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Cybernaut
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 AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, 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 2018

	NOTES	2018 RMB'000	2017 RMB'000 (Re-presented)
Continuing operations			
Revenue	5	**237,798**	271,620
Cost of sales/service rendered		**(167,375)**	(220,899)
Gross profit		**70,423**	50,721
Other income		**6,023**	1,486
Impairment loss		**2,184**	(6,219)
Selling and distribution costs		**(3,667)**	(3,745)
Administrative expenses		**(102,886)**	(73,769)
Finance costs		**(4,696)**	(4,985)
Loss before taxation	6	**(32,619)**	(36,511)
Taxation	7	**4,552**	3,546
Loss for the year from continuing operations		**(28,067)**	(32,965)
Discontinued operation			
Loss for the year from discontinued operation	15	**(52,888)**	(105,372)
Loss for the year		**(80,955)**	(138,337)
Loss for the year attributable to:			
Equity owners of the Company		**(81,586)**	(139,058)
Non-controlling interests		**631**	721
		(80,955)	(138,337)
Loss attributable to equity owners to the Company arising from:			
Continuing operations		**(28,698)**	(33,686)
Discontinued operations		**(52,888)**	(105,372)
		(81,586)	(139,058)
Loss per share:			
From continuing and discontinued operation	9		
Basic (cents per share)		**(2.02)**	(3.49)
Diluted (cents per share)		**(2.02)**	(3.49)
From continuing operations			
Basic (cents per share)		**(0.71)**	(0.84)
Diluted (cents per share)		**(0.71)**	(0.84)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2018	2017
	RMB'000	*RMB'000*
		(Re-presented)
LOSS FOR THE YEAR	**(80,955)**	(138,337)
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**7,485**	(41,132)
OTHER COMPREHENSIVE INCOME /(EXPENSE) FOR THE YEAR	**7,485**	(41,132)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(73,470)**	(179,469)
Total comprehensive expense for the year attributable to:		
Equity owners of the Company	**(73,508)**	(180,161)
Non-controlling interests	**38**	692
	(73,470)	(179,469)
Total comprehensive expense attributable to equity owners of the Company arising from:		
Continuing operations	**(20,620)**	(74,789)
Discontinued operations	**(52,888)**	(105,372)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**11,909**	13,965
Goodwill		**444,306**	427,678
Intangible assets		**96,397**	152,974
Prepaid lease payments		**96**	149
		552,708	594,766
Current assets			
Inventories		**18,682**	38,013
Trade receivables	*10*	**53,425**	127,374
Bills receivables	*11*	**–**	3,826
Loan receivables	*12*	**217,566**	176,368
Other receivables, deposits and prepayments		**37,869**	75,838
Prepaid lease payments		**156**	156
Restricted bank deposits		**5,415**	5,741
Bank balances and cash		**138,631**	193,982
		471,744	621,298
Assets of disposal group classified as held for sale	*15*	**109,373**	–
		581,117	621,298
Current liabilities			
Trade and bills payables	*13*	**69,061**	119,746
Other payables and accruals		**3,689**	22,242
Contract liabilities		**2,490**	1,853
Tax liabilities		**5,394**	7,991
Bank and other borrowings		**86,502**	50,643
Promissory notes		**–**	185,576
		167,136	388,051
Liabilities of disposal group classified as held for sale	*15*	**100,973**	–
		268,109	388,051
Net current assets		**313,008**	233,247
Total assets less current liabilities		**865,716**	828,013

	NOTES	**2018** **RMB'000**	2017 RMB'000
Non-current liabilities			
Deferred tax liabilities		**24,865**	35,883
Promissory notes		**237,056**	–
Contingent consideration		**108,402**	143,143
		370,323	179,026
Net assets		**495,393**	648,987
Capital and reserves			
Share capital	*14*	**337,128**	355,046
Reserves		**155,788**	291,502
		492,916	646,548
Non-controlling interests		**2,477**	2,439
Total equity		**495,393**	648,987

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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- manufacturing and sale of paper converting equipment and other relating equipment;
- money lending;
- eCommerce; and
- internet education services.

Summary of effects arising from initial application of HKFRS 15

	Carrying amounts previously reported at 31 December 2017	Reclassification	**Carrying amounts under HKFRS 15 at 1 January 2018**
	RMB'000	*RMB'000*	***RMB'000***
Current liabilities			
Other payable and accruals			
Other payables	6,102	–	**6,102**
Receipt in advance	1,853	(1,853)	**–**
Accrued sales commission	5,251	–	**5,251**
Accrued staff costs	6,809	–	**6,809**
Other tax payables	1,080	–	**1,080**
Amount due to a director	3,000	–	**3,000**
Contract liabilities	–	1,853	**1,853**
	24,095	–	**24,095**

3.2 *HKFRS 9 Financial Instruments*

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts).

