

Third Quarterly Report 2018



CHINA TRUSTFUL GROUP LIMITED

中國之信集團有限公司

Incorporated in Bermuda with limited liability

Stock Code : 8265



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This report, 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 Stock 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 report 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 report misleading.

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from its date of posting and on the designated website of the Company at www.china-trustful.com.





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 nine months ended 30 September 2018 together with the comparative unaudited figures for the corresponding periods in 2017 as follows:

FINANCIAL HIGHLIGHTS

- The Group’s revenue generated from our continuing operations amounted to HK\$174,468,000 (nine months ended 30 September 2017: HK\$161,312,000) for the nine months ended 30 September 2018, which represented an increase of HK\$13,156,000 or 8.2% as compared with the corresponding previous period.
- The profit for the nine months ended 30 September 2018 was HK\$14,060,000 (nine months ended 30 September 2017: HK\$15,518,000), which represented a decrease of HK\$1,458,000 or 9.4% as compared with the corresponding previous period.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2018.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Continuing operations					
Revenue	3	103,604	65,771	174,468	161,312
Cost of sales		(91,879)	(44,357)	(118,112)	(100,207)
Gross profit		11,725	21,414	56,356	61,105
Other revenue and other income		776	1,152	3,491	3,686
Selling and distribution costs		(500)	(219)	(1,124)	(1,412)
Administrative expenses		(14,195)	(10,427)	(32,331)	(30,657)
Gain on disposal of subsidiaries	9	–	–	525	–
Loss arising in fair value change in contingent consideration receivable		–	–	–	(799)
Finance costs		(4)	(1,177)	(1,919)	(3,423)
(Loss)/profit before income tax		(2,198)	10,743	24,998	28,500
Income tax credit/(expense)	6	1,653	(4,489)	(6,058)	(10,525)
(Loss)/profit for the period from continuing operations		(545)	6,254	18,940	17,975
Discontinued operation					
Loss for the period from discontinued operation	5	–	(2,554)	(4,880)	(2,457)
(Loss)/profit for the period		(545)	3,700	14,060	15,518
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		(21,853)	6,659	(33,331)	12,844
Total comprehensive (loss)/income for the period		(22,398)	10,359	(19,271)	28,362



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

For the three months and nine months ended 30 September 2018

Notes	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
(Loss)/profit for the period attributable to:				
Owners of the Company				
– from continuing operations	(3,101)	4,000	12,827	9,972
– from discontinued operation	-	(2,554)	(4,880)	(2,457)
Non-controlling interests				
– from continuing operations	2,556	2,254	6,113	8,003
	(545)	3,700	14,060	15,518
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company				
– from continuing operations	(23,454)	9,933	(18,160)	20,984
– from discontinued operation	-	(2,554)	(4,880)	(2,457)
Non-controlling interests				
– from continuing operations	1,056	2,980	3,769	9,835
	(22,398)	10,359	(19,271)	28,362
(Loss)/earnings per share				
From continuing and discontinued operations				
– Basic	8	HK(0.12) cents	HK0.07 cents	HK0.36 cents
– Diluted	8	N/A	HK0.08 cents	HK0.37 cents
From continuing operations				
– Basic	8	HK(0.12) cents	HK0.19 cents	HK0.48 cents
– Diluted	8	N/A	HK0.18 cents	HK0.47 cents
From discontinued operation				
– Basic	8	N/A	HK(0.12) cents	HK(0.12) cents
– Diluted	8	N/A	HK(0.10) cents	HK(0.09) cents



