賽 伯 樂 國 際 控 股

CYBERNAUT INTERNATIONAL HOLDINGS COMPANY LIMITED

賽 伯 樂 國 際 控 股 有 限 公 司

(formerly known as Sinoref Holdings Limited)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1020)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "Board") of directors (the "Directors") of Cybernaut International Holdings Company Limited (the "Company" or "Cybernaut") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017, together with the comparative figures for the previous corresponding period, which have been reviewed by the audit committee of the Company prior to recommending them to the Board for approval.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	4	**364,664**	357,840
Cost of sales/service rendered		**(356,351)**	(340,735)
Gross profit		**8,313**	17,105
Other income		**1,618**	2,395
Impairment loss		**(24,302)**	(2,012)
Selling and distribution costs		**(14,492)**	(20,297)
Administrative expenses		**(85,271)**	(69,861)
Other expenses		**(22,750)**	(26,612)
Equity-settled share option expenses		**–**	(11,024)
Loss on early redemption of promissory note		**–**	(26,191)
Finance costs		**(4,999)**	(5,494)
Loss before taxation	5	**(141,883)**	(141,991)
Taxation	6	**3,546**	4,052
Loss for the year		**(138,337)**	(137,939)
Attributable to:			
Owners of the Company		**(139,058)**	(138,695)
Non-controlling interests		**721**	756
		(138,337)	(137,939)
Loss per share:			
Basic and diluted	8	**(RMB 3.49 cents)**	(RMB4.86 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2017	2016
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(138,337)**	(137,939)
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(41,132)**	28,213
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(41,132)**	28,213
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(179,469)**	(109,726)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(180,161)**	(110,517)
Non-controlling interests	**692**	791
	(179,469)	(109,726)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**13,965**	12,824
Goodwill	*9*	**427,678**	327,005
Intangible assets	*10*	**152,974**	63,309
Prepaid lease payments		**149**	254
		594,766	403,392
Current assets			
Inventories		**38,013**	62,298
Trade receivables	*11*	**127,374**	155,229
Bills receivables	*12*	**3,826**	12,315
Loan receivables	*13*	**176,368**	221,241
Other receivables, deposits and prepayments		**75,838**	45,920
Prepaid lease payments		**156**	156
Restricted bank deposits		**5,741**	2,054
Bank balances and cash		**193,982**	40,070
		621,298	539,283
Current liabilities			
Trade and bills payables	*14*	**119,746**	50,949
Other payables and accruals		**24,095**	29,504
Tax liabilities		**7,991**	7,937
Bank and other borrowings		**50,643**	84,462
Promissory notes	*15*	**185,576**	–
		388,051	172,852
Net current assets		**233,247**	366,431
Total assets less current liabilities		**828,013**	769,823
Non-current liabilities			
Deferred tax liabilities		**35,883**	10,243
Promissory notes	*15*	**–**	195,730
Contingent consideration		**143,143**	–
		179,026	205,973
Net assets		**648,987**	563,850
Capital and reserves			
Share capital	*16*	**355,046**	266,401
Reserves		**291,502**	295,702
		646,548	562,103
Non-controlling interests		**2,439**	1,747
Total equity		**648,987**	563,850

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The principal activities of its subsidiaries are investment holding, manufacturing and sale of advanced steel flow control products, manufacture and sale of paper converting equipment and other relating equipment, eCommerce, provision of internet education services and money lending.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3 APPLICATIONS OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (HKFRSs)

In the current year, the Group has applied for the first time the following amendments to HKFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2017:

- Amendment to HKAS 7 Disclosure Initiative;
- Amendment to HKAS 12 Recognition of Deferred Tax Assets for Unrealised losses; and
- Annual Improvements to HKFRSs, 2014-2016 Cycle

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Other than such additional disclosures, the application of the amendments has not had any material effect on the consolidated financial statements.

The amendments to HKAS 12 clarify when unrealised losses on a debt instrument measured at fair value would give rise to a deductible temporary difference and how to evaluate whether sufficient future taxable profits are available to utilise a deductible temporary difference. The application of the amendments has not had any material effect on the consolidated financial statements.

Annual improvements to HKFRSs (2014-2016 cycle) include an amendment to HKFRS 12 that clarifies that, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with HKFRS 5 Non-current Assets held for Sale and Discontinued operations, it is not required to disclose summarised financial information for that subsidiary, joint venture or associate, as required by HKFRS 12 Disclosure of Interests in Other Entities.

The Group has not early adopted any new or revised HKFRSs that are not yet mandatorily effective for the current year.

4 NEW AND REVISED HKFRSS THAT ARE NOT MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

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

HKFRS 9	Financial Instruments[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014-2016 Cycle[4]
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 For those amendments that will become effective for annual periods beginning on or after 1 January 2018

4. OPERATING SEGMENTS

HKFRS 8 "Operating segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the executive directors) ("CODM") in order to allocate resources to segments and to assess their performance.

The Group's operating activities are attributable to five operating segments focusing on: i) the manufacture and sale of advanced steel flow control products; ii) the manufacture and sale of paper converting equipment and other relating equipment; iii) money lending; iv) eCommerce; and v) internet education services. These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that are regularly reviewed by the CODM.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Segment revenue and results

For the year ended 31 December 2017

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Money lending *RMB'000*	eCommerce *RMB'000*	Internet education services *RMB'000*	Consolidated *RMB'000*
Revenue	93,044	41,026	15,811	210,643	4,140	364,664
Gross profit/(loss)	(42,408)	9,702	12,096	25,089	3,834	8,313
Segment profit/(loss)	(103,793)	(5,971)	8,637	1,977	3,591	(95,559)
Unallocated corporate income						487
Staff costs (including retirement benefit scheme contributions)						(2,119)
Unallocated corporate expenses						(44,692)
Loss before taxation						(141,883)

For the year ended 31 December 2016

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Money lending *RMB'000*	eCommerce *RMB'000*	Consolidated *RMB'000*
Revenue	149,795	34,410	12,537	161,098	357,840
Gross profit/(loss)	(18,968)	5,925	11,108	19,040	17,105
Segment profit/loss	(72,802)	(2,847)	9,053	(28,331)	(94,927)
Unallocated corporate income					616
Staff costs (including retirement benefit scheme contributions)					(1,868)
Unallocated corporate expenses					(45,812)
Loss before taxation					(141,991)