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of HKFRS 9

	Carrying amounts previously reported at 31 December 2017	Remeasurement	**Carrying amounts under HKFRS 9 at 1 January 2018**
	RMB'000	*RMB'000*	***RMB'000***
Trade receivables	127,374	(15,130)	**112,244**
Loan receivables	176,368	(17,896)	**158,472**
Accumulated losses	(447,552)	(33,026)	**(480,578)**

4. NEW AND AMENDMENTS TO HKFRSS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for annual periods beginning on or after 1 January 2021.

[3] Effective for business combinations and assets acquisitions for which the acquisition date is on or after the first period beginning on or after 1 January 2020.

[4] Effective for annual periods beginning on or after a date to be determined.

[5] Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale.

HKFRS 16 also includes requirements relating to subleases and lease modifications. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

In addition, the Group currently considers refundable rental deposits paid of RMB602,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

5. 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 2018

	Continuing operations				
	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	**41,773**	**18,911**	**152,543**	**24,571**	**237,798**
Gross profit	**7,532**	**11,896**	**27,862**	**23,133**	**70,423**
Segment profit/(loss)	**(435)**	**6,645**	**1,773**	**20,612**	**28,595**
Unallocated corporate income					**7,118**
Unallocated corporate expenses					**(68,332)**
Loss before taxation					**(32,619)**

For the year ended 31 December 2017 (Re-presented)

	Continuing operations				
	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	41,026	15,811	210,643	4,140	271,620
Gross profit	9,702	12,096	25,089	3,834	50,721
Segment (loss)/profit	(5,971)	8,637	1,977	3,591	8,234
Unallocated corporate income					2,704
Unallocated corporate expenses					(47,449)
Loss before taxation					(36,511)

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 2018

	Continuing operations				
	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	**41,006**	**259,742**	**65,295**	**45,525**	**411,568**
Unallocated corporate assets					**612,884**
Assets of disposal group classified as held for sale					**109,373**
Consolidated total assets					**1,133,825**
LIABILITIES					
Segment liabilities	**49,039**	**68,473**	**30,591**	**16,397**	**164,500**
Unallocated corporate liabilities					**372,959**
Liabilities of disposal group classified as held for sale					**100,973**
Consolidated total liabilities					**638,432**

	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*	Unallocated *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	**268**	**45**	**456**	**–**	**198**	**967**
Depreciation of property, plant and equipment	**16**	**222**	**312**	**–**	**11**	**561**
Interest income	**(368)**	**(1)**	**(121)**	**(294)**	**(2,328)**	**(3,112)**
Interest expense	**982**	**–**	**2,638**	**–**	**1,076**	**4,696**
Income tax expense	**–**	**1,247**	**123**	**5,155**	**(11,078)**	**(4,552)**
Amortisation of prepaid lease payments	**53**	**–**	**–**	**–**	**–**	**53**
Amortisation of intangible assets	**–**	**–**	**–**	**–**	**51,667**	**51,667**

Segment assets and liabilities

For the year ended 31 December 2017

	Continuing operations				Discontinued operation	
	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*	Manufacture and sale of advanced steel flow control products *RMB'000*	Consolidated *RMB'000*
ASSETS						
Segment assets	39,166	270,347	317,547	268,263	153,441	1,048,764
Unallocated corporate assets						167,300
Consolidated total assets						1,216,064
LIABILITIES						
Segment liabilities	49,382	32,641	20,509	4,922	87,201	194,655
Unallocated corporate liabilities						372,422
Consolidated total liabilities						567,077

	Continuing operations					Discontinued operation	
	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*	Unallocated *RMB'000*	Manufacture and sale of advanced steel flow control products *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	12	672	381	–	1,603	205	2,873
Depreciation of property, plant and equipment	73	131	212	3	578	200	1,197
Interest income	(35)	–	–	(2)	(411)	–	(448)
Interest expense	1,087	–	–	–	163	6	1,256
Income tax expense	–	1,425	395	603	(5,969)	–	(3,546)
Impairment loss recognised in respect of trade receivables	2,079	–	–	–	–	18,084	20,163
Impairment loss recognised in respect of inventories	4,139	–	–	–	–	–	4,139
Amortisation of prepaid lease payments	105	–	–	–	–	–	105
Amortisation of intangible assets	–	–	–	–	35,680	–	35,680
Research and development costs	–	–	–	–	–	22,750	22,750

