賽伯樂國際控股

# CYBERNAUT INTERNATIONAL HOLDINGS COMPANY LIMITED
# 賽伯樂國際控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1020)**

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

### INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Cybernaut International Holdings Company Limited (the "Company", together with its subsidiaries, the "Group") is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2018, together with the comparative figures for the previous corresponding period, which has been reviewed and approved by the audit committee of the Company.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

| | NOTES | Six months ended 30 June 2018 RMB'000 (Unaudited) | 2017 RMB'000 (Unaudited) |
|---|---|---|---|
| Revenue | 3 | **145,048** | 172,538 |
| Cost of sales/service rendered | | **(118,124)** | (162,061) |
| Gross profit | | **26,924** | 10,477 |
| Other income | | **5,590** | 964 |
| Loss allowance for trade and loan receivables | | **(17,918)** | (38,416) |
| Selling and distribution costs | | **(4,605)** | (8,743) |
| Administrative expenses | | **(63,027)** | (53,248) |
| Finance costs | | **(5,774)** | (2,473) |
| Loss before taxation | 5 | **(58,810)** | (91,439) |
| Taxation | 6 | **3,569** | 1,771 |
| Loss for the period | | **(55,241)** | (89,668) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | **(54,808)** | (90,140) |
| Non-controlling interests | | **(433)** | 472 |
| | | **(55,241)** | (89,668) |
| Loss per share | 8 | | |
| Basic and diluted | | **(RMB1.34 cents)** | (RMB2.39 cents) |
| **Other comprehensive income/(expense) for the period** | | | |
| Item that maybe reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | **6,601** | (16,658) |
| **Total comprehensive expense for the period** | | **(48,640)** | (106,326) |
| **Total comprehensive income/(expense) for the period attributable to:** | | | |
| Owners of the Company | | **(48,033)** | (106,790) |
| Non-controlling interests | | **(607)** | 464 |
| | | **(48,640)** | (106,326) |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*AT 30 JUNE 2018*

| | NOTES | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **13,851** | 13,965 |
| Goodwill | | **431,696** | 427,678 |
| Intangible assets | 10 | **124,743** | 152,974 |
| Prepaid lease payments | | **123** | 149 |
| | | **570,413** | 594,766 |
| **Current assets** | | | |
| Inventories | | **28,672** | 38,013 |
| Trade receivables | 11 | **68,223** | 127,374 |
| Bills receivables | 12 | **7,555** | 3,826 |
| Loan receivables | 13 | **255,338** | 176,368 |
| Other receivables, deposits and prepayments | | **90,444** | 75,838 |
| Prepaid lease payments | | **156** | 156 |
| Restricted bank deposits | | **3,451** | 5,741 |
| Bank balances and cash | | **127,364** | 193,982 |
| | | **581,203** | 621,298 |
| **Current liabilities** | | | |
| Trade and bills payables | 14 | **122,030** | 119,746 |
| Other payables and accruals | | **14,486** | 24,095 |
| Tax liabilities | | **9,250** | 7,991 |
| Bank and other borrowings | 15 | **118,557** | 50,643 |
| Promissory notes | 16 | **189,827** | 185,576 |
| | | **454,150** | 388,051 |
| **Net current assets** | | **127,053** | 233,247 |
| **Total assets less current liabilities** | | **697,466** | 828,013 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **29,964** | 35,883 |
| Contingent consideration | | **141,368** | 143,143 |
| | | **171,332** | 179,026 |
| **Net asset** | | **526,134** | 648,987 |
| **Capital and reserves** | | | |
| Share capital | 17 | **338,840** | 355,046 |
| Reserves | | **185,462** | 291,502 |
| | | **524,302** | 646,548 |
| Non-controlling interests | | **1,832** | 2,439 |
| **Total equity** | | **526,134** | 648,987 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules ("Listing Rules") Governing the Listing Securities on The Stock Exchange of Hong Kong Limited.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments that require restatement of previous financial statements. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Other than as further explained below, the directors do not anticipate that the application of the new HKFRSs above will have a material effect on the Group's consolidated financial statements and the disclosure.

**HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. Considering the nature of the Group's principal activities, the adoption of HKFRS 15 does not have material impact on the Group's revenue recognition and HKFRS 15 had no material impact on amounts and/or disclosures reported in these unaudited condensed consolidated financial statements.

**HKFRS 9 Financial Instruments**

HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

***(a) Classification and measurement***

On 1 January 2018 (the date of initial adoption of the New HKFRSs), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of the New HKFRSs.

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Upon the adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. The Group considered that its equity investments previously classified as available-for-sale financial assets were reclassified as financial assets at fair value through other comprehensive income as these investments are held as long-term strategic investments. Fair value is measured at the reclassification date. Dividends are recognised as income in profit or loss. Any difference between previous amortised cost and fair value on reclassification is recognised in other comprehensive income and never reclassified to profit or loss.

