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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 2018

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

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

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

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

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

FINANCIAL HIGHLIGHTS

- The Group’s revenue generated from our continuing operations amounted to HK\$70,864,000 (six months ended 30 June 2017: HK\$95,541,000) for the six months ended 30 June 2018, which represented a decrease of HK\$24,677,000 or 25.8% as compared with the corresponding previous period.
- The profit for the six months ended 30 June 2018 was HK\$14,605,000 (six months ended 30 June 2017: HK\$11,818,000), representing an increase of HK\$2,787,000 or 23.6% as compared with the corresponding previous period.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018	2017	2018	2017
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Continuing operations					
Revenue	3	24,767	46,920	70,864	95,541
Cost of sales		<u>(5,890)</u>	<u>(26,897)</u>	<u>(26,233)</u>	<u>(55,850)</u>
Gross profit		18,877	20,023	44,631	39,691
Other revenue and other income		1,937	2,079	2,715	2,534
Selling and distribution costs		(375)	(538)	(624)	(1,193)
Administrative expenses		(7,586)	(9,787)	(18,136)	(20,230)
Gain on disposal of subsidiaries		525	—	525	—
Loss arising in fair value change in contingent consideration receivable		—	(799)	—	(799)
Finance costs	5	<u>(730)</u>	<u>(1,131)</u>	<u>(1,915)</u>	<u>(2,246)</u>
Profit before income tax	6	12,648	9,847	27,196	17,757
Income tax expense	8	<u>(2,128)</u>	<u>(4,593)</u>	<u>(7,711)</u>	<u>(6,036)</u>
Profit for the period from continuing operations		10,520	5,254	19,485	11,721
Discontinued operation					
(Loss)/profit for the period from discontinued operation	7	<u>(2,257)</u>	<u>(221)</u>	<u>(4,880)</u>	<u>97</u>
Profit for the period		<u>8,263</u>	<u>5,033</u>	<u>14,605</u>	<u>11,818</u>
Other comprehensive (loss)/income for the period					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations during the period		<u>(34,254)</u>	<u>3,863</u>	<u>(11,478)</u>	<u>6,185</u>
Total comprehensive (loss)/income for the period		<u>(25,991)</u>	<u>8,896</u>	<u>3,127</u>	<u>18,003</u>

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

For the three months and six months ended 30 June 2018

	Three months ended 30 June		Six months ended 30 June	
Notes	2018 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>	2018 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>
Profit/(loss) for the period attributable to:				
Owners of the Company				
— from continuing operations	9,273	1,842	15,928	5,972
— from discontinued operation	(2,257)	(221)	(4,880)	97
Non-controlling interests				
— from continuing operations	1,247	3,412	3,557	5,749
	8,263	5,033	14,605	11,818
Total comprehensive (loss)/income attributable to:				
Owners of the Company				
— from continuing operations	(22,089)	4,916	5,294	11,051
— from discontinued operation	(2,257)	(221)	(4,880)	97
Non-controlling interests				
— from continuing operations	(1,645)	4,201	2,713	6,855
	(25,991)	8,896	3,127	18,003
Earnings/(loss) per share				
From continuing and discontinued operations				
— Basic	10	HK0.30 cents	HK0.08 cents	HK0.49 cents
— Diluted	10	<u>HK0.28 cents</u>	<u>HK0.08 cents</u>	<u>HK0.46 cents</u>
From continuing operations				
— Basic	10	HK0.40 cents	HK0.09 cents	HK0.71 cents
— Diluted	10	<u>HK0.37 cents</u>	<u>HK0.09 cents</u>	<u>HK0.65 cents</u>
From discontinued operation				
— Basic	10	HK(0.10) cents	HK(0.01) cents	HK(0.23) cents
— Diluted	10	<u>HK(0.10) cents</u>	<u>HK(0.01) cents</u>	<u>HK(0.23) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		30 June 2018 (Unaudited) <i>HK\$'000</i>	31 December 2017 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		84,792	88,931
Interest in leasehold land		20,402	20,964
Intangible assets		282	—
Prepayment for property, plant and equipment		—	2,865
		105,476	112,760
Current assets			
Inventories		68,025	33,738
Available-for-sale financial assets		—	3,122
Trade receivables	11	263,789	381,714
Deposits, prepayments and other receivables		82,110	70,517
Amount due from a director		—	9,018
Tax recoverable		—	771
Cash and cash equivalents		260,582	293,853
		674,506	792,733
Current liabilities			
Trade and other payables	12	34,436	128,955
Secured loan		—	15,000
Convertible bonds	13	—	51,444
Amount due to a shareholder		—	5,438
Amounts due to non-controlling interests		124	118
Amounts due to related companies		7,063	7,242
Tax payables		19,898	43,540
		61,521	251,737
Net current assets		612,985	540,996
Total assets less current liabilities		718,461	653,756

