on the following areas:

When customers are allowed to return the Group's products, the Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales. The Group has assessed that the application of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position.

The Group plans to elect to use the cumulative effect transition method for the application of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 January 2018. As allowed by HKFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. Since the number of "open" contracts for sales of goods at 31 December 2017 is limited, the Group expects that the transition adjustment to be made upon the initial application of HKFRS 15 will not be material.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for remeasurement of lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$12,323,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

In addition, the Group currently considers refundable rental deposits paid of HK$1,893,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets. Accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Except as described above, the Directors do not anticipate that the application of other new and revised HKFRSs will have material impact on these consolidated financial statements.

3. REVENUE

	2017	2016
	HK$'000	*HK$'000*
Sales of goods:		
– Watches	**54,234**	70,642
– Display & packaging products	**16,734**	31,659
– Jewelries	**3,724**	7,270
– Silverware	**46,226**	69,135
– Electric vehicles and related products	**387,439**	105,417
– Porcelain	**11,323**	–
Commission and consultancy fee income	**68,578**	18,480
Freight income	**286**	665
	588,544	303,268

4. OTHER REVENUE AND OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest income	**1,134**	264
Foreign exchange gain	**1,780**	788
Government grants *(note)*	**954**	1,437
Sundry income	**384**	61
	4,252	2,550

Note: Government grants of approximately HK$954,000 (2016: HK$1,437,000) have been received during the year ended 31 December 2017 in relation to a tax benefit regime entitled to a subsidiary of the Group for operating in 上海市金山工業區 (Shanghai Jinshan Industrial Zone*). There were no unfulfilled conditions or contingencies relating to these government grants.

* *for identification purposes only*

5. 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 and services 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, silver utensils and luxury goods in the PRC
Electric Vehicle Business	Research and development, manufacture and sale of rechargeable batteries, electric vehicles and related products and provision of related services

Segment revenue and segment results

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

	Sourcing Business *HK$'000*	**PRC Silverware Business** *HK$'000*	**Electric Vehicle Business** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2017				
Reportable segment revenue *(note (a))*	**63,275**	**69,252**	**456,017**	**588,544**
Reportable segment (loss)/profit	**(7,269)**	**40,368**	**122,731**	**155,830**
Interest income				**1,134**
Loss arising in fair value change of contingent consideration receivable				**(4,511)**
Corporate income and expenses				**(19,785)**
Profit before income tax				**132,668**
Adjusted (loss)/earnings before interest, tax, depreciation and amortisation *(note (b))*	**(6,930)**	**41,615**	**135,054**	**169,739**

	Sourcing Business *HK$'000*	PRC Silverware Business *HK$'000*	Electric Vehicle Business *HK$'000*	Total *HK$'000*
Year ended 31 December 2016				
Reportable segment revenue *(note (a))*	110,236	75,749	117,283	303,268
Reportable segment profit	6,783	38,496	12,574	57,853
Interest income				264
Loss arising in fair value change of contingent consideration receivable				(1,275)
Corporate income and expenses				(17,762)
Profit before income tax				39,080
Adjusted earnings before interest, tax, depreciation and amortisation *(note (b))*	7,177	40,388	19,253	66,818

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent profit earned/(loss suffered) by each segment without allocation of interest income, loss arising in fair value change of contingent consideration receivable, 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 performance assessment between segments and resource allocation.

Segment assets and liabilities

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

	Sourcing Business *HK$'000*	PRC Silverware Business *HK$'000*	Electric Vehicle Business *HK$'000*	Total *HK$'000*
At 31 December 2017				
Reportable segment assets	**44,227**	**86,127**	**633,401**	**763,755**
Unallocated assets				**141,738**
Total assets				**905,493**
Reportable segment liabilities	**7,607**	**4,361**	**174,201**	**186,169**
Unallocated liabilities				**66,642**
Total liabilities				**252,811**
At 31 December 2016				
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 purpose of monitoring performance assessment between segments and resource allocation, all assets and liabilities are allocated to the reportable segments other than those that are for central administrative purposes including partial property, plant and equipment, prepayment for property, plant and equipment, contingent consideration receivable, available-for-sale financial assets, partial deposits, prepayments and other receivables, prepaid tax, partial cash and cash equivalents, partial other payables, amount due to a shareholder, partial amounts due to non-controlling interests, secured loan, tax payables and deferred tax liability.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	Sourcing Business *HK$'000*	PRC Silverware Business *HK$'000*	Electric Vehicle Business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Year ended 31 December 2017					
Loss arising in fair value change of contingent consideration receivable	–	–	–	**4,511**	**4,511**
Interest income	–	–	–	**1,134**	**1,134**
Finance costs	–	–	**3,663**	**900**	**4,563**
Amortisation of interest in leasehold land	–	–	**467**	–	**467**
Depreciation of property, plant and equipment	**339**	**1,247**	**11,856**	**374**	**13,816**
Written-off of property, plant and equipment	–	**937**	**350**	**8**	**1,295**
Write-down of obsolete inventories	**275**	–	–	–	**275**
Additions to non-current assets *(note (c))*	**42**	–	**2,187**	**352**	**2,581**
Year ended 31 December 2016					
Loss arising in fair value change of contingent consideration receivable	–	–	–	1,275	1,275
Interest income	–	–	–	264	264
Finance costs	–	–	4,057	900	4,957
Amortisation of interest in leasehold land	–	–	272	–	272
Impairment loss recognised in respect of trade receivables	8	–	–	–	8
Depreciation of property, plant and equipment	394	1,891	6,405	349	9,039
Written-off of property, plant and equipment	–	112	–	–	112
Write-down of obsolete inventories	170	–	–	–	170
Additions to non-current assets *(note (c))*	24	2,098	122,349	19	124,490