Information about geographical areas

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

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
		(Re-presented)
The People's Republic of China (the "PRC") (country of domicile)	**62,005**	25,897
Europe	**105,830**	155,988
Asia (other than the PRC and Hong Kong)	**19,490**	20,505
North America	**16,722**	45,691
Oceania	**–**	6,766
Hong Kong	**33,951**	16,733
	237,998	271,620

Non-current assets

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Hong Kong	**327,191**	341,638
PRC	**225,517**	253,128
	552,708	594,766

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 2018 and 2017.

6. LOSS BEFORE TAXATION

	2018 *RMB'000*	2017 *RMB'000* *(Re-presented)*
Continuing operations		
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**827**	824
Impairment loss recognised in respect of trade receivables	**–**	5,584
Impairment loss recognised in respect of inventories	**–**	4,139
Amortisation of prepaid lease payments	**53**	105
Amortisation of intangible assets	**51,667**	35,680
Cost of inventories recognised as an expense	**158,922**	170,167
Depreciation of property, plant and equipment	**561**	997
Minimum lease payments in respect of office premises	**5,960**	4,061
Net exchange gain	**134**	(40)
Research and development costs (included in other expenses)	**–**	22,750
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**29,326**	36,816
– Retirement benefit scheme contributions	**1,410**	2,544
	30,736	39,360
Less: Staff costs included in research and development costs	**–**	(38)
	30,736	39,322

7. TAXATION

	2018 *RMB'000*	2017 *RMB'000* *(Re-presented)*
Continuing operations		
Hong Kong Profits Tax:		
– Current year	**1,370**	1,820
PRC Enterprise Income Tax:		
– Current year	**5,155**	603
Deferred tax:		
– Current year	**(11,077)**	(5,969)
	(4,552)	(3,546)

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%.

A PRC subsidiary of the Company namely "Wowxue" 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 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.

8. DIVIDENDS

No dividend was paid or proposed by the Company during the years ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

9. 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:

	2018	2017
	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	**(81,586)**	(139,058)

	Number of shares	Number of shares
	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**4,044,614**	3,986,969

The calculation of diluted loss per share for each of the two years ended 31 December 2018 and 2017 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.

10. TRADE RECEIVABLES

The credit period granted by the Group to certain customers is within 180 days (2017: within 180 days), while payment from other customers are due immediately when goods are delivered. The following is an aged analysis of trade receivables, net of allowance, presented based on the goods delivery date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2018	2017
	RMB'000	*RMB'000*
0 – 30 days	**23,314**	28,140
31 – 60 days	**4,659**	7,932
61 – 90 days	**4,674**	5,564
91 – 120 days	**3,970**	10,094
121 – 180 days	**7,277**	34,043
181 days to within 1 year	**9,531**	41,601
	53,425	127,374

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

	2018	2017
	RMB'000	*RMB'000*
0 – 30 days	**1,813**	14,095
31 – 60 days	**2,786**	7,151
61 – 90 days	**–**	2,391
91 – 120 days	**8,658**	2,336
121 – 180 days	**–**	14,611
181 days to within 1 year	**–**	41,601
	13,257	82,185

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 RMBNil (2017: RMB20,163,000) recognised during the year ended 31 December 2018 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.

Movement in the allowance for doubtful debts:

	2018	2017
	RMB'000	*RMB'000*
At beginning of the year (1 January 2018 amount has been restated)	**9,811**	48,031
(Reversal)/Impairment loss recognised in respect of trade receivables	**(2,008)**	20,163
At end of the year	**7,803**	68,194

11. 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:

	2018	2017
	RMB'000	*RMB'000*
0 – 90 days	**–**	3,162
91 – 120 days	**–**	–
121 – 180 days	**–**	664
Over 180 days	**–**	–
	–	3,826

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. 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.

	2018	2017
	RMB'000	*RMB'000*
Bills receivables endorsed to suppliers with full recourse:		
Carrying amount of transferred assets	**–**	3,826
Carrying amount of associated liabilities	**–**	(3,826)
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.

12. 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, net of allowance, at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**160,664**	52,791
3 months to 1 year	**37,817**	66,745
Over 1 year which contain a repayment on demand clause	**19,085**	56,832
	217,566	176,368

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 2018 (2017: 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.

