賽伯樂國際控股

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

(formerly known as Sinoref Holdings Limited)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1020)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017, 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 2017

		Six months ended 30 June	
		2017	2016
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**172,538**	181,249
Cost of sales		**(162,061)**	(171,479)
Gross profit		**10,477**	9,770
Other income		**964**	789
Impairment loss recognised in respect of trade receivables		**(38,416)**	(3,802)
Selling and distribution costs		**(8,743)**	(11,395)
Administrative expenses		**(53,248)**	(46,186)
Equity-settled share option expenses		**–**	(11,020)
Finance costs		**(2,473)**	(3,156)
Loss before taxation	*5*	**(91,439)**	(65,000)
Taxation	*6*	**1,771**	2,234
Loss for the period		**(89,668)**	(62,766)
Loss for the period attributable to:			
Owners of the Company		**(90,140)**	(63,108)
Non-controlling interests		**472**	342
		(89,668)	(62,766)
Loss per share	*8*		
Basic and diluted		**(RMB2.39 cents)**	(RMB2.36 cents)
Other comprehensive (expense)/income for the period			
Item that maybe reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(16,658)**	7,188
Total comprehensive expense for the period		**(106,326)**	(55,578)
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		**(106,790)**	(55,931)
Non-controlling interests		**464**	353
		(106,326)	(55,578)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

	NOTES	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*9*	**13,829**	12,824
Goodwill		**317,291**	327,005
Other intangible assets	*10*	**46,601**	63,309
Prepaid lease payments		**176**	254
		377,897	403,392
Current assets			
Inventories		**58,387**	62,298
Trade receivables	*11*	**99,685**	155,229
Bills receivables	*12*	**3,812**	12,315
Loan receivables	*13*	**179,079**	221,241
Other receivables, deposits and prepayments		**67,178**	45,920
Prepaid lease payments		**156**	156
Restricted bank deposits		**4,760**	2,054
Bank balances and cash		**224,393**	40,070
		637,450	539,283
Current liabilities			
Trade and bills payables	*14*	**76,285**	50,949
Other payables and accruals		**26,039**	29,504
Tax liabilities		**7,690**	7,937
Bank and other borrowings	*15*	**40,370**	84,462
		150,384	172,852
Net current assets		**487,066**	366,431
Total assets less current liabilities		**864,963**	769,823
Non-current liabilities			
Deferred tax liabilities		**7,228**	10,243
Promissory notes	*16*	**191,768**	195,730
		198,996	205,973
Net asset		**665,967**	563,850
Capital and reserves			
Share capital	*17*	**335,045**	266,401
Reserves		**328,711**	295,702
		663,756	562,103
Non-controlling interests		**2,211**	1,747
Total equity		**665,967**	563,850

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, amendments Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material impact on the amounts reported and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

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

An analysis of revenue is as follows:

	For the six months ended	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from trading of advanced steel flow control products	**53,429**	77,808
Revenue from trading of paper converting equipment and other relating equipment	**16,202**	18,531
Revenue from eCommerce business	**95,010**	79,796
Revenue from money lending business	**7,897**	5,114
	172,538	181,249

4. OPERATING SEGMENTS

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

The Group's operating activities are attributable to four operating segments focusing on (i) the manufacture and sale of advanced steel flow control products; (ii) the manufacture and sale of paper converting equipment and other relating equipment, (iii) money lending business; and (iv) eCommerce. 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 2017 (Unaudited)

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

For the six months ended 30 June 2016 (Unaudited)

	Money lending business *RMB'000*	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	eCommerce *RMB'000*	Consolidated *RMB'000*
Revenue	5,114	77,808	18,531	79,796	181,249
Segment profit/(loss)	4,097	(39,169)	(1,512)	(12,354)	(48,938)
Unallocated corporate expenses					(16,062)
Loss before taxation					(65,000)

Segment (loss)/profit represents the loss incurred/profit earned by each segment without allocation of certain administration costs and other income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Cost of inventories recognised as an expense	**161,240**	152,225
Depreciation of property, plant and equipment	**943**	1,195
Amortisation of prepaid lease payments	**78**	146
Amortisation of other intangible assets	**17,140**	17,269
Net exchange loss/(gain)	**11**	(8)
Research and development costs (included in administrative expenses)	**10,644**	13,468
Interest income	**(3)**	(49)
Loss/(gain) on disposal of property, plant and equipment	**117**	(28)
Equity-settled share option expenses	**–**	11,020

6. TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:		
Current period	**987**	1,263
PRC Enterprise Income Tax:		
Current period	**–**	–
Deferred tax:		
Current period	**(2,758)**	(3,497)
	(1,771)	(2,234)

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% from 1 January 2008 onwards.