Notes:

(a) Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: nil).

(b) Adjusted (loss)/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, depreciation of property, plant and equipment and amortisation of interest in leasehold land are not included in the adjusted (loss)/earnings before interest, tax, depreciation and amortisation.

(c) Addition to non-current assets represents additions to property, plant and equipment and interest in leasehold land.

Geographical information

The Group's operations are mainly located in Hong Kong (place of domicile) and the PRC. The Group's revenue by geographical locations 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:

	Revenue from external customers	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**14,135**	27,746
The PRC, excluding Hong Kong	**520,592**	184,908
United States of America	**13,826**	32,453
Europe	**33,808**	47,174
Asia	**1,335**	2,084
Southeast Asia	**2,549**	–
Oceania	**2,180**	8,903
Others	**119**	–
Total	**588,544**	303,268

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

	Non-current assets	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**4,026**	1,275
The PRC, excluding Hong Kong	**108,734**	114,235
Total	**112,760**	115,510

Information about major customers

Revenue from customers for the years ended 31 December 2017 and 2016 contributing over 10% of the total revenue of the Group are as follows:

	Reporting segments	2017 HK$'000	2016 HK$'000
Customer A *(Note i)*	Sourcing Business	**N/A**	77,388
Customer B *(Note i)*	PRC Silverware Business	**N/A**	48,689
Customer C	Electric Vehicle Business	**258,954**	106,974
Customer D *(Note ii)*	Electric Vehicle Business	**173,525**	N/A

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

Notes:

(i) Revenue derived from Customer A and Customer B did not contribute 10% or more to the Group's total revenue during the year ended 31 December 2017.

(ii) Revenue derived from Customer D did not contribute 10% or more to the Group's total revenue during the year ended 31 December 2016.

6. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on secured loan	**900**	900
Imputed interest on convertible bonds *(note 15)*	**3,663**	4,057
	4,563	4,957

7. PROFIT BEFORE INCOME TAX

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

	2017	2016
	HK$'000	*HK$'000*
Auditors' remuneration:		
– Audit service	**630**	599
– Non-audit services	**147**	168
	777	767
Impairment loss recognised in respect of trade receivables	**–**	8
Cost of inventories sold	**382,283**	200,752
Amortisation of interest in leasehold land	**467**	272
Depreciation of property, plant and equipment	**13,816**	9,039
Net foreign exchange gain	**(1,780)**	(788)
Operating lease charges in respect of land and buildings	**5,272**	5,588
Employee benefit expenses (including directors' remuneration):		
– Salaries, allowances and benefits in kind	**30,930**	30,037
– Retirement benefit scheme contributions	**1,925**	1,854
	32,855	31,891
Written-off of property, plant and equipment	**1,295**	112
Write-down of obsolete inventories (included in cost of sales)	**275**	170

8. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**–**	1,047
– PRC Enterprise Income Tax	**41,591**	14,521
	41,591	15,568
Over provision in prior years:		
– Hong Kong Profits Tax	**–**	(80)
	41,591	15,488
Deferred tax:		
– credit for the year	**(605)**	(669)
	40,986	14,819

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

9. 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.

10. EARNINGS PER SHARE

The computations of basic and diluted earnings per share attributable to owners of the Company are based on the following data:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**77,222**	10,328
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds, net of tax	**3,058**	–
Earnings for the purpose of diluted earnings per share	**80,280**	10,328

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,111,483**	1,550,540
Effect of dilutive potential ordinary shares:		
Share options	**34,767**	33,204
Convertible bonds	**486,715**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,632,965**	1,583,744

As the Company's outstanding convertible bonds where applicable had an anti-dilutive effect to the diluted earnings per share calculation for the year ended 31 December 2016, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted earnings per share.