Segment loss represents the loss incurred by each segment include depreciation, amortisation and impairment, but without allocation of certain administration costs and other income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

For the year ended 31 December 2017

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Money lending *RMB'000*	eCommerce *RMB'000*	Internet education services *RMB'000*	Consolidated *RMB'000*
ASSETS						
Segment assets	153,441	39,166	270,347	317,547	268,263	1,048,764
Unallocated corporate assets						167,300
Consolidated total assets						1,216,064
LIABILITIES						
Segment liabilities	87,201	49,382	32,641	20,509	4,922	194,655
Unallocated corporate liabilities						193,399
Consolidated total liabilities						388,054

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Money lending *RMB'000*	eCommerce *RMB'000*	Internet education services *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Other segment information							
Amounts included in the measure of segment profit or loss or segment assets:							
Addition to property, plant and equipment	205	12	672	381	–	1,603	2,873
Depreciation of property, plant and equipment	200	73	131	212	3	578	1,197
Interest income	–	(35)	–	–	(2)	(411)	(448)
Interest expense	6	1,087	–	–	–	163	1,256
Income tax expense	–	–	1,425	395	603	–	2,423
Impairment loss recognised in respect of trade receivables	18,084	2,079	–	–	–	–	20,163
Impairment loss recognised in respect of inventories	–	4,139	–	–	–	–	4,139
Amortisation of prepaid lease payments	–	105	–	–	–	–	105
Amortisation of intangible assets	–	–	–	33,621	2,059	–	35,680
Research and development costs	22,750	–	–	–	–	–	22,750

Segment assets and liabilities

For the year ended 31 December 2016

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Money lending *RMB'000*	eCommerce *RMB'000*	Consolidated *RMB'000*
ASSETS					
Segment assets	204,861	41,357	317,906	367,051	931,175
Unallocated corporate assets					11,500
Consolidated total assets					942,675
LIABILITIES					
Segment liabilities	35,110	41,925	66,050	32,111	175,196
Unallocated corporate liabilities					203,629
Consolidated total liabilities					378,825

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Money lending *RMB'000*	eCommerce *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Other segment information						
Amounts included in the measure of segment profit or loss or segment assets:						
Addition to property, plant and equipment	1,033	400	–	–	209	1,642
Depreciation of property, plant and equipment	98	984	6	121	409	1,618
Interest income	–	(191)	(54)	–	(32)	(277)
Interest expense	–	1,105	–	–	4,389	5,494
Income tax expense	–	–	1,494	666	–	2,160
Impairment loss recognised in respect of trade receivables	1,534	478	–	–	–	2,012
Amortisation of prepaid lease payments	–	156	–	–	–	156
Amortisation of intangible assets	–	953	–	33,182	–	34,135
Research and development costs	26,612	–	–	–	–	26,612

Information about geographical areas

The following table provides an analysis of the Group's revenue by geographical market:

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
The People's Republic of China (the "PRC") (country of domicile)	**85,303**	141,995
Europe	**189,470**	124,111
Asia (other than the PRC and Hong Kong)	**20,661**	15,547
North America	**45,691**	56,682
Oceania	**6,766**	5,597
Hong Kong	**16,773**	13,908
	364,664	357,840

Non-current assets

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Hong Kong	**341,638**	390,639
PRC	**253,128**	12,753
	594,766	403,392

The non-current asset information above is based on the location of assets.

Information about major customers

No individual customer contributed more than 10% of the Group's revenue for the years ended 31 December 2017 and 2016.

5. LOSS BEFORE TAXATION

	2017	2016
	RMB'000	*RMB'000*
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**824**	651
Impairment loss recognised in respect of trade receivables	**20,163**	2,012
Impairment loss recognised in respect of inventories	**4,193**	–
Amortisation of prepaid lease payments	**105**	156
Amortisation of intangible assets	**35,680**	34,135
Cost of inventories recognised as an expense	**284,888**	292,580
Depreciation of property, plant and equipment	**1,197**	1,618
Minimum lease payments in respect of office premises	**4,061**	1,490
Gain on disposal of property, plant and equipment	**–**	(28)
Net exchange gain	**(40)**	(1,153)
Research and development costs (included in other expenses)	**22,750**	26,612
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**58,792**	36,572
– Retirement benefit scheme contributions	**2,588**	2,606
– Equity-settled share option expenses	**–**	11,024
	61,380	50,202
Less: Staff costs included in research and development costs	**(2,047)**	(2,009)
	59,333	48,193

6. TAXATION

	2017 *RMB'000*	2016 *RMB'000*
Hong Kong Profits Tax:		
– Current year	**1,820**	2,160
PRC Enterprise Income Tax:		
– Current year	**603**	–
Deferred tax:		
– Current year	**(5,969)**	(6,212)
	(3,546)	(4,052)

Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profits arising in Hong Kong for both years.

Provision for the PRC Enterprise Income Tax was made based on the estimated taxable profits calculated in accordance with the relevant income tax laws and regulations applicable to the Company's PRC subsidiaries.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Two PRC subsidiaries of the Company namely "Yixing" and "Wowxue" obtained a Chinese High-Tech Enterprise Certificate in 2015 and 2017 respectively. According to GuoShuiHan [2009] No.203, entities qualifying for the Hi-tech status could enjoy a PRC Enterprise Income Tax preferential treatment for 3 years commencing from 2015 and 2017 accordingly. As a result, these PRC subsidiaries were subject to a PRC Enterprise Income Tax of 15%.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, dividend distributed out of the profits of PRC entities generated after 1 January 2008 are subject to PRC Enterprise Income Tax which is withheld by the PRC entity at 5% of the dividend distributed. During the year ended 31 December 2017, deferred tax income: Nil (2016: RMB871,000) in respect of the undistributed earnings of the Company's PRC subsidiary has been reversed in the consolidated statement of profit or loss and other comprehensive income.

7. DIVIDENDS

No dividend was paid or proposed by the Company during the years ended 31 December 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

8. LOSS PER SHARE

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

	2017	2016
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(139,058)**	(138,695)

	Number of shares	Number of shares
	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,986,969**	2,853,748

The calculation of diluted loss per share for each of the two years ended 31 December 2017 and 2016 had not taken into consideration the assumed exercised of the Company's outstanding share options and warrant as it would reduce the loss per share.

