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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of Cybernaut International Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group") has not been completed. In the meantime, the Board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	**2019** *RMB'000* **(unaudited)**	2018 *RMB'000* (audited)
Continuing operations			
Revenue	*5*	**326,910**	237,798
Cost of sales/service rendered		**(245,608)**	(167,375)
Gross profit		**81,302**	70,423
Other gains, net		**40,903**	6,023
(Provision)/reversal of impairment loss		**(106,188)**	2,184
Selling and distribution costs		**(5,413)**	(3,667)
Administrative expenses		**(80,977)**	(102,886)
Finance costs		**(16,856)**	(4,696)
Loss before taxation	*6*	**(87,229)**	(32,619)
Taxation	*7*	**(682)**	4,552
Loss for the year from continuing operations		**(87,911)**	(28,067)
Discontinued operation			
Loss for the year from discontinued operation	*14*	**(6,739)**	(52,888)
Loss for the year		**(94,650)**	(80,955)
Loss for the year attributable to:			
Equity owners of the Company		**(88,542)**	(81,586)
Non-controlling interests		**(6,108)**	631
		(94,650)	(80,955)
Loss attributable to equity owners to the Company arising from:			
Continuing operations		**(81,803)**	(28,698)
Discontinued operations		**(6,739)**	(52,888)
		(88,542)	(81,586)
Loss per share:			
From continuing and discontinued operation	*9*		
Basic (cents per share)		**(2.23)**	(2.02)
Diluted (cents per share)		**(2.23)**	(2.02)
From continuing operations			
Basic (cents per share)		**(2.06)**	(0.71)
Diluted (cents per share)		**(2.06)**	(0.71)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
LOSS FOR THE YEAR	**(94,650)**	(80,955)
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**4,313**	7,485
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**4,313**	7,485
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(90,337)**	(73,470)
Total comprehensive expense for the year attributable to:		
Equity owners of the Company	**(84,811)**	(73,508)
Non-controlling interests	**(5,526)**	38
	(90,337)	(73,470)
Total comprehensive expense attributable to equity owners of the Company arising from:		
Continuing operations	**(78,072)**	(20,620)
Discontinued operations	**(6,739)**	(52,888)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**11,930**	11,909
Right-of-use assets		**3,405**	–
Goodwill		**385,919**	444,306
Intangible assets		**71,695**	96,397
Prepaid lease payments		**–**	96
		472,949	552,708
Current assets			
Inventories		**15,325**	18,682
Trade receivables	*10*	**56,891**	53,425
Loan receivables	*11*	**125,495**	217,566
Other receivables, deposits and prepayments		**87,502**	37,869
Prepaid lease payments		**–**	156
Restricted bank deposits		**3,164**	5,415
Bank balances and cash		**167,409**	138,631
		455,786	471,744
Assets of disposal group classified as held for sale	*14*	**–**	109,373
		455,786	581,117
Current liabilities			
Trade and bills payables	*12*	**63,220**	69,061
Other payables and accruals		**20,800**	3,689
Contract liabilities		**3,995**	2,490
Lease liabilities		**2,688**	–
Tax liabilities		**5,992**	5,394
Bank and other borrowings		**26,952**	86,502
Promissory notes		**46,570**	–
		170,217	167,136
Liabilities of disposal group classified as held for sale	*14*	**–**	100,973
		170,217	268,109
Net current assets		**285,569**	313,008
Total assets less current liabilities		**758,518**	865,716

	NOTES	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Non-current liabilities			
Lease liabilities		**592**	–
Deferred tax liabilities		**18,690**	24,865
Promissory notes		**289,072**	237,056
Contingent consideration		**39,068**	108,402
		347,422	370,323
Net assets		**411,096**	495,393
Capital and reserves			
Share capital	*13*	**337,128**	337,128
Reserves		**77,017**	155,788
		414,145	492,916
Non-controlling interests		**(3,049)**	2,477
Total equity		**411,096**	495,393

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.

For the prior year up to 12 April 2019 ("Disposal date"), the Group was engaged in manufacturing and sale of advanced steel flow control products. Detail of the disposal was set out in Note 14.