***(b) Impairment***

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, loans to customers, trade and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9 are recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group considers reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For trade receivable

Allowances of doubtful debts for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Loan receivable

For loans receivable, the Group applies the general approach, which requires an amount equal to 12-month expected credit losses to be recognised as the allowances of doubtful debts for the financial instrument if the credit risk on a financial instrument has not increased significantly since initial recognition and expected lifetime losses to be recognised if the credit risk on that financial instrument has increased significantly since initial recognition.

Other financial assets subject to impairment

For all other financial assets, the Group recognises allowances of doubtful debts equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the allowances of doubtful debts are measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- The Group has taken an exemption not to restate comparative information for prior periods with respect to measurement (including impairment) requirements. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

The following table summarises the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at 1 January 2018

| | Trade receivables *RMB'000* | Loan receivables *RMB'000* | (Accumulated losses) *RMB'000* |
|---|---|---|---|
| Closing balance at 31 December 2017 under HKAS 39 | 127,374 | 176,368 | (447,552) |
| **Remeasurement** | | | |
| Recognition of ECLs on trade receivables | (15,130) | – | (15,130) |
| Recognition of ECLs on loan receivables | – | (17,896) | (17,896) |
| Opening balance at 1 January 2018 under HKFRS 9 | 112,244 | 158,472 | (480,578) |

Loss allowances for other financial assets at amortised cost mainly comprising *bank balances, amounts due from related parties and other receivables* are measured on 12-month ECLs basis and there had been no significant increase in credit risk since initial recognition. No additional credit loss allowance has been recognised against retained earnings as at 1 January 2018.

The preparation of the Unaudited Condensed Consolidated Financial Statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgements in the process of applying the Group's accounting policies. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2017.

Except as described above, the application of HKFRS 9 in the current interim period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements.

## 3. REVENUE

Revenue represents the net amounts received and receivable for goods sold less returns and discounts in the normal course of business and interest income from loan financing during the period.

An analysis of revenue is as follows:

| | For the six months ended | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Revenue from trading of advanced steel flow control products | **32,215** | 53,429 |
| Revenue from trading of paper converting equipment and other relating equipment | **19,349** | 16,202 |
| Revenue from trading of goods from eCommerce business | **73,441** | 95,010 |
| Interest income from money lending business | **8,444** | 7,897 |
| Revenue from provision of internet education services | **11,599** | – |
| | **145,048** | 172,538 |

## 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 four 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 business; (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:

**For the six months ended 30 June 2018 (Unaudited)**

| | Money lending business *RMB'000* | Manufacture and sale of advanced steel flow control products *RMB'000* | Manufacture and sale of paper converting equipment and other relating equipment *RMB'000* | eCommerce *RMB'000* | Internet education services *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|---|
| Revenue | 8,444 | 32,215 | 19,349 | 73,441 | 11,599 | 145,048 |
| Segment profit/(loss) | (4,330) | (32,884) | (3,572) | (4,641) | 9,243 | (36,184) |
| Unallocated corporate income | | | | | | 4,980 |
| Unallocated corporate expenses | | | | | | (27,606) |
| Loss before taxation | | | | | | (58,810) |

**For the six months ended 30 June 2017 (Unaudited)**

| | Money lending business *RMB'000* | Manufacture and sale of advanced steel flow control products *RMB'000* | Manufacture and sale of paper converting equipment and other relating equipment *RMB'000* | eCommerce *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|
| Revenue | 7,897 | 53,429 | 16,202 | 95,010 | 172,538 |
| Segment profit/(loss) | 5,653 | (74,136) | (200) | (15,479) | (84,162) |
| Unallocated corporate income | | | | | 331 |
| Unallocated corporate expenses | | | | | (7,608) |
| Loss before taxation | | | | | (91,439) |

Segment (loss)/profit represents the loss incurred/profit earned by each segment 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.

## 5. LOSS BEFORE TAXATION

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Loss before taxation has been arrived at after charging/(crediting): | | |
| Cost of inventories recognised as an expense | **103,138** | 161,240 |
| Depreciation of property, plant and equipment | **1,341** | 943 |
| Amortisation of prepaid lease payments | **–** | 78 |
| Amortisation of other intangible assets | **27,987** | 17,140 |
| Net exchange loss | **12** | 11 |
| Research and development costs (included in administrative expenses) | **1,147** | 10,644 |
| Loss on disposal of property, plant and equipment | **86** | 117 |

## 6. TAXATION

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Hong Kong Profits Tax: | | |
| Current period | **–** | 987 |
| PRC Enterprise Income Tax: | | |
| Current period | **2,311** | – |
| Deferred tax: | | |
| Current period | **(5,880)** | (2,758) |
| | **(3,569)** | (1,771) |

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

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%.

One PRC subsidiary obtained a Chinese High-Tech Enterprise Certificate in 2017. 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 2017 accordingly. As a result, the PRC subsidiary was 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.