Movement in the allowance for doubtful debts:

	2018	2017
	RMB'000	*RMB'000*
At beginning of the year (1 January 2018 amount has been restated)	**17,896**	–
(Reversal)/Impairment loss recognised in respect of trade receivables	**(176)**	–
At end of the year	**17,720**	–

13. 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.

	2018	2017
	RMB'000	*RMB'000*
0 – 30 days	**50,919**	28,745
31 – 60 days	**2,406**	8,576
61 – 90 days	**2,644**	4,698
Over 90 days	**13,092**	77,727
	69,061	119,746

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 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.

14. SHARE CAPITAL

	Number of shares at HK$0.10 per share	**Amount**
	'000	*HK$'000*
Authorised:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 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 option *(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)*	(217,700)	(21,770)
At 31 December 2018	3,975,448	397,545
Shown in the consolidated financial statements		
At 31 December 2017	**RMB'000 equivalent**	355,046
At 31 December 2018	**RMB'000 equivalent**	337,128

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 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.

(b) 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.

(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 year ended 31 December 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 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
July 2018	28,336	0.270	0.250	7,208
September 2018	7,648	0.220	0.210	1,637
October 2018	13,044	0.213	0.195	2,648
	217,700			57,339

15. DISCONTINUED OPERATION

On 1 August 2018, the Company entered into an agreement with an independent third party to disposal of 100% equity interest in a subsidiary, namely Sinoref (BVI) Limited (the "Disposal Company").

Management concluded that the assets and liabilities of Sinoref (BVI) Limited and its subsidiaries (the "Disposal Group") should be classified as held-for sale as at 31 December 2018 as it believes that it is highly probable that the disposal will be completed within twelve months from the date when Sinoref (BVI) Limited was classified as disposal group classified as held for sale.

The results of the Disposal Group have been presented as a discontinued operation in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018. Accordingly, the comparable figures have been re-presented in accordance with HKFRS 5 "Non-Current Asset Held for Sales and Discontinued Operations" issued by the HKICPA.

The combined results of the discontinued operation included in the loss for the year are set out below. The comparative loss from discontinued operation have been re-represented to include those operations classified as discontinued in the current year.

	2018 *RMB'000*	2017 *RMB'000*
Revenue	**60,598**	93,044
Cost of sales	**(74,791)**	(135,452)
Gross loss	**(14,193)**	(42,408)
Other income	**128**	131
Impairment loss	**(18,533)**	(18,084)
Selling and distribution costs	**(7,967)**	(10,747)
Administrative expenses	**(12,308)**	(11,500)
Other expenses	**–**	(22,750)
Finance costs	**(15)**	(14)
Loss before taxation	**(52,888)**	(105,372)
Taxation	**–**	–
Loss for the year from discontinued operation	**(52,888)**	(105,372)

MARKET REVIEW

In 2018, 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 his presidency, Mr. Donald Trump has continuously used his political and threatening economic measures of United States to affect greatly the global economy; and his Administration on international trade measures had declined most existing trade cooperation with China and started the trade war between both countries during the year 2018. Further, U.S. has continuously boycotted China's imports with heavy tariffs and exacerbated the trade war with unreasonable terms of trade measures, so leading the financial market more volatile worldwide.

Global and domestic headwinds impact China economy in 2018 and the trade war between China and the U.S. is the main downside risk to the economic outlook of China. Premier Li Keqiang has recently said in the press conference that the Chinese economy is indeed encountering new downward pressure and the Chinese government will not allow the economic growth to slide below the reasonable range. It still remains on the path of moderate expansion and the central government has set a target year-on-year gross domestic product (GDP) growth between 6 and 6.5 per cent for the year 2019. And the National Bureau of Statistics of China will centralize the checking and computation of the GDP of provincial-level regions this year, and halt the conventional practice of ranking the regions in terms of GDP size and GDP growth rate. That shows the central authority of China has switched its attention from the speed of economic growth to the quality side in the country.

According to the World Steel Association (worldsteel), the world crude steel production reached approximately 1,808.6 million tonnes (Mt) for the year 2018, up by 4.6 per cent compared to the production in 2017. The National Bureau of Statistics reported that China's crude steel production in 2018 reached approximately 928.3 Mt, up by 6.6 per cent on the 2017 production. China's share of global crude steel production increased from 50.3 per cent in 2017 to 51.3 per cent in 2018.

