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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO 2020 ANNUAL REPORT

Reference is made to the annual report for the year ended 31 December 2020 (the "**2020 Annual Report**") of Cybernaut International Holdings Company Limited (the "**Company**" together with its subsidiaries the "**Group**"). Terms used herein shall have the same meanings as defined in the 2020 Annual Report unless otherwise stated.

The board (the "**Board**") of directors (the "**Directors**") of the Company wishes to provide the following additional information in relation to the 2020 Annual Report:

Reference is made to the impairment loss on goodwill of eCommerce business of approximately RMB92.5 million (for the year ended 2019: RMB61.2 million).

In conducting the impairment assessment on the cash generating unit ("**CGU**") of the Company's eCommerce business, the Company had considered factors affecting its business prospects including the following:

(a) Since the outbreak of the COVID-19 in early 2020, the pandemic has remained rampant today. The COVID-19 pandemic has caused disruptions to the global cargo logistics. Cancellation of cargo flights and lockdown worldwide resulted in huge fluctuations and steep rise in transportation costs and delay in deliveries. The higher transportation costs and longer delivery time adversely affected the profitability of the eCommerce CGU.

(b) The tension and uncertainty caused by the US-China trade war has a negative impact on the eCommerce CGU's market development plan in North America. As a result, sales in 2020 were concentrated in Europe. The Company considered it necessary to adjust downward the business prospects of the North American market.

(c) As observed by the management of the Company, during the second half of 2020, various online selling platform deferred the sales price payment to vendors in order to provide more protection to the platform in respect of potential product claims from customers. Prior to such change, the platforms would usually release the bulk of the sales price to the vendors within a month. Under such new policies, some platforms may withhold part of the sales price for more than a month, depending on the platforms' evaluation of the risks regarding product claims and the vendors' credit standing. As a result, vendors in general suffer from a longer time to receive the sales price. The management of the Company considered that such policies may negatively affect the cashflow cycle of the eCommerce CGU.

After taking into account of the above factors, the Company reached a lowered projected financial performance of the eCommerce CGU as of 31 December 2020.

The impairment assessment and the amount of impairment was determined based on an independent valuation by International Valuation Limited, a professional valuer on the value in use of the cash generating unit of the eCommerce business. Discounted cash flow ("**DCF**") method under the Income Approach was adopted for valuation of the value in use of the eCommerce CGU as of 31 December 2020. DCF method was adopted since it is according to the definition of value in use under HKAS36: "Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit".

The major inputs for the valuation of the value in use of the eCommerce CGU include (1) the discount rate of 19%, which is the weighted average cost of the capital ("**WACC**") of the eCommerce CGU estimated based on market data extracted from Bloomberg and empirical studies as of 31 December 2020; and (2) the projected financial performance of the eCommerce CGU prepared by the Company.

Compared to the valuation of the value in use of the eCommerce CGU as of 31 December 2019, there were (1) increase in discount rate from 13% as of 31 December 2019 to 19% as of 31 December 2020, and (2) decrease in the projected financial performance of the eCommerce CGU as of 31 December 2020. Both the effect of the decrease in projected financial performance and the increase in discount rate of the eCommerce CGU resulted in a decrease in the value in use of the eCommerce CGU.

The increase in discount rate was mainly due to increase in comparable companies' average unlevered beta from 0.67 as of 31 December 2019 to 0.85 as of 31 December 2020 and increase in Hong Kong equity risk premium from 9.31% as of 31 December 2019 to 15.25% as of 31 December 2020. The market data was extracted from Bloomberg and the changes were due to normal market data fluctuation. There was no change in basis of assumptions and sources of data/inputs.

The decrease in projected financial performance was mainly due to the negative impact on the profitability of the eCommerce CGU considering the business outlook and the impact of the COVID-19 pandemic, the trade war between China and the United States still ongoing.

The projected financial performance of the eCommerce CGU prepared by the Company was based on a five-year forecast period for both the 2019 valuation and 2020 valuation.

The revenue for FY2019 and FY2020 are both at about HK$274m (FY2019: HK$274.1m, FY2020:HK$273.8m). The year on year increase in gross revenue in the 2020 valuation is assumed to be the same as the terminal growth rate (2.4%) based on the forecasted inflation rate of Hong Kong in year 2025 sourced from International Monetary Fund and be stable throughout the forecast period. The management of the Company is confident that the pricing of their products could be in line with the expected inflation rate. The year on year increase in gross revenue in the 2019 valuation is assumed to be 3% for 2020, and assumed to be 4% for 2021 and a 0.5% increment in gross revenue per annum from 2021 onwards. Considering the business outlook and the impact of the COVID-19 pandemic, the trade war between China and the United States still ongoing, the management of the Company believes that these events would persist and continue to discourage optimistic business outlook. These global events are expected to last well into the forecast period, and there's no other significantly positive factor that encourages a more optimistic economic outlook. Therefore, given no significant improvement in the business environment is noted, the year on year increase in gross revenue is assumed to be stable throughout the forecast period in the 2020 valuation.

The gross profit margin for FY2019 was 12.70%. The gross profit margin for FY2020 was 13.09%. Comparing the gross profit margin of FY2020 and FY2019, it was noted that there was an increase of 0.39% (rounded down to 0.3%) in the gross profit. As such, beginning in 2022, the management of the Company expects a 0.3% annual increment from 2022 to 2025. It is expected that the economy will remain stagnant in 2021 due to the persistence of COVID-19. For prudence, the management of the Company would focus on maintaining the profit margin and assumed the profit margin in FY2021 would remain at 13.09%, being the same as FY2020. In 2022, it is believed that a slight and achievable improvement is attainable and the management expects a 0.3% annual increment beginning in 2022.

Both gross profit margin assumed in the 2019 valuation and 2020 valuation are with reference to the historical gross profit margin of the last financial year.

The 2019 valuation was made based on a number of business plans and economic outlook. This included expansion of products, cooperation opportunity with logistic partners. Therefore a 1.5% annual increment of gross profit margin from 2021 to 2024 was assumed in the 2019 valuation. However, after due consideration to customer habits and the significant changes in the global economy, the management of the Company has decided to maintain the current business model and adopt a more conservative outlook in the 2020 valuation.

Other expenses are expected to be in line with revenue. This is a reflection of expenses in labour cost in fulfilling operation needs such as sourcing, warehouse management, website updates and customer service, in addition to commission and hosting fee charged by the online platforms. The efficiency gain of 0.1% per annum is expected, gain through improvement in efficiency and personnel turnover.

There was no change in valuation methodology adopted for valuation of the value in use of the eCommerce CGU between 31 December 2019 and 31 December 2020

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

Hong Kong, 15 June 2021

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