## 7. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the current period (2017: Nil).

## 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:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Loss** | | |
| Loss for the period attributable to the owners of the Company for the purpose of calculation of basic and diluted loss per share | **(54,808)** | (90,140) |

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***'000*** | *'000* |
| | **(Unaudited)** | (Unaudited) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **4,104,216** | 3,777,372 |

The calculation of diluted loss per share had not taken into consideration the assumed exercise of the Company's outstanding share options and warrants during the six months ended 30 June 2018 and 2017 as it had an anti-dilutive effect on the basic loss per share.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately RMB1,181,000 (2017: RMB2,396,000), and disposed motor vehicles at cost of approximately RMB1,721,000 (2017: RMB117,000).

## 10. INTANGIBLE ASSETS

As at 30 June 2018, intangible assets included technology know-how, platform and contract backing of carrying value of approximately RMB10,715,000, RMB104,758,000 and RMB9,270,000, respectively (31 December 2017: RMB26,596,000, RMB116,616,000 and RMB9,762,000). The intangible assets are amortised over their estimated useful life of 3 to 10 years using the straight line method.

## 11. TRADE RECEIVABLES

The credit period granted by the Group to certain customers is within 180 days (31 December 2017: 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:

| | **At 30 June 2018** *RMB'000* **(Unaudited)** | At 31 December 2017 *RMB'000* (Audited) |
|---|---|---|
| 0 – 30 days | **20,236** | 28,140 |
| 31 – 60 days | **14,924** | 7,932 |
| 61 – 90 days | **8,224** | 5,564 |
| 91 – 120 days | **4,584** | 10,094 |
| 121 – 180 days | **7,306** | 34,043 |
| 181 days to within 1 year | **12,949** | 41,601 |
| | **68,223** | 127,374 |

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 RMB11,744,000 (30 June 2017: RMB38,416,000) recognised during the six months ended 30 June 2018 is 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.

## 12. BILLS RECEIVABLES

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

| | **At 30 June 2018** *RMB'000* **(Unaudited)** | At 31 December 2017 *RMB'000* (Audited) |
|---|---|---|
| 0 – 90 days | **6,611** | 3,162 |
| 91 – 120 days | **460** | – |
| 121 – 180 days | **358** | 664 |
| Over 180 days | **126** | – |
| | **7,555** | 3,826 |

At 30 June 2018, the carrying value of bills receivables included bills endorsed to suppliers on a full recourse basis that are not yet due amounting to RMB7,555,000 (31 December 2017: RMB3,826,000). 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 condensed consolidated financial statements. The associated trade payables secured over the bills endorsed to the suppliers which were not yet due at the end of reporting period are recognised as current liabilities in the condensed consolidated statement of financial position.

## 12. BILLS RECEIVABLES (CONTINUED)

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 mainly arose from the money lending business during the period.

Loan receivables bear interest at rates, and with credit periods, mutually agreed between the contracting parties. Loan receivables are secured by 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:

| | **At 30 June 2018** *RMB'000* **(Unaudited)** | At 31 December 2017 *RMB'000* (Audited) |
|---|---|---|
| Within 3 months | **70,632** | 109,623 |
| 3 months to 1 year | **167,542** | 66,745 |
| Over 1 year | **17,164** | – |
| | **255,338** | 176,368 |

Loss allowance of RMB6,174,000 (30 June 2017: Nil) recognised during the six month ended 30 June 2018 is based on estimated irrecoverable amounts by reference to the creditability of individual borrowers, past default experience, subsequent settlement and payment history of the borrowers.

## 14. TRADE AND BILLS PAYABLES

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

| | **At 30 June 2018** *RMB'000* **(Unaudited)** | At 31 December 2017 *RMB'000* (Audited) |
|---|---|---|
| 0 – 30 days | **22,459** | 28,745 |
| 31 – 60 days | **10,884** | 8,576 |
| 61 – 90 days | **11,452** | 4,698 |
| Over 90 days | **77,235** | 77,727 |
| | **122,030** | 119,746 |

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

At 30 June 2018, included in the trade payables was RMB7,555,000 (31 December 2017: RMB3,826,000) secured over bills receivables endorsed to suppliers that were not yet due for payment.

## 15. BANK AND OTHER BORROWINGS

Included in bank and other borrowings, was a bank borrowing of approximately RMB19,000,000 (31 December 2017: RMB19,000,000), which was secured by the Group's leasehold land and building at the end of the reporting period and repayable within one year.