11. CONTINGENT CONSIDERATION RECEIVABLE

The balance represents the contingent consideration receivable in relation to the acquisition of Core Kingdom Limited and its subsidiaries (collectively referred as "Core Kingdom Group") completed on 27 February 2015 (the "Completion Date"). Contingent consideration receivable has been designated at financial assets at FVTPL upon initial recognition and measure at fair value at the end of the reporting period. The movement of the fair value of contingent consideration receivable are as follow:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**7,107**	8,382
Compensation from profit guarantee *(note 13)*	**(2,596)**	–
Loss arising in fair value change	**(4,511)**	(1,275)
At 31 December	**–**	7,107

Note: Shortfall payment in respect of profit guarantee

Pursuant to the sale and purchase agreement ("SPA") entered in relation to the acquisition, the vendor has guaranteed that the audited profit after tax of 浙江通銀貴金屬經營有限公司 (Zhejiang Tong Yin Precious Metal Operation Company Limited*) ("Tong Yin") and its subsidiary for the three financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 shall not be less than RMB20,000,000, RMB24,000,000 and RMB30,000,000 respectively.

In case the profit guarantee is not fulfilled for the corresponding year, the vendor shall pay 51% of the shortfall ("Shortfall") to the Company within seven days of the delivery of the audited consolidated financial statements, and for the avoidance of doubt, if Tong Yin and its subsidiary sustained loss for such financial year, 51% of the amount of such loss shall be included as part of the Shortfall.

The fair value of profit guarantee as at the Completion Date, amounted to approximately HK$20,536,000.

During the year ended 31 December 2017, the audited net profit of Tong Yin and its subsidiary had not satisfied the profit guarantee, as a result, the vendor is required to make the shortfall payment to the Company in accordance with the terms and conditions as stated in the SPA. Therefore, a loss arising in fair value change of approximately HK$4,511,000 was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2017, and a compensation from profit guarantee of approximately HK$2,596,000 is recognised in the consolidated statement of financial position as at 31 December 2017.

During the year ended 31 December 2016, the audited net profit of Tong Yin and its subsidiary has satisfied the profit guarantee, as a result, the vendor is not required to make the shortfall payment to the Company in accordance with the terms and conditions as stated in the SPA.

* *for identification purposes only*

The fair value of the contingent consideration receivable at 31 December 2016 was based on valuation prepared by Ascent Partners Valuation Service Limited ("Ascent Partners"), an independent qualified professional valuer, by using the expected present value method and a loss arising in fair value change of approximately HK$1,275,000 was recognised in the consolidated statement of profit or loss and other comprehensive income.

At 31 December 2016, contingent consideration receivable was classified as current assets approximately to HK$7,107,000.

12. TRADE RECEIVABLES

The Group assesses the credit status and imposes credit limits for the customers in accordance with the Group's credit policy. The credit limits are closely monitored and subject to periodic reviews.

The Group normally allows credit period of 30 to 180 days (2016: 1 to 90 days) to its major customers. Credit period is normally not granted to other customers.

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

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**370,544**	62,675
31-60 days	**1,936**	4,504
61-90 days	**172**	207
91-180 days	**4,655**	5,310
Over 180 days	**4,407**	10
	381,714	72,706

At 31 December 2017, trade receivables with the amounts of approximately HK$375,668,000 (2016: HK$70,069,000) are due from the Group's top five largest customers.

The movement in the allowance for doubtful debts during the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**–**	–
Impairment loss recognised	**–**	8
Written-off	**–**	(8)
At 31 December	**–**	–

During the year ended 31 December 2016, included in the allowance for doubtful debts were individually impaired trade receivables with balance of approximately HK$8,000 which had been placed under liquidation due to financial difficulties. The Directors had taken recovery actions to collect the outstanding balance but all attempts were in vain, hence impairment was made to this individual receivable.

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The following is an aging analysis of trade receivables which are past due but not impaired:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**285,075**	64,431
1-30 days past due	**90,838**	8,113
31-60 days past due	**172**	152
61-90 days past due	**–**	–
91-180 days past due	**–**	–
Over 180 days past due	**5,629**	10
	381,714	72,706

In determining the recoverability of a trade receivable, the Directors considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Deposits paid	**2,247**	2,059
Trade deposits paid	**9,899**	8,465
Prepayments	**1,715**	1,381
Compensation from profit guarantee *(note 11)*	**2,596**	–
Other receivables	**54,060**	12,546
	70,517	24,451

At 31 December 2017, the Group's other receivables mainly included guarantee deposits paid to a customer with the amount of approximately HK$53,022,000. The amount is expected to be fully recovered within one year.

14. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**114,395**	43,845
Accruals and other payables	**13,078**	8,733
Receipt in advance	**693**	126
Trade deposits received	**789**	1,288
	128,955	53,992

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

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**76,896**	15,179
31-60 days	**16,064**	4,886
61-90 days	**17,785**	4,968
Over 90 days	**3,650**	18,812
	114,395	43,845

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

15. CONVERTIBLE BONDS

On 1 June 2016, the Company issued unsecured convertible bonds in the principal amount of HK$110,000,000 to satisfied 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 and the number of conversion shares were adjusted from 200,000,000 shares to 1,000,000,000 shares on 4 May 2016 upon the completion of share subdivision. On 25 May 2017, the conversion price was further adjusted to HK$0.109 per share upon completion of placement of new shares. As at 31 December 2017, the number of convertible shares was 486,715,358 shares. If the bonds have not been converted, they will be redeemed on 31 May 2018 at principal amount. The convertible bonds are denominated in HK$ and are shown under current liabilities at 31 December 2017.

The bond contains 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%.

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**47,781**	–
Issuance of convertible bonds	**–**	94,892
Converted into shares during the year	**–**	(51,168)
Imputed interest expenses *(note 6)*	**3,663**	4,057
At 31 December	**51,444**	47,781

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the year ended 31 December 2017, China Trustful Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded blooming results for 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"). Besides, the Group also continued to engage in the provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products (the "Sourcing Business"), and the retail and wholesale of luxury brand silverware, silver utensils and luxury goods in the People's Republic of China (the "PRC") (the "PRC Silverware Business").

The Group is fully prepared and determined to become a strong market player in the industries that our businesses belong to, especially the green transportation and electric vehicles industry. Besides the change of the name of the Company from "Powerwell Pacific Holdings Limited" to "China Trustful Group Limited", we also welcomed Mr. Ng to act as the Chief Executive Officer and the executive director of the Company, and Mr. Zhang as the executive director of the Company during the year ended 31 December 2017. The Group is confident that, from 2018 onwards, the Group will continue to build a strong and better corporate image and identity, and also facilitate its future business development, grasp every opportunity and face any new challenges.

BUSINESS REVIEW

Results of the Group

During the year ended 31 December 2017, the Group reported revenue of HK$588,544,000 (2016: HK$303,268,000), representing a 94.1% increase as compared with the same period in 2016, and gross profit and gross profit margin of HK$201,692,000 and 34.3% respectively (2016: HK$99,671,000 and 32.9% respectively). The Group recorded profit for the year of HK$91,682,000 (2016: HK$24,261,000) and other comprehensive income of HK$25,242,000 (2016: loss of HK$14,533,000), being exchange differences arising from translating foreign operations. Profit attributable to owners of the Company was HK$77,222,000 as compared with HK$10,328,000 for the same period last year; whereas basic earnings per share was HK3.66 cents (2016: HK0.67 cents).

The Group's selling and distribution costs and administrative expenses, in total, increased slightly from HK$56,901,000 for the same period last year to HK$64,202,000 during the year ended 31 December 2017.

In general, the Group's result during the year ended 31 December 2017 has benefited from our ability to seize different opportunities in our businesses, especially the Electric Vehicle Business and the PRC Silverware Business. 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 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.

During the year ended 31 December 2017, 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. Besides securing sales orders 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 the PRC, Macau, Hong Kong and some Southeast Asian countries. Further details of the market development are described below. Furthermore, during the year ended 31 December 2017, one of the Group's wholly-owned subsidiaries successfully registered a World Manufacturer Identifier from SAE International, which further strengthens the brand and image of the Group's electric vehicles.

During the year ended 31 December 2017, the Group recorded segment revenue HK$456,017,000 (2016: HK$117,283,000) in the Electric Vehicle Business, representing 77.5% of the Group's total revenue (2016: 38.7%). This segment recorded gross profit of HK$144,044,000 (2016: HK$23,334,000), segment profit of HK$122,731,000 (2016: HK$12,574,000), and segment margin of 26.9% (2016: 10.7%).

The arena in this segment are namely, PRC, Southeast Asia, Macau and Hong Kong.

PRC market

The PRC market has always been the powerhouse among our Electric Vehicle Business. Not only does the favorable environmental policies on electric vehicles as discussed in the "Prospects" section facilitate investments, but the Group's technical capabilities and network also contribute to the extraordinary sales growth recorded for the year.