Throughout 2018, the Chinese government authorities tackled excess steel production in the country through consolidation and closed the inefficient and polluting factories. The China National Development and Reform 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. During the year 2018, the government tight restrictions and bans on low-quality steel production in the industry made the competition fierce among the steel manufacturers in China. The steel flow control product subsidiary of our Group was closely related to the steel industry in China, therefore its manufacturing business suffered from the adverse conditions from the trade war between China and U.S. and was affected heavily in its daily production, so making the business operation performed unfavourably under the harsh market challenges in 2018.

Peer-to-peer (P2P) lending in the U.S., by firms such as Prosper Marketplace Inc. and LendingClub Corp., is but a drop in the American investment ocean. In China, the operations of P2P virtual lending platforms 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. The Chinese government has been seeking methods to increase control over what has been a largely unregulated business, being one part of a vast collection of financial companies outside the traditional banking sector known as shadow banks. However, the unruly behaviours of the different types of P2P lending platforms including raising funds by some people for their owners' projects have caused lending crash and platform collapses. In fact, the lending business market in China has huge potential together with higher risks, while the lending business in Hong Kong market are quite distinctive to it. In 2018, the Hong Kong property market continued its promising growth in terms of property price and transaction; and the Hong Kong Government had restricted the moneylenders to operate business in compliance with the Money Lenders Ordinance and its additional licence restrictions. Our subsidiary of money lending business has made all prudent measures in its running, and complied with the government advice that it has informed all its borrowers to be aware of the risks of future increase in 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. The eCommerce today is growing rapidly worldwide with comparatively a greater growth extent in Asia Pacific region and particularly in PRC. The eCommerce industry is so hypercompetitive and needs to have a highly efficient and speedy logistics in support to satisfy the customers with security. EBay, the eCommerce giant has already launched its guaranteed delivery program for shoppers to their ordered items on its platform and this provides shoppers with faster and more precise details on the delivery dates of their purchase. However, for consumers, the most practical innovation being adopted by eCommerce sites is the 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 reassure customers that the eCommerce site is not fraudulent. By accepting these types of payments, eCommerce becomes a truly trusted, frictionless shopping experience. During 2018, our eCommerce subsidiary had most of its eCommerce business trades through the eBay platform and found that this platform, providing us safety and precise delivery to customers even in remote areas, had improved our expansion strategy and partnership plans in our eCommerce business.

Information technology (IT) has been revolutionizing education development over the past five years in PRC. The China Ministry of Education has continuously promoted the application of IT to advance education reforms and ensure equitable access to education. Online education investors in China were rational and the operation in the market was developed more healthily in 2018. 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 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 year 2018, 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 control 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. Our subsidiary business was so adversely affected by the market conditions, resulted in weak production with existing capacity and under extremely high pressure to meet the harsh market challenges and the trade war chain effects from the United States.

Time Credit Limited (TCL), the money lending business subsidiary of the Cybernaut Group operated in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) had sound and effective business growth in 2018. Given that 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 year 2018 under review, the subsidiary generated revenue mainly on first-mortgage property loans to customers for them to meet their long and short term financial needs. The loan portfolio of this subsidiary contributed a steady income for the Cybernaut Group with its high net worth customers in the clientele and it has expanded market share with partnership alliance on sub-mortgage arrangements. On 2 March 2018, TCL 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. Granting such a loan to these borrowers under the loan agreement constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The borrowers of this loan consist of two individuals and a limited company whose principal activity is investment holding; and the loan is fully secured by a first legal charge over certain properties in Hong Kong. In compliance with the Money Lenders Ordinance, TCL business also adopts the Code of Practice, published by the Hong Kong S.A.R. Licensed Money Lenders Association Ltd.(LMLA) in September 2018 that includes the additional new and revised licensing conditions of Money Lenders Licence and guidelines on disclosure of the existence of third parties by intending borrower.

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 successfully established different contact points and delivery arrangements through strategic alliances with the local agents in different countries including Europe and South America. In 2018, the eCommerce subsidiary business had met the trends on product sales and the market innovation in overseas markets. It had continuously expanded its 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 grew rapidly in 2018. Our subsidiary business under VIE arrangement engaged in online education business has provided our Group with great opportunity to diversify business with high potential to generate revenue stream. The segment of online education business progressed well and achieved targeted return with increased developments during the year 2018 under review. The Board has monitored the online education industry trend in China closely from time to time and enabled our segment development plan in operation be strengthened with good resources.