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Equity attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Share-based payment reserve HK\$'000	Translation reserve HK\$'000	Capital contribution reserve HK\$'000	Convertible bonds reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Nine months ended 30 September 2018 (Unaudited)												
At 1 January 2018 (Audited and originally stated)	43,024	439,575	155	1,033	2,565	8,273	12,144	9,842	86,938	603,549	49,133	652,682
Effect on application of HKFRS 9	-	-	-	-	-	-	-	-	15	15	-	15
At 1 January 2018 (Restated)	43,024	439,575	155	1,033	2,565	8,273	12,144	9,842	86,953	603,564	49,133	652,697
Profit for the period	-	-	-	-	-	-	-	-	7,947	7,947	6,113	14,060
Other comprehensive loss:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(30,987)	-	-	-	(30,987)	(2,344)	(33,331)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(30,987)	-	-	7,947	(23,040)	3,769	(19,271)
Dividend paid to non-controlling interests (note)	-	-	-	-	-	-	-	-	-	-	(28,567)	(28,567)
Exercise of share options	750	10,590	-	-	(2,565)	-	-	-	-	8,775	-	8,775
Disposal of subsidiaries (note 5)	-	-	(155)	(1,033)	-	-	-	-	1,188	-	-	-
Conversion of convertible bonds	9,734	53,970	-	-	-	-	-	(10,652)	-	53,052	-	53,052
Release of deferred tax upon conversion of convertible bonds	-	-	-	-	-	-	-	810	-	810	-	810
At 30 September 2018 (Unaudited)	53,508	504,135	-	-	-	(22,714)	12,144	-	96,088	643,161	24,335	667,496
Nine months ended 30 September 2017 (Unaudited)												
At 1 January 2017 (Audited)	41,024	163,815	155	1,033	2,565	(13,982)	12,144	9,842	9,716	226,312	31,686	257,998
Profit for the period	-	-	-	-	-	-	-	-	7,515	7,515	8,003	15,518
Other comprehensive income:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	11,012	-	-	-	11,012	1,832	12,844
Total comprehensive income for the period	-	-	-	-	-	11,012	-	-	7,515	18,527	9,835	28,362
Placement of new shares	2,000	278,000	-	-	-	-	-	-	-	280,000	-	280,000
Share issuing expenses	-	(2,240)	-	-	-	-	-	-	-	(2,240)	-	(2,240)
At 30 September 2017 (Unaudited)	43,024	439,575	155	1,033	2,565	(2,970)	12,144	9,842	17,231	522,599	41,521	564,120

Note: The dividend paid to non-controlling interests of RMB24,500,000 (equivalent to approximately HK\$28,567,000) related to dividend paid to 浙江之信控股集团有限公司 (Zhejiang Zhixin Holding Group Limited*) by 浙江通銀貴金屬經營有限公司 (Zhejiang Tong Yin Precious Metal Operation Company Limited*), an indirect non-wholly owned subsidiary of the Company, in July 2018 (2017: nil).

* for identification purposes only



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 the 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 is presented in Hong Kong Dollars (“HK\$”), which is the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated. This unaudited condensed consolidated financial information was approved for issue by the board of directors of the Company (the “Board”) on 12 November 2018.

This unaudited condensed consolidated financial information has not been audited.



2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the nine months ended 30 September 2018 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 unaudited condensed consolidated financial information for the nine months ended 30 September 2018 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

This unaudited condensed consolidated 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"). Except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial period beginning from 1 January 2018, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the nine months ended 30 September 2018 are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

The new and revised HKFRSs issued by the HKICPA which are effective for the Group's financial period beginning from 1 January 2018 are described in note 2 of the Group's interim report for the six months ended 30 June 2018. The adoption of these HKFRSs will not have any material impact on the preparation and presentation of the unaudited condensed consolidated financial information for the nine months ended 30 September 2018.



3. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Continuing operations				
Silverware and porcelain	9,692	10,880	39,880	48,301
Electric vehicles and related products and services	93,912	54,891	134,588	113,011
	103,604	65,771	174,468	161,312

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 details in note 5.



4. SEGMENT INFORMATION (CONTINUED)

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

Continuing operations	Silverware Business (Unaudited) HK\$'000	Electric Vehicle Business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Nine months ended 30 September 2018			
Reportable segment revenue	39,880	134,588	174,468
Reportable segment profit	15,963	21,898	37,861
Interest income			1,792
Gain on disposal of subsidiaries			525
Corporate income and expenses			(15,180)
Profit before income tax			24,998
Adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA")	16,400	27,448	43,848
Nine months ended 30 September 2017			
Reportable segment revenue	48,301	113,011	161,312
Reportable segment profit	23,409	19,444	42,853
Interest income			729
Loss arising in fair value change in contingent consideration receivable			(799)
Corporate income and expenses			(14,283)
Profit before income tax			28,500
Adjusted EBITDA	24,436	28,883	53,319



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.

5. 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 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.

	Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss of sourcing business for the period	(4,880)	(2,457)



5. DISCONTINUED OPERATION (CONTINUED)

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

	Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	10,379	53,024
Cost of sales	(9,955)	(41,525)
Gross profit	424	11,499
Other revenue and other income	333	612
Selling and distribution costs	(101)	(659)
Administrative expenses	(5,536)	(13,909)
Loss before income tax	(4,880)	(2,457)
Income tax expense	–	–
Loss for the period	(4,880)	(2,457)

The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal are disclosed in note 9.



6. INCOME TAX (CREDIT)/EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	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	(1,653)	4,642	6,322	10,975
	(1,653)	4,642	6,322	10,975
Deferred tax				
– credit for the period	–	(153)	(264)	(450)
	(1,653)	4,489	6,058	10,525

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.

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 September 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.

7. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the nine months ended 30 September 2018 (nine months ended 30 September 2017: nil).



8. (LOSS)/EARNINGS PER SHARE

Diluted earnings per share is not presented for the three months ended 30 September 2018 as the Company did not have dilutive potential ordinary shares during that period.

From continuing and discontinued operations

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
(Loss)/earnings				
(Loss)/earnings for the purpose of basic (loss)/earnings per share ((loss)/profit for the period attributable to owners of the Company)	(3,101)	1,446	7,947	7,515
Effect of dilutive potential ordinary shares:				
Interest on convertible bonds, net of tax	N/A	772	1,343	2,273
(Loss)/earnings for the purpose of diluted (loss)/earnings per share	N/A	2,218	9,290	9,788

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) '000	2017 (Unaudited) '000	2018 (Unaudited) '000	2017 (Unaudited) '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss/earnings per share	2,675,425	2,151,209	2,387,397	2,098,096
Effect of dilutive potential ordinary shares:				
– Share options	N/A	34,722	17,389	34,786
– Convertible bonds	N/A	486,715	269,209	486,715
Weighted average number of ordinary shares for the purpose of diluted loss/earnings per share	N/A	2,672,646	2,673,995	2,619,597



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

From continuing operations

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
(Loss)/earnings				
(Loss)/earnings for the purpose of basic (loss)/earnings per share ((loss)/profit for the period attributable to owners of the Company)	(3,101)	4,000	12,827	9,972
Effect of dilutive potential ordinary shares:				
Interest on convertible bonds, net of tax	N/A	772	1,343	2,273
(Loss)/earnings for the purpose of diluted (loss)/earnings per share	N/A	4,772	14,170	12,245

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



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

From discontinued operation

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss				
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company)	N/A	(2,554)	(4,880)	(2,457)

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



9. DISPOSAL OF A BUSINESS

As referred to note 5, 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:

	<i>HK\$'000</i>
Analysis of assets and liabilities over which control was lost:	
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	(4,978)
Net assets disposed of	7,275
Gain on disposal of subsidiaries:	
Cash consideration receive	7,800
Net assets disposed of	(7,275)
Gain on disposal of subsidiaries	525
Net cash inflow arising on disposal:	
Cash consideration received	7,800
Less: cash and cash equivalents disposed of	(6,780)
Net cash inflow on disposal	1,020

The impact of the Disposal Group on the Group's results in the current and prior periods is disclosed in note 5.



MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 30 September 2018, China Trustful Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) continued to engage 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 nine months ended 30 September 2018, the Group reported revenue of HK\$174,468,000, representing a 8.2% increase as compared with the same period in 2017 (30 September 2017: HK\$161,312,000) and gross profit and gross profit margin of HK\$56,356,000 and 32.3% respectively (30 September 2017: HK\$61,105,000 and 37.9% respectively). Combining with the loss generated from the Sourcing Business (the “Discontinued Operation”) of HK\$4,880,000 (30 September 2017: HK\$2,457,000), the Group recorded profit for the period of HK\$14,060,000 (30 September 2017: HK\$15,518,000) and other comprehensive loss of HK\$33,331,000 (30 September 2017: income of HK\$12,844,000), being exchange differences arising from translating foreign operations. Profit attributable to owners of the Company from Continuing Operations was HK\$12,827,000 as compared with HK\$9,972,000 for the same period last year; whereas basic earnings per share for both continuing and discontinued operations was HK0.33 cents (30 September 2017: HK0.36 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 nine months ended 30 September 2018, our revenue from the Electric Vehicle Business was 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 nine months ended 30 September 2018, the Group recorded segment revenue of HK\$134,588,000 (30 September 2017: HK\$113,011,000) in the Electric Vehicle Business, representing 77.1% of the Group's total revenue generated from Continuing Operations (30 September 2017: 70.1%). This segment recorded segment profit of HK\$21,898,000 (30 September 2017: HK\$19,444,000), and segment margin of 16.3% (30 September 2017: 17.2%).

