赛伯樂國際控股

CYBERNAUT INTERNATIONAL HOLDINGS COMPANY LIMITED

賽伯樂國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1020)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Cybernaut International Holdings Company Limited (the "Company", together with its subsidiaries, the "Group") is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2023, together with the comparative figures for the previous corresponding period, which has been reviewed and approved by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
		2023	2022
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**34,068**	21,703
Cost of sales/service rendered		**(21,369)**	(9,966)
Gross profit		**12,699**	11,737
Other gains, net		**560**	540
Impairment losses, net	*5*	**(1,527)**	152
Selling and distribution costs		**(330)**	(1,363)
Administrative expenses		**(16,101)**	(15,473)
Finance costs	*6*	**(16,020)**	(19,470)
Loss before taxation		**(20,719)**	(23,877)
Taxation	*7*	**(10)**	(81)
Loss for the period	*8*	**(20,729)**	(23,958)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**10,080**	2,578
Total comprehensive expense for the period		**(10,649)**	(21,380)
Loss for the period attributable to:			
Owners of the Company		**(21,308)**	(24,537)
Non-controlling interests		**579**	579
		(20,729)	(23,958)
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		**(10,755)**	(21,977)
Non-controlling interests		**106**	597
		(10,649)	(21,380)
Loss per share	*10*		
Basic and diluted		**(RMB0.54 cents)**	(RMB0.62 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	NOTES	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**8,286**	8,197
Right-of-use assets	*12*	**1,564**	3,204
Goodwill		**78,615**	72,938
Intangible assets		**–**	–
		88,465	84,339
Current assets			
Inventories		**650**	505
Trade receivables	*13*	**994**	5,701
Loan receivables	*14*	**198,770**	176,460
Other receivables, deposits and prepayments		**28,518**	24,742
Financial assets at fair value through profit or loss		**5,000**	5,000
Bank balances and cash		**35,655**	44,247
		269,587	256,655
Current liabilities			
Trade and bills payables	*15*	**22,158**	22,718
Other payables and accruals		**9,332**	7,456
Lease liabilities		**1,089**	2,508
Tax liabilities		**10,583**	6,920
		43,162	39,602
Net current assets		**226,425**	217,053
Total assets less current liabilities		**314,890**	301,392

	NOTES	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		**–**	264
Promissory notes	*16*	**183,699**	159,288
		183,699	159,552
Net asset		**131,191**	141,840
Capital and reserves			
Share capital	*17*	**337,128**	337,128
Reserves		**(203,564)**	(192,809)
Equity attributable to owners of the Company		**133,564**	144,319
Non-controlling interests		**(2,373)**	(2,479)
Total equity		**131,191**	141,840

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise HKFRSs; Hong Kong Accounting Standards; and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies applied in these condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2022. A number of new or amended standards are effective from 1 January 2023 but they do not have a material effect on the Group's consolidated financial statements.

3. REVENUE

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

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from money lending business	**9,924**	8,286
Revenue from trading of goods from eCommerce business	**24,144**	13,287
Revenue from provision of internet education services	**–**	130
	34,068	21,703

4. OPERATING SEGMENTS

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

The Group's operating activities are attributable to three operating segments focusing on (i) money lending business; (ii) eCommerce; and (iii) internet education services. These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that are regularly reviewed by the CODM.

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

For the six months ended 30 June 2023 (Unaudited)

	Money lending business *RMB'000*	**eCommerce** *RMB'000*	**Internet education services** *RMB'000*	**Consolidated** *RMB'000*
Revenue	**9,924**	**24,144**	**–**	**34,068**
Segment (loss)/profit	**6,046**	**(2,958)**	**(2,682)**	**406**
Unallocated corporate income				**465**
Unallocated corporate expenses				**(21,590)**
Loss before taxation				**(20,719)**

For the six months ended 30 June 2022 (Unaudited)

	Money lending business *RMB'000*	eCommerce *RMB'000*	Internet education services *RMB'000*	Consolidated *RMB'000*
Revenue	8,286	13,287	130	21,703
Segment (loss)/profit	5,977	(1,719)	(2,964)	1,294
Unallocated corporate income				53
Unallocated corporate expenses				(25,224)
Loss before taxation				(23,877)

5. IMPAIRMENT LOSSES, NET

	Six months ended 30 June	
	2023 *RMB'000* **(Unaudited)**	2022 *RMB'000* (Unaudited)
Trade and loan receivables	**1,527**	(152)
Other receivables	**–**	–
	1,527	(152)

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest charge on lease liabilities	**58**	65
Interest charge on promissory notes	**15,962**	19,341
Interest charge on bank borrowing	**–**	64
	16,020	19,470

7. TAXATION

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Continuing operations:		
Hong Kong Profits Tax:		
Current period	**–**	–
PRC Enterprise Income Tax:		
Current period	**10**	81
Deferred tax:		
Current period	**–**	–
	10	81

Hong Kong Profits Tax was calculated at 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong for both periods.