Customer Base and Market Growth

In 2018, the steel flow control product manufacturing business consolidated its customer base in the PRC market and remained in operation with key supplier of the top steel manufacturers in China, including Baosteel Group, Shougang Group, Hebei Group and Wuhan Steel. During the year 2018, the business operation was badly affected by the market conditions; and the business company group was under disposal arrangement for completion at the end of the year.

In 2018, the major customers in the subsidiary business of paper equipment manufacturing were Sout Aljazeera Factory for Paper and Plastic Products and Great Wall Machinery & Mfg. (Philips.), Inc., originated in Saudi Arabia and Philippines respectively. And one of its client, Sout Aljazeera Factory for Paper and Plastic Products, contributed 7% of its revenue in the paper equipment business. The subsidiary will continue to expand business in the Asian countries such as Philippines, Indian and Korea and seek for other business opportunity to explore revenue from other countries. The paper equipment manufacturing business contributed more than 17% total revenue of the Group in 2018.

During the year 2018, the money lending business had diversified different clients in order to disperse the risk with focus on first mortgage clients in order to minimize the risk of the breach of contract. And its major clients are high net worth clients and some Hong Kong listed companies with good loan history. The money lending business contributed around 8% total revenue of the Group in 2018.

Our eCommerce business was in high pressure and faced with fierce competition in the fluctuated market under the trade war effects between China and U.S. during the year 2018. Through working with good eCommerce trade platforms had reduced operation risks of the business with its majority of trade from retail sale and the remaining from wholesale clients. And its major customers were from USA, France and U.K. In future, the business will adapt flexibly with market changes and branding strategy so that customers will visit its website more regularly and enhance customer loyalty in purchase. It will strive to expand more eCommerce business in France, Germany and Russia in order to capture more business opportunities and market share. The eCommerce business contributed more than 64% total revenue of the Group in 2018.

With great IT support and resources allocated from the Group, the online education business had achieved target growth and expanded well in the industry since its acquisition in November 2017. The online education service business contributed more than 10% total revenue of the Group in 2018.

During the year 2018, the global economy had great fluctuations under the U.S. trade threats, tariffs and restrictions. The management understands the importance of diversifying the business customer base and market, and has devoted efforts to further expand the overseas market with existing eCommerce business. Going forward, the Group will continue to explore business opportunities and seek for better market growth in the remaining four operation segment business, after the completion of the disposal of the steel flow product business.

FINANCIAL REVIEW

Revenue

Paper Converting Equipment and Other Relating Equipment

The revenue generated from paper converting equipment business is quite stable. This segment contributed approximately RMB41.8 million for the year ended 2018, representing an increase of approximately 2.0% as compared with the same period in 2017. (for the year ended 2017: RMB41.0 million).

Money Lending

The revenue contributed by this business was approximately RMB18.9 million for the year ended 2018 (for the year ended 2017: RMB15.8 million). The revenue increased of approximately 19.6% when comparing to previous year is mainly due to the increase of lending interest rate.

ECommerce

The revenue contributed by this business was approximately RMB152.5 million for the year ended 2018 (for the year ended 2017: RMB210.6 million). The revenue decreased by approximately 27.6% is mainly due to less repeated orders from customers of high margin products under the keen market competition.

Internet Education Services

The revenue contributed by this business which was acquired in November 2017 was approximately RMB24.6 million for the year ended 2018. (for the period from 22 November to 31 December 2017: RMB4.1 million).

Cost of Sales/Service Rendered

The Group's cost of sales mainly comprised costs of raw materials, labour, depreciation and other direct costs of sales and services rendered. During the year, the Group's cost of sales decreased by approximately 24.2% from RMB220.9 million (Re-presented) in 2017 to approximately RMB167.4 million in 2018.

Gross Profit

The Group experienced a gross profit of approximately RMB70.4 million for the year ended 31 December 2018. For the year ended 31 December 2017, the Group recorded a gross profit of approximately RMB50.7 million (Re-presented). The gross profit was mainly resulted from the effective cost control in money lending and internet education services business.

Impairment Loss

As the repayment ability of the paper equipment manufacturing business improved in 2018, a reversal of an impairment loss for trade receivables amounted to approximately RMB2.9 million was recognised for the year ended 31 December 2018 (2017: RMB2.1 million). No impairment loss on inventory of the paper equipment manufacturing business was recognised in 2018 (2017: RMB4.1).

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 amounted to approximately RMB3.7 million, representing a same amount when comparing to previous year.