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)

At 30 June 2018

		30 June	31 December
		2018	2017
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liability			
Deferred tax liability		—	1,074
Net assets		<u>718,461</u>	<u>652,682</u>
Capital and reserves			
Share capital	<i>14</i>	53,508	43,024
Reserves		<u>613,107</u>	<u>560,525</u>
Equity attributable to owners of the Company		666,615	603,549
Non-controlling interests		<u>51,846</u>	<u>49,133</u>
Total equity		<u>718,461</u>	<u>652,682</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

1. GENERAL INFORMATION

China Trustful Group Limited (the “Company”) was incorporated in Bermuda on 14 June 2010 as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 26 January 2011. King Full Inc Limited, Top Bliss Holdings Limited and Smart Focus Inc 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 2610–2611, 26/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries (together with the Company referred to as the “Group”) are the retail and wholesale of luxury brand silverware, silver utensils and luxury goods in the People’s Republic of China (the “PRC”) (the “Silverware Business”) and research and development, manufacture and sale of rechargeable batteries, electric vehicles and related products and provision of related services (the “Electric Vehicle Business”). The Group was also 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”) which were discontinued since 18 May 2018.

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

Basis of preparation

The Interim Financial Information have been prepared on the historical cost basis.

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 2018 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 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 2017 (the “2017 annual financial statements”). This Interim Financial Information has been prepared in accordance with the same accounting policies applied in the 2017 annual financial statements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle except HKFRS 12 (Amendments)
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i>
HKAS 40 (Amendments)	Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition. Details of the changes in accounting policies are discussed below.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings at 1 January 2018.

Retained earnings	HK\$'000
At 1 January 2018 (Originally stated)	86,938
Remeasurement of unlisted debt securities measured at FVTPL at 1 January 2018	<u>15</u>
At 1 January 2018 (restated)	<u><u>86,953</u></u>

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Accounting policies (continued)

HKFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities

HKFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics, and the new requirements on the accounting for financial liabilities that are designated at fair value through profit or loss.

Prior to 1 January 2018, the Group's debt securities were classified as available for sale. From 1 January 2018 onwards, the debt securities previously classified as available-for-sale financial assets are classified as financial assets at fair value through profit or loss ("FVTPL").

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

The following table shows the original measurement categories for each class of the group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	Remeasurement <i>HK\$'000</i>	HKFRS 9 carrying amount at 1 January 2018 <i>HK\$'000</i>
Financial assets measured at FVTPL				
Unlisted debt securities	—	3,122	15	3,137
Financial assets classified as available-for-sale under HKAS 39	<u>3,122</u>	<u>(3,122)</u>	<u>—</u>	<u>—</u>

Impairment of financial assets

The Group's consist of trade receivables and other financial assets at amortised cost that are subject to HKFRS 9's new expected credit loss model.

The Group is required to revise its impairment methodology under HKFRS 9 for each classes of assets. The provision for doubtful debts for these financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Accounting policies (continued)

HKFRS 9 Financial Instruments (continued)

Impairment of financial assets (continued)

(i) Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected provision for doubtful debts for all trade receivables to measure the expected credit losses. Trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include deposits paid (excluding trade deposits paid) and other receivables. Applying the expected credit risk model resulted in immaterial impact on the provision for doubtful debts for these financial assets.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

Timing of revenue recognition

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed.

The application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognition of the Group.