9. GOODWILL

	2017	2016
	RMB'000	*RMB'000*
Cost:		
At 1 January	**374,978**	351,112
Acquisition of subsidiaries	**123,572**	–
Exchange realignment	**(25,800)**	23,866
At 31 December	**472,750**	374,978
Accumulated impairment:		
At 1 January	**47,973**	45,289
Exchange realignment	**(2,901)**	2,684
At 31 December	**45,072**	47,973
Carrying value:		
At 31 December	**427,678**	327,005

Goodwill is allocated to the Group's cash generated units ("CGU") identified according to business segment as follows:

	Note	2017 RMB'000	2016 RMB'000
Money lending	*(i)*	**70,580**	75,895
eCommerce	*(ii)*	**233,526**	251,110
Internet education services	*(iii)*	**123,572**	–
		427,678	327,005

(i) Money lending

During the year ended 31 December 2015, the Group acquired 90% issued share capital of Time Credit Limited and therefore goodwill of approximately RMB103,318,000 was recognised upon completion of the acquisition.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with discount rate of 16% per annum (2016: 16% per annum). Cash flows beyond the 5-year period are extrapolated with 3% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations of the market development. No impairment loss is recognised for the year ended 31 December 2017 and 2016.

(ii) eCommerce

During the year ended 31 December 2015, the Group acquired entire issued share capital of Soaring International Holdings Limited and therefore goodwill of approximately RMB229,740,000 was recognised upon completion of the acquisition.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with discount rate of 16% per annum (2016: 14.12%). Cash flows beyond the 5-year period are extrapolated with 3% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations of the market development. No impairment loss has been recognised for this CGU for the year ended 31 December 2017 and 2016.

(iii) Internet education services

During the year ended 31 December 2017, the Group acquired 100% issued share capital of Cybernaut Technology International Limited and its subsidiaries and therefore goodwill of approximately RMB123,572,000 was recognised upon completion of the acquisition.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with discount rate of 16% per annum. Cash flows beyond the 5-year period are extrapolated with 3% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations of the market development. No impairment loss is recognised for the year ended 31 December 2017.

10. INTANGIBLE ASSETS

	Technology know-how *RMB'000*	Customer relationship *RMB'000*	Platform *RMB'000*	Contract backlog *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2016	99,316	10,733	–	–	110,049
Exchange realignment	6,724	–	–	–	6,724
At 31 December 2016 and at 1 January 2017	106,040	10,733	–	–	116,773
Arising from acquisition of subsidiaries	–	–	118,593	9,844	128,437
Exchange realignment	(7,269)	–	–	–	(7,269)
At 31 December 2017	98,771	10,733	118,593	9,844	237,941
Accumulated amortisation and impairment:					
At 1 January 2016	7,646	9,780	–	–	17,426
Provided for the year	33,182	953	–	–	34,135
Exchange realignment	1,903	–	–	–	1,903
At 31 December 2016 and at 1 January 2017	42,731	10,733	–	–	53,464
Provided for the year	33,621	–	1,977	82	35,680
Exchange realignment	(4,177)	–	–	–	(4,177)
At 31 December 2017	72,175	10,733	1,977	82	84,967
Carrying amount:					
At 31 December 2017	26,596	–	116,616	9,762	152,974
At 31 December 2016	63,309	–	–	–	63,309

The above intangible assets have finite useful life. Such intangible assets are amortised on a straight-line basis over the following periods:

Technology know-how	3 to 10 years
Customer relationship	10 years
Platform	5 years
Contract backlog	10 years

No impairment loss of intangible assets has been recognised for the years ended 31 December 2017 and 2016.

11. TRADE RECEIVABLES

The credit period granted by the Group to certain customers is within 180 days (2016: within 180 days), while payment from other customers are due immediately when goods are delivered. The following is an aged analysis of trade receivables presented based on the goods delivery date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2017	2016
	RMB'000	*RMB'000*
0 – 30 days	**28,140**	24,950
31 – 60 days	**7,932**	13,831
61 – 90 days	**5,564**	13,617
91 – 120 days	**10,094**	13,552
121 – 180 days	**34,043**	17,443
181 days to within 1 year	**41,601**	71,836
	127,374	155,229

Aging of trade receivables which are past due but not impaired:

	2017	2016
	RMB'000	*RMB'000*
0 – 30 days	**14,095**	9,126
31 – 60 days	**7,151**	8,083
61 – 90 days	**2,391**	7,956
91 – 120 days	**2,336**	7,724
121 – 180 days	**14,611**	5,995
181 days to within 1 year	**41,601**	71,836
	82,185	110,720

The Group has not provided for certain trade receivables which are past due but not impaired because the directors of the Company consider that those receivables are recoverable based on the good payment record of the customers and long established trading history with these customers. The Group does not hold any collateral over these balances.

Allowance on doubtful debts of RMB20,163,000 (2016: RMB2,012,000) recognised during the year ended 31 December 2017 was based on estimated irrecoverable amounts by reference to the creditability of individual customers, past default experience, subsequent settlement and payment history of the customers. Full provision has been made for individual trade receivables aged over one year with no subsequent settlement as historical evidence shows that such receivables are generally not recoverable, or individual trade receivables which has been in severe financial difficulties.

12. BILLS RECEIVABLES

The ageing analysis of bills receivables presented based on the goods delivery date at the end of the reporting period are analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
0 – 90 days	**3,162**	3,458
91 – 120 days	**–**	–
121 – 180 days	**664**	1,510
Over 180 days	**–**	7,347
	3,826	12,315

At 31 December 2017, the carrying value of bills receivables include bills endorsed to suppliers on a full recourse basis that are not yet due amounting to RMB3,825,916 (2016: RMB4,968,000). As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables as assets in the consolidated financial statements. The associated trade payables secured over the bills endorsed to the suppliers which were not yet due at the end of the reporting period are recognised as current liabilities in the consolidated statement of financial position.

	2017	2016
	RMB'000	*RMB'000*
Bills receivables endorsed to suppliers with full recourse:		
Carrying amount of transferred assets	**3,826**	4,968
Carrying amount of associated liabilities	**(3,826)**	(4,968)
Net position	**–**	–

All the bills receivables are denominated in RMB.