Administrative Expenses and Other Expenses

The Group's administrative expenses and other expenses increased by approximately 39.4% from approximately RMB73.8 million (Re-presented) for year ended 31 December 2017 to approximately RMB102.9 million for the year ended 31 December 2018. The reason is mainly due to the amortization of intangible asset of internet education services business.

Finance Costs

The Group's finance costs were approximately RMB4.7 million for the year ended 31 December 2018 (2017: RMB5.0 million). The interest rate for bank loan was at a fixed interest rate of 5.22% per annum (2017: 5.22% per annum).

Taxation

The PRC subsidiary of the Company engaged in internet online education service provider successfully qualified the China's High and New-Technology Enterprise (HNTE) program and 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% until 2020 for the year under review.

Loss for the Year

As a result of the challenging conditions, the Group's loss (included the discontinued operations) for the year was approximately RMB81.0 million, compared to approximately RMB138.3 million for the previous year. The loss decreased was mainly due to the effective cost control from the continuing operations. The Group's loss per share from continuing and discontinued operations decreased from RMB3.49 cents for the year ended 31 December 2017 to RMB2.02 cents in 2018.

Final Dividends

The Board does not recommend the payment of a final dividend for year ended 31 December 2018 (2017: Nil).

Capital Structure, Liquidity and Financial Resources

As at 31 December 2018, the Group's bank balances and cash was approximately RMB138.6 million (2017: RMB194.0 million).

Total equity of the Group as at 31 December 2018 was approximately RMB495.4 million (2017: RMB649.0 million). The Group has an outstanding bank and other loan and promissory notes of approximately RMB86.5 million and RMB199.5 million, respectively as at 31 December 2018 (2017: RMB50.6 million and RMB185.6 million).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Following the Memorandum of Understanding (MOU) announcement in relation to the potential disposal of the Disposal Company by the Company made on 28 May 2018, a major transaction disposal of 100% equity interest in a subsidiary was announced on 1 August 2018. After the trading hours on 1 August 2018, the Company (the "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 Company ("Sinoref (BVI) Limited"). Furthermore, there are consideration adjustments mentioned in the Agreement-Consideration paragraph in the Agreement, and the consideration is subject to on the Adjusted NAV of the Disposal Group on completion. The Disposal Group is principally engaged in the manufacture and sale of advanced steel flow control products, and upon completion the Disposal Group will cease to be subsidiaries of the Company. As one or more of the applicable percentage ratios in respect of the Disposal reaches or exceeds 25% but less than 75%, therefore the Disposal constitutes a major transaction of the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

Pledge of Assets

As at 31 December 2018, the Group pledged certain of its buildings and leasehold land with aggregate net carrying value of approximately RMB0.10 million (2017: RMB0.40 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 2018, the gearing ratio of the Group was 25% (2017: 19%).

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 2018 was RMB108.4 million.

As at 31 December 2018, 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 2018, the Group had about 445 staff members employed in mainland China and Hong Kong (2017: 459). Total staff costs for the year were approximately RMB30.7 million (2017: RMB39.4 million (Re-presented)). 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 Officer) for the year ended 31 December 2018 was determined with reference to their position, responsibilities and experience and prevailing market condition.

PROSPECTS

At the World Economic Forum in Davos, Switzerland in early 2019, the International Monetary Fund (IMF) managing director, Christine Lagarde presented the new forecast that the world economy is growing more slowly than expected and risks are rising, after the solid expansion in the past two years. The IMF has cut its forecast for the world economic growth in 2019, citing heightened trade tensions and rising interest rates in the United States. The escalating trade war with the United States will drag on the world's second-largest economy – the Chinese economy; and the IMF expects that the Chinese economic growth in 2019 be 6.2 per cent, down from 6.6 per cent in 2018 and the slowest growth since 1990. Besides, the IMF lowers its forecast that growth in emerging-market countries will slow to 4.5 per cent from 4.6 per cent in 2018.

New development targets and government incentives on China economy for 2019 are released in the China government work report for review during the annual sessions of the top legislative and political advisory bodies; the country itself seeks for more economic transformation towards high-quality development and the Belt and Road Initiative from China has also offered Chinese companies in different industries to establish partnership with downstream companies in the related countries and regions.