On 24 August 2015, one of the PRC subsidiaries obtained a Hi-tech certificate which is valid for three years. According to GuoShuiHan [2009] No.203, entities qualifying for the Hi-tech status could enjoy a PRC Enterprise Income Tax preferential treatment starting from the year of obtaining the Hi-tech certificate. As a result, this PRC subsidiary was subject to a PRC Enterprise Income Tax of 15% for three years commencing from 2015.

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. During the six months ended 30 June 2017, deferred tax income of RMB2,758,000 (six months ended 30 June 2016: RMB3,497,000) in respect of the undistributed earnings of the Company's PRC subsidiaries has been reversed in the condensed consolidated statement of profit or loss and other comprehensive income.

7. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the current period (2016: nil).

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to the owners of the Company for the purpose of calculation of basic and diluted loss per share	**(90,140)**	(63,108)

	Six months ended 30 June	
	2017	2016
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,777,372**	2,669,972

The calculation of diluted loss per share had not taken into consideration the assumed exercise of the Company's outstanding share options and warrants during the six months ended 30 June 2017 and 2016 as it had an anti-dilutive effect on the basic loss per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of approximately RMB2,396,000 (2016: RMB1,338,000), and disposed motor vehicles at a cost of approximately RMB117,000 (2016: nil).

10. OTHER INTANGIBLE ASSETS

As at 30 June 2017 other intangible assets included technology know-how of carrying value of approximately RMB46,601,000 (31 December 2016: RMB63,309,000). The intangible assets are amortised over their estimated useful life of 3 years using the straight line method.

11. TRADE RECEIVABLES

The credit period granted by the Group to certain customers is within 180 days (31 December 2016: 180 days), while payment from other customers are due immediately when goods are delivered. The following is an aged analysis of trade receivables presented based on the goods delivery date at the end of the reporting period, which approximated the respective revenue recognition dates:

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
0 – 30 days	**28,825**	24,950
31 – 60 days	**9,425**	13,831
61 – 90 days	**10,678**	13,617
91 – 120 days	**518**	13,552
121 – 180 days	**3,378**	17,443
181 days to within 1 year	**32,077**	71,836
Over 1 year	**14,784**	–
	99,685	155,229

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 RMB38,416,000 (31 December 2016: RMB2,012,000) recognised during the six months ended 30 June 2017 is based on estimated irrecoverable amounts by reference to the creditability of individual customers, past default experience, subsequent settlement and payment history of the customers. Full provision has been made for individual trade receivables aged over one year with no subsequent settlement.

12. BILLS RECEIVABLES

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

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
0 – 90 days	**1,642**	3,458
91 – 120 days	**900**	–
121 – 180 days	**950**	1,510
Over 180 days	**320**	7,347
	3,812	12,315

At 30 June 2017, the carrying value of bills receivables included bills endorsed to suppliers on a full recourse basis that are not yet due amounting to RMB3,461,000 (31 December 2016: RMB4,968,000). As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables as assets in the condensed consolidated financial statements. The associated trade payables secured over the bills endorsed to the suppliers which were not yet due at the end of reporting period are recognised as current liabilities in the condensed consolidated statement of financial position.

12. BILLS RECEIVABLES (CONTINUED)

All the bills receivables are denominated in RMB.

The maturity dates of endorsed bills were less than six months from the end of the reporting period.

13. LOAN RECEIVABLES

The Group's loan receivables 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 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
Within 3 months	**22,303**	121,965
3 months to 1 year	**113,504**	99,276
Over 1 year	**43,272**	–
	179,079	221,241

Loan receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no history of default.

14. TRADE AND BILLS PAYABLES

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

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
0 – 30 days	**29,890**	23,821
31 – 60 days	**14,729**	7,530
61 – 90 days	**9,427**	5,184
Over 90 days	**22,239**	14,414
	76,285	50,949

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

At 30 June 2017, included in the trade payables was RMB3,461,000 (31 December 2016: RMB4,968,000) secured over bills receivables endorsed to suppliers that were not yet due for payment.

