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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF POWERWELL PACIFIC LIMITED

THE DISPOSAL

On 18 May 2018 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the entire issued share capital of the Disposal Company at the Consideration of HK\$7,800,000. Completion has taken place immediately after the signing of the Sale and Purchase Agreement.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

THE DISPOSAL

On 18 May 2018 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

Date: 18 May 2018 (after trading hours)

Parties: (1) Vendor: the Company

(2) Purchaser: APOC Holdings Limited

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties who are independent of (i) the Company; and (ii) the connected persons of the Company.

Assets to be disposed of

Pursuant to the terms of the Sale and Purchase Agreement, the Company has agreed to sell and the Purchaser has agreed to acquire the entire issued share capital of the Disposal Company (the “Sale Shares”). Further information of the Disposal Group are set out in the section headed “Information on the Disposal Group” below.

Consideration

The consideration for the Sale Shares is HK\$7,800,000, which was determined after arm’s length negotiations between the Company and the Purchaser after taking into account the unaudited consolidated net asset value of the Disposal Group of approximately HK\$7.8 million as at 30 April 2018 and its profits and losses for the financial years ended 31 December 2016 and 2017 respectively.

Completion

Completion has taken place immediately after the signing of the Sale and Purchase Agreement and the Consideration has been settled by the Purchaser in cash on Completion.

INFORMATION ON THE DISPOSAL GROUP

As of the date of this announcement and immediately before the Disposal, the Disposal Company is a direct wholly-owned subsidiary of the Company. The Disposal Company is an investment holding company incorporated in the British Virgin Islands with limited liability and its subsidiaries are principally engaged in the provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products.

Set out below is the unaudited consolidated financial information of the Disposal Group for the year ended 31 December 2016 and 31 December 2017 respectively:

	Year ended 31 December 2016 (unaudited) <i>HK\$'000</i>	Year ended 31 December 2017 (unaudited) <i>HK\$'000</i>
Net profit/(loss) before taxation	6,837	(7,144)
Net profit/(loss) after taxation	5,870	(7,144)

According to the unaudited consolidated management accounts of the Disposal Group, the Disposal Group recorded unaudited consolidated net asset value of approximately HK\$7.8 million as at 30 April 2018.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Company will cease to hold any interest in the Disposal Company and members of the Disposal Group will cease to be subsidiaries of the Company and the financial results of the Disposal Group will no longer be consolidated in the accounts of the Group. With reference to (i) the unaudited consolidated net asset value of the Disposal Group of approximately HK\$7.8 million as at 30 April 2018, (ii) the Consideration of HK\$7,800,000 and (iii) the estimated expenses incurred for the Disposal of approximately HK\$0.1 million, the Company is expected to recognise an unaudited loss (before tax) of approximately HK\$0.1 million from the Disposal for the year ending 31 December 2018.

The aforesaid estimation is for illustrative purpose only, and is subject to review and confirmation by the Company's auditors.

PROPOSED USE OF PROCEEDS

The Company intends to use the sale proceeds from the Disposal as general working capital of the Group and for such other business opportunities, if any, to be identified by the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in: (i) the research and development, manufacture and sale of rechargeable batteries, electric vehicles and related products and provision of related services (“EV Business”); (ii) retail and wholesale of luxury brand silverware, silver utensils and luxury goods (“Silverware Business”); and (iii) provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products (the “Sourcing Business”). Upon Completion, the Sourcing Business will cease to be one of the principal activities of the Group.

The contribution from the Sourcing Business to the Group’s overall revenue dropped from approximately 71.4% for the year ended 31 December 2015 to approximately 36.3% for the year ended 31 December 2016, and then further declined to approximately 10.8% for the year ended 31 December 2017 due to the expansion of the Group business into the EV Business and Silverware Business. Meanwhile, segment profit of the Sourcing Business dropped from approximately HK\$16,320,000 for the year ended 31 December 2015 to approximately HK\$6,783,000 for the year ended 31 December 2016, and even turned to loss of approximately HK\$7,269,000 for the year ended 31 December 2017 due to unfavorable business environment and a drop in sales orders from customers. Even though tight cost control and cost saving policies have been implemented, the results of the Sourcing Business did not see any improvement, and it recorded segment loss of approximately HK\$2,669,000 for the three months ended 31 March 2018.

The Directors have constantly been reviewing the businesses and are aiming to strive for the best interests of the Company and its shareholders. Facing changes from traditional retail sales to new internet sales economy, the Directors considered the outlook for the Sourcing Business for the coming years is extremely gloomy. As mentioned in our first quarterly report for the three months ended 31 March 2018, the Group has further been advised by two of our major customers regarding their decision to relocate their operations out of Hong Kong and/or the PRC, which brings much uncertainties to the Sourcing Business. The Directors consider that the Sourcing Business will remain challenging and uncertain in the future.

In view of this tough business environment, the Directors considered it beneficial, and in the interest of the Group as a whole, to make further streamlining and restructuring arrangements to its overall businesses to optimise its profits. The Disposal enables the Group to reduce the loss-making assets of the Sourcing Business, free up capital for its operations and potential new investment opportunities, and to focus its resources towards the profitable EV Business and Silverware Business.

Based on the aforementioned reasons and benefits, the Directors considered that the Disposal is in the best interests of the Company and its shareholders as a whole and that the terms of the Sale and Purchase Agreement, including the Consideration, are fair and reasonable.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“Company”	China Trustful Group Limited (Stock Code: 8265), a company incorporated in Bermuda with limited liability whose shares are listed and traded on GEM
“Completion”	the completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the total consideration in the amount of HK\$7,800,000 for the Sale Shares
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Company to the Purchaser pursuant to the Sale and Purchase Agreement
“Disposal Company”	Powerwell Pacific Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company
“Disposal Group”	the Disposal Company and its subsidiaries
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China

“Purchaser”	APOC Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18 May 2018 entered into between the Company and the Purchaser in respect of the sale and purchase of the Sale Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 18 May 2018

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading. This announcement will remain on the website of the GEM at www.hkgem.com on the “Latest Company Announcements” page for at least seven 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.