3. REVENUE

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Sales of goods				
— Silverware	1,600	22,024	26,881	37,421
— Electric vehicles and related products	6,027	20,676	7,683	53,900
— Porcelain	3,307	—	3,307	—
Commission and consultancy fee income	13,833	4,220	32,993	4,220
	<u>24,767</u>	<u>46,920</u>	<u>70,864</u>	<u>95,541</u>

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 two main operating segments: (i) Silverware Business; and (ii) 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:

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

An operating segment regarding 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 (referred to as "Sourcing Business") was discontinued in the current period, which are described in more detail in note 7.

4. SEGMENT INFORMATION (CONTINUED)

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

Continuing operations

	Silverware Business (Unaudited) HK\$'000	Electric Vehicle Business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Six months ended 30 June 2018			
Reportable segment revenue	<u>30,188</u>	<u>40,676</u>	<u>70,864</u>
Reportable segment profit	<u>9,517</u>	<u>26,515</u>	36,032
Interest income			1,437
Gain on disposal of subsidiaries			525
Corporate income and expenses			<u>(10,798)</u>
Profit before income tax			<u>27,196</u>
Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA")	<u>9,856</u>	<u>30,915</u>	<u>40,771</u>
Six months ended 30 June 2017			
Reportable segment revenue	<u>37,421</u>	<u>58,120</u>	<u>95,541</u>
Reportable segment profit	<u>17,305</u>	<u>9,309</u>	26,614
Interest income			171
Loss arising in fair value change in contingent consideration receivable			(799)
Corporate income and expenses			<u>(8,229)</u>
Profit before income tax			<u>17,757</u>
Adjusted EBITDA	<u>18,102</u>	<u>15,601</u>	<u>33,703</u>

4. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent profit earned by each segment without allocation of interest income, gain on disposal of subsidiaries, loss arising in fair value change in contingent consideration receivable and central administrative income and expenses including 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.

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

	Continuing operations			Discontinued operation	Total <i>HK\$'000</i>
	Silverware Business <i>HK\$'000</i>	Electric Vehicle Business <i>HK\$'000</i>	Sub-Total <i>HK\$'000</i>	Sourcing Business <i>HK\$'000</i>	
At 30 June 2018 (Unaudited)					
Reportable segment assets	<u>79,454</u>	<u>619,575</u>	<u>699,029</u>	<u>—</u>	699,029
Unallocated assets					<u>80,953</u>
Total assets					<u>779,982</u>
Reportable segment liabilities	<u>7,673</u>	<u>33,129</u>	<u>40,802</u>	<u>—</u>	40,802
Unallocated liabilities					<u>20,719</u>
Total liabilities					<u>61,521</u>
At 31 December 2017 (Audited)					
Reportable segment assets	<u>86,127</u>	<u>633,401</u>	<u>719,528</u>	<u>44,227</u>	763,755
Unallocated assets					<u>141,738</u>
Total assets					<u>905,493</u>
Reportable segment liabilities	<u>4,361</u>	<u>174,201</u>	<u>178,562</u>	<u>7,607</u>	186,169
Unallocated liabilities					<u>66,642</u>
Total liabilities					<u>252,811</u>

4. SEGMENT INFORMATION (CONTINUED)

For the purposes 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, available-for-sale financial assets, partial deposits, prepayments and other receivables, 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.

Geographical information

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

Information about major customers

Revenue from customers for the periods ended 30 June 2018 and 2017 contributing over 10% of the total revenue of the Group from continuing operations are as follows:

	Reporting segments	Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Customer A (Note i)	Silverware Business	N/A	14,609
Customer B (Note i)	Silverware Business	N/A	11,855
Customer C (Note i)	Electric Vehicle Business	N/A	33,823
Customer D (Note i)	Electric Vehicle Business	N/A	19,350
Customer E (Note ii)	Electric Vehicle Business	32,993	N/A
Customer F (Note ii)	Silverware Business	7,301	N/A

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

Notes:

- (i) Revenue derived from Customer A, Customer B, Customer C and Customer D did not contribute over 10% of revenue of the Group during the period ended 30 June 2018.
- (ii) Revenue derived from Customer E and Customer F did not contribute over 10% of revenue of the Group during the period ended 30 June 2017.

5. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Interest on secured loan	81	225	307	449
Imputed interest on convertible bonds (note 13)	649	906	1,608	1,797
	<u>730</u>	<u>1,131</u>	<u>1,915</u>	<u>2,246</u>

6. PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS

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

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Amortisation of interest in leasehold land	121	114	245	228
Depreciation of property, plant and equipment	3,617	3,287	6,851	6,741
Loss arising in fair value change in contingent consideration receivable	—	799	—	799
Net foreign exchange gain	(1,183)	(1,825)	(430)	(1,825)
Operating lease charges in respect of land and building	1,627	983	2,647	1,337
Employee benefit expenses (including directors' remuneration):				
— Salaries, allowance and benefits in kind	2,883	4,001	5,969	7,356
— Retirement benefit schemes contributions	577	387	737	821
	<u>3,460</u>	<u>4,388</u>	<u>6,706</u>	<u>8,177</u>
Written-off of property, plant and equipment	242	603	242	890

7. DISCONTINUED OPERATION

On 18 May 2018, the Group entered into a sale and purchase agreement relating to the disposal of the entire issued share capital of Powerwell Pacific Limited (“Powerwell Pacific”) and its subsidiaries (collectively refer to as the “Disposal Group”) to an independent third party. Powerwell Pacific was incorporated in the British Virgin Islands and is principally engaged in investment holding. The principal activities of the Disposal Group are the provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products. The disposal was completed on 18 May 2018 and the Disposal Group ceased to be subsidiaries of the Group since 18 May 2018.

The loss/profit for the period from the discontinued operation is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the Sourcing operation as a discontinued operation.

	Six month ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit of sourcing business for the period	<u>(4,880)</u>	<u>97</u>

The results of the discontinued operation for the current and prior periods are as follows:

	Six month ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	10,379	40,937
Cost of sales	<u>(9,955)</u>	<u>(31,286)</u>
Gross profit	424	9,651
Other revenue and other income	333	450
Selling and distribution costs	(101)	(171)
Administrative expenses	<u>(5,536)</u>	<u>(9,823)</u>
(Loss)/profit before income tax	(4,880)	107
Income tax expense	<u>—</u>	<u>(10)</u>
(Loss)/profit for the period	<u>(4,880)</u>	<u>97</u>

7. DISCONTINUED OPERATION (CONTINUED)

(Loss)/profit for the period from discontinued operation includes the following:

	Six month ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	106	174
Cost of inventories sold	9,934	31,231
Net exchange gain	(276)	(369)
Operating lease charges in respect of land and building	527	648
Employee benefit expenses (excluding directors' remuneration)		
— Salaries, allowance and benefits in kind	4,161	7,351
— Retirement benefit schemes contributions	142	239
	<u>4,303</u>	<u>7,590</u>

During the period ended 30 June 2018, the Disposal Group paid HK\$4,829,000 (six months ended 30 June 2017: HK\$7,479,000) to the Group's net operating cash flows and paid HK\$Nil (six months ended 30 June 2017: HK\$14,000) in respect of investing activities.

The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal are disclosed in note 15.

8. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK'000	2017 (Unaudited) HK\$'000
Continuing operations				
Current tax				
— Hong Kong Profits Tax	—	—	—	—
— PRC Enterprise Income Tax	2,234	4,743	7,975	6,333
	2,234	4,743	7,975	6,333
Deferred tax				
— credit for the period	(106)	(150)	(264)	(297)
	<u>2,128</u>	<u>4,593</u>	<u>7,711</u>	<u>6,036</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment)(No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

8. INCOME TAX EXPENSE (CONTINUED)

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the period ended 30 June 2018, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

No provision for Hong Kong Profits Tax has been made since there were no assessable profits in Hong Kong.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods.

9. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

10. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings				
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	7,016	1,621	11,048	6,069
Effect of dilutive potential ordinary shares: interest on convertible bonds, net of tax	<u>543</u>	<u>—</u>	<u>1,344</u>	<u>—</u>
Earnings for the purpose of diluted earnings per share	<u>7,559</u>	<u>1,621</u>	<u>12,392</u>	<u>6,069</u>

10. EARNINGS/(LOSS) PER SHARE (CONTINUED)

From continuing and discontinued operations (Continued)