The maturity dates of endorsed bills were less than six months from the end of the reporting period.

13. LOAN RECEIVABLES

The Group's loan receivables arose from the money lending business during the year.

Loan receivables bear interest at rates, and with credit periods, mutually agreed between the contracting parties. Loan receivables are secured by properties and personal guarantees by the debtors/certain individuals. Overdue balances are reviewed regularly and handled closely by senior management.

The loan receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**52,791**	99,844
3 months to 1 year	**66,745**	99,276
Over 1 year which contain a repayment on demand clause	**56,832**	22,121
	176,368	221,241

The interest rate was fixed at the contract date. The average effective interest rate was at 5.25% to 24% per year as at 31 December 2017 (2016: 5.25% to 24%).

The loan receivables were neither past due nor impaired relate to certain debtors for whom there was no recent history of default.

14. TRADE AND BILLS PAYABLES

The following is an ageing analysis of trade and bills payables presented based on the goods receipt date at the end of the reporting period.

	2017	2016
	RMB'000	*RMB'000*
0 – 30 days	**28,745**	23,821
31 – 60 days	**8,576**	7,530
61 – 90 days	**4,698**	5,184
Over 90 days	**77,727**	14,414
	119,746	50,949

The credit period granted by the suppliers to the Group is within 30 days.

At 31 December 2017, included in the trade payables was RMB3,825,916 (2016: RMB4,968,000) secured over bills receivables endorsed to suppliers that were not yet due for payment.

The carrying amounts of the trade payables at the end of the reporting period are denominated in RMB.

15. PROMISSORY NOTES

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**195,730**	207,737
Accrued interest charged	**3,700**	4,389
Loss on early redemption	**–**	26,191
Settlement by issuance of shares	**–**	(56,720)
Exchange realignment	**(13,854)**	14,133
At 31 December	**185,576**	195,730

Notes:

(i) On 23 March 2015, the Company issued promissory notes for an aggregate principal amount of HK$33,000,000 at 3% interest per annum (the "PN 1") upon completion of the acquisition of Time Credit Limited to Ms. Lam Wai Ha, an independent third party not connected to the Group. The PN 1 is due on the second anniversary of the date of issue.

The fair value of PN 1 was approximately to their principal amount calculated at the effective interest rate of 3% per annum. The PN 1 carried at amortised cost until settlement on due date.

On 14 November 2016, the Company early redeemed the PN 1 in full by way of issuing 207,400,000 ordinary shares of the Company at the price of HK$0.166. The fair value of the said ordinary shares at the date of issuance was approximately HK$56,720,000 (based on market price of HK$0.31). As such, loss on early redemption of promissory notes of approximately HK$26,191,000 has been recognised during the year ended 31 December 2016.

(ii) On 9 November 2015, the Company issued promissory notes for an aggregate principal amount of HK$213,600,000 at 2% interest per annum (the "PN 2") upon completion of the acquisition of Soaring International Holdings Limited to Mr. Lee Yim and Mr. Ng Hang Fai Calvin, independent third parties not connected to the Group. The PN 2 are due on the third anniversary of the date of issue.

The fair value of PN 2 was approximately to their principal amount calculated at the effective interest rate of 2% per annum. The PN 2 carried at amortised cost until settlement on due date.

16. SHARE CAPITAL

	Number of shares at HK$0.10 per share *'000*	Amount *HK$'000*
Authorised:		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	20,000,000	2,000,000
Issued and fully paid:		
As at 1 January 2016	2,569,228	256,923
Issue of shares upon exercising of warrants *(note a)*	384	38
Issue of shares on 16 May 2016 *(note b)*	409,000	40,900
Issue of shares on 14 November 2016 *(note c)*	207,400	20,740
At 31 December 2016 and 1 January 2017	3,186,012	318,601
Placing of shares (d)	595,600	59,560
Issue of shares upon exercising of warrants (e)	396,536	39,654
Issue of shares upon exercising of share option (f)	15,000	1,500
At 31 December 2017	4,193,148	419,315
Shown in the consolidated financial statements		
At 31 December 2016	**RMB'000 equivalent**	266,401
At 31 December 2017	**RMB'000 equivalent**	355,046

Notes:

(a) During the year ended 31 December 2016, 80,000, 12,000, 800 and 291,200 shares were issued upon exercising of warrants on 27 January 2016, 30 March 2016, 30 March 2016 and 7 April 2016 respectively. The net proceed of approximately HK$0.1 million was used for general working capital.

(b) On 16 May 2016, pursuant to the placing and subscription agreement dated 20 April 2016, 409,000,000 ordinary shares of HK$0.10 each were allotted and issued at HK$0.166 per share to not less than six placees. The net proceed of approximately HK$66.78 million was used for general working capital.

(c) On 14 November 2016, the company early redeemed the PN 1 in full by way of issuing 207,400,000 ordinary shares of the Company at the price of HK$0.166. The fair value of the said ordinary shares at the date of issuance was approximately HK$56,720,000 (based on market price of HK$0.31). As such, loss on early redemption of promissory notes of approximately HK$26,191,000 has been recognised during the year ended 31 December 2016.

(d) On 13 January 2017, pursuant to the placing and subscription agreement dated 13 January 2017, 595,600,000 ordinary shares of HK$0.10 each were allotted and issued at HK$0.30 per share. The net proceed of approximately HK$176,600,000 was used for general working capital and funds to finance future investment.

(e) During the year ended 31 December 2017, total 396,536,000 shares were issued upon exercising of warrants. The net proceed of approximately HK$118,961,000 was used for general working capital.

(f) On 15 May 2017, share options were exercised to subscribe for 15,000,000 ordinary shares in the Company at a consideration of HK$4,800,000.

MARKET REVIEW

In 2017, the aftermath of the political and economic crises and market fluctuation in United States of America and Europe continued to affect the world economy, together with the inherent fear of the unexpected terrorist attacks. Since the presidency of Donald Trump in January 2017, the political and threatening economic measures of United States had greatly led global economy to become a more volatile financial market worldwide.

The Chinese economy remained on the path of moderation, and with faster economic expansion and a better employment picture, China's per capita disposable income grew 7.3% in 2017. The National Bureau of Statistics of China reported the gross domestic product (GDP) for the full year of 2017 was at a growth rate at about 6.9 %, higher than the 26-year low of 6.7% in 2016. Strong growth in industry and exports and a resilient property market were the main drivers of the expansion in economy.