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2022: 25%).

One PRC subsidiary obtained a Chinese High-Tech Enterprise Certificate in 2017. According to GuoShuiHan [2009] No. 203, entities qualifying for the Hi-tech status could enjoy a PRC Enterprise Income Tax preferential treatment until 24 October 2024 accordingly. As a result, the PRC subsidiary was subject to a PRC Enterprise Income Tax of 15%.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, dividend distributed out of the profits of PRC entities generated after 1 January 2008 are subject to PRC Enterprise Income Tax which is withheld by the PRC entity at 5% of the dividend distributed.

8. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**21,369**	8,849
Depreciation of property, plant and equipment	**240**	879
Depreciation of right-of-use assets	**1,035**	1,722

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the current period (2022 interim and final dividend: RMB Nil).

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to the owners of the Company	**(21,308)**	(24,537)

	Six months ended 30 June	
	2023	2022
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,975,448**	3,975,448

Diluted loss per share for the six months ended 30 June 2023 and 2022 was the same as the basic loss per share because the computation of diluted loss per share did not assume the exercises of the Company's outstanding share options as the exercise price of the share option exceeded the average market price of ordinary shares during the period.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of approximately RMB Nil (2022: RMB9,000), and no property, plant and equipment has been disposed of (2022: RMB Nil).

12. RIGHT-OF-USE ASSETS

During the period ended 30 June 2023, additions to right-of-use assets were RMB Nil (2022: RMB2,822,000), which related to the capitalised lease payments payable under new tenancy agreements.

13. TRADE RECEIVABLES

The credit period granted by the Group to certain customers is within 180 days (31 December 2022: 180 days), while payment from other customers are due immediately when goods are delivered and services are rendered. The following is an aged analysis of trade receivables presented based on the goods delivery date and services rendered date at the end of the reporting period, which approximated the respective revenue recognition dates:

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
0 – 30 days	**994**	3,481
31 – 60 days	**–**	635
61 – 90 days	**–**	1,585
Over 90 days but within 1 year	**–**	–
	994	5,701

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 RMB1,480,000 (30 June 2022: allowance of RMB7,867,000) recognised during the six months ended 30 June 2023 is based on estimated irrecoverable amounts by reference to the creditability of individual customers, past default experience, subsequent settlement and payment history of the customers. Full provision has been made for individual trade receivables aged over one year with no subsequent settlement.

14. LOAN RECEIVABLES

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

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

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 3 months	**118,088**	13,822
3 months to 1 year	**68,756**	150,421
Over 1 year which contain a repayment on demand clause	**11,926**	12,217
	198,770	176,460

Loss allowance of RMB47,000 (30 June 2022: reversal of allowance of RMB8,019,000) recognised during the six month ended 30 June 2023 is based on estimated irrecoverable amounts by reference to the creditability of individual borrowers, past default experience, subsequent settlement and payment history of the borrowers.

15. TRADE AND BILLS PAYABLES

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
0 – 30 days	**–**	693
31 – 60 days	**–**	289
61 – 90 days	**–**	45
Over 90 days but within 1 year	**22,158**	21,691
	22,158	22,718

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

16. PROMISSORY NOTES

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
At 1 January	**159,288**	242,773
Accrued interest charged	**15,962**	53,793
Redemption of promissory notes	**–**	(103,435)
Gain on extinguishment on promissory notes	**–**	(51,699)
Exchange realignment	**8,449**	17,856
At 30 June/31 December	**183,699**	159,288
Analysis as:		
Current	**–**	–
Non-current	**183,699**	159,288
	183,699	159,288

17. SHARE CAPITAL

	Number of shares at HK$0.10 per share *'000*	**Amount** *HK$'000*
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	20,000,000	2,000,000
Issued and fully paid:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	3,975,448	397,545
Shown in the condensed consolidated financial statements		
At 30 June 2023 (Unaudited)	**RMB'000 equivalent**	**337,128**
At 31 December 2022 (Audited)	RMB'000 equivalent	337,128

18. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Remuneration of the Directors and other members of key management	**1,356**	1,708
Retirement benefit scheme contributions	**11**	22
	1,367	1,730

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

The Group have the following related party transactions:

			Six months ended 30 June	
		Nature of	**2023**	2022
Name of related party	**Relationship**	**transaction/balance**	***RMB' 000***	*RMB' 000*
			(Unaudited)	(Unaudited)
Lu Yongchao	Executive director	Loan interest received	**61**	74
		Loan receivable	**2,736**	2,519
Yip Sum Yu	Executive director	Loan interest received	**77**	72
		Loan receivable	**2,690**	2,476

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

On July 25 this year, the International Monetary Fund (IMF) raised its 2023 global growth estimates slightly given resilient economic activity in the first quarter, but warned that persistent challenges were dampening the medium-term outlook. It reviewed that the global recovery is slowing amid the widening divergences among economic sectors and regions. In its latest World Economic Outlook (WEO) the IMF also said that the inflation was coming down and acute stress in the banking sector had receded, but the balance of risks facing the global economy remained tilted to the downside and the credit situation was tight. Global growth is projected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in 2023. The global headline inflation is expected to fall from 8.7 percent in 2022 to 6.8 percent in 2023. As the global lender, the IMF said it now projected global real Gross Domestic Product (GDP) growth of 3.0 percent in 2023, up by 0.2 percentage point from its April forecast.

According to the IMF, the recent resolution of the U.S. debt ceiling standoff and, earlier this year, strong action by authorities to contain turbulence in U.S. and Swiss banking reduced the immediate risks of the financial sector turmoil. However, the balance of risks to global growth remains tilted to the downside. Inflation could remain high and even rise if further shocks occur, including those from an intensification of the war in Ukraine and extreme weather-related events, triggering a more restrictive monetary policy. Financial sector turbulence could resume as markets adjust to further policy tightening by the central banks. It was noted that China's recovery could be slow, partly resulted from the unresolved real estate problems, with the negative cross-border spillovers. The sovereign debt distress could spread to a wider group of economies. On the upside, inflation could fall faster than expected, reducing the need for the tight monetary policy, and domestic demand could again prove more resilient.

In the first half year of 2023, faced the complex international environment with the various complicated challenges from both at home and abroad, all regions in China implemented the government decisions and focused arrangements strictly on better balanced domestic and international imperatives, coordinated the work of Covid-19 prevention and control with economic and social development, and gave the priority to ensuring stable economic growth, employment and prices. During the period of review, with the domestic efforts to deleverage debt and financial risks by the China government, the national economy showed a good momentum of recovery, despite there were still continuous trade war, political conflicts and tensions with the United States. According to the National Bureau of Statistics of China the year-on-year GDP growth of China for the first half of 2023 was estimated up by 5.5 percent at constant price, which was 1.0 percentage point faster than that in the first quarter of 2023. And in the first half of 2023, the total value added of the industrial enterprises above the designated size grew by 3.8 percent year-on-year; the fixed-asset investment of China increased by 3.8 percent year-on-year; the consumer price index (CPI) rose by 0.7 percent year-on-year while the producer prices for industrial products (PPI) went down by 3.1 percent year-on-year.

According to the figures released by the Hong Kong Census and Statistics Department (C&SD) on 11 August this year, the real GDP grew by 1.5 percent year-on-year in the second quarter of 2023, having increased by 2.9 percent in the preceding quarter of this year. The continuous expansion of Hong Kong GDP in the second quarter of 2023 was mainly attributable to the sustained solid growth in its private consumption and services trade. On a seasonally adjusted quarter-to-quarter comparison, the real GDP of Hong Kong decreased by 1.3 percent in the second quarter of this year after a 5.4 percent increase in the preceding quarter. The Government consumption expenditure of Hong Kong measured in its national accounts terms recorded a decline of 9.6 percent in real terms in the second quarter of 2023 from a year earlier, as against the increase of 1.3 percent in the first quarter. The total exports of goods from Hong Kong plunged further by 15.2 percent year-on-year in real terms in the second quarter this year amid the weak external demand for our goods. During the period under review, our exports to China, United States and the E.U. fell sharply; however, our exports of services continued to grow markedly by 22.9 percent, and exports of the travel services jumped over eight-fold as visitor arrivals surged further in the first half of this year. Our exports of transport services rose further alongside the continued recovery of inbound tourism, and our exports of business and other services showed of modest growth. Mr. Paul Chan, the Hong Kong Financial Secretary has said in public that the Hong Kong government is focused on achieving self-reliance in science and technology, as it aims to make the city of a low carbon economy with achieving carbon neutrality by 2050. "Hong Kong is emerging as a leader in green finance," Chan spoke in an economic forum held in May this year. And he strongly believes that Hong Kong is "well positioned to be a leader in Asia for green finance and technology."