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 HONG KONG FINANCIAL REPORTING STANDARDS ("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 Hong Kong Institute of Certified Public Accountants for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected 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 standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately RMB1,946,000 and right-of-use assets of approximately RMB2,198,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The lessee's incremental borrowing rate applied is from 1.58% to 2.88%.

	RMB'000
	(Unaudited)
Operating lease commitments disclosed as at 31 December 2018	3,280
Less: Recognition exemption – short-term leases	(1,304)
	1,976
Lease liabilities discounted at relevant incremental borrowing rates	1,976
Less: Total future interest expenses	(30)
Lease liabilities at 1 January 2019	1,946
Analysed as	
Current	1,665
Non-current	281
	1,946

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	RMB'000
	(Unaudited)
By class	
Leasehold Buildings	1,946
Prepaid lease payments	252
	2,198

Transition to HKFRS 16 does not have impact on accumulated losses at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2018 *RMB'000* (audited)	Adjustments *RMB'000*	**Carrying amount under HKFRS 16 at 1 January 2019** ***RMB'000*** **(unaudited)**
Non-current assets			
Right-of-use assets	–	2,198	**2,198**
Prepaid lease payments	96	(96)	**–**
Current assets			
Prepaid lease payments	156	(156)	**–**
Current liabilities			
Lease liabilities	–	1,665	**1,665**
Non-current liabilities			
Lease liabilities	–	281	**281**

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

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

The directors of the Company consider that the application of all new and amendments to HKFRSs and HKASs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in foreseeable future.

5. REVENUE

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Revenue from sales of goods	**281,766**	194,316
Revenue from money lending business	**16,182**	18,911
Revenue from provision of internet education services	**28,962**	24,571
	326,910	237,798

6. LOSS BEFORE TAXATION

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Continuing operations		
Loss before taxation has been arrived at after charging/(crediting):		
Auditor's remuneration	**793**	827
Amortisation of prepaid lease payments	**–**	53
Amortisation of intangible assets	**24,703**	51,667
Cost of inventories recognised as an expense	**243,247**	158,922
Depreciation of property, plant and equipment	**2,296**	561
Depreciation of right-of-use assets	**2,922**	–
Short-term lease payment	**1,309**	–
Minimum lease payments in respect of office premises	**–**	5,960
Net exchange (gain)/loss	**(161)**	134
Share based payment	**5,956**	–
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**23,643**	29,326
– Retirement benefit scheme contributions	**909**	1,410
	24,552	30,736

7. TAXATION

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Continuing operations		
Hong Kong Profits Tax:		
– Current year	**730**	1,370
PRC Enterprise Income Tax:		
– Current year	**6,128**	5,155
Deferred tax:		
– Current year	**(6,176)**	(11,077)
	682	(4,552)

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 2019 and 2018, 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:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Loss		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(88,542)**	(81,586)

	Number of shares	Number of shares
	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,975,448**	4,044,614

The calculation of diluted loss per share for each of the two years ended 31 December 2019 and 2018 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 (2018: 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:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 30 days	**37,338**	23,314
31 – 60 days	**10,519**	4,659
61 – 90 days	**1,362**	4,674
91 – 120 days	**44**	3,970
121 – 180 days	**445**	7,277
181 days to within 1 year	**7,183**	9,531
	56,891	53,425

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

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 30 days	**7,183**	1,813
31 – 60 days	**–**	2,786
61 – 90 days	**–**	–
91 – 120 days	**–**	8,658
	7,183	13,257

11. 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:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**70,078**	160,664
3 months to 1 year	**34,742**	37,817
Over 1 year which contain a repayment on demand clause	**20,675**	19,085
	125,495	217,566

12. 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.