According to the World Steel Association (worldsteel), the world crude steel production reached 1,691.2 million tonnes (Mt) for the year 2017, up by 5.3% as compared to 2016. China made more than half the world's steel but a slowdown in its economy and sagging global demand had left the industry with excess capacity. The National Bureau of Statistics reported that China's crude steel production in 2017 reached 831.7 Mt, up by 5.7% on 2016 and China's share of world crude steel production increased from 49.0% in 2016 to 49.2% in 2017.

Throughout 2017, the government authorities tackled excess steel production in the country through consolidation and closed the inefficient and polluting factories; moreover, the oversupply condition of steel in market remained unresolved in China. There was a quickened pace of industrial overcapacity cuts in China. According to the Ministry of Industry and Information Technology (MIIT), China slashed its crude steel production capacity by more than 50 Mt and also phased out the production of 140 Mt of low-quality steel made from scrap metal in 2017. Besides, it was reported that China had eliminated a total of 250 Mt coal production capacity and there was emissions cut of both sulfur dioxide and nitrogen oxide by 8%.in 2017. The government restrictions, bans on low-quality steel production and factory closures had made the competition fierce among the steel manufacturers in China. As our steel flow control product manufacturing plant was closely related to the steel industry in China, the subsidiary business was then so adversely affected in operation and its production was unfavourably performed under the harsh market challenges in 2017.

The Hong Kong property market in 2017 had continued its promising growth in terms of property price and transaction volume, with an anticipated slow rise in interest rate and the stable economic growth. The measure from the Hong Kong Government had repeatedly requested the moneylender to properly run their business in compliance with the additional government regulations and restrictions in 2017. Our subsidiary of money lending business made all prudent measures in its running, as the government authority had periodically advised the borrowers to be aware of the risks of increased interest rate, and the implication of the unstable and uncertain economic environment.

There are a lot of business opportunities available to electronic commerce (eCommerce) business today. And eCommerce is growing rapidly worldwide with comparatively a greater extent in Asia Pacific region and particularly in PRC. The hypercompetitive eCommerce industry needs also to have efficient and speedy logistics in support to satisfy customers with security. EBay, the eCommerce giant has already launched its guaranteed delivery program for shoppers to their ordered items on its platform. This provides shoppers with faster and more precise details on the delivery dates of their purchase. As our eCommerce subsidiary also had business trades through eBay platform during 2017, so we found this program providing us safety and precise delivery to customers in remote areas, and improved our expansion strategy and partnership plans in eCommerce business.

Information technology (IT) has been revolutionizing education development over the past five years in PRC. According to the PRC Ministry of Education, China will promote the application of IT to advance education reform and ensure equitable access to education. After a wave of investments in online education started in 2015, investors were more rational and the market became healthily developing in 2017. In fact, the traditional brick and mortar education giants have also stepped into the field. The top two Chinese education firms listed on Nasdaq, TAL Education Group and New Oriental Education, have invested in more than 100 companies spanning online tutoring platforms, social apps and education technologies.

BUSINESS REVIEW

The Cybernaut Group (Group) previously known as the Sinoref Group, comprises business sources with subsidiaries engaged in the manufacture and sale of advanced steel flow control products; in the manufacture and sales of paper converting equipments; money lending business; electronic commerce (eCommerce) and information technology (IT) solution business; and the business of internet education online services acquired in November 2017.

The Group's PRC subsidiary of steel flow control product manufacturing plant is principally engaged in the manufacture and sale of advanced steel flow control products including subentry nozzle, stopper, tundish nozzle and ladle shroud. In 2017, steel manufacturers in China continued struggling hard to reduce outputs under the huge government pressure and regulatory challenges amidst the deteriorating global market. Likewise, our steel flow product manufacturing plant had competed painstakingly with others to secure market share while facing with various structural adjustments and transformation needs in the industry. Against this backdrop, the subsidiary continued to experience downward pressure on pricing and fierce competition during 2017. Coupled with a reemergence of inflationary pressure on raw materials and other direct costs, there was a high squeeze on gross margin. Additionally, the increasing spending in research and development of the subsidiary business heaped more pressure on the sector operation. During the year, the subsidiary management had been striving extremely hard to maintain market position in the drastic cutthroat market competition while having loosened internal restructuring processes and controls, so resulted in a greater segment loss during the year under review.

Time Credit Limited (TCL), the subsidiary of the Group engaged in money lending business in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) had developed sound and effective business growth. During 2017, the subsidiary generated revenue mainly on first mortgage property loans to customers for their long and short term financial needs. TCL maintained a good brand name and its loan portfolio contributed a steady income for the Group with its high net worth customer base and market share with partnership alliance on sub-mortgage arrangements. Its business was well-performed, and it had sought minor expansion in a more healthy and solid position in the mortgage loan business portfolio, with caution on the interest impact, the property market and the industry challenges. On 8 March 2016, TCL as the lender entered into the loan agreement, that constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules, with the borrower (an independent third party) and pursuant to which the lender had agreed to grant a loan of HK$110 million to the borrower for a term of 12 months. This mortgage short-term loan was matured and fully settled in 2017, and it had generated a good revenue for the Group.

The eCommerce industry in Asia Pacific has been hypercompetitive, retailers are moving beyond competing on price to competing on logistics, and getting packages to access more people with greater speed and security. Our subsidiary business, being one of the retailers with a stake in the eCommerce market, cannot settle with customer only for low prices alone; and it must continue advancing its own capabilities to enhance revenue generating and its own brand name. The IT business subsidiary of the Group that we named as “Soaring or VTZero”, has principally engaged in the eCcommerce industry, specializing on B2C retailing through the eBay and Amazon platforms and internet wholesale businesses with a focus on overseas consumers, logistics management and sourcing. Besides, the subsidiary also generated good revenue in its IT project solution for different type of corporate customers. In 2017, its business activities through such platforms had established remarkable revenue with majority of client orders from USA, Australia and EU countries. Other than relying merely on one or two platforms as means for it to generate sales income, the subsidiary started selling smart phone accessories and well-branded products on new platforms, namely Rakuten, Newegg and Walmart marketplaces since June 2017. During the year, its main product-mix for sales shifted from phone accessories and home gadgets to the second-handed and refurbished phones of good brand names. The eCommerce business has kept up with the market innovation and trends on product sales in overseas markets and also developed B2C segment sales in Europe, through liaison with authorized parties for logistic arrangements in easy pick up locations and an efficient delivery.