In recent years, the China shadow banking activities performed by financial firms outside the formal banking sector which have been subject to lower levels of regulatory oversight and higher risks have continued to fall. According to the China Banking and Insurance Regulatory Commission (CBIRC) that the number of Chinese peer-to-peer (P2P) lending platforms and lenders dropped to approximately zero since the end of 2020. The CBIRC has at all times called for efforts to resolutely prevent and fend off systemic financial risks and make the financial sector better serve the real economy. The Hong Kong lending and related market are of very distinctive nature to that of China, and there are higher risks for the lending business operation with different shadow banking and social platforms in China. And in line with the U.S. Federal Reserve's move to increase federal funds rate, Hong Kong raised its benchmark interest rate during the period under review. In the first half 2023, the increased interest rate and borrowing costs had hindered Hong Kong property market with a slight fluctuation in property price and transaction volume.

Since 2020, the Covid-19 pandemic changed how the world did business and transformed how companies rely on electronic commerce (eCommerce) to engage with their customers and drive revenue, regardless of their region or industry. With the world market fluctuation financially, online shopping now become more accessible than ever, and the mobile revolution is continuing to dominate the eCommerce business world. Besides, the different business trends take off in the eCommerce world accordingly as some companies have reshaped their business activities by way into Business-to-Business (B2B) eCommerce. In the first half of 2023, there were rapid growing wave of eCommerce businesses selling different products on channels through different online, retail and social platforms. Most B2B businesses have moved beyond their initial investments in eCommerce, and maximize the impact of the new approach to selling and serving customers. Therefore, personalization is a top priority for many B2B companies. In fact, the top eCommerce stores have greatly used artificial intelligence (AI) to provide an automated and personalized shopping experience to their online customers; and with AI to understand their customers' buying preferences and practices, their eCommerce business can have further growth and expansion enhanced periodically. AI and machine learning are now transforming the world of eCommerce. AI technology has evolved and become a great tool for increasing sales and streamlining operations. By analyzing the large amounts of data from customer interactions and purchase histories, Companies can better understand what their consumers want and communicate with messages that will strongly appeal to them. Factually, the ever-growing competencies of eCommerce solutions are a testament to the importance of eCommerce in the modern business world.

Economist has said that China has the largest education system in the world. Actually, there were 12.91 million students taking the National Higher Education Entrance Examination (Gao Kao) in China in June 2023. Today, the Chinese Ministry of Education estimates that above 99 percent of the school-age children have received a universal nine-year basic education. In recent years, China has improved the quality of education through a major effort at school curriculum and other educational reforms. China's Education Modernization 2035 plan is launched to set the direction for the development of the education sector from "capacity" to "quality", and it is expected that the modernization of education should support the modernization of China. The Chinese Ministry of Education has at all times considered using the application of information technology (IT) to advance its education reforms and ensure there are equitable access to education by all students in China. Since the year end of 2020, the Covid-19 pandemic has virtually had a positive impact on the K-12 sector of school education going online in China, though it has slowed down territory education and vocational education due to the delayed or cancelled academic examinations and studies overseas. However, based on the "雙減*shuang jian*" double reduction policy released by the Chinese central government, new education reforms were then started to implement from July 2021; and the government launched a sweeping clampdown on its private tuition sector, banning them from providing for-profit classes on school curriculum subjects to students in afterschool tutoring activities. The government objective was twofold: easing the burden on families, including overworked students and parents struggling to pay tuition, and curbing what it deemed "disorderly expansion of capital" in what had become a US$100 billion industry.

During the period under review, almost all online education and tutoring business in China ceased their educational business operations or having shifted their business to different new business areas to strive for their survival in China. From a Chinese policymaker's perspective, these education reform policies might well have accomplished their purposes. Anyhow, advocates of the free market argue that this Chinese government intervention only destroyed the natural and healthy dynamics of the education sector and made it much less efficient. And according to the survey interviews with several parents in China cities including Shanghai and Shenzhen have found that spending on after-school tuition actually rose for many households, especially since the start of summer holidays – the first school break since the end of Covid-19 restrictions this year. Parents are eager to give their kids a head start in education say they have turned to the expensive, underground tuition services that have mushroomed across the country.