## 16. PROMISSORY NOTES

| | **At 30 June 2018** *RMB'000* **(Unaudited)** | At 31 December 2017 *RMB'000* (Audited) |
|---|---|---|
| At 1 January | **185,576** | 195,730 |
| Accrued interest charged | **1,734** | 3,700 |
| Exchange realignment | **2,517** | (13,854) |
| At 30 June/31 December | **189,827** | 185,576 |

## 17. SHARE CAPITAL

| | **Number of shares at HK$0.10 per share** *'000* | **Amount** *HK$'000* |
|---|---|---|
| **Authorised:** | | |
| At 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018 | 20,000,000 | 2,000,000 |
| **Issued and fully paid:** | | |
| At 1 January 2017 | 3,186,012 | 318,601 |
| Placing of shares *(note a)* | 595,600 | 59,560 |
| Issue of shares upon exercising of warrants *(note b)* | 396,536 | 39,654 |
| Issue of shares upon exercising of share options *(note c)* | 15,000 | 1,500 |
| At 31 December 2017 and 1 January 2018 | 4,193,148 | 419,315 |
| Share repurchase and cancelled *(note d)* | (150,780) | (15,078) |
| At 30 June 2018 | 4,042,368 | 404,237 |

**Shown in the condensed consolidated financial statements**

| | | |
|---|---|---|
| At 31 December 2017 (Audited) | RMB'000 equivalent | 355,046 |
| At 30 June 2018 (Unaudited) | RMB'000 equivalent | 338,840 |

*Notes:*

(a) 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 alloted and issued at HK$0.30 per share. The net proceed of approximately HK$176,600,000 million was used for general working capital and funds to finance future investment.

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

(c) 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.

(d) During the period ended 30 June 2018, the Company repurchased and cancelled its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

| **Month/year** | **Number of shares repurchased** *('000)* | **Highest price paid per share** *(HK$)* | **Lowest price paid per share** *(HK$)* | **Aggregate price paid** *(HK$'000)* |
|---|---|---|---|---|
| February 2018 | 101,968 | 0.295 | 0.247 | 27,803 |
| April 2018 | 9,448 | 0.275 | 0.270 | 2,588 |
| May 2018 | 39,364 | 0.280 | 0.265 | 10,762 |
| June 2018 | 17,892 | 0.270 | 0.255 | 4,693 |
| | 168,672 | | | 45,846 |

During the period ended 30 June 2018, 168,672,000 ordinary shares were repurchased, 150,780,000 ordinary shares have cancelled during the period ended 30 June 2018 and 17,892,000 ordinary share was subsequently cancelled on 30 July 2018.

In July 2018, 28,336,000 ordinary shares were repurchased and cancelled on 30 July 2018.

## 18. RELATED PARTY TRANSACTIONS

**Compensation of key management personnel**

The remuneration of the Directors and other members of key management for both periods was as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Short-term benefits | **2,682** | 1,053 |
| Retirement benefit scheme contributions | **157** | 16 |
| | **2,839** | 1,069 |

The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Save as disclosed in elsewhere to the consolidated financial statements, the Group have the following related party transactions.

| | | | **Six months ended 30 June** | |
|---|---|---|---|---|
| **Name of related party** | **Relationship** | **Nature of transaction/balance** | **2018** ***RMB'000*** **(Unaudited)** | 2017 *RMB'000* (Unaudited) |
| Lu Yongchao | Executive director | Loan interest received | **72** | 67 |
| | | Loan interest receivable | **–** | 88 |
| | | Loan receivable | **2,489** | 2,950 |
| Sin Kwok Wai Ronald | Executive director | Loan receivable | **1,687** | – |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

Today, the global economy has become more volatile in the financial market worldwide, and specifically under the current threatening economic measures of United States under Donald Trump's political administration on trade affairs. Amidst the present intensifying tariff battle with the United States and efforts to deleverage debt and financial risks, the Chinese economy advanced 6.7 percent year-on-year in the second quarter of 2018, following a growth of 6.8 percent in the previous quarter. According to the National Bureau of Statistics of China, the gross domestic product (GDP) of China expanded 6.8 percent for the first half of the year, as compared to that in the same period of 2017. In the first half of 2018, the fixed-asset investment of China increased by 6 percent year-on-year; the producer prices for industrial products went up by 3.9 percent year-on-year, and the purchasing prices for industrial producers were up by 4.4 percent year-on-year. New consumption pattern was booming in China in the first half year, specifically the online retail sales of physical goods; and if analyzed by trade structure, the online retail sales reached a year-on-year growth of 30.1 percent.

According to the World Steel Association (worldsteel), the world crude steel production for the first six months of year 2018 was approximately 881.5 million tonnes (Mt), up by 4.6% compared to the same period in 2017. China Iron and Steel Association (CISA) published the data that China produced approximately 451 Mt of crude steel and 5.31 Mt. of finished steel during the first six months this year. It also reported that China's crude steel production for June 2018 was approximately 80.2 Mt, an increase of 7.5 percent when compared to that of June 2017. During the first half this year, the steel sector in China made considerable progress in reduction and elimination of excess industrial capacity. The China National Development and Reform Commission said that the country aims to cut coal capacity by 150 Mt and crude steel capacity by 30 Mt this year. The government will continue to cut outdated and substandard production capacity, and move with efforts to have balance between reducing overcapacity, ensuring supply, and stabilizing prices. The Commission said that the steel industry still has a long way to go to achieve high-quality development; and it is crucial for the industry to update, transform and to have better growth in the competing global market.