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 30 days	**44,542**	50,919
31 – 60 days	**3,248**	2,406
61 – 90 days	**1,632**	2,644
Over 90 days	**13,798**	13,092
	63,220	69,061

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

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

13. SHARE CAPITAL

	Number of shares at HK$0.10 per share	**Amount**
	'000	*HK$'000*
	(unaudited)	(audited)
Authorised:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	20,000,000	2,000,000
Issued and fully paid:		
At 1 January 2018	4,193,148	419,315
Share repurchase and cancelled *(Note)*	(217,700)	(21,770)
At 31 December 2018, 1 January 2019 and 31 December 2019	3,975,448	397,545
Shown in the consolidated financial statements		
At 31 December 2019	**RMB'000 equivalent**	337,128
At 31 December 2018	**RMB'000 equivalent**	337,128

Note:

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)* (audited)	**Highest price paid per share** *(HK$)* (audited)	**Lowest price paid per share** *(HK$)* (audited)	**Aggregate paid** *(HK$'000)* (audited)
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

14. 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 period ended 12 April 2019 and 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 completion took place on 12 April 2019 in accordance with the terms and condition of the agreement. The combined results of the discontinued operation included in the loss for the period/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 period/year.

	2019 ***RMB'000*** **(unaudited)**	2018 *RMB'000* (audited)
Revenue	**14,306**	60,598
Cost of sales	**(18,688)**	(74,791)
Gross loss	**(4,382)**	(14,193)
Other income	**–**	128
Impairment loss	**–**	(18,533)
Selling and distribution costs	**(345)**	(7,967)
Administrative expenses	**(1,984)**	(12,308)
Finance costs	**(28)**	(15)
Loss before taxation	**(6,739)**	(52,888)
Taxation	**–**	–
Loss for the period/year from discontinued operation	**(6,739)**	(52,888)

MARKET REVIEW

The global economy today becomes more volatile and distorted in the financial market worldwide, under the current threatening economic measures of U.S. President Donald Trump's political administration on trade affairs. Amidst the intensifying tariff battle with the United States and efforts to deleverage debt and financial risks, the Chinese economy had the gross domestic product (GDP) of 6.1 percent over the previous year according to the estimation of the National Bureau of Statistics of China.

In 2019, the year-on-year growth rate of total value added of the industrial enterprises above the designated size was 5.7 percent; the Index of Services Production increased by 6.9 percent year-on-year; the fixed-asset investment of China increased by 5.4 percent year-on-year; the producer prices for industrial products went down by 0.3 percent year-on-year, and the purchasing prices for industrial producers went down by 0.7 percent over the previous year.

During the year 2019, the industrial production including the steel sector in China made considerable reduction of excess industrial capacity and the industrial capacity utilization rate nationwide was approximately 76.6 percent, 0.1 percent point higher than 2018. The China National Development and Reform Commission had urged cut on any substandard industrial production capacity and gone for a better growth in the keen competing global market with high-quality products.

In China, the operations of peer-to-peer (P2P) virtual lending platforms has established P2P lending or online lending, which also known as social lending, is a popular fintech application under which intermediaries gather funds from retail investors and lending the money to small and medium-sized enterprises (SMEs) and individual borrowers. The P2P lending is also a way for some investors to diversify their investments; but with higher returns in P2P lending comes with the higher risk, there is a possibility of the borrower defaulting, and being unable to return the promised returns or even the investors' capital. In China the massive collapse of these platforms in recent years has spread panic among investors; and the investors are losing confidence at their stakes and pulling their funds, diminishing operators' liquidity, so many of these platforms are facing insolvency. In lieu of the trend of collapse, China's P2P lending industry had gotten much more strictly regulated during 2019. Moreover, a slew of Chinese fintech and P2P lending platforms are looking to more lenient markets in Southeast Asia (SEA), following a prolonged industry crackdown in China that has left the sector reeling.

Although China has huge potential market growth in the lending business, there are higher risks for the lending business operation there, while Hong Kong market are very distinctive to it. Besides, 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. Despite the drastic demonstration and protest devastation in Hong Kong together with the effects from the trade war between U.S. and China during 2019, the low interest rate of borrowing, still boosted the Hong Kong property market growth both in terms of property price and transaction volume.