Business Review

In the first half of 2023, the Cybernaut Group comprised three segments of subsidiary groups, namely those engaged in the money lending business; eCommerce business and internet online education services.

During the period under review, the Cybernaut Group subsidiary segment businesses in both Hong Kong and overseas were still in some way affected by the Covid-19 pandemic and market situations fluctuated somehow by the continuous trade war between China and U.S.A. under the current Administration under the U.S. President Joe Biden.

Time Credit Limited (TCL), was the subsidiary of Cybernaut Group engaged in money lending business in Hong Kong for property loans under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), in the first half of 2023. In consideration of the government measures to release the hardship of business in Hong Kong financially to face the Covid-19 pandemic and for economic recovery, the TCL management has helped entities with good past working history in need of loans for their business operation. Periodically the Hong Kong government authority has warned the borrowers to be aware of the unstable and uncertain economic environment and the risks of increased interest rate through media. During the period under review, TCL generated revenue by granting the first mortgage property loans to customers for their financial needs. TCL has good credit control efficiency with clientele composed mainly of the high net worth customers or through the recommendation by the partnership alliance on sub-mortgage arrangements. The loan portfolio of TCL clients were of good standings such as the Hong Kong Listco and big corporate clients, which had contributed a steady income stream for the Cybernaut Group in the first half of 2023.

Today, the online marketplaces are booming vastly and the eCommerce market is highly competitive. In the first half of 2023, our subsidiary group engaged in eCommerce business strived extremely hard to meet its market demand under the tough economic fluctuation and the latest market headwind situations after the Covid-19. In prior years, the subsidiary experienced great losses during the pandemic, frustrated with the U.S.-China tension and also the marketplace platform restrictions etc. The management decided to have a transition our eCommerce business mainly from B2C to B2B since the second half of 2022. During the period under review, the eCommerce subsidiary engaged mainly on B2B business with various operation risks minimized by supplying refurbished phones to local resellers through our website and platform. A steady business growth was achieved in the first half of 2023, and it is expected to have a better performance in the latter half of 2023.

Followed the July 2021 *shuang jian* (literally meaning 'double reduction') Beijing government policy imposed in China and to comply with the government measures of the New and Revised Education Regulations to reduce the burden of homework and after school tutoring on students in compulsory education, our subsidiary business providing online after-school tutoring services for academic subjects to students in China by 京師沃學(北京)教育科技有限公司 Capital Wowxue (Beijing) Education Technology Limited (沃學 "Wowxue"),which was once operated under the arrangement of the VIE Agreements with 湖州公司 Huzhou Company, the wholly-owned subsidiary of the Company in China, was temporarily ceased with operation suspended since July 2021. The VIE arrangement by Huzhou with Wowxue will become invalid when all the binding contracts under the arrangement are gradually modified and fully cancelled at the time when the corporate restructuring of having Wowxue become a subsidiary of the Company group is completed in the second half of 2023. The business operation on education and related services will then be restarted by Wowxue, following the new education regulatory requirements and updated guidelines. In the meantime, the series of restructuring process for Wowxue to be a wholly owned subsidiary of the Company group is finalizing, and we realize that the temporary business suspension of the online education services by Wowxue had a material adverse impact on the Group's revenues during the period under review. With our management insight and business talents in the industry, we are expecting a favourable outcome to resume from the suspended business before the end of 2023.

Consolidation in Customer Base

The global economic fluctuation and post Covid-19 situations had affected the business operation of our subsidiaries in various extend during the period under review.

For our money lending business and its operation during the Covid-19 pandemic in Hong Kong, we have cautiously taken steps and diversified different clients in order to disperse the risk and only focus on first mortgage clients in order to minimize the risk of the breach of contract. During the period under review, our major clients were business clients and those of high net worth.

In the first half of 2023, our eCommerce business was mainly online wholesale sale to resellers. We will enhance business growth and the customer royalty to encourage resellers to visit our site more regularly and particularly for placing their orders there in time.

The internet education business acquired in November 2017, was suspended during the reporting period due to the education reform in China since July 2021. Once the restructuring procedures for Wowxue to become the wholly-owned subsidiary of the Company completed in the second half of 2023, the education activities and services in China can then be resumed.