Consolidation in Customer Base

In 2017, our steel flow industry has consolidated its customer base in the PRC market. Meanwhile, the Group continued to be the key supplier of the top 10 steel manufacturers in the PRC, including Baosteel Group, Shougang Group, Hebei Group and Wuhan Steel. Going forward, the Group will continue to explore business opportunities with domestic steel manufacturers to drive further business growth.

During the year under review, the major customers in our paper equipment manufacturing business were JK Paper Ltd and Great Wall Machinery & Mfg. (Philips.), Inc., originated in India and Philippines respectively. One of our client, JK Paper Ltd, contribute 14% of revenue in paper industry of the Group in 2017

In our the money lending business, we have diversified different clients in order to disperse the risk and only focus on first mortgage clients in order to minimize the risk of the breach of contract. In 2017, our major clients included business clients and also the Hong Kong listed companies.

In 2017, our eCommerce business obtained about 80% revenue was from online retail and the remaining was from wholesale. In future, we will enhance the customer royalty so that they will visit our site regularly. The major customers were USA, France and UK.

Expanded Overseas Market

During the year under review, the steel flow control product subsidiary of the Group has built up the reputation of the brand "Sinoref" among the steel industry over the years and has successfully gained a good reputation of many of the world's most renowned steel manufacturers, including: the world's largest steel and mining company, ArcelorMittal; and the world's largest manufacturer, processor and distributor of special long steel products, Carboref GmbH. The Group will continue to enhance its global brand awareness of Sinoref with the view to strive for a leading position in the industry.

During the year under review, for the paper equipment manufacturing business, we continue to expand to other Asian countries such as Philippines, Indian and Korea. The Group will also seek for the opportunity to explore revenue from other countries.

In 2017, eCommerce contributed more than 50% of total revenue of the Group. In the future, we will strive to expand more business in France, Germany and Russia in order to capture more market share.

Enhanced Research and Development

For the year ended 31 December 2017, the Group's PRC subsidiaries has attained four new registered invention patents. This bring the Group's total to 37 registered patents as at the end of the year. Its strong research and development capability is a core competitive edge of Sinoref that has helped the subsidiary become China's second largest advanced steel flow control product manufacturer in China. The Group has adopted a number of leading self-developed technologies which enable the Group to enjoy a preferential tax rate as a Chinese High-tech Enterprise, supporting future earnings to record new heights.

Apart from further developing its steel flow control products business, the Group has also been seeking potential opportunities in steel-related as well as non-steel related businesses. During the period under review, the Group significantly boosted its investment in research and development to further diversify its business. In order to increase the segment revenue in eCommerce business, we will invest more research and development cost in 2018 and will develop our own website and produce more innovative products and consigned in Amazon and some France internet platforms.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group's revenue was approximately RMB364.7 million (2016: RMB357.8 million). The increase in revenue was mainly due to the largely increase in eCommerce business.

Cost of Sales

The Group's cost of sales mainly comprised costs of raw materials, labour, depreciation and other direct costs of sales. During the year, the Group's cost of sales increased by approximately 4.6% from RMB340.7 million in 2016 to approximately RMB356.4 million in 2017.

Gross Profit

The Group experienced a gross profit of approximately RMB8.3 million for the year ended 31 December 2017. For the year ended 31 December 2016, the Group recorded a gross profit of approximately RMB17.1 million. The gross profit was mainly resulted from the effective cost control in money lending and eCommerce business, however, due to the sluggish market demand, gross loss still occur in steel industry.

Impairment Loss

The repayment ability of Chinese steel enterprises deteriorated sharply in 2017 due to market situation, an impairment loss for trade receivables amounted to approximately RMB18.1 million was recognised for the year ended 31 December 2017 (2016: RMB1.5 million). Also, there was an impairment loss on inventory of the paper equipment manufacturing business recognised to approximately RMB4.1 million in 2017 (2016: nil).

Selling and Distribution Costs

The Group's selling and distribution costs comprised sales commissions, sales staff costs and transportation costs. During the year under review, its selling and distribution costs decreased to approximately RMB14.5 million, representing a decrease of approximately 28.6% from approximately RMB20.3 million for the previous year. The decrease was mainly attributable to the decrease in sales commission and transportation costs in steel industry.

Administrative Expenses and Other Expenses

The Group's administrative expenses and other expenses increased by approximately 12.0% from approximately RMB96.5 million for year ended 31 December 2016 to approximately RMB108.0 million for the year ended 31 December 2017. The Group has devoted resources to research and development, amounting to approximately RMB22.8 million for the year ended 31 December 2017 for creating more new products to meet with its customers' needs.

Finance Costs

The Group's finance costs were approximately RMB5.0 million for the year ended 31 December 2017 (2016: RMB5.5 million). The interest rate for bank loan was at a fixed interest rate of 5.22% per annum (2016: 4.92% per annum).

Taxation

The PRC steel flow product manufacturing subsidiary of the Company and internet education service provider of the Company have successfully obtained the Chinese High-tech Enterprise Certification (中國高新技術企業認證) in 2015 and 2017 respectively. Consequently, the PRC subsidiary is entitled to the PRC Enterprise Income Tax ("EIT") rate of 15% for three years for 2015 and 2017. The EIT rate for another PRC subsidiary of the Company engaged in production of paper machineries is 25%.

Loss for the Year

As a result of the challenging conditions, the Group's loss for the year was approximately RMB138.3 million, compared to approximately RMB137.9 million for the previous year. The loss was mainly due to a combination of factors, which include (i) the impairment loss in inventories and trade receivables; and (ii) the increase in staff expenses in eCommerce business. The Group's loss per share decreased from RMB4.86 cents for the year ended 31 December 2016 to RMB3.49 cents in 2017.

Final Dividends

The Board does not recommend the payment of a final dividend for year ended 31 December 2017 (2016: Nil).

Capital Structure, Liquidity and Financial Resources

During the year ended 31 December 2017, the Group's bank balances and cash was approximately RMB194.0 million (2016: RMB40.1 million).