Electronic commerce (eCommerce) has been growing rapidly worldwide with comparatively a greater extent in Asia Pacific region and particularly in PRC. But the trade war between U.S. and China together with the Brexit situations posed unpredictable concerns on the worldwide economy, and been greatly affecting the eCommerce and online shopping interest in 2019. With world market fluctuated financially on both the political and economic grounds, online shopping was more accessible than ever, but customers became harder to please, and of higher buyers' expectations during the year. By having an online version of a physical store in retail was not enough anymore, as consumers did not merely want to grab and go; and they wanted their shopping to be an experience of involvement and of itself: interactive, immersive and enjoyable. The traditional business model continued to lose ground and eCommerce continued its expansion from such shift. This was further fueled by consumers' desires and tastes, so shaping eCommerce with different trends and changes became more well-operated in 2019. The consumers today are getting accustomed to use internet and mobile apps for online shopping where, they can have the most practical innovation being adopted by eCommerce sites in social payment options through trusted, secure digital wallets like Apple Pay, Alipay, WeChat Pay, and PayPal etc. In 2019, when compared in mobile payments between China and United States, the internet usage gap was much wider than expected in the market, as more people paid with their phones in China than the entire population of the United States.

The China Ministry of Education has continuously promoted the application of information technology (IT) to advance education reforms and ensure equitable access to education. As reflected in the 2019 announcement of China Online Education Group ("51Talk" or the "Company") (NYSE: COE), a leading online education platform in China, with core expertise in English education that the Company would continue to streamline their business to focus their resources on providing high-quality programs for the growing K-12 market. And with COE's solid presence in the largely saturated tier-one cities of China, it was keen to focus on bringing its programs to China's large and underserved markets in the non-tier-one cities and compete with other online education business there. It is well noted that China's internet penetration rate is only 60 percent, but its sheer scale means almost three times the number of internet users as the United States. Despite the influence from the market instability in the outside world, the market growth of online education business in China steadily exceeds more than 20 percent yearly, and during 2019 the online education investors in China were rational; and their business operation was expanded more healthily with modern technology and knowledge.

BUSINESS REVIEW

In 2019, the Cybernaut Group might still be regarded comprising five segments of subsidiary groups, namely those 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 under review, the manufacturing businesses were adversely affected by the escalating trade war between China and U.S., and the steel market was still in the fierce competition among the steel manufacturers in China. Factually, our subsidiary group of steel flow product manufacturing business strived painstakingly at big losses in the drastic cutthroat market competition in recent years, and the subsidiary was disposed in late 2018 with the completion settled and announced on 12 April 2019. During the year of 2019, the subsidiary segment business of manufacturing paper converting equipment of Cybernaut Group, operating in China also suffered from the harsh competition resulted from the U.S.-China trade war, with reduced order size and market demand in the volatile situations of the world market.

The subsidiary of Cybernaut Group engaged in money lending business in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), Time Credit Limited (TCL) prudently maintained business operation with existing market strategy in 2019. Moreover, The Hong Kong government authority periodically advises borrowers to be aware of the risks of increased interest rate and the implication of the unstable and uncertain economic environment. During the year under review, the subsidiary generated revenue mainly from the first mortgage property loans to customers for their long and short term financial needs. And with the high net worth customer base and partnership alliance on sub-mortgage arrangements, the TCL loan portfolio continued to contribute a steady income stream to the Cybernaut Group.

In 2019, our eCommerce business subsidiary with the trade name of "VTZero" met the overseas market demands despite the global political unrest and economic fluctuation, the subsidiary had recognized good revenues in the product sales trends and product-mix for prominent sales of the second-handed and refurbished mobile phones of good brand names. Nowadays, local online marketplaces are booming and are launched mostly by traditional local retail enterprise and since they have years of reputation that people are preferred to shop there instead. As a result, VTZero as a cross-border eCommerce trading company, has to evaluate the internet shopping habit country by country and explore more online marketplace platforms to sustain the business growth. With prior years' experience on sourcing used smartphones from America and Japan, the business management branched out more on the reverse logistic chain through internet to contribute additional value to the eCommerce business during 2019. Other than selling mainly through eBay and Amazon, VTZero also had established good sales through different selling channels and online marketplaces like Rakuten in Germany, cDiscount, Fnac and Darty in France etc. Through the established different business strategic alliances with the local agents in different countries including Europe and North America, the subsidiary could barely manage to reduce its market risks resulted from the Hong Kong protest devastation and the U.S.-China trade war in 2019.