15. BANK AND OTHER BORROWINGS

Included in bank and other borrowings, was a bank borrowings of approximately RMB23,000,000, which was secured by the Group's leasehold land and building with a net carrying value of RMB332,000 (31 December 2016: RMB410,000) and RMB350,000 (31 December 2016: RMB389,000) respectively, at the end of the reporting period and repayable within one year.

16. PROMISSORY NOTES

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
At 1 January	**195,730**	207,737
Loss on early redemption	**–**	26,191
Settlement by issuance of shares	**–**	(56,720)
Accrued interest charged	**1,886**	4,389
Exchange realignment	**(5,848)**	14,133
At 30 June/31 December	**191,768**	195,730

17. SHARE CAPITAL

	Number of shares at HK$0.10 per share *'000*	Amount *HK$'000*
Authorised:		
At 1 January 2016, 31 December 2016, 1 January 2017 and 30 June 2017	20,000,000	2,000,000
Issued and fully paid:		
At 1 January 2016	2,569,228	256,923
Issue of shares upon exercising of warrants *(note a)*	384	38
Issue of share on 16 May 2016 *(note b)*	409,000	40,900
Issue of share on 14 November 2016 *(note c)*	207,400	20,740
At 31 December 2016 and 1 January 2017	3,186,012	318,601
Issue of shares upon exercising of warrants *(note d)*	165,922	16,592
Issue of shares on 13 January 2017 *(note e)*	595,600	59,560
Issue of shares upon exercising of share options *(note f)*	15,000	1,500
At 30 June 2017	3,962,534	396,253
Shown in the condensed consolidated financial statements		
At 31 December 2016 (Audited)	RMB'000 equivalent	266,401
At 30 June 2017 (Unaudited)	RMB'000 equivalent	335,045

Notes:

(a) For the year ended 31 December 2016, 80,000, 12,000, 800 and 291,200 shares were issued upon exercising of warrants on 19 January 2016, 22 March 2016, 23 March 2016 and 1 April 2016 respectively. The net proceed of approximately HK$0.1 million was used for general working capital.

(b) On 16 May 2016, pursuant to the placing and subscription agreement dated 20 April 2016, 409,000,000 ordinary shares of HK$0.10 each were alloted and issued at HK$0.166 per share to not less than six placees. The net proceed of approximately HK$66.78 million was used for general working capital.

(c) On 14 November 2016, the Company early redeemed the PN 1 in full by way of issuing 207,400,000 ordinary shares of the Company at the price of HK$0.166. The fair value of the said ordinary shares at the date of issuance was approximately HK$56,720,000 (based on market price of HK$0.31). As such, loss on early redemption of promissory notes of approximately HK$26,191,000 has been recognised during the year ended 31 December 2016.

(d) During the interim period ended 30 June 2017, total 165,922,000 shares were issued upon exercising of warrants. The net proceed of approximately HK$49,777,000 was used for general working capital.

(e) On 13 January 2017, pursuant to the placing and subscription agreement dated 13 January 2017, 595,600,000 ordinary shares of HK$0.10 each were alloted and issued at HK$0.30 per share. The net proceed of approximately HK$176,600,000 million was used for general working capital and funds to finance future investment.

(f) On 15 May 2017, share options were exercised to subscribe for 15,000,000 ordinary shares in the Company at a consideration of HK$4,800,000 of which HK$1,500,000 was credited to share capital and the balance HK$3,300,000 was credited to the share premium account. Amounts of approximately HK$1,643,000 has been transferred from the capital reverse to the share premium account in accordance with the accounting policy adopted by the Company.

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	
	2017	**2016**
	RMB'000	*RMB'000*
	(Unaudited)	**(Unaudited)**
Short-term benefits	**1,053**	**815**
Retirement benefit scheme contributions	**16**	**13**
	1,069	**828**

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

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

			Six months ended 30 June	
		Nature of	**2017**	2016
Name of related party	**Relationship**	**transaction/balance**	***RMB'000***	*RMB'000*
			(Unaudited)	(Unaudited)
Lu Yongchao	Executive director	Loan interest received	**67**	59
		Loan interest receivable	**88**	7
		Loan receivable	**2,950**	2,526
Yip Sum Yu	Non-executive Director	Loan interest received	**–**	25

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The global economy has continued its mild recovery upon different aspects of crises and particularly the US economy. On its path of moderation, the Chinese economy was slightly above market expectations in the first half of 2017. From January to June 2017, Chinese government spending rose 15.8 percent compared to the same period in the prior year; and at the same time, the fiscal revenue increased by 9.8 percent. Considering the first half of 2017, final consumption accounted for 63.4 percent of the Gross Domestic Product ("GDP") growth in China; whilst investment contributed with 32.7 percent of growth and net exports accounted for 3.9 percent. The strong increase in industrial output and retail sales, slightly beat the GDP estimates in China and advanced 6.9 percent year-on-year in the second quarter of 2017 as reported by the National Bureau of Statistics of China. This was regarded at the same pace as in the previous period, while the markets expected a 6.8 percent expansion.