Since March 2018, Donald Trump's Administration had pledged to renew the U.S. infrastructure coupled with the high impact of import restrictions and tariffs against steel and aluminium from overseas countries and particularly from China inhibited the world steel market and caused more market fluctuation in the global economic activity. In China, Premier Li Keqiang has called on all countries to safeguard free trade by boosting trade liberalization and facilitating investment, in efforts to fight the unreasonable rising protectionism in the U.S. And he has also commented that China will not use large-scale quantitative easing to bolster the economy and instead will boost market vitality through measures such as tax and fee cuts to stabilize economic growth and seek high-quality development in 2019.

Steel flow control product business

The worldsteel reported that the world crude steel production was approximately 146.7 Mt in January 2019, representing a 1.0 per cent increase as compared to that of January 2018. The steel production in China is expected to slow as the China government's capacity-cutting efforts has improved the demand-supply relations and expects a further cut of ineffective steel capacity in 2019. Going forward we find the severe market competition and hardship ahead in the steel industry in China, given that the overcapacity reduction and the underlying effects from the trade war with the U.S. Our subsidiary engaged in the steel flow control product manufacturing, though in the transition stage to completion upon disposal, still needs to face the industry-wide government measures for its existing operation in China and impacts in the global market.

Money lending business

The IMF has commended Hong Kong in its recent report for maintaining its financial regulation and supervision that the economy of Hong Kong grew 3.5 per cent in 2018, and with an expected economic growth slow to 2.9 per cent in 2019. Our money lending subsidiary, TCL will continue its tight credit policy when granting mortgage loans or loan renewals, and will restrict only to customers of good reference check or in referral business with strategic partnership via sub-mortgage arrangements, so as to maintain steady business in an effective manner. TCL will continue to adopt its existing lending policy with prudent and flexible business strategies to meet the environmental changes and property market trends in Hong Kong accordingly. It will focus and continue to seize business opportunities on the increasing demand for first-mortgage property loans with interest income as its revenue source from its clients.

ECommerce business

Global eCommerce today is not a luxury but a necessity. 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. 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. Besides, in regard to B2B segment sales, it has been selling second-handed mobile phones and accessories to Europe while the sales turnover in B2B is growing month by month. The eCommerce subsidiary management has found the turnover from the B2B sales fruitful and will continue with current strategy to seek greater market penetration overseas with more involvement from different local partners through the existing logistic network. Besides, the subsidiary has also enhanced brand awareness in its self-hosted websites on search engine marketing and after sales services. It has expanded more eCommerce business transactions through sales channels and platforms like Rakuten, Newegg, Walmart and Cdiscount marketplaces etc., with an aim at higher business growth in the non-English speaking markets. The subsidiary management realizes that the easy access to its own website and the eCommerce sales platforms can enable customers to choose their products conveniently worldwide, and adopting its current marketing strategy will continue to generate increasing revenue return for the Group.

Internet online education 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 undersupply of education resources, and the introduction of the two-child policy in the country. 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. The Group will allocate more resources from its pool of education experts in China to manage the subsidiary business growth and development of the online education in 2019.

Looking forward, the global economy is unstable, so the Group will allocate sufficient resources for market expansion in the profit-generating subsidiaries, namely the money lending business, eCommerce business and the online education business. Moreover, the management is still prudently optimistic about the operating environments of these profitable segment business and will devote more corporate efforts to restructure the underperformed or phase out the non-contributing ones.

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 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 engagements, one non-executive director and one independent non-executive director could not attend the 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the year ended 31 December 2018. No incident of non-compliance was noted by the Company for the year ended 31 December 2018. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Tong Yiu On (committee chairman), Mr. Li Yik Sang and Mr. Cao Ke.

The Audit Committee has reviewed together with the management and the external auditor the accounting principles and practices adopted by the Group and has also reviewed auditing, risk management and internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2018.

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 2018.

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 2018 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

During the year ended 31 December 2018, the Company repurchased a total of 217,700,000 ordinary shares of the Company at an aggregate purchase price of HK$57,339,000 (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
July 2018	28,336	0.270	0.250	7,208
September 2018	7,648	0.22	0.210	1,637
October 2018	13,044	0.213	0.195	2,648
Total	217,700			57,339

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 year ended 31 December 2018.

EVENT AFTER THE REPORTING PERIOD

As at the date of this announcement, there is no significant subsequent event of the Group after the reporting period.

PUBLICATION OF ANNUAL RESULTS

This announcement will be published on the Company's website (www.cybernaut.com.hk) and Stock Exchange's website (www.hkexnews.hk). The 2018 Annual 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.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners, bankers and auditors for their support to the Group throughout the reporting period.

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

Hong Kong, 29 March 2019

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, Steve and Mr. Li Yik Sang.