In China, the operations of peer-to-peer (P2P) virtual lending platforms has established P2P lending, also called as social lending, democratizes the money borrowing process, allowing anyone to invest their savings by becoming a lender, and lowering the barrier to entry for borrowers. According to P2Peye.com, one of China's major virtual communities which tracks the P2P lending platforms in China, claims that more than 250 such platforms went bust in July alone. Tight financing, economic downturn in the real economy and the unruly behaviours of the platforms including raising funds for the owners' projects have caused such platform collapse. The massive collapse has spread panic among investors, who have rushed to withdraw their investment from all P2P platforms. Though China has huge potential market for business growth in lending business, there may be higher risks, while Hong Kong market are quite distinctive to it. During the period under review, the Hong Kong property market continued its promising growth in terms of property price and transaction volume, anticipated slow rise in interest rate and the stable economic growth. The Hong Kong government has repeatedly reminded borrowers to be aware of the risks when borrowing and request all moneylenders to operate business in compliance with Money Lenders Ordinance and licence restrictions.

While the traditional business model continues to lose ground, electronic commerce (eCommerce) is growing rapidly worldwide with comparatively a greater extent in Asia Pacific region and particularly in PRC. Placing online orders in eCommerce business are just like the traditional retail pattern continues to grow, bringing both challenges and opportunities for its logistics and delivery services to satisfy customers with security. Moreover, until recently, shopping on social media typically meant being redirected to a traditional eCommerce website, making what should be a straightforward online retail experience a complex one. From the amount of money spent online and time spent on social websites; it is quite clear that shoppers are seeking more convenience-based offerings through a simple, secure and smoother online shopping experience. For consumers, the most practical innovation being adopted by eCommerce sites is social payment options through trusted, secure digital wallets like Alipay, Apple Pay, and PayPal etc. These allow customers to easily purchase a product without the hassle of manually typing in credit card information, and reassures customers that the eCommerce sites is not fraudulent. By accepting these types of payments, eCommerce becomes a truly trusted, frictionless shopping experience.

The China Ministry of Education has continuously promoted the application of information technology (IT) to advance education reforms and ensure equitable access to education. Founded in 2013, VIPKID is a Chinese online education company which has hired over 60,000 native speakers in North America, mostly in the United States, to teach English online mainly for children under 12 in China. It is challenging for Americans to teach Chinese students English online, but the unique experience of learning and sharing cultures with Chinese families is much more fulfilling. In the first half year of 2018, online education investors in China were rational and the operation in market was developed more healthily.

**Business Review**

The Cybernaut Group comprises five segment revenue sources from subsidiary groups engaged in the manufacture and sale of advanced steel flow control products; in the manufacture and sales of paper converting equipments; money lending business; eCommerce business and internet online education services.

During the period under review, the oversupply condition of the steel market remained unresolved. The government restrictions on low-quality steel production and inferior factory closures had made the competition fierce among the steel manufacturers in China. Our steel flow product manufacturing plant had strived painstakingly in the drastic cutthroat market competition with others to secure market share while facing with various structural adjustments and transformation needs in the industry. In all, the subsidiary business was so adversely affected in production with existing capacity under extremely high pressure to meet the harsh market challenges and the trade war chain effects from the United States in the first half of year 2018.

Time Credit Limited (TCL), the subsidiary of the Cybernaut Group engaged in money lending business in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) has developed sound and effective business growth. The Hong Kong government authority has periodically advised borrowers to be aware of the risks of increased interest rate and the implication of the unstable and uncertain economic environment, TCL has taken all prudent measures in its operation and market strategies. During the period under review, the subsidiary generated revenue mainly on first mortgage property loans to customers for their long and short term financial needs. Its loan portfolio contributed a steady income for the Cybernaut Group with its high net worth customer base and expanded market share with partnership alliance on sub-mortgage arrangements. On 2 March 2018, TCL, the subsidiary company as the lender entered into a loan agreement with the borrowers (independent third party and not connected with the Company and its connected persons) pursuant to which the lender had agreed to grant a loan of HK$66 million to the borrowers for a term of 12 months. The borrowers consist of two individuals and a limited company whose principal activity is investment holding; and the loan is secured by a first legal charge over certain properties in Hong Kong. Granting the loan to the borrowers under the loan agreement constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The eCommerce industry in Asia Pacific has been hypercompetitive, retailers are moving beyond competing on price to competing on logistics, and are getting packages to access more people with greater speed and security. AliExpress, the B2C marketplace of Chinese giant Alibaba, allows manufacturers to deal directly with end buyers all over the world via a standardized eCommerce and logistics platform. Our eCommerce business subsidiary with the trade name of "VTZero" has kept close attention to the market trends and been successfully to establish different contact points and delivery arrangements through strategic alliances with the local agents in different countries including Europe and South America. During the period under review, the eCommerce had met the trends on product sales and the market innovation in overseas markets; and expanded the product-mix for sales with more business sales on the second-handed and refurbished mobile phones of good brand names.

Online education industry in China has grown rapidly in the first half of 2018. The newly-acquired online education business in prior year, has provided our Group with an opportunity to diversify business with great potential to generate revenue. The segment of online education business progressed well and achieved targeted return with increased developments during the period under review. Building on the momentum of the first half year 2018, the Board will observe the online education industry trend in China from time to time and enable our segment development plan in operation be strengthened with good resources.