Total equity of the Group as at 31 December 2017 was approximately RMB649.0 million (2016: RMB563.9 million). The Group has an outstanding bank and other loan and promissory notes of approximately RMB50.6 million and RMB185.6 million, respectively as at 31 December 2017 (2016: RMB84.5 million and RMB195.7 million).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 22 November 2017, the Company acquired 100% equity interest of Cybernaut Technology International Limited and its subsidiaries, which is engaged in the provision of internet education services to kindergarten, primary and secondary schools at a consideration of approximately RMB495 million (i.e. HK$320 million subject to adjustments detailed in the circular of the Company dated 27 October 2017.

Save as disclosed above, the Group had no other material acquisitions or disposals during the year.

Pledge of Assets

As at 31 December 2017, the Group pledged certain of its buildings and leasehold land with aggregate net carrying value of approximately RMB0.40 million (2016: RMB0.80 million) as collaterals for the bank loan granted to the Group. Gearing ratio is calculated based on total debt at the end of the year divided by total assets at the end of the year multiplied by 100%. As at 31 December 2017, the gearing ratio of the Group was 19% (2016: 29%).

CONTINGENT CONSIDERATION AND LIABILITIES

On 26 July 2017, the Company entered into the Share Purchase Agreement (the "SPA") with Cybernaut Education Limited, a company which is owned as to 90% by Mr. Zhu Ming, an executive director and a substantial shareholder of the Company, (the "Vendor"). Pursuant to the SPA, the consideration will be subject to adjust based on the net profit after tax generating from operating activities (the "Net Profit") of the Cybernaut Technology International Limited and its subsidiaries as shown in the audited consolidated financial statements for:

(i) the Net Profit for the six-month period ending 30 June 2018 shall not be less than HK$7.5 million;

(ii) the Net Profit for the six-month period ending 31 December 2018 shall not be less than HK$7.5 million;

(iii) the Net Profit for the six-month period ending 30 June 2019 shall not be less than HK$9 million; and

(iv) the Net Profit for the six-month period ending 31 December 2018 shall not be less than HK$9 million.

The fair value of the contingent consideration was determined by an independent professional valuer not connected with the Group based on Binomial Option Pricing Model. The fair value as at 31 December 2017 was RMB143 million.

As at 31 December 2017, saved as disclosed in above, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor is the Group aware of any pending or potential material legal proceedings involving the Group.

HUMAN RESOURCES AND STAFF REMUNERATION

As at 31 December 2017, the Group had about 459 staff members employed in mainland China and Hong Kong (2016: 438). Total staff costs for the year were approximately RMB61.4 million (2016: RMB39.2 million). During the year, the Group continued to reinforce the training to its staff by providing training and study opportunities for management staff and professional technicians. In addition, the Group has provided a timely update to all staff about the latest government policies of the industry to continuously enhance the professional standard and quality of the staff.

Meanwhile, the Group has provided competitive remuneration for staff which encourages them to commit themselves and serve customers wholeheartedly. The Group operates share option scheme for the purpose to provide incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group granted 80 million share options to its eligible employees during the financial year as announced on 13 January 2016. The remuneration payable to the senior management of the Company (excluding Directors and chief executive) for the year ended 31 December 2017 was determined with reference to their position, responsibilities and experience and prevailing market condition.

PROSPECTS

According to the International Monetary Fund (IMF), GDP growth rate in the Asia Pacific region and emerging economies are expected to hold steady in 2018, despite the geopolitical tensions, disruptive asset price shifts, stagnation and low inflation in advanced economies. The IMF has forecasted 6.8 percent growth of the Chinese economy for the year 2018. And the Chinese economy is shifting to a more sustainable pace, with economic growth to pick up elsewhere in the region. New development targets in China for 2018 are released in the China government work report during the annual sessions of the top legislative and political advisory bodies, as the country seeks economic transformation towards high-quality development. Besides, the Belt and Road Initiative from China also offers Chinese companies in different industries to establish partnership with downstream companies in related countries and regions.

In early March 2018, the Trump Administration planned to impose tariffs on the global overcapacity of steel and aluminum and these tariffs merely constituted a start on the changes of the US trade policy. Donald Trump's pledge to renew US infrastructure, coupled with the impact of import restrictions against steel from countries including China will inhibit market and cause more market fluctuation in the global economic activity. In response, China Premier, Li Keqiang has called on all countries to safeguard free trade by boosting trade liberalization and facilitating investment, in efforts to fight rising protectionism in US.

Steel flow control product business

In 2018, the steel production growth of China is expected to slow sharply as the state-mandated factory closures and policies to protect the environment begin to bite. The China government's capacity-cutting efforts has improved the demand-supply relations and expects a further cut of ineffective steel capacity of 30 Mt this year, despite the MIIT has warned of more difficulties in further capacity reduction in the industry. In global steel production and trade, Chinese companies should play a bigger role rather than just export basic products, and utilize the Belt and Road Initiative for an expanding reach. And the China Iron and Steel Association has commented that the Belt and Road Initiative will open new channels for Chinese steel companies to go global with supports and help build a stronger presence in the global trade chain.

Our subsidiary engaged in steel flow control product manufacturing definitely need to monitor the industry-wide policies in China more closely and so are their impacts in the global market. With the government efforts as an impetus for the Chinese steel industry to upgrade and develop, our manufacturing business will continue applying upgraded technologies to meet those evolving production requirements of the steel manufacturers. Besides, we need to tighten costs and controls on those procedural measures during production; and effectively adjust marketing standpoint and reduce deficiencies in order to resume business sustainability in 2018.

Money lending business

Hong Kong government has estimated the GDP growth rate for 2018 is three to four percent. Our money lending subsidiary, TCL will have more efforts in referral business with strategic partnership via sub-mortgage arrangements, so as to maintain steady business services in an effective manner. Our loan policy will continue to adopt prudent and flexible business strategies to meet the environmental changes and property market trends accordingly. To minimize the potential credit and default risks in our mortgage loans and interest receivables, we will tighten our credit policy strictly when granting new mortgage loans or loan renewals to customers of good reference check. Our existing loan portfolio has a majority of first-mortgage property loan products, which are given to customers with good quality and sound credit history.