Business Growth in Overseas Markets

For the first half year of 2023, eCommerce contributed more than 70% of total revenue of the Group. The health crisis and lockdown in different countries resulted from the variant Covid-19 pandemic during the period under review, we had strived hard to run our eCommerce business.

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

Research and Development

During the period under review, the research patents on the Group's internet education segment business in China has a total of 16 patents held as at 30 June 2023. Due to the suspension of the subsidiary, the business did not engage any professionals in the business segment development and related research areas for the six months ended 30 June 2023.

Financial Review

Revenue

Money Lending

Even though the keen market competition and the wide spread of Coronavirus Disease 2019 ("Covid-19"), the revenue of our money lending business increased by approximately 19.3% when comparing to 2022. The revenue contributed by this business was approximately RMB9.9 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately RMB8.3 million). The increase is mainly due to the increase of borrowing interest rate.

As at 30 June 2023, TCL had 22 customers as borrowers. The loan maturities ranged from 1 to 30 years. The loan size ranged from HK$0.5 million to HK$60.5 million. The loans receivables of the 5 largest borrowers accounted for approximately 79% of the total loan receivables.

ECommerce

The revenue contributed by this business was approximately RMB24.1 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately RMB13.3 million). The increase of revenue of approximately 81.2% was mainly due to the changes in terms of business models and operations from direct-to consumer (B2C) approach to direct-to business (B2B) approach.

Internet Education Services

As a result of the temporary business suspension of the internet education services which was acquired in November 2017, no revenue was contributed for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately RMB0.1 million). The subsidiary of internet education is now undergoing a new restructuring for its future business operation in the Group.

Cost of Sales/Service Rendered

The Group's cost of sales mainly consists of costs of raw materials, labour and other direct costs of sales and services rendered. During the six months ended 30 June 2023, the Group's cost of sales increased by approximately 114.0% from approximately RMB10.0 million for the six months ended 30 June 2022 to approximately RMB21.4 million for the six months ended 30 June 2023. The increase was mainly attributable to the increase of sale revenue of eCommerce business during the period under review.

Gross Profit

The Group engaged in the different industries had a gross profit of approximately RMB12.7 million for the six months ended 30 June 2023. For the six months ended 30 June 2022, the Group recorded a gross profit of approximately RMB11.7 million. The gross profit was from the segment business in money lending business and eCommerce business.

Loss allowance for Trade Receivables and Loan Receivables

Under the impact of the Covid-19 outbreak, the repayment ability of the different industries deteriorated in the first half year of 2023, loss allowance for trade receivables amounted to approximately RMB1.4 million has been recognised for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately RMB7.9 million). Meanwhile, loss allowance for loan receivables amounted to approximately RMB0.1 million has been recognised for the six months ended 30 June 2023 (for the six months ended 30 June 2022: reversal of allowance of approximately RMB8.0 million).

Selling and Distribution Costs

The Group's selling and distribution costs comprised sales commission, sales staff costs and transportation costs. During the six months ended 30 June 2023, the Group's selling and distribution costs was approximately RMB0.3 million (for the six month ended 30 June 2022: approximately RMB1.4 million).

Administrative Expenses

The Group's administrative expenses increased by approximately 3.9% from approximately RMB15.5 million for the six months ended 30 June 2022 to approximately RMB16.1 million for the same period ended 30 June 2023. No amortization of intangible assets is recognised for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

Finance Costs

The Group's finance costs were approximately RMB16.0 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately RMB19.5 million). The finance cost was due to the imputed interest of the promissory notes.

Taxation

The PRC subsidiary of the Company engaged in internet online education service provider still 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 2024.

Loss and total Comprehensive Expense for the Period

The Group's loss and total comprehensive expense for the six months ended 30 June 2023 was approximately RMB10.6 million while the loss and total comprehensive expense was approximately RMB21.4 million for the six months ended 30 June 2022. The Group's basic loss per share was approximately RMB0.54 cents for the six months ended 30 June 2023, compared to a basic loss per share of approximately RMB0.62 cents for the six months ended 30 June 2022.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

Capital Structure, Liquidity and Financial Resources

The Group's bank balances and cash as at 30 June 2023 was approximately RMB35.7 million (as at 31 December 2022: approximately RMB44.2 million).