According to World Steel Association ("Worldsteel"), the world crude steel production for the first six months of the year was approximately 836.0 million tonnes (Mt), up by 4.5 percent when compared to the same period in 2016. And the world crude steel production for the 67 countries reporting to Worldsteel was 141.0 Mt in June 2017, a 3.2% increase compared to June 2016. China Iron and Steel Association ("CISA") said that China's crude steel production hit approximately 420 Mt in the first half of the year, rising 4.6 percent year-on-year and was attributed to the elimination of inferior steel and increased market demand. China's crude steel production for June 2017 was approximately 73.2 Mt, an increase of 5.7 percent when compared to that of June 2016.

According to the National Development and Reform Commission of China, the overcapacity in iron and steel industry has significantly reduced in the first half of the year, and is expected to cut 50 Mt of steel in 2017. And China has reduced steel production by 42.4 Mt by the end of May, which is 84.8 percent of the target for 2017. CISA commented that China had phased out more than 500 low-grade steel mills with capacity at 119 Mt, and it is expected all the low-grade steel capacities be eliminated after the local governments finish the necessary action by the end of August 2017. CISA has reported that most of the steel enterprises in China, especially the big boys of the industry, are already compliant with the world's top standards for the environmental protection. And the environmental policies have only a limited effect on the supply of steel products because local governments do not impose production halts or any other restrictions on environmentally friendly enterprises. It is also said that government policies on steel overcapacity reduction, elimination of inferior steel and environmental protection have been over-interpreted and even misunderstood by the market. However, CISA has found that the steel products' price surge is not due to strong demand or inadequate supply but mostly due to the speculative trading by some unscrupulous market players.

Steel makers have faced difficulties over the past few years and the pressure of cutting overcapacity still remains for the steel sector, with the progress slow in some regions. However, steel price have risen in the past few months amid temporarily strained supply as some producers scaled back output to avoid losses and due to speculative trading. During the period under review, the oversupply condition of the steel market remained unresolved. Total steel product inventory level in China remained high and many unfavourable factors including price slide and raw material costs of steel have put huge pressure on and posted harsh challenges to the production and operation of steel enterprises. Since our subsidiary engaged in the manufacturing of steel flow control product is in a steel-related industry, so the business sector of the Group was then affected adversely by the steel market situations.

In 2017, while the traditional business model continues to lose ground, electronic commerce ("eCommerce") and especially online orders in business like the retail one continues to grow, bringing with it both challenges and opportunities related to logistics and delivery. Many consumers will receive their first same-day delivery of their orders, whether at home, at work, or at a drop-off point of their choosing. Many stores will now operate out of smaller spaces, which will serve as showrooms, fitting rooms, or drop-off points. Customers will be able to order the product they want after having seen it and touched it.

Amazon offers free same-day delivery with any purchase over $35 to its "Prime" members in 27 cities across the United States. In Canada, its same-day delivery is now available in Toronto and Vancouver. Walmart is also investing in smaller stores in order to expand its reach and it makes sense for these stores to become the delivery points for those online purchases. Czech online retailer Zoot delivers items purchased online to a physical location within a few hours and consumers can try on clothes and keep only the pieces they like. AliExpress, the B2C marketplace of Chinese giant Alibaba, allows manufacturers to deal directly with end buyers all over the world via a standardized eCommerce and logistics platform. Our eCommerce business sector has kept close attention to the market trends and been successfully to establish different contact points and delivery arrangements through strategic alliances with the local agents in different countries.

Business Review

The Cybernaut Group (Group) comprises its main business source in the subsidiary of the manufacture and sale of advanced steel flow control products, with its other subsidiary businesses engaged in the manufacture of paper converting equipments, money lending business and electronic commerce (eCommerce) business.