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,325,956	2,090,770	2,238,583	2,071,099
Effect of dilutive potential ordinary shares:				
— Share options	18,074	34,885	26,374	34,819
— Convertible bonds	329,885	—	408,300	—
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	<u>2,673,915</u>	<u>2,125,655</u>	<u>2,673,257</u>	<u>2,105,918</u>

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings				
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	9,273	1,842	15,928	5,972
Effect of dilutive potential ordinary shares:				
interest on convertible bonds, net of tax	543	—	1,344	—
Earnings for the purpose of diluted earnings per share	<u>9,816</u>	<u>1,842</u>	<u>17,272</u>	<u>5,972</u>

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

10. EARNINGS/(LOSS) PER SHARE (CONTINUED)

From discontinued operation

The calculation of basic and diluted (loss)/earnings per share from discontinued operation attributable to the owners of the Company is based on the following data:

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/earnings				
(Loss)/earnings for the purpose of basic and dilutive (loss)/earnings per share ((loss)/profit for the period attributable to owners of the Company)	<u>(2,257)</u>	<u>(221)</u>	<u>(4,880)</u>	<u>97</u>
	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and dilutive earnings per share	<u>2,151,209</u>	<u>2,151,209</u>	<u>2,151,209</u>	<u>2,151,209</u>

As the Company's outstanding share options and 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 and 2018, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted earnings per share.

11. TRADE RECEIVABLES

The Group normally allows credit period 30 to 180 days to its major customers. Credit period is normally not granted to other customers. At the end of the reporting period, the aging analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
0–30 days	13,239	370,544
31–60 days	—	1,936
61–90 days	—	172
91–180 days	27,785	4,655
Over 180 days	<u>222,765</u>	<u>4,407</u>
	<u>263,789</u>	<u>381,714</u>

12. TRADE AND OTHER PAYABLES

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

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Trade payables:		
0–30 days	5,015	76,896
31–60 days	—	16,064
61–90 days	—	17,785
Over 90 days	<u>17,690</u>	<u>3,650</u>
	22,705	114,395
Accruals and other payables	11,412	13,078
Receipt in advance	133	693
Trade deposits received	<u>186</u>	<u>789</u>
	<u>34,436</u>	<u>128,955</u>

13. 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 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 2017 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.

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

The bonds 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%.

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
At the beginning of the reporting period	51,444	47,781
Conversion into shares during the period	(53,052)	—
Imputed interest expenses (<i>note 5</i>)	<u>1,608</u>	<u>3,663</u>
At the end of the reporting period	<u>—</u>	<u>51,444</u>

14. SHARE CAPITAL

	30 June 2018		31 December 2017	
	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				
Authorised:				
At the beginning of the reporting period and at the end of the reporting period	<u>5,000,000</u>	<u>100,000</u>	<u>5,000,000</u>	<u>100,000</u>
Issued and fully paid:				
— At the beginning of the reporting period	2,151,209	43,024	2,051,209	41,024
— Placement of new shares (<i>note (i)</i>)	—	—	100,000	2,000
— Exercise of share options (<i>note (ii)</i>)	37,500	750	—	—
— Conversion of convertible bonds (<i>note (iii)</i>)	<u>486,715</u>	<u>9,734</u>	—	—
At the end of the reporting period	<u>2,675,424</u>	<u>53,508</u>	<u>2,151,209</u>	<u>43,024</u>

Notes:

- (i) 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. Of the net proceeds of the placing of HK\$277,760,000, approximately HK\$213,000,000 and HK\$19,760,000 were used in the operation and development purpose of the Electric Vehicle Business and for general working capital purpose respectively. The remaining of approximately HK\$45,000,000 was remained unused and placed with licensed banks in Hong Kong and the PRC.
- (ii) During the period ended 30 June 2018, several option holders exercised their option right to subscribe for 37,500,000 new ordinary shares at exercise price of HK\$0.234 per share. The total proceeds from the exercise from the exercise of option rights amounted to approximately HK\$8,775,000.
- (iii) On 1 June 2018, a convertible bonds holder has exercised its conversion rights attached to the convertible bonds with an aggregate principal amount of HK\$53,051,974 into 486,715,358 ordinary shares of the Company at the adjusted conversion price of HK\$0.109 per share.