**Consolidation in Customer Base**

In 2018, 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 Sout Aljazeera Factory for Paper and Plastic Products and Great Wall Machinery & Mfg. (Philips.), Inc., originated in Saudi Arabia and Philippines respectively. One of our client, Sout Aljazeera Factory for Paper and Plastic Products, contribute 12% of revenue in paper industry of the Group in the half year of 2018.

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 2018, our major clients included business clients and also the Hong Kong listed companies.

In 2018, our eCommerce business included online retail sale 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.

In November 2017, the Group acquired new business segment – Internet education services, which contributed RMB11.6 million for the period ended 30 June 2018. Going forward, the Group will continue to explore business opportunities in our five segments to drive further business growth.

**Expanded Growth in Overseas Markets**

During the period under review, the steel flow control product subsidiary of the Group built up the reputation brand "Sinoref" among the steel industry over the years and 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 subsidiary Group will enhance its global brand awareness of Sinoref with the view to strive for a position in the industry.

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

For the half year of 2018, eCommerce contributed more than 50% of total revenue of the Group. In future, we will strive to expand more eCommerce business in France, Germany and Russia in order to capture more business opportunities and market share.

During the period under review, the global economy had great fluctuations under the US trade threats and measures. The management understands the importance of diversifying its customer base and has devoted efforts to further expand the overseas market with eCommerce business while consolidating other business in Chinese market.

**Development Diversified Business**

The Company strategy is to review potential business opportunity and investments from time to time, with an aim to develop business growth and provide a sustainable stream of cash flow and profit in the long run, so as to enhance shareholders' value. The Directors will consider possible acquisition that will broaden the revenue base and provide an excellent opportunity for the Group business development in future.

**Enhanced Research and Development**

As at 30 June 2018, the Group's steel flow control product manufacturing plant and paper converting equipment manufacturing plant have a total of 29 and 9 registered patents respectively. Apart from further developing our steel flow control products business and paper converting equipment manufacturing business, the Group has also been seeking potential opportunities in steel-related as well as non-steel related businesses. For the six months ended 30 June 2018, the plant research and development team has 7 professionals.

**Financial Review**

***Revenue***

*Advanced Steel Flow Control Products*

For the six months ended 30 June 2018, the Group's revenue from steel flow control products was approximately RMB32.2 million, representing an decrease of approximately 39.7% as compared with approximately RMB53.4 million for the same period in 2017. The revenue decrease was mainly due to the selective retention of more profitable customers. Total sale volume decreased by approximately 56.2% from 3,650 tonnes for the six months ended 30 June 2017 to 1,598 tonnes for the same period in 2018.

*Paper Converting Equipment and Other Relating Equipment*

The revenue contributed by its paper converting equipment business was approximately RMB19.3 million for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB16.2 million).

*Money Lending*

The revenue contributed by this business was approximately RMB8.4 million for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB7.9 million).

*ECommerce*

The revenue contributed by this business was approximately RMB73.4 million for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB95.0 million).

*Internet Education Services*

The revenue contributed by this business which was acquired in November 2017 was approximately RMB11.6 million for the six months ended 30 June 2018.

### *Cost of Sales*

The Group's cost of sales mainly consists of costs of raw materials, labour, depreciation and other costs directly related to sales. During the six months ended 30 June 2018, the Group's cost of sales decreased by approximately 27.1% from approximately RMB162.1 million for the six months ended 30 June 2017 to approximately RMB118.1 million for the six months ended 30 June 2018. The decrease was mainly attributable to the decrease of sale revenue of the Group during the period under review.

### *Gross Profit*

The Group engaged in the different industries had a gross profit of approximately RMB26.9 million for the six months ended 30 June 2018. For the six months ended 30 June 2017, the Group recorded a gross profit of approximately RMB10.5 million. The gross profit was mainly contributed from internet education service, effective cost control in money lending and eCommerce business, however, due to the sluggish market demand in steel industry, gross loss still occur in the steel flow product business.

### *Loss allowance for Trade Receivables and Loan Receivables*

As the repayment ability of Chinese steel enterprises deteriorates, a loss allowance for trade receivables has been recognised. For the six months ended 30 June 2018, loss allowance for trade receivables and loan receivables amounted to approximately RMB11.7 million and 6.2 million respectively (for the six months ended 30 June 2017: RMB38.4 million).

### *Selling and Distribution Costs*

The Group's selling and distribution costs comprised sales commission, sales staff costs and transportation costs. During the six months ended 30 June 2018, the Group's selling and distribution costs decreased by approximately RMB4.6 million, representing an decrease of around 47.1% from approximately RMB8.7 million for the six months ended 30 June 2017. The decrease was mainly attributable to the decrease in sales commission and transportation cost in steel industry during the period under review.