During the year ended 31 December 2017, besides securing sales orders from our existing customers in relation to sale of rechargeable batteries and auto parts for the electric vehicles, we successfully allied with customers who are travel bus distributors in the PRC, and we successfully participated in and completed the design, research and development and manufacture of over 400 electric travel buses during year 2017.

Southeast Asia market

Besides aiming at the PRC market, the Group also takes its initiative in focusing in countries and cities where the penetration of electric vehicle is comparatively low. In response to the "One Belt One Road Initiative" (一帶一路) policy formulated by President Xi of the PRC, the Group selects Southeast Asia market as one of our long term strategic partners.

Favorable progress has been made in building customer relationship in the Southeast Asia market, especially in Indonesia. During the year ended 31 December 2017, our first prototype of pure electric bus embedded with our electric bus system solution has successfully finished its over 1,000 km trial run in Indonesia. The feedbacks on the performance of our electric bus are positive in the Indonesian market. In the long run, we strive to supply at least 200 electric buses per annum in the Indonesian market.

Other markets

Besides the PRC and the Southeast Asia markets, leveraging on our extensive industry experience, the Group also targets cities including Macau and Hong Kong. During the year ended 31 December 2017, our production team performed extensive research and development to design and produce electric buses which are tailor-made, customerised and localised for each respective city. For instance, we designed and produced two prototype 9.5-meter electric buses for the Macau market which are comparatively smaller in size so as to handle the narrow streets and tight corners of downtown Macau.

For instance, in relation to the Macau market, two prototype electric buses have already been completed according to schedule and have passed the approvals for Economic Commission for Europe (ECE). They are ready for roadshow purposes in Macau, and different customers have been reaching us in formulating attractive and long-term sustainable contracts. While we are in good progress of identifying our long term strategic partner, the Group is very confident that, our relationship with potential customers established during the 2016 Macao International Environmental Co-operation Forum and Exhibition (澳門國際環保合作發展論壇及展覽) (MIECF) will provide fruitful results to the Group in the upcoming years.

PRC Silverware Business

Our sales management team recognised two important consumer trends in China: (i) as a result of the PRC government's support for "Internet Plus" initiatives, e-commerce, including internet sales, mobile payment and online payment platform is playing a vital position for every citizens in the PRC; (ii) the consumer market is becoming more customer-oriented, and that business models with tailor-made one-stop shopping ideas are more encouraged and welcomed.

As a result, the Group revamped its strategies to promote and sell our luxury silverware products branded S·collodi by focusing in developing stable and long-term relationship with its wholesale customers and exploring potential new wholesale customers who promotes silverware products with special themes and/or through their online sales platforms. Our customers during the year ended 31 December 2017 included wholesale customers who engage in the e-commerce and wedding services business. In identifying and bonding with our wholesale customers, during the year 2017, our sales management team put their efforts in exposing and promoting our products to our target customers, such as attending the Hangzhou International Tea Expo. New products designed by our sales team during the year included products for children's use, such as milk bottles, watch bottles and bracelets.

In relation to our silverware retail operations, after thoroughly considering the matrix of target customers, store location, pricing strategy and costs planning, we closed down stores which were comparatively less profitable, and there were two premier stores as at 31 December 2017. Furthermore, in order to provide a comprehensive luxury product chain to attract our retail customers, who are mainly high-net-worth PRC individuals, we also sourced luxury products which are not branded S·collodi and sold them in our two self-operated retail stores.

For the year ended 31 December 2017, as a result of the decrease in number of retail outlets, the PRC Silverware Business recorded a slight drop in segment revenue to HK$69,252,000 from HK$75,749,000 for the year ended 31 December 2016, representing 11.8% of the Group's total revenue (2016: 25.0%). It recorded gross profit of HK$44,269,000 (2016: HK$48,552,000), segment profit of HK$40,368,000 (2016: HK$38,496,000), and segment margin of 58.3% (2016: 50.8%).

Sourcing Business

The year of 2017 was a very bad year for our Sourcing Business, despite what was mentioned in the U.S. news about the overwhelming results of their stock and securities markets. On the contrast, U.S. retailers and distributors are having a difficult time in their operation. Major stores are closing down hundreds and hundreds of their outlets and divisions in America. Needless to say self-running distribution outlets owned by our major brand owners customers have to consolidate and solve their inventory problems to maintain their cash flow and liquidity. This happened in the second half of 2017, as a result, our revenue in watches, costume jewelries and display businesses dropped significantly.