Meanwhile, Hong Kong economy continues to grow together with the active local investment activities, the money lending business market will still be booming, and the market competition is also intensified. The subsidiary will continue to seize business opportunities on the increasing demand for mortgage loans, promote its brand name and expand its property loan portfolio and customer base through channels with strategic partners and referrals. It will continue focusing more on the first-mortgage property loans with interest income as its revenue source from its client portfolio.

eCommerce business

The advancement in the eCommerce technology and the rising competition among online sales transactions have raised different expectations that people have when using the eCommerce platforms. However, there is no single 'one-size-fits-all' eCommerce platform solution that will work for every business.

Our IT subsidiary engaged principally in the eCommerce business, specializing on B2C retailing through the platforms including Amazon and eBay with focus on overseas consumers in existing logistics network, will be developing new eCommerce products. These products will provide a marketplace, shopping cart channel, and inventory management that help sellers manage product listings across different sites and manage all inventory moves across different channels and build own warehouses in Middle America, East of United States and UK etc. The subsidiary management will focus more resources on these local online marketplaces in 2018, as selling on these platforms are growing fast periodically with higher gross margin. Meanwhile, in order to enhance the branding and awareness its self-hosted websites, the subsidiary will spend more efforts on search engine marketing and after sales services. It is foreseen that more and more online shoppers have strong preference to shop on local online marketplaces and the trend is vastly growing fast. Therefore, the subsidiary business is confident that an easy access to its websites can enable customers to choose their products conveniently and leads to a better return in revenue for the Group in the coming future.

This subsidiary has expanded more eCommerce business transactions through sales channels and also new platforms like Rakuten, Newegg, Walmat and Cdiscount marketplaces, and it will aim at more business growth in the non-English speaking markets, such as Western European countries, Japan and India. Presently, its self-hosted websites are getting more traffics and sales conversion with efforts putting hard in search engine marketing. Regarding to B2B segment, it has been selling second-handed mobile phones and accessories to Europe and the sales turnover is growing month by month. Other than that from the online retail trading, the subsidiary management has forecasted the sales turnover from the B2B department will be more fruitful in the coming few years. The product movements in its wholesale business have not only provided a good source of income, but also helping B2C business in the product merchandising areas. And the existing multichannel selling strategy engaged has provided the subsidiary business with returns of a more stable income in cash flow and also reduced the risk of keeping large volume of obsolete inventory.

Internet education service business

Online education industry in China has grown rapidly in the past few years, but research analysts believe that more business opportunities will surface as technology advances and capital pours in. China will become one of the world's most vibrant online education markets in future, as there are growing household spending power, an under supply of education resources, and the introduction of the two-child policy in the country. It is also noted that the existing market of online education business is likely to grow 20 percent annually, The Group will allocate more resources from its IT pool of education experts in China to manage the newly-acquired internet online education business and with good supervision to enhance its business growth, developments and market expansion in 2018.

Bonus Warrant Issue

On 8 December 2015, Sinoref Holdings Limited (the "Company") had issued a circular relating to the Bonus Warrant Issue. In early January 2016, the Company obtained from the Listing Committee of the Stock Exchange approval for the listing of and permission to deal in the Warrants and the Warrant Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants.

A total of 513,845,600 Warrants were issued by the Company to the Shareholders pursuant to the Bonus Warrant Issue, represented by the Warrant certificates, conferring the rights in their registered form to the holders thereof to subscribe in cash for 513,845,600 Warrant Shares at an initial subscription price of HK$0.30 per Warrant Share during the period from 13 January 2016 to 12 July 2017. The stock code of the Warrants is 1562 and the Warrants are traded in board lots of 4,000 units each. Dealings in the Warrants on the Stock Exchange commenced on 14 January 2016 and were ended on 12 July 2017. There was a total of 396,920,005 shares issued to the warrantholders on their exercising of their warrants for conversion.

Looking forward, the global economy is still in satisfactory performance under the current easing monetary policy of the U.S.A. Although the US Federal Reserve is gradually raising interest rates, the pace is slow and with slight adjustment, hence the impact to the overall global economy is still minimal. The China economy is under the structural adjustment stage and expected to continue its up-going trend while remaining stable itself. And the Hong Kong economy has demonstrated a sound turnaround momentum with the property market continues to maintain a strong growth, and the retail and tourism industry has shown signs of recovery. In 2018, the Group will commit more time and resources to continuously develop its eCommerce subsidiary business to meet customers' needs in its online market and also to nurture the newly-acquired online education business. Both the China and Hong Kong economies remain stable and being strong in the financial market growth, therefore providing an objective environment for all our business segments, so our Group is prudently optimistic about the operating environments. The Group management team will devote more corporate efforts on the profitable segment growths and with change management involved to gradually restructure the underperformed or phase out the non-contributing ones.

Facing the changing market situations, the Group will continue to implement different prudent and stable operation strategies, based on the solid foundation laid down over the past years. In fact, our efforts and business improvements in recent years been recognized and have attracted various strategic investors for possible investments on our Group that we have made our announcement in May 2016. In the long run, the Group will continue making strategic choices and create commercial synergies among subsidiary businesses to develop their existing and potential growth areas and evaluate suitable investments that help generate more and stable income streams.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with all the code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report, contained in Appendix 14 to the Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2017, except for Code Provision A.6.7 in respect of the attendance of non-executive directors and independent non-executive directors in the general meetings.

According to Code Provision A.6.7, non-executive directors and independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, two non-executive directors and two independent non-executive directors could not attend the 2016 annual general meeting held on 9 June 2017. However, at the 2016 annual general meeting, there were executive and independent non-executive directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct (the "Code of Conduct") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the year ended 31 December 2017.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2017.

SCOPE OF WORK OF MESSRS. ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Elite Partners CPA Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

By order of the Board
Cybernaut International Holdings Company Limited
Zhu Min
Chairman

Hong Kong, 29 March 2018

As at the date of this announcement, the executive Directors are Mr. Zhu Min, Mr. Gao Xiang, Mr. Lu Yongchao, Mr. Xu Yejun and Mr. Sin Kwok Wai Ronald; the non-executive Directors are Mr. Chow Chi Wa and Ms. Yip Sum Yu, and the independent non-executive Directors are Mr. Cao Ke, Mr. Tong Yiu On, Steve and Mr. Li Yik Sang.