Total equity of the Group as at 30 June 2023 was approximately RMB131.2 million (as at 31 December 2022: approximately RMB141.8 million). The Group has an outstanding promissory notes of approximately RMB183.7 million as at 30 June 2023 (as at 31 December 2022: approximately RMB159.3 million).

As at 30 June 2023, the Group's gearing ratio, which was calculated on the basis of total borrowings as a percentage of shareholder equity, was 51% (as at 31 December 2022: 47%).

Pledge of Assets

As at 30 June 2023, the Group has pledged buildings with carrying values of approximately RMB7,403,000 to secure the promissory notes of the Group (2022: Nil).

Disposal of Subsidiary and Investment

During the period under review, the Company did not hold any significant investment of equity interest in any other company.

Contingent Liabilities

As at 30 June 2023, the Group had not provided any form of guarantee to any company outside of the Group. Save as disclosed in the announcement dated 16 February 2022, regarding the receipt of writ of summons, 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 Euro dollars, Renminbi and Hong Kong dollars. The operating expenses of the Group are mainly in Hong Kong dollars and Renminbi. The Group has well monitored and managed its exposure to fluctuation in currency exchange rates.

Human Resources and Staff Remuneration

As at 30 June 2023, the Group had a total of 46 staff members employed in mainland China and Hong Kong (2022: 21). During the period under review, the Group had continued to devote significant resources to bolster its training programme, providing training and study opportunities for management staff and professional technicians. In addition, the Group has provided timely updates to all staff about the latest government policies related to the industry to continuously enhance the professional standard and quality of the staff. Meanwhile, the Group has provided fair remuneration for its staff which encourages their commitment and enhances their professionalism.

Future Prospects

Global financial conditions are tightened further as many major central banks continue to raise interest rates to curb inflation, weighing on the global economic momentum. And the vaccination for the evolving global pandemic, the war in Ukraine war and the steady recovery for economic growth among countries also pose challenges for the global economy.

In its latest WEO published this year, the IMF said that the 2023-2024 global economic growth forecast remains weak by the historical standards, well below the annual average of 3.8 percent as seen in 2000-2019, largely due to the weaker manufacturing situations in the advanced economies, and it could stay at that level for years. "International trade and indicators of demand and production in manufacturing all point to further weakness," the Chief Economist of IMF said, noting that excess savings built up during the pandemic are declining in advanced economies, especially in the United States, implying "a slimmer buffer to protect against shocks." The IMF said in July this year that the world is in a better place now, noting the World Health Organization's decision to end the global health emergency surrounding Covid-19, and with shipping costs and delivery times now back to the pre-pandemic levels. "But forces that hindered growth in 2022 persist," the IMF said additionally, citing the still-high inflation that was eroding household buying power, higher interest rates that have raised the cost of borrowing and tighter access to credit as a result of the banking strains that emerged in March this year. The impact of higher interest rates was especially evident in the poorer countries, driving debt costs higher and limiting room for any priority investments. As a result, output losses compared with pre-pandemic forecasts remain large, especially for the world's poorest nations, further commented by the Chief Economist of IMF.

The Secretary for Hong Kong Financial Services and the Treasury, Mr. Christopher Hui has once said that the Government's plan is to lower the statutory interest rate cap for lending after having taken into consideration of the recommendations from the Consumer Council, the effective interest rates adopted by the local money lending sector, the interest rate cap for lending overseas, as well as other market statistics. On 27 July 2023, the Hong Kong Monetary Authority (HKMA) raised its base rate charged through the overnight discount window by 25 basis points to 5.75 percent, the highest in 16 years, hours after the U.S. Federal Reserve (U.S. Fed) delivered a rate hike of the same margin. "Under the linked exchange rate system, Hong Kong interbank offer rates will track the U.S. rates closely so that the spread between the two gradually narrows," HKMA acting Chief Executive, Mr. Arthur Yuen told a press briefing. While companies may face higher costs on Hong Kong dollar bank loans, he commented, "we haven't yet seen that the higher funding costs impacting banks' clients directly." As the official base rate of Hong Kong follows the U.S. Fed's policy rate, local banks are not obliged to remain in lock-step with the U.S. rates. According to Mr. Yuen's view, a seasonal factor that has led Hong Kong interbank offered rates higher in recent months is due to the companies' demand for the local currency for dividend payments, which traditionally peaks from June to August in a year. This has led the one month Hong Kong interbank rate, the benchmark that banks use to price their residential mortgage loans, to surge to a 16-year high of 5.21 percent earlier in July. Analysts expect Hong Kong dollar rates to remain high as the U.S. Fed is unlikely to reverse its tightening to an easing this year.