During 2019, the subsidiary segment of Cybernaut Group engaged in the online education business with continued great momentum of demands of last year, expanded with good returns and increased market developments in the online education industry in China. Further, the subsidiary management through the VIE arrangements had closely monitored the online business to provide users with the updated information and software accessible through the education platform and packages, so as to enhance the segment business growth strengthened with good resource allocated for market expansion.

On 5 July 2019, the Company announced that it had a connected transaction establishment of and subscription for the interest in a fund, such that the Company entered into: (1) the Limited Partnership Agreement with the General Partner, the Initial Limited Partner and Hana Financial Investment Co., Limited, and (2) the Subscription Agreement with the General Partner.

The General Partner is owned as to 81% by Cybernaut Capital Management, which is owned as to 99% by Mr. Zhu Min, an executive Director of the Company. The General Partner is an associate of Mr. Zhu Min and hence a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. As at the date of the announcement, the applicable percentage ratios as defined under the Listing Rules in respect of the Transaction is expected to be exceeding 0.1% but less than 5%, the Transaction is therefore subject to the reporting and announcement requirement, but exempted from dispatch of circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Company announced that it had a connected transaction in relation to the financial assistance by connected persons on 9 July 2019, where at the date of the announcement, Mr. Ng Hang Fai Calvin and Mr. Lee Yim, the respective sole shareholder of Win All Management Limited (Win All) and Wide Select Investments Limited (Wide Select), are directors of VT Zero Limited, the subsidiary of the Company and therefore the Noteholders (Win All and Wide Select) are connected persons of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. As (i) the Noteholders are connected persons of the Company at the subsidiary level; (ii) the granting of the financial assistance to the Company by Mr. Ng and Mr. Lee under the New Promissory Notes which are secured by the assets of the Company under the Share Charges are on normal commercial terms; and (iii) the Board (including all the independent non-executive Directors) has approved the Deeds of Amendment and the grant of the Share Charges and confirmed the terms therein are fair and reasonable, and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Deeds of Amendment and the transactions contemplated are subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and Shareholders' approval requirements by virtue of Rule 14A.101 of the Listing Rules.

None of the Directors had any material interest in the Deeds of Amendment and the Share Charges and the transactions contemplated thereunder and had abstained from voting at the relevant Board resolutions.

Therefore, on 9 July 2019 after the trading hours, the Company announced that it entered into the Deeds of Amendment with the Noteholders, pursuant to which the Company and the Noteholders agreed to amend the terms and conditions of the Existing Promissory Notes and to issue the New Promissory Notes with a principal amount of HK$113,208,000.00 each to the Noteholders in replacement of the Existing Promissory Notes. Save for the amendments mentioned above and disclosed in the announcement, the principal terms of the Existing Promissory Notes remain unchanged.

FINANCIAL REVIEW

Revenue

Paper Converting Equipment and Other Relating Equipment

The revenue generated from paper converting equipment business contributed approximately RMB40.1 million for the year ended 2019, representing a decrease of approximately 4.1% as compared with the same period in 2018 (for the year ended 2018: RMB41.8 million). The slight decrease is mainly due to the escalating trade war between China and U.S..

Money Lending

The revenue contributed by this business was approximately RMB16.2 million for the year ended 2019 (for the year ended 2018: RMB18.9 million). The revenue decreased by approximately 14.3% when comparing to previous year is mainly due to the keen market competition, property market fluctuation and the continuous social unrest in Hong Kong.

ECommerce

The revenue contributed by this business was approximately RMB241.7 million for the year ended 2019 (for the year ended 2018: RMB152.5 million). The revenue increased by approximately 58.5% is mainly due to the switch to used and refurbished device market (such as phones, tablets and smart watches). Also, we entered into more valuable online marketplace in different countries, such as Carrefour in Spain, Eprice in Italy and Fnac Darty in France.