The Group's steel flow control product manufacturing plant principally engaged in the manufacture and sale of advanced steel flow control products including subentry nozzle, stopper, tundish nozzle and ladle shroud. In the first half year of 2017, steel manufacturers in China continued struggling hard to survive with low profitability in business and reduced outputs under the huge pressure and challenges amidst the deteriorating global market and the fluctuating iron ore prices. Likewise, our steel flow product manufacturing plant competing with others in the market with lower sales margin had further increased selling and distribution costs to maintain a steady sales volume. Considering the difficulties in meeting challenges and prudential measures be taken on asset value, the business had impaired more of its receivables in aging even though long-relationship still maintained with most of the big clients. The financial performances of the subsidiary strived very hard to maintain its leading positions in the market for the period under review.

In recent years the property market in Hong Kong has experienced a fluctuated rebound in both the property price and transaction volume, and turned to be active and energetic again. Having considered the unstable global economy, anticipated rising interest rate in The United States of America, and keen and competitive mortgage loan market in Hong Kong, we believe that the property market nowadays in Hong Kong is highly unpredictable and challenging that a prudent and cautious approach for conducting our mortgage loan business is necessary and essential.

Time Credit Limited (TCL), the subsidiary of the Group primarily focusing to provide local property mortgage loans, engaged in money lending business in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), had developed sound and effective business growth. This subsidiary mainly generated good revenues on first mortgage property loans to customers for their long and short term financial needs. The well-established and recognized brand name of "TCL" maintained the loan portfolio that contributed to a steady growth of our customer base and market share during the interim period of 2017.

On 8 March 2016, TCL as the property mortgage lender entered into the loan agreement with the borrower (an independent third party) pursuant to which TCL had granted a loan of HK$110 million to the borrower for a term of 12 months. This transaction constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and the loan was redeemed early in February 2017.

In the competitive eCommerce industry, retailers are moving beyond competing on price to competing on logistics, getting packages to more people with greater speed and security. Retailers with a stake in the future of eCommerce cannot settle for low prices alone, but continue advancing their own capabilities in product and service.

The information technology (IT) business subsidiary of the Group named as "Soaring" or "VT Zero" subsidiary group, has principally engaged in the eCommerce industry specializing on B2C retailing through the eBay and Amazon platforms and internet wholesale businesses with a focus on overseas consumers, logistics management and sourcing. Our eCommerce business has kept up with the market innovation and trends on our product sales in overseas markets, with our logistics in all easy pick up locations and efficient delivery. During the period under review, the enterprise had continued growing their business on existing platform with remarkable results in revenue. Besides, it also generated good revenue in its IT project solution for different type of corporate customers.

Consolidation in Customer Base

Building on its strong reputation in the steel industry and leading technologies in the design and manufacturing of advanced steel flow control products, which as the major business of the Group has further consolidated its customer base in the PRC market. During the period under review, the manufacturing plant has wellsecured business with strategic customers. Meanwhile, the plant continued to be the key supplier of the top 10 steel manufacturers in the PRC, including Baosteel Group, Shougang Group, Hebei Group and Wuhan Steel. Going forward, the Group will continue to explore business opportunities with domestic steel manufacturers to drive further business growth.

Expanded Growth in Overseas Markets

During the period under review, the global economy has seen a moderate recovery. The management understands the importance of diversifying its customer base and has devoted its efforts to further expand the overseas market while consolidating Chinese market. The Group's steel flow control product manufacturing plant has built up the reputation of the brand "Sinoref" among the steel industry over the years and has successfully gained good reputation among many of the world's most renowned steel manufacturers, including the world's largest manufacturer, processor and distributor of special long steel products, Carboref GmbH. The Group continues to expand the overseas market and has devoted its efforts to expand the high-end market in mainland China, Asia and Europe. During the period under review, its overseas revenue was approximately RMB10.1 million. The management of the Group is committed to raise the Group's brand awareness overseas aiming at becoming an influential leader in the international market.

Development Diversified Business

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

Enhanced Research and Development

As at 30 June 2017, the Group's steel flow control product manufacturing plant has a total of 27 registered patents. The strong research and development capability is a core competitive edge of the manufacturing plant that has helped the Group become China's second largest advanced steel flow control product manufacturer just a few years after its founding. Apart from further developing its steel flow control products business, the Group has also been seeking potential opportunities in steel-related as well as non-steel related businesses. For the six months ended 30 June 2017, the plant research and development team has 42 professionals, and the expenses on research and development amounted to approximately RMB10.6 million, representing approximately 6.2% of the Group's total revenue. As a result, the manufacturing plant has adopted a number of leading self-developed technologies which enable the business to enjoy a preferential tax rate as a Chinese High-tech Enterprise, supporting future earnings to record new heights.