### *Administrative Expenses*

The Group's administrative expenses increased by around 18.4% from approximately RMB53.2 million for the six months ended 30 June 2017 to approximately RMB63.0 million for the same period ended 30 June 2018. This increased was mainly due to the amortization of the intangible asset of internet education services acquired on 22 November 2017 amounting to approximately RMB12.4 million (for the six months ended 30 June 2017: Nil).

### *Finance Costs*

The Group's finance costs were approximately RMB5.8 million for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB2.5 million). The interest rate for bank loan was at a fixed interest rate of 5.70% per annum (2017: 5.22%).

### *Taxation*

The PRC subsidiary of the Company engaged in internet online education service provider successfully obtained the Chinese High-tech Enterprise Certification (中國高新技術企業認證) in 2017. Consequently, the subsidiary is entitled to the PRC Enterprise Income Tax ("EIT") rate of 15% for the period under review.

### *Loss and total Comprehensive Expense for the Period*

The Group's loss and total comprehensive expense for the six months ended 30 June 2018 was approximately RMB48.6 million while the loss and total comprehensive expense was approximately RMB106.3 million for the six months ended 30 June 2017. The Group's basic loss per share was approximately RMB1.34 cents for the six months ended 30 June 2018, compared to a basic loss per share of approximately RMB2.39 cent for the six months ended 30 June 2017. There was an decrease in loss allowance for trade and loan receivables and consistently improvement in our cost control during the period under review.

### *Interim Dividend*

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: nil).

### *Capital Structure, Liquidity and Financial Resources*

The Group's bank balances and cash as at 30 June 2018 was approximately RMB127.4 million (as at 31 December 2017: RMB194.0 million).

Total equity of the Group as at 30 June 2018 was approximately RMB526.1 million (as at 31 December 2017: RMB649.0 million). The Group has an outstanding bank loan of approximately RMB19.0 million as at 30 June 2018 (as at 31 December 2017: RMB19.0 million). The loan carries a fixed interest at 5.70% (2017: 5.22%) per annum and is repayable within one year.

As at 30 June 2018, the Group's gearing ratio, which was calculated on the basis of total borrowings as a percentage of shareholder equity, was 27% (as at 31 December 2017: 19%).

### *Pledge of Assets*

As at 30 June 2018, the Group pledged certain of its property, plant and equipment and land use rights with zero carrying value (as at 31 December 2017: 0.68 million) as collaterals for the bank borrowing granted to the Group.

### *Material Acquisitions and Disposals of Subsidiaries and Associated Companies*

There was no material acquisition/disposal during the period under review.

During the period under review, except for investments in its subsidiaries, the Company did not hold any significant investment in equity interest in any other company.

**Contingent Liabilities**

As at 30 June 2018, the Group had not provided any form of guarantee to any company outside of the Group. The Group is not involved in any current material legal proceedings, nor is it aware of any pending or potential material legal proceedings involving the Group.

**Currency Exchange Exposures**

The Group's purchases and sales are mainly denominated in US dollars, Renminbi and Hong Kong dollars. The operating expenses of the Group are mainly in Hong Kong dollars and Renminbi. The Group has well monitored and managed its exposure to fluctuation in currency exchange rates.

**Human Resources and Staff Remuneration**

As at 30 June 2018, the Group had 498 staff members employed in mainland China and Hong Kong (2017: 451). During the period under review, the Group had continued to devote significant resources to bolster its training programme, providing training and study opportunities for management staff and professional technicians. In addition, the Group has provided timely updates to all staff about the latest government policies related to the industry to continuously enhance the professional standard and quality of the staff. Meanwhile, the Group has provided competitive remuneration for its staff which encourages their commitment and enhances their professionalism.

**Events after the Reporting Period**

On 28 May 2018, the Company informed the Shareholders and potential investors of the Company that the Company entered into a non-legally binding Memorandum of Understanding ("MOU") with the potential purchaser in relation to the potential disposal, pursuant to Rule 13.09(2)(a) of the Listing Rules and the provisions under Part XIVA of the SFO. The potential disposal, if materializes, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the requirements of reporting and announcement pursuant to Chapter 14 of the Listing Rules.

Following on the MOU of 28 May 2018, on 1 August 2018 (after trading hours), the Company as vendor and the purchaser (being an independent third party) entered into the Agreement, pursuant to which the purchaser has conditionally agreed to purchase, and the Company has conditionally agreed to sell, the Sale Shares at the Consideration of HK$82.8 million in cash. The Sale Shares represents 100% of the issued share capital of the Disposal Group Company.

The Disposal Group is principally engaged in the manufacture and sale of advanced steel flow control products including subentry nozzle, stopper, tundish nozzle and ladle shroud. Based on the adjustments as mentioned in the paragraph headed "The Agreement – Consideration" in the announcement, the Adjusted NAV of the Disposal Group as at 30 June 2018 is approximately RMB70.2 million (equivalent to approximately HK$80.8 million). Upon Completion, the Disposal Group will cease to be subsidiaries of the Company.