Silverware Business

During the nine months ended 30 September 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 nine months ended 30 September 2018, the Silverware Business recorded segment revenue of HK\$39,880,000 (30 September 2017: HK\$48,301,000), representing 22.9% of the Group's total revenue generated from Continuing Operations (30 September 2017: 29.9%). It recorded segment profit of HK\$15,963,000 (30 September 2017: HK\$23,409,000), as a result of the decrease in revenue. Its segment margin was 40.0% which was lower when compare with last year same period of 48.5%. This was mainly due to our acceptance of sales orders from customers who intend to use our products for promotion and gift purposes so as to penetrate into a larger group of customers. Such sales orders, compared with other wholesale and retail customers, recorded 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 September 2017: HK\$53,024,000). It recorded loss for the period of HK\$4,880,000 (30 September 2017: HK\$2,457,000), and net profit margin of negative 47.0% (30 September 2017: negative 4.6%), 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.

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. In the rest of year 2018, 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 jewellery, and display and packaging products. The Disposal was completed on 18 May 2018.

The Group recorded a gain from the Disposal of HK\$525,000 for the nine months ended 30 September 2018. In respect of this discontinued operation, a net loss for the nine months ended 30 September 2018 of HK\$4,880,000 (30 September 2017: HK\$2,457,000) was recorded to the Group before its disposal. Details of the results of the discontinued operation and the Disposal are presented in notes 5 and 9 to this quarterly report and the announcement of the Company dated 18 May 2018.

Capital Structure

During the period ended 30 September 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.



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 September 2018, there are no outstanding Convertible Bonds.

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

* for identification purposes only



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 September 2018.

Dividends

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2018, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares of the Company

(a) Interests in the shares of the Company

Director	Capacity/ Nature of interest	Number of shares held	Approximate percentage of the existing issued share capital of the Company
Mr. Fei Jie	Corporate interest (Note 1)	811,950,000	30.35%
Mr. Zhang Genjiang	Corporate interest (Note 2)	517,709,327	19.35%



Notes:

1. These shares are held by associated corporations King Full Inc Limited and Sure Gold Ventures Limited.
2. These shares are held by an associated corporation Top Bliss Holdings Limited.

(b) Interests in the shares of associated corporations

Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares held	Percentage of shareholding
Mr. Fei Jie	King Full Inc Limited	Corporate interest & beneficial owner <i>(Note 1)</i>	50,000,000	100%
	Sure Gold Ventures Limited	Beneficial owner <i>(Note 1)</i>	100	100%
Mr. Zhang Genjiang	Top Bliss Holdings Limited	Beneficial owner	1	100%
	浙江通銀貴金屬經營有限公司 (Zhejiang Tong Yin Precious Metal Operation Company Limited*) ("Zhejiang Tong Yin")	Corporate interest <i>(Note 2)</i>	N/A <i>(Note 2)</i>	49%

Notes:

1. King Full Inc Limited is 90% (45,000,000 shares) directly owned by Sure Gold Ventures Limited and is 10% (5,000,000 shares) directly owned by Mr. Fei Jie. Sure Gold Ventures Limited is in turn wholly-owned by Mr. Fei Jie.
2. Zhejiang Tong Yin is 49% owned by 浙江之信控股集團有限公司 (Zhejiang Zhisin Holding Group Limited*), which is in turn 60% owned by Mr. Zhang Genjiang. Zhejiang Tong Yin is a subsidiary of the Company and is thus an associated corporation of the Company.