We have first time suffered a loss in our watches business since inception in 1995, together with loss in other businesses, our overall results in Sourcing Business was bad for the year ended 31 December 2017. A significant percentage of operating staff have been already reduced with our tight cost control and cost saving policies, we strove hard to minimise our loss and keep remained self-liquidating and self-financing by our limited reserves.

The segment recorded segment revenue of HK$63,275,000 (2016: HK$110,236,000), representing 10.7% of the Group's total revenue (2016: 36.3%). It recorded gross profit of HK$13,379,000 (2016: HK$27,785,000), segment loss of HK$7,269,000 (2016: segment profit of HK$6,783,000), and segment margin of negative 11.5% (2016: positive 6.2%), as a result of the drop in both revenue and profitability.

PROSPECTS

Electric Vehicle Business

The overall prospect of our Electric Vehicle Business is promising and bright despite fierce competitions emerge within the electric vehicle and green transportation industry and counter-attacks from traditional fuel vehicle manufacturers.

The environment protection trend simply could not be reversed. Pursuant to the United States' announcement of decision to withdraw from the Paris Agreement on climate change in June 2017, China took the lead, played the convening role in bringing together countries from across the globe for clean energy discussion, and showed its initiative and commitment to the Paris Agreement. The leaders worldwide are generally confident in China taking forward the global missions to tackle the climate change issues.

Being one of the world's largest emitters of climate change-causing carbon dioxide, the PRC administration is in the move to roll out more and more anti-carbon measures and favorable policies, such as "New Energy Vehicle Subsidy Scheme" and subsidy scheme for over 300,000 electric vehicle charging stations among the country. It also issued <<汽車產業中長期發展規劃>> (literally translated as "Medium and Long term Development Plan of the Automotive Industry") in April 2017, which clearly delivered the message of electric vehicles being part of the drive for the domestic industry development in future.

According to the "Global EV Outlook 2017" published by the International Energy Agency in June 2017, the global electric car stock surpassed 2 million vehicles in 2016 after crossing the 1 million threshold in 2015, and that the number of global battery-powered electric buses stock grew a double in 2016 compared to 2015. It is believed that the tax incentives and the government subsidy and support to the green transportation and electric vehicle industry are indispensable for lowering the barriers to the wide adoption of electric vehicles worldwide.

Meanwhile, in the Group's perspective, benefited from the management vision of vertically-integration and the well-versed research and development professionals and project teams, the Group is exploring different market opportunities and creating economies of scale. The Group believes that our competitive edge mainly derives our ability to provide stable, safe and customised solutions to our various customers. Furthermore, the Group sees the penetration of electric vehicles, especially electric buses, in the transportation industry worldwide is still very low. From year 2018 onwards, the Group will continue to align with the global trend of going green and actively response to any anti-carbon measures and favorable policies to be imposed by the PRC government by putting emphasis on research and development of electric bus models which specifically suits our customers' needs. We will target in countries where electric vehicles are still yet to be popularized and countries where positive support and policies from government is received, including countries and cities such as the PRC, Macau, Hong Kong, and some Southeast Asian countries especially Indonesia which has a huge population and a big demand for public buses. The Group will endeavor to get all invaluable opportunities, and strive to become one of the most competitive global electric vehicle, rechargeable batteries and parts providers.

PRC Silverware Business

Silver is the mineral material of the earth that people see in daily lives. It's in jewelries, watches, food utensils and other equipment. It is generally regarded as currency equivalents and a hedging tool. As a result of the growing need for diversification in investment products, investments in luxury silverware products are expected to grow. Furthermore, silverwares can fight microbes, keep food fresh and boost immunity.

Going forward, the Group remains optimistic about the future of our silverware products in the PRC. We will continue to develop and maintain strong and stable relationships with our wholesale customers. Since late 2016, the Group has been successfully allied with a PRC company specialised in preparation of wedding ceremony to promote its S·collodi luxury silverwares. Furthermore, in response to the PRC Government's support for "Internet Plus" initiatives, the Group has also developed children-related silverware products and planned to strategically promote and sell the products through a famous children website since late 2017. The Group anticipates more sales with these customers in the upcoming years. Meanwhile, in our retail operation, we maintain our flexible marketing strategies. We will continue to diversify our silverware product mix to be sold in our flagship stores and explore and develop the market for products with crossover of ceramic and silverware, so as to attract more customers and promote traditional Chinese culture.

Our Group assures that, through designing and developing new products and actively participating in different promotion channels, such as attending the Hangzhou International Tea Expo, our S·collodi products and our PRC Silverware Business will continue to be a promising operation to the Group.