**Future Prospects**

Global and domestic headwinds are expected to impact China economy in the second half of the year 2018 and beyond. The brewing full-blown trade war between China and the United States is the main downside risk to the country's economic outlook. Beijing's "proactive" fiscal policy will support the economy itself through any adverse impact from the US tariffs, however, the domestic threats, including a cooling property market and financial deleveraging, are also building fluctuation in the economy.

Going forward in the next half of 2018, we expect severe market competition and hardship ahead in the steel industry in China, given that the surge in steel market price, the continuous efforts on overcapacity reduction and the underlying effects from the trade war with the United States. Our subsidiary engaged in steel flow control product manufacturing definitely needs to monitor the industrywide policies in China more closely and also their impacts in the global market. The subsidiary needs to tighten its costs and controls on those procedural measures during production; and effectively adjust marketing standpoint and reduce deficiencies while aiming to resume capacity for its business sustainability

Our policy to grant mortgage loan to clients will continue to adopt a prudent and flexible manner, so that the lending subsidiary business can well meet the environmental changes and property market trends accordingly. TCL will continue its tight credit policy when granting mortgage loans or loan renewals, and might restrict only to customers of good reference check.

Our subsidiary engaged in eCommerce business, has specialized on B2C retailing through the platforms including Amazon and eBay will increase its product-mix and expand market developments. The subsidiary management will aim at greater market penetration overseas with more involvement from different local partners through the existing logistic network, and by selling more new eCommerce products to overseas consumers.

It is also noted that the existing market of online education business in China grows more than 20 percent per annum. Obviously the online education markets in China will be more vibrant and growing competitively in the second half of 2018. In fact, through working for the online learning service, the teachers can publish schedules online based on their own time arrangements and teach classes from wherever there is internet accessible. Our Group will allocate more resources from its pool of education experts in China to manage the subsidiary business of online education there.

Looking forward, the global economy is still in satisfactory performance although the US Federal Reserve is gradually raising interest rates, but the pace is slow and with slight adjustment, hence the impact to the overall economy is still minimal. In future, our Group will allocate more resources to develop its profit-generating subsidiaries that engaged in money lending business, eCommerce business with online market expansions and the online education business.

## OTHER INFORMATION

### Compliance with the Corporate Governance Code

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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2018, 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 engagement, one non-executive Director and one independent non-executive Director could not attend 2017 annual general meeting held on 6 June 2018. However, at the 2017 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 six months ended 30 June 2018.

Relevant employees who are likely to be in possession of unpublished price-sensitive information regarding the Group are subject to compliance with the Company's Code for Securities Transactions by Relevant Employees (the "RE Code") in respect of their dealings in the securities of the Company. The terms of the RE Code are likewise no less exacting than the required standards set out in the Model Code.

### Audit

The Audit Committee comprises of three independent non-executive Directors, namely, Mr. Tong Yiu On, Mr. Li Yik Sang and Mr. Cao Ke. The Audit Committee of the Company has reviewed with management the accounting principles and policies adopted by the Group and discussed auditing, internal control and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2018. The interim financial report for the six months ended 30 June 2018 is unaudited, but has been reviewed by Elite Partners CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA, whose unmodified review report will be included in the interim report to be sent to shareholders.

**Purchase, Sale or Redemption of the Company's Listed Securities**

During the six months ended 30 June 2018, the Company repurchased a total of 168,672,000 ordinary shares of the Company at an aggregate purchase price of HK$45,846,000 (before brokerage and expenses) on The Stock Exchange of Hong Kong Limited. Details of the repurchases of such ordinary shares were as follows:

| **Month of repurchase** | **Number of ordinary shares repurchased** | **Price per ordinary share** | | **Aggregate purchase price** |
|---|---|---|---|---|
| | | **Highest** | **Lowest** | |
| | *('000)* | *(HK$)* | *(HK$)* | *(HK$'000)* |
| February 2018 | 101,968 | 0.295 | 0.247 | 27,803 |
| April 2018 | 9,448 | 0.275 | 0.270 | 2,588 |
| May 2018 | 39,364 | 0.280 | 0.265 | 10,762 |
| June 2018 | 17,892 | 0.270 | 0.255 | 4,693 |
| Total | 168,672 | | | 45,846 |

A total of 150,780,000 repurchased ordinary shares were cancelled during the Review Period. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the general mandate to repurchases shares granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on Friday, 9 June 2017 and Wednesday, 6 June 2018 respectively, with a view to benefiting shareholders as a whole in enhancing the return on net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the review period and until the date of this announcement.

**Publication of the Unaudited Interim Results and Interim Report**

This announcement will be published on the Company's website (www.cybernaut.com.hk) and Stock Exchange's website (www.hkexnews.hk). The 2018 Interim Report containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and despatched to the shareholders of the Company in due course.

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

Hong Kong, 28 August 2018

*As at the date of this announcement, the executive Directors are Mr. Zhu Min, Mr. Sin Kwok Wai Ronald, Mr. Lu Yongchao and Mr. Xu Yejun; 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 and Mr. Li Yik Sang.*