15. DISPOSAL OF A BUSINESS

As referred to in note 7, on 18 May 2018, the Group discontinued its sourcing business operation at the time of disposal of the Disposal Group. The net assets of the Disposal Group at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	<i>HK\$'000</i>
Property, plant and equipment	303
Inventories	399
Trade receivables	2,407
Deposits, prepayments and other receivables	1,360
Tax recoverable	1,004
Cash and cash equivalents	6,780
Trade and other payables	<u>(4,978)</u>
Net assets disposed of	<u>7,275</u>
Gain on disposal of the Disposal Group:	
— Cash consideration received	7,800
— Net assets disposed of	<u>(7,275)</u>
Gain on disposal of subsidiaries	<u><u>525</u></u>
Net cash inflow arising on disposal:	
— Cash consideration received	7,800
— Less: cash and cash equivalents disposed of	<u>(6,780)</u>
Net cash inflow on disposal	<u><u>1,020</u></u>

The impact of the Disposal Group on the Group's results and cash flows in the current and prior periods is disclosed in note 7.

16. EVENTS AFTER THE REPORTING PERIOD

On 30 July 2018, the Company entered into a loan agreement with Mr. Zhang Genjiang, an executive director and a substantial shareholder of the Company, to obtain HK\$30,000,000 for general working capital. The loan is unsecured, interest-free and repayable within 1 year from drawdown date.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2018, China Trustful Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) continued to engaged in the research and development, manufacture and sale of rechargeable batteries, electric vehicles and related products and provision of related services (the “Electric Vehicle Business”), and the retail and wholesale of luxury brand silverware, silver utensils and luxury goods in the People’s Republic of China (the “PRC”) (the “Silverware Business”), and the provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products (the “Sourcing Business”). To streamline our businesses, on 18 May 2018, the Group disposed of its Sourcing Business.

Results of the Group

In relation to the Electric Vehicle Business and the Silverware Business (collectively referred to as the “Continuing Operations”), during the six months ended 30 June 2018, the Group reported revenue of HK\$70,864,000, representing a 25.8% decrease as compared with the same period in 2017 (30 June 2017: HK\$95,541,000) and gross profit and gross profit margin of HK\$44,631,000 and 63.0% respectively (30 June 2017: HK\$39,691,000 and 41.5% respectively). Combining with the loss generated from the Sourcing Business (the “Discontinued Operation”) of HK\$4,880,000 (30 June 2017: profit of HK\$97,000), the Group recorded profit for the period of HK\$14,605,000 (30 June 2017: HK\$11,818,000), and other comprehensive loss of HK\$11,478,000 (30 June 2017: income of HK\$6,185,000), being exchange differences arising from translation of foreign operations. Profit attributable to owners of the Company from continuing operations was HK\$15,928,000 as compared with HK\$5,972,000 for the same period last year; whereas basic earnings per share for both continuing and discontinued operation was HK0.49 cents (30 June 2017: HK0.29 cents).

In general, despite the loss making of our Sourcing Business, our Group’s profit for the period was benefited from the continuous improvement in the Electric Vehicle Business.

Business Review

Electric Vehicle Business

During the six months ended 30 June 2018, our revenue from the Electric Vehicle Business mainly derived from the sale of electric vehicles and its related parts and related services. In particular, we assisted one of our customers in obtaining electric bus tenders from relevant government authorities in the PRC by providing electric bus and electric bus system solutions consultancy services in relation to the sourcing, design and qualification checking of the electric vehicles required and specifically designed for the particular cities.

During the period ended 30 June 2018, the Group recorded segment revenue of HK\$40,676,000 (30 June 2017: HK\$58,120,000) in the Electric Vehicle Business, representing 57.4% of the Group's total revenue generated from Continuing Operations (30 June 2017: 60.8%). This segment recorded segment profit of HK\$26,515,000 (30 June 2017: HK\$9,309,000), and segment margin of 65.2% (30 June 2017: 16.0%).

Silverware Business

During the first half of year 2018, in order to broaden our product and client base, our operational team put their effort in sourcing and developing products other than simply silver utensils and products, for instance, porcelains. However, in overall, we received less sales orders from our customers.