After the rebound in the first quarter, the Hong Kong residential property market showed some consolidation in the second quarter of this year. Market sentiment in Hong Kong turned to be cautious amid an uncertain global economic outlook, rising local interest rates and expectations of further rate hikes by the U.S. Fed and dampened by concerns over the recovery momentum of the China economy. However, Hong Kong will continue to have an active and growing money-lending market. The subsidiary with business in the lending segment of Cybernaut Group, TCL will continue granting property mortgage loan to high net worth customers of good and healthy reference check in a prudent manner, so that the business can well meet the needs for the Hong Kong property market accordingly and generate a good stream of income for the Group.

A number of businessmen engaged in eCommerce has recognized that many online retailers will continue to choose an omnichannel sales strategy in 2023. Striving hard for survival in the highly competitive eCommerce environments, our eCommerce subsidiary has adopted its new business model to mainly for wholesale sales in 2023, to minimize all risks in competing on product price and also logistics etc. In order to have larger scale of turnover and outcome in the near future, the eCommerce subsidiary will continue to have wholesaling business of refurbished smartphones tactically offered to various resellers, and incentives granted for those orders placed through its own website and platform.

It is noted by economists that China will further tighten oversight over its battered online education sector, in a clear signal that the Beijing government is not yet prepared to unshackle the private tutoring area. It was told by the China government that any organizations with business engaged in the non-curriculum tutoring in China, their services rendered must strictly comply with the updated guidelines under the revised educational laws and related regulatory measures for their business development. In fact, under the China *shuangjian* reforms on education and the new education regulation governing on after school education and tutoring business activities since July 2021, our management has been seeking changes for the survival of our education business segment in China. At the moment, the Company is finalizing the restructuring procedures of Wowxue (沃學) into our subsidiary group with Huzhou Company (湖州公司), then we can have business operation restarted in the education sector in compliance with the new education regulatory requirements after the completion of the corporate restructuring. Realized market situations and the hardship ahead, the education business subsidiary will be more cautious on any new challenges to make good use of the remains from the educational materials and assets in the second half 2023. In future, Wowxue the education segment business of the Company will be the one with a different business model targeting to provide different kind of educational and vocational training services through online platform or coursework for new customers.

Compliance with Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the "MLO")

Our money lending business is required to and has, at all times, strictly complied with all relevant laws and regulations. In the opinion of our Directors, in addition to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), MLO constituted a significant influence on our Group's money lending business during the year. The MLO is the principal ordinance which governs the money lending business in Hong Kong. Our money lending business has been conducted through the subsidiary of our Company. Since the first granting of money lenders licence to our subsidiary, we have never received any objection from and have never been investigated by the Registrar of Money Lenders nor the Commissioner of Police regarding the renewal of the money lenders licence. To the best of our knowledge, our Group has complied with the MLO in all material aspects, and that our Directors are not aware of any matters that might come to their attention that our money lenders licence would be suspended, terminated or would not be renewed in foreseeable future.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

The Board is of the view that during the six months ended 30 June 2023, the Company has complied with all the applicable code provisions as set out in Part 2 of the CG Code.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted a code of conduct (the "Code of Conduct") regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the six months ended 30 June 2023.

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 for Securities Transactions by Directors of Listed Issuers.

Audit Committee and Review of the Unaudited Interim Results

The Audit Committee comprises of three independent non-executive Directors, namely, Mr. Tong Yiu On, Mr. Li Yik Sang and Mr. Cao Ke. The Audit Committee of the Company has reviewed with management the accounting principles and policies adopted by the Group and discussed auditing, internal control and financial reporting matters, and also reviewed the unaudited interim results for the six months ended 30 June 2023.

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

During the six months period ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Publication of Interim Results Announcement and Interim Report

This results announcement has been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.cybernaut.com.hk). The Company's 2023 interim report will be despatched to its shareholders based on the means of receipt and election of language selected by the shareholders of the Company and published on websites of the Stock Exchange and the Company in due course.

Acknowledgement

The Company would like to express our gratitude to the Board, the management and all employees of the Group for their hard work, loyal service and contribution, and also thank shareholders, property owners and customers, the government, suppliers, business partners and professional consultants for their continued support to the Group.

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

Hong Kong, 30 August 2023

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. Tong Yiu On, Mr. Li Yik Sang and Mr. Cao Ke.