Sourcing Business

It looks as though we were underprivileged in the changes from the traditional retails sales (old economy) to new internet sales economy. The outlook for our Sourcing Business for the coming years is gloomy. The recovery of the global retail business of watches and costume jewelries is yet to be seen, our line of business will be very challenging in the future. We will continue to practise tight cost control including reducing staff cost and overheads. We will closely monitor the progress and will review where appropriate.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2017, the Group had current assets of HK$792,733,000 (2016: HK$278,287,000) comprising cash and cash equivalents of HK$293,853,000 (2016: HK$127,722,000), and net current assets of HK$540,996,000 (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 (2016: HK$15,000,000), details of which are described in the paragraph below. As at 31 December 2017, the Group's equity attributable to owners of the Company increased by HK$377,237,000 to HK$603,549,000 (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 year.

The Group's gearing ratio represented its total borrowings (including secured loan and convertible bonds) over the equity attributable to owners of the Company. As at 31 December 2017, the Group had total borrowings amounted to HK$66,444,000 (2016: HK$62,781,000), 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 convertible bonds of HK$51,444,000 (2016: HK$47,781,000). The Group's equity attributable to owners of the Company as at 31 December 2017 amounted to HK$603,549,000. The Group's gearing ratio was therefore maintained at a low level of 11.0%, which was lower than that at 31 December 2016 of 27.7%, as a result of the completion of placing of new shares during the year.

The Group's current ratio, calculated based on current assets of HK$792,733,000 over current liabilities of HK$251,737,000 (2016: HK$95,339,000), was at a healthy level of 3.15 times (2016: 2.92 times).

As at 31 December 2017, our trade receivables amounted to HK$381,714,000, which was an increase of HK$309,008,000 compared to HK$72,706,000 as at 31 December 2016, our trade payables as at 31 December 2017 also increased to HK$114,395,000 from HK$43,845,000 as at 31 December 2016. 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 during the fourth quarter of year 2017. These customers are mainly the travel bus distributors in the PRC, and eyeing on the bulk future sales orders from these customers, the Group granted credit terms of 180 days for part of the outstanding balances. As at the date of this announcement, out of the HK$96,639,000 trade receivables which were past due as at 31 December 2017, approximately 97% has been settled. Our Directors have reviewed the recoverability of the trade receivables and considered that no impairment was required for the year ended 31 December 2017.

Furthermore, the deposits, prepayments and other receivables of the Group increased from HK$24,451,000 as at 31 December 2016 to HK$70,517,000 as at 31 December 2017. The balance as at 31 December 2017 included guarantee deposits paid to a customer amounted to HK$53,022,000, which is expected to be fully recovered within one year.

During the year ended 31 December 2017, the issued share capital of the Company increased from 2,051,209,327 shares of HK$0.02 each 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 raisings.

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 (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 (Huzhou Brighsun Battery Co., Ltd*) and 湖州百成客車有限公司 (Huzhou Brighsun Automobile Co., Ltd*) collectively as the vendors, and 黃科竣 (Huang Kejun) and Mr. 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 31 December 2017, the outstanding principal amount of Convertible Bonds was 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 was no conversion of the Convertible Bonds during the year ended 31 December 2017.

Contingent Consideration Receivable and Profit Guarantee

Pursuant to the sale and purchase agreement (the "Core Kingdom Agreement") entered in relation to the acquisition of Core Kingdom Limited dated 8 December 2014 (the "Core Kingdom Acquisition"), Mr. Chow Tsi Tung ("Mr. Chow"), being the vendor in the Core

* *for identification purposes only*

Kingdom Acquisition, provided an irrevocable and unconditional guarantee in favour of the Company that the audited net profits of 浙江通銀貴金屬經營有限公司 (Zhejiang Tong Yin Precious Metal Operation Company Limited*) ("Tong Yin"), an indirect 51%-owned subsidiary of the Company, for the three years ended 31 December 2015, 31 December 2016 and 31 December 2017 shall be no less than RMB20 million, RMB24 million and RMB30 million respectively (the "Guaranteed Net Profit"). A contingent consideration receivable has been recognised in the consolidated statement of financial position of the Group which was measured at fair value at each of the end of the reporting period.

The audited net profits of Tong Yin for the years ended 31 December 2015 and 2016 were no less than the Guaranteed Net Profit. However, for the year ended 31 December 2017, the audited net profit of Tong Yin was RMB25,586,000 (equivalent to HK$29,512,000), which was lower than the Guarantee Net Profit of RMB30,000,000. As a result, pursuant to the Core Kingdom Agreement, the Company recognised a compensation from profit guarantee of HK$2,596,000 as at 31 December 2017, which is to be paid by Mr. Chow and was calculated as 51% of the difference between the audited net profit of Tong Yin and the Guaranteed Net Profit for the year ended 31 December 2017.