For the six months ended 30 June 2018, the Silverware Business recorded segment revenue of HK\$30,188,000 (30 June 2017: HK\$37,421,000), representing 42.6% of the Group's total revenue generated from Continuing Operations (30 June 2017: 39.2%). It recorded segment profit of HK\$9,517,000 (30 June 2017: HK\$17,305,000), as a result of the decrease in revenue. Its segment margin was 31.5%, which was lower when compare with last year same period of 46.2%. This was mainly because in order to promote fast moving of inventories and penetrate into a larger group of customers, we accepted sales orders from customers who intend to use our products for promotion and gift purposes. Such sales orders, compared other wholesale and retail customers, usually record a lower gross profit margin.

Sourcing Business

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

We have suffered a loss in our watches business despite trying hard to maintain limited margin in other businesses, our overall results in the Sourcing Business were very bad for the period immediately before the Disposal. Tight cost control and cost saving policies were carried out, with reduction of our staff costs and overheads. We have been striving to keep self-liquidating and self-financing through our limited reserves. As a result, the Directors resolved to cease the Sourcing Business by disposing the entire share capital of Powerwell Pacific Limited on 18 May 2018. Further details are described in the section "Disposal of the Entire Share Capital of Powerwell Pacific Limited" below.

Immediately before the Disposal, this segment recorded revenue of HK\$10,379,000 (30 June 2017: HK\$40,937,000). It recorded loss for the period of HK\$4,880,000 (30 June 2017: profit of HK\$97,000), and net profit margin of negative 47.0% (30 June 2017: positive 0.24%), as a result of the drop in both revenue and profitability.

Prospects

Electric Vehicle Business

The Board is highly optimistic about the future of the green transportation and electric vehicle industry worldwide especially in the PRC. The dominance of the industry by Chinese companies continues, and it is estimated that the number of electric buses will grow significantly in upcoming years. During the first half of year 2018, we received positive responses from our customers in China, Macau and Southeast Asian countries such as Indonesia in relation to the products and services provided by the Group. This serves as a great support and recognition for us.

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

Silverware Business

The Silverware Business remains promising, and the products designed by us have been receiving positive responses from our wholesale and retail customers. Through sponsoring different events organised in Hangzhou, such as the Spring Tea Tasting Meeting, our potential customers show their interests in our silverware products, and consider our products as being differentiable and collectable. Although we receive less sales order during the first half of year 2018 compared to that of last year, our senior management will continue to commit resources towards developing stable relationships with our existing wholesale customers and also identifying new customers. Through designing and developing products with specific themes and through different promotion channels, such as attending different exhibitions, our Silverware Business will continue to be a promising operation for the Group.

Disposal of the Entire Share Capital of Powerwell Pacific Limited

In view of the downturn of the Sourcing industry, the Group discontinued the Sourcing Business by disposing of the entire issued share capital of Powerwell Pacific Limited (the “Disposal”), which through its subsidiaries was principally engaged in the provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products. The Disposal was completed on 18 May 2018.

The Group recorded a gain from the Disposal of approximately HK\$525,000 for the six months ended 30 June 2018. In respect of this discontinued operation, a net loss for the six months ended 30 June 2018 of HK\$4,880,000 (30 June 2017: profit of HK\$97,000) was recorded to the Group before its disposal. Details of the results of the discontinued operation and the Disposal are presented in notes 7 and 15 to this interim results announcement and the announcement of the Company dated 18 May 2018.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 30 June 2018, the Group had current assets of HK\$674,506,000 (31 December 2017: HK\$792,733,000) comprising cash and cash equivalents of HK\$260,582,000 (31 December 2017: HK\$293,853,000), and net current assets of HK\$612,985,000 (31 December 2017: HK\$540,996,000). 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\$Nil (31 December 2017: HK\$15,000,000). As at 30 June 2018, the Group's equity attributable to owners of the Company increased by HK\$63,066,000 to HK\$666,615,000 (31 December 2017: HK\$603,549,000), which was mainly due to the conversion of all outstanding convertible bonds (please refer to the section headed "Convertible Bonds" below), 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 convertible bonds) over the equity attributable to owners of the Company. As there were no borrowings at 30 June 2018, the Group's gearing ratio was therefore at Nil% as at 30 June 2018 (31 December 2017: 11.0%).