Internet Education Services

The revenue contributed by this business which was acquired in November 2017 was approximately RMB29.0 million for the year ended 2019. (for the year ended 2018: RMB24.6 million). The revenue increased by approximately 17.9% is mainly due to the popularity of online education and the increase of the loyalty of our users in China.

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 increased by approximately 46.7% from RMB167.4 million in 2018 to approximately RMB245.6 million in 2019. The increase is mainly due to the increase of revenue of ECommerce business.

Gross Profit

The Group experienced a gross profit of approximately RMB81.3 million for the year ended 31 December 2019. For the year ended 31 December 2018, the Group recorded a gross profit of approximately RMB70.4 million. The gross profit was mainly resulted from the effective cost control in money lending and internet education services business.

Impairments Loss

During the year under review, the Group had incurred the following major impairments:

(a) Impairment losses were recognised on loan receivables in money lending business of approximately RMB50.5 million for several loan borrowers who have a prolonged delay in repayment of loan interest/principal and the Group considers that the default risk of these borrowers is high and thus impairment on loan receivables is considered necessary;

(b) Impairment loss was recognised on goodwill of ECommerce business of approximately RMB61.2 million is mainly due to the unsatisfactory performance of the ECommerce business.

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, the cost increased by approximately 45.9% from approximately RMB3.7 million for the year ended 31 December 2018 to approximately RMB5.4 million for the year ended 31 December 2019. The increase is mainly due to the increase of advertising and promotion expenses of ECommerce business.

Administrative Expenses and Other Expenses

The Group's administrative expenses and other expenses decreased by approximately 49.0% from approximately RMB102.9 million for year ended 31 December 2018 to approximately RMB81.0 million for the year ended 31 December 2019. The reason is mainly due to the amortization of intangible assets of internet online education business and ECommerce business.

Finance Costs

The Group's finance costs composed of bank loans and promissory notes were approximately RMB16.9 million for the year ended 31 December 2019 (2018: RMB4.7 million). The interest rate for bank loans were at a fixed interest rate of 3.25% and 5.22% per annum (2018: 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 24 October 2020.

Loss for the Year

As a result of the challenging conditions, the Group's loss (included the discontinued operations) for the year ended 31 December 2019 was approximately RMB94.7 million, compared to approximately RMB81.0 million for the previous year. The loss increased was mainly due to the impairment of various assets. The Group's loss per share from continuing and discontinued operations increased from RMB2.02 cents for the year ended 31 December 2018 to RMB2.23 cents in 2019.

Final Dividends

The Board does not recommend the payment of a final dividend for year ended 31 December 2019 (2018: Nil).

Capital Structure, Liquidity and Financial Resources

As at 31 December 2019, the Group's bank balances and cash was approximately RMB167.4 million (2018: RMB138.6 million).

Total equity of the Group as at 31 December 2019 was approximately RMB411.1 million (2018: RMB495.4 million). The Group has an outstanding bank and other loan and promissory notes of approximately RMB27.0 million and RMB289.1 million, respectively as at 31 December 2019 (2018: RMB86.5 million and RMB237.1 million).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Material Disposal of Subsidiary

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.

References are made to the announcement of Cybernaut International Holdings Company Limited (the "Company") dated 1 August 2018; and the circular of the Company dated 7 November 2018 (the "Circular") in relation to the major transaction regarding the disposal of 100% equity interest in Sinoref (BVI) Limited. The Completion took place on 12 April 2019 in accordance with the terms and conditions of the Agreement and an announcement was then made. Accordingly, the Company has ceased to have any interests in the Disposal Group and the Disposal Group is no longer subsidiaries of the Company as of the date of the announcement.

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

Pledge of Assets

As at 31 December 2019, the Group pledged certain of its buildings and leasehold land with aggregate net carrying value of approximately RMB0.10 million (2018: RMB0.10 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 2019, the gearing ratio of the Group was 36% (2018: 25%).

Contingent Liabilities

As at 31 December 2019, 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.

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 2019 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 2019 was RMB39.1 million (2018: RMB108.4 million).