Financial Review

Revenue

Advanced Steel Flow Control Products

For the six months ended 30 June 2017, the Group's revenue from steel flow control products was approximately RMB53.4 million, representing an decrease of approximately 31.3% as compared with approximately RMB77.8 million for the same period in 2016. The revenue decrease was mainly due to the selective retention of more profitable customers. Total sale volume decreased by approximately 29.7% from 5,192 tonnes for the six months ended 30 June 2016 to 3,650 tonnes for the same period in 2017.

Paper Converting Equipment and Other Relating Equipment

The revenue contributed by its paper converting equipment business was approximately RMB16.2 million for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB18.5 million).

Money Lending

The revenue contributed by this business was approximately RMB7.9 million for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB5.1 million).

ECommerce

The revenue contributed by this business was approximately RMB95.0 million for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB79.8 million).

Cost of Sales

The Group's cost of sales mainly consists of costs of raw materials, labour, depreciation and other costs directly related to sales. During the six months ended 30 June 2017, the Group's cost of sales decreased by approximately 5.49% from approximately RMB171.5 million for the six months ended 30 June 2016 to approximately RMB162.1 million for the six months ended 30 June 2017. The slightly decrease was mainly attributable to the decrease of sale revenue of the Group during the period under review.

Gross Profit

The Group engaged in the different industries had a gross profit of approximately RMB10.5 million for the six months ended 30 June 2017. For the six months ended 30 June 2016, the Group recorded a gross profit of approximately RMB9.8 million. The gross profit was mainly resulted from the optimization of more profitable customers in the industries competitive environment.

Impairment Loss Recognised in Respect of Trade Receivables

As the repayment ability of Chinese steel enterprises deteriorates, an impairment loss for trade receivables has been recognised. For the six months ended 30 June 2017, impairment loss for trade receivables amounted to approximately RMB38.4 million (for the six months ended 30 June 2016: RMB3.8 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 2017, the Group's selling and distribution costs decreased by approximately RMB2.7 million to RMB8.7 million, representing an decrease of around 23.3% from approximately RMB11.4 million for the six months ended 30 June 2016. The decrease was mainly attributable to the decrease in sales commission and transportation cost during the period under review.

Administrative Expenses

The Group's administrative expenses increased by around 15.3% from approximately RMB46.2 million for the six months ended 30 June 2016 to approximately RMB53.2 million for the same period ended 30 June 2017. The increased was mainly due to the increase in staff cost.

Finance Costs

The Group's finance costs were approximately RMB2.5 million for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB3.2 million). The interest rate for bank loan was at a fixed interest rate of 5.22% per annum (2016: 4.92%).

Taxation

One of the Group's PRC subsidiaries has successfully obtained the Chinese High-tech Enterprise Certification (中國高新技術企業認證). Consequently, this PRC subsidiary was entitled to the PRC Enterprise Income Tax ("EIT") rate of 15% until 31 December 2017. The EIT rate for another PRC subsidiary is 25%.

Loss and total Comprehensive Expense for the Period

The Group's loss and total comprehensive expense for the six months ended 30 June 2017 was approximately RMB106.3 million while the loss and total comprehensive expense was approximately RMB55.6 million for the six months ended 30 June 2016. The Group's basic loss per share was approximately RMB2.39 cents for the six months ended 30 June 2017, compared to a basic loss per share of approximately RMB2.36 cent for the six months ended 30 June 2016. There was an increase in impairment loss recognised in trade receivables and administrative expenses during the period.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil).

Capital Structure, Liquidity and Financial Resources

During the period under review, the Group had completed one placing of new Shares of the Company ("Shares"). The placing and the completion of Shares were on 13 January 2017 and 2 February 2017 respectively and a total of 595,600,000 Shares were allotted and issued at HK$0.3 per new Share. The net proceeds raised were approximately HK$176.6 million. For the placing, the net proceeds were used as general working capital and funds to finance future investment of the Group as and when opportunities arise.