* for identification purposes only



Save as disclosed above, as at 30 September 2018, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares and underlying shares of the Company

Name of shareholder	Capacity/ Nature of interest	Number of shares held	Approximate percentage of the existing issued share capital of the Company
King Full Inc Limited	Beneficial owner <i>(Note 1)</i>	811,950,000	30.35%
Sure Gold Ventures Limited	Corporate Interest <i>(Note 1)</i>	811,950,000	30.35%
Mr. Fei Jie	Corporate interest <i>(Note 1)</i>	811,950,000	30.35%
Ms. Wu Wen	Interest in spouse <i>(Note 2)</i>	811,950,000	30.35%
Top Bliss Holdings Limited	Beneficial owner <i>(Note 3)</i>	517,709,327	19.35%
Mr. Zhang Genjiang	Corporate interest <i>(Note 3)</i>	517,709,327	19.35%
Smart Focus Inc Limited	Beneficial owner <i>(Note 4)</i>	486,715,358	18.19%
Trillion Power International Limited ("Trillion Power")	Corporate Interest <i>(Note 4)</i>	486,715,358	18.19%



Name of shareholder	Capacity/ Nature of interest	Number of shares held	Approximate percentage of the existing issued share capital of the Company
湖州百成客車有限公司 (Huzhou Brighsun Automobile Co., Ltd.*) ("Huzhou Brighsun")	Corporate Interest (Note 4)	486,715,358	18.19%
浙江百成新能源有限公司 (Zhejiang Brighsun New Energy Co., Ltd.*) ("Brighsun New Energy")	Corporate Interest (Note 4)	486,715,358	18.19%
杭州鴻泰股權投資基金管理 有限公司 (Hangzhou Hong Tai Equity Investment Fund Management Co., Ltd.*) ("Hangzhou Hong Tai")	Corporate Interest (Note 4)	486,715,358	18.19%
杭州一嘜投資合夥企業 (有限合夥) (Hangzhou Yi Bei Investment Partnership Enterprise (Limited Partnership)*) ("Hangzhou Yi Bei")	Corporate Interest (Note 4)	486,715,358	18.19%
Mr. Luo Liangshun ("Mr. Luo")	Corporate Interest (Note 4)	486,715,358	18.19%

Notes:

- King Full Inc Limited is 10% directly held by Mr. Fei Jie and the remaining 90% directly held by Sure Gold Ventures Limited. Sure Gold Ventures Limited is in turn wholly-owned by Mr. Fei Jie. Accordingly, Sure Gold Ventures Limited and Mr. Fei Jie are deemed to be interested in the 811,950,000 shares of the Company held by King Full Inc Limited by virtue of the SFO.
- The shares are held by King Full Inc Limited, the entire issued share capital of which is indirectly wholly-owned by Mr. Fei Jie, the spouse of Ms. Wu Wen. Accordingly, Ms. Wu Wen is deemed to be interested in the entire 811,950,000 shares by virtue of the SFO.

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3. The entire issued share capital of Top Bliss Holdings Limited is wholly and beneficially owned by Mr. Zhang Genjiang. By virtue of the SFO, Mr. Zhang Genjiang is deemed to be interested in the entire 517,709,327 shares held by Top Bliss Holdings Limited.
4. Smart Focus Inc Limited is directly wholly-owned by Trillion Power. Trillion Power is directly wholly-owned by Huzhou Brighsun, which is directly wholly-owned by Brighsun New Energy. Brighsun New Energy is directly wholly-owned by Hangzhou Hong Tai, which is in turn 60% owned directly by Hangzhou Yi Bei and is 40% owned directly by Mr. Luo.

Save as disclosed above, as at 30 September 2018, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

SHARE OPTION SCHEME

The Company operates a share option scheme which has become effective on 22 December 2010 (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The movements in share options granted under the Scheme during the nine months ended 30 September 2018 are shown below:

Name or category of participant	Number of share options						Date of grant of share options	Validity period of share options	Exercise price of share options HK\$ per share
	At 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 September 2018			

Eligible persons

In aggregate	37,500,000	—	(37,500,000) (Note 1)	—	—	—	27-05-2015	27-05-2015 to 26-05-2018	0.234
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Note 1: The weighted average closing price of the corresponding shares immediately before these share options were exercised was HK\$3.00.

As at 30 September 2018, all outstanding share option had been exercised. At 30 September 2018, no share options was granted under the Scheme (31 December 2017: nil).



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 nine months ended 30 September 2018.

INTEREST IN A COMPETING BUSINESS

During the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2018, which is of the opinion that such information comply with the applicable accounting standards, the Stock 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, 12 November 2018

As at the date of this report, 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.