As at 31 December 2019, 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 2019, the Group had about 211 staff members employed in mainland China and Hong Kong (2018: 445). Total staff costs for the year were approximately RMB24.6 million (2018: RMB30.7 million). During the year, the Group continued to reinforce the training to its staff by providing training and study opportunities for management staff and professional technicians. In addition, the Group has provided a timely update to all staff about the latest government policies of the industry to continuously enhance the professional standard and quality of the staff.

Meanwhile, the Group has provided competitive remuneration for staff which encourages them to commit themselves and serve customers wholeheartedly. The Group operates share option scheme for the purpose to provide incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group granted 120 million share options to its eligible employees during the financial year as announced on 7 May 2019. The remuneration payable to the senior management of the Company (excluding Directors and Chief Executive Officer) for the year ended 31 December 2019 was determined with reference to their position, responsibilities and experience and prevailing market condition.

FUTURE PROSPECTS

The China economy is presently facing strong headwinds and decelerating. China's trading partners and investors are closely watching the health of the world's second-largest economy as the year-long trade war between U.S. and China takes a heavier toll on businesses and investment, fueling worries of a global recession. Embroiled in the trade wars with U.S., China is saving stimulus for the Trade War Winter as China yuan weakens. Chinese policy makers are holding back from rolling out the big guns of monetary stimulus, keeping options in reserve as the trade standoff with the U.S. risks morphing into a global currency war. The People's Bank of China called for a "rational" view on current headwinds in August 2019, signaling that the targeted approach to shoring up output would continue. Retail sales, investment and credit data are expected to confirm the ongoing slowdown in the world's second-largest economy. China officials are sticking to a cautious monetary strategy even after tensions with the U.S. worsened, with U.S. President Donald Trump's accusations of Beijing's currency manipulation adding sensitivity to any stimulus measures that would depress the China yuan. Further, the Trump's own continuous threat of tariff increase on billions dollars' worth of Chinese goods since September 2019, coupled with the anti-government activism in Hong Kong, has been sending global markets into a frenzy that is unlikely to calm down any time soon.

In regard to the lending business segment of the Cybernaut Group, TCL will continue granting mortgage loan to clients in a prudent manner, so the lending subsidiary business can well meet the needs for the Hong Kong property market and the environmental changes accordingly. TCL will adopt tight credit policy to grant mortgage loans or for loan renewals, and might restrict loans only to customers of good and healthy reference check.

Our subsidiary engaged in eCommerce business, has majority of business specialized on B2C retailing through the platforms including eBay and Amazon will increase its product-mix and expand market developments. Besides, selling through other different marketplaces in different countries, for examples: Rakuten in Germany. cDiscount, Fnac and Darty in France, and ePrice in Italy; VTZero in eCommerce can diversify market risks and expand with more business, as these European marketplaces are growing rapidly and are mostly welcomed by their local people. The eCommerce industry of today is highly competitive, online retailers are moving beyond competing on price to competing also on logistics. To enhance greater market penetration overseas, the subsidiary management has also liaise with different local partners through the existing logistic network, and by selling more new eCommerce products to overseas consumers.

In 2019, the online education markets in China was more vibrant and growing competitively. In July 2019, Chinese insurance giant Ping An Insurance (Ping An) announced plans to expand into the "smart education" sector with an investment in a leading online education platform valued at over USD$1 billion; i.e. the iTutorGroup – an online education platform founded in 1998 that provides language and mathematics tutorials via the internet. Ping An also said that it would work with iTutorGroup, the online education unicorn in China, on the application of artificial intelligence (AI) technology to the education sector and for the development of the online education. Realized the current market situations and to face the keen competition, our subsidiary management would engage highly qualified education expertise and supportive staff through the VIE arrangements to provide high-quality updated education packages and online platform for customers, and closely monitor the trends and market needs of the online education industry in China.