The Group's current ratio, calculated based on current assets of HK\$674,506,000 over current liabilities of HK\$61,521,000 (31 December 2017: HK\$251,737,000), was at a healthy level of 11.0 times (31 December 2017: 3.15 times).

As at 30 June 2018, our trade receivables amounted to HK\$263,789,000, of which HK\$222,765,000, representing 84.4% of total trade receivables, was with invoice date over 180 days. These receivables were related to sales recognised during the fourth quarter of year 2017, and the Group granted credit terms of 180 days for most of such sales. As at the date of this announcement, 37.7% of the HK\$222,765,000 has been settled. Our Directors have reviewed the recoverability of the trade receivables and considered that no impairment was required for the period ended 30 June 2018.

During the period ended 30 June 2018, the issued share capital of the Company increased from 2,151,209,327 shares of HK\$0.02 each to 2,675,424,685 shares as a result of the exercise of remaining 37,500,000 share options on 18 May 2018, and the conversion of all outstanding convertible bonds into 486,715,358 conversion shares on 1 June 2018. Details of the convertible bonds and share options are set out in the sections headed "Convertible Bonds" and "Share Option Scheme" 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 (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*) (“Brighsun Automobile”) 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.

On 1 June 2018, as permitted under the terms of Convertible Bonds and with the written consent of the Company, Convertible Bonds with an aggregate principal amount of HK\$53,051,974 had been transferred from Brighsun Automobile to Smart Focus Inc Limited, a wholly-owned subsidiary of Brighsun Automobile. The Company also received a conversion notice from Smart Focus Inc Limited for the exercise of the conversion rights attaching to the Convertible Bonds with an aggregate principal of HK\$53,051,974 at the Conversion Price of HK\$0.109 per conversion share (the “Conversion”). Upon such Conversion, a total of 486,715,358 conversion shares has been allotted and issued, credited as fully paid, to Smart Focus Inc Limited in accordance with the provisions of the Convertible Bonds. The 486,715,358 conversion shares, having an aggregate nominal value of HK\$9,734,307.16, represent approximately 22.24% and 18.19% of the issued share capital of the Company immediately before and after the issue of such conversion shares respectively. After the Conversion and as at 30 June 2018, there are no outstanding Convertible Bonds.

Foreign Currency Management

The Group’s transactions, trade receivables, trade payables and cash and cash equivalents are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. Therefore, the Group is exposed to foreign currency exchange rate risk. The directors of the Company have a positive attitude to regularly monitor the Group’s exposure to foreign exchange so as to reduce the foreign exchange rate risk to a minimum level. To a larger extent, foreign exchange risks were minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus

* for identification purposes only

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 2018 (31 December 2017: Nil).

Pledge of Assets

As at 30 June 2018, no other assets of the Group were pledged.

Capital Commitments

As at 30 June 2018, the Group had no material capital commitments (31 December 2017: HK\$716,000).

Dividends

The Group did not recommend the payment of any dividend during the six months ended 30 June 2018 (30 June 2017: Nil).

Significant Investments Held and Material Acquisitions and Disposals

Except for the disposal of the entire share capital of Powerwell Pacific Limited discussed in the section headed "Disposal of the Entire Share Capital of Powerwell Pacific Limited", there were no significant investment held as at 30 June 2018, and there were no material acquisitions and disposals of subsidiaries during the six months ended 30 June 2018.

Employees and Remuneration Policies

The Group had 92 employees including the Directors (31 December 2017: 113) as at 30 June 2018. Total staff costs for the period for both continuing and discontinued operations, including Directors' remuneration, was HK\$11,009,000 (30 June 2017: HK\$15,767,000). 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 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. On 18 May 2018, the 37,500,000 options had been exercised and gross proceeds of HK\$8,775,000 was received from exercise of these options. There are no outstanding share options as at 30 June 2018.

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 six months ended 30 June 2018.

INTEREST IN COMPETING BUSINESS

During the six months ended 30 June 2018, none of the Directors, the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 June 2018.

DIRECTORS SECURITIES TRANSACTIONS

The Company adopted the model code for securities transactions by the Directors (the “Model Code”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. On specific enquiry made, all the Directors have confirmed compliance with the Model Code throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2018, which is of the opinion that such information comply with the applicable accounting standards, the Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 8 August 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.

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