For further details of the Core Kingdom Acquisition and the profit guarantee, please refer to the announcements of the Company dated 9 December 2014, 8 January 2015, 9 February 2015, 27 February 2015 and 29 March 2018.

Connected Transaction − Exercise of Put Option in relation to Interest in Brighsun Ev-tech Co., Limited

On 8 November 2017, International Faith Limited, an indirect wholly-owned subsidiary of the Company, served an exercise notice on Mr. Zhang Genjiang ("Mr. Zhang"), the executive Director and a substantial shareholder of the Company, to exercise the put option and to require Mr. Zhang to purchase 1,200 ordinary shares of Brighsun Ev-tech Co., Limited, representing 10% of the issued shares, at the consideration of HK$9,000,000. Further details of this transaction was set out in the announcement of the Company dated 8 November 2017.

Income Tax

The effective tax rate for the year was 30.9% (2016: 37.9%), which was higher 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

* *for identification purposes only*

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 2017 (2016: Nil).

Pledge of Assets

As at 31 December 2017, save as disclosed above, no other assets of the Group were pledged.

Capital Commitments

As at 31 December 2017, the Group had material capital commitments of HK$716,000 (2016: HK$1,056,000).

Dividends

The Group did not recommend the payment of any dividend during the year ended 31 December 2017 (2016: Nil).

Significant Investments Held and Material Acquisitions and Disposals

There were no significant investment held as at 31 December 2017, and there were no material acquisitions and disposal of subsidiaries during the year ended 31 December 2017.

Fund Raising Activity

Placing of New Shares under General Mandate

During the year ended 31 December 2017, the Company issued 100,000,000 shares to not less than six placees at a placing price of HK$2.80 per share. The placing price was agreed with the placing agent in a placing agreement dated 21 April 2017, and the closing price quoted on the Exchange as at that date was HK$3.32 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. Further details of the Placing have been set out in the Company's announcements dated 21 April 2017 and 25 May 2017.

As at 31 December 2017, of the net proceeds of the Placing of HK$277,760,000, approximately HK$138,000,000 were subsequently used in the operation of the Electric Vehicle Business, while approximately HK$9,760,000 were used in general working capital for our Hong Kong operation. Approximately HK$130,000,000 was remained unused and placed with licensed banks in Hong Kong and the PRC.

Employees and Remuneration Policies

The Group had 113 (2016: 197) employees as at 31 December 2017. Total staff costs for the year, including Directors' remuneration, was HK$32,855,000 (2016: HK$31,891,000). 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.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 6 February 2018, the Company signed another supplemental loan agreement to further extend the repayment date of a loan of HK$15,000,000 secured by the shares of Powerwell Pacific Limited to another 3 months to 5 May 2018 from the second extended repayment date (i.e. 5 February 2018).

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as the share option scheme adopted by the Company on 22 December 2010, at no time during the Year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 Year.

CORPORATE GOVERNANCE PRACTICES

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 (the "CG Code") contained in Appendix 15 of the GEM Listing Rules throughout the Year, save as disclosed below:

Code provision A.2.1

Code provision A.2.1 of the CG Code requires the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Fei Jie ("Mr. Fei"), the Chairman of the Board (the "Chairman") and the executive Director, has been assuming the role of chief executive of the Company during the period from 1 January 2017 to 9 March 2017. The Board believed that the roles of chairman and chief executive performed by Mr. Fei can provide the Group with strong and consistent leadership and allow for more effective and efficient business planning and decisions as well as execution of long term business strategies.

In view of the long-term development needs of the Company, Mr. Ng Chin Ming Stephen ("Mr. Ng") was appointed as Chief Executive Officer ("CEO") and executive Director of the Company on 10 March 2017. Mr. Ng as the CEO is responsible for managing and smoothing the business operations of the Group while Mr. Fei as the Chairman is responsible for leading the Board in the overall strategic management and business development of the Group. As a result, code provision A.2.1 has been complied with commencing from 10 March 2017.

Code provision A.6.7

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.

SECURITIES TRANSACTIONS BY DIRECTORS

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3 May 2018 to Tuesday, 8 May 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the annual general meeting of the Company to be held on 8 May 2018, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 May 2018.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Year and recommended to the Board the approval and announcement of such financial statements.

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

Hong Kong, 29 March 2018

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

This announcement will remain on the website of the GEM of The Stock Exchange of Hong Kong Limited at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting. This announcement will also be published and remains on the website of the Company at www.irasia.com/listco/hk/chinatrustful.