Money lending business

On 4 December 2019, an International Monetary Fund (IMF) Staff Mission notes that Hong Kong's economic activity weakened significantly in 2019 and fell into a technical recession in the third quarter. Hong Kong's real Gross Domestic Product is expected to contract by 1.2 per cent in 2019 and return to positive growth of 1 per cent in 2020, led by a recovery of private consumption. Near- and medium-term risks to the growth outlook are tilted to the downside against the backdrop of US-China trade tensions and the sociopolitical situation in Hong Kong, but the development of the Greater Bay Area is expected to improve growth prospects in the medium term. 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

The growth momentum for the Group's ECommerce business continued in 2020 as a result of the increased "home" time and less desire of the people to go to crowded areas under the COVID-19 outbreak. The outbreak is an unprecedented challenge which is still difficult for everyone to estimate how long it will remain, but the Group observes that the consumers now have a higher tendency and frequency to shop for their needs online than before. The Group expects some of our customers may change their shopping behavior from offline to online. 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. To achieve this, we will continue to invest more in recruiting, retaining, training and promoting high calibre teaching, course research and marketing staff. Along with the development of 5G technology and increasing penetration in the online education market, the competition in the online education industry is intensifying. We will continue to optimise our product portfolio in response to the fast-changing industry landscape and customers' booming demand for new technology and new content.

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 2020.

Looking forward, the global economy is unstable and the spread of COVID-19 worldwide, 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 2019, except for Code Provision A.6.7 in respect of the attendance of non-executive directors and independent non-executive directors in the general meetings.

According to Code Provision A.6.7, non-executive directors and independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, two non-executive Directors and one independent non-executive Director could not attend the 2018 annual general meeting held on 6 June 2019. However, at the 2018 annual general meeting, there were executive and independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

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

The Company has adopted a code of conduct (the "Code of Conduct") regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the year ended 31 December 2019.

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 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 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the confirmed proposed final dividend for the year ended 31 December 2019, (iii) the payment date of such proposed final dividend, (iv) the proposed date on which the forthcoming annual general meeting will be held, (v) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting, and (vi) the period during which the registers of members holding ordinary shares and convertible preference shares of the Company respectively will be closed in order to determine entitlement to receive the proposed final dividend. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

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 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Elite Partners CPA Limited on the preliminary announcement.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities for the year ended 31 December 2019.

EVENT AFTER THE REPORTING PERIOD

References are made to the announcement of Cybernaut International Holdings Company Limited (the "Company") dated 11 February 2020 in relation to the disclosable transaction regarding the disposal of 100% equity interest in Great Select Global Limited. The Completion will take place in accordance with the terms and conditions of the Sale and Purchase Agreement and an announcement will be then made. Accordingly, the Company has ceased to have any interests in the Disposal Group and the Disposal Group is no longer subsidiaries of the Company as of the date of the announcement.

Save as disclosed above, except for investments in its subsidiaries and save as disclosed, the Company did not hold any significant investment of equity interest in any other company.

Reference are made to announcement of Cybernaut International Holdings Company Limited, dated 24 February 2020 in respect of a proposed acquisition. The Board is pleased to announce that on 24 February 2020 (after trading hours), the Company as potential purchaser and Mr. Xiao as potential vendor entered into the LOI which sets out the principal terms and conditions of the Proposed Acquisition of not less than 51% interest in the Target Company to be set up. As a condition precedent of the Proposed Acquisition, Mr. Xiao shall procure that Hangzhou Xuhang will be wholly-owned by the Target Company.

As at the date of this announcement, Hangzhou Xuhang was held as to approximately 68.53% by two limited partnerships which are controlled by Mr. Xiao, as to approximately 1.88% by a fund company in which Mr. Zhu has indirect minority interest and the remaining equity interests are held by Independent Third Parties. To the best knowledge information and belief of the Board after making all reasonable enquiries, Mr. Xiao is third party independent of the Company and its connected persons (as defined under the Listing Rules).

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 2019 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.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 March 2020

As at the date of this announcement, the executive Directors are Mr. Zhu Min, Mr. Lu Yongchao, Dr. Chen Huabei and Ms. Yip Sum Yu; the non-executive Director is Mr. Chow Chi Wa and the independent non-executive Directors are Mr. Cao Ke, Mr. Tong Yiu On, and Mr. Li Yik Sang.