For the six months ended 30 June 2017, the Group's net cash used in operating activities was approximately RMB29.0 million (for the six months ended 30 June 2016: RMB64.6 million net cash used in operating activities) and the Group's bank balances and cash as at 30 June 2017 was approximately RMB224.4 million (as at 31 December 2016: RMB40.1 million).

Total equity of the Group as at 30 June 2017 was approximately RMB666.0 million (as at 31 December 2016: RMB563.9 million). The Group has an outstanding bank loan of approximately RMB23.0 million as at 30 June 2017 (as at 31 December 2016: RMB20.0 million). The loan carries a fixed interest at 5.22% (2016: 4.92%) per annum and is repayable within one year.

As at 30 June 2017, the Group's gearing ratio, which was calculated on the basis of total borrowings as a percentage of shareholder equity, was 34.9% (as at 31 December 2016: 49.7%).

Pledge of Assets

As at 30 June 2017, the Group pledged certain of its property, plant and equipment and land use rights with aggregate carrying value of approximately RMB0.68 million (as at 31 December 2016: 0.86 million) as collaterals for the bank borrowing granted to the Group.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

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

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

The Group has always been investing significantly in research and development activities. Such expenditure amounted to about RMB10.6 million for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB13.5 million).

Contingent Liabilities

As at 30 June 2017, the Group had not provided any form of guarantee to any company outside of the Group. The Group is not involved in any current material legal proceedings, nor is it aware of any pending or potential material legal proceedings involving the Group.

Currency Exchange Exposures

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

Human Resources and Staff Remuneration

As at 30 June 2017, the Group had 451 staff members employed in mainland China and Hong Kong (2016: 428). During the period under review, the Group had continued to devote significant resources to bolster its training programme, providing training and study opportunities for management staff and professional technicians. In addition, the Group has provided timely updates to all staff about the latest government policies related to the industry to continuously enhance the professional standard and quality of the staff. Meanwhile, the Group has provided competitive remuneration for its staff which encourages their commitment and enhances their professionalism.

Events after the Reporting Period

On 31 May 2017, the Company informed the Shareholders and potential investors of the Company that the Company as the Purchaser entered into a non-legally binding Memorandum of Understanding ("MOU") with the Vendor in relation to the Possible Acquisition, pursuant to Rule 13.09 of the Listing Rules and the provisions under Part XIVA of the SFO. After the restructuring of the Target Company, the Target Company would indirectly hold the entire interest in the PRC Company through the VIE Structure.

Following on the MOU, the Company (as the purchaser), the Vendor (as the vendor) and Mr. Zhu (as the guarantor) entered into the Sale and Purchase Agreement on 26 July 2017 (after trading hours of the Stock Exchange), pursuant to which the Company has conditionally agreed to acquire from the Vendor and the Vendor has conditionally agreed to sell to the Company the Sale Shares at the consideration of HK$320 million which shall be settled by cash and the Promissory Notes.

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the requirements of reporting and announcement pursuant to Chapter 14 of the Listing Rules. As at the date of the announcement, the Target Company is wholly-owned by the Vendor which is owned as to 90% by Mr. Zhu, a Director and a substantial Shareholder (as defined under the Listing Rules). Thus, the Vendor is an associate of Mr. Zhu and is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Sale and Purchase Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Future Prospects

Going forward while we expect market competition to remain stiff, though the steel industry had a better performance in the first half of 2017, our sector management is cautious of its outlook in the second half of the year, given that the surge in steel price in market and the continuously efforts on overcapacity reduction target in the steel and its related industries by the China government.

With recent improving economic conditions under the supportive economic policies of the government on existing infrastructure and construction, China's steelmakers have reduced output as the fluctuation and slide of steel prices have underscored the weakening domestic demand while the China economic climate seeks to shift away from investment-led growth to a consumption-driven economy.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company had complied with all the code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report, contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2017, except for Code Provision A.6.7 in respect of the attendance of non-executive directors and independent non-executive directors in the general meetings.

According to Code Provision A.6.7, non-executive Directors and independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagement, two non-executive Directors and two independent non-executive Directors could not attend 2016 annual general meeting held on 9 June 2017. However, at the 2016 annual general meeting, there were executive and independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

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

The Company has adopted a code of conduct (the "Code of Conduct") regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the six months ended 30 June 2017.

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.

Review of Accounts

The Audit Committee comprises of three independent non-executive Directors, namely, Mr. Tong Yiu On and Mr. Li Yik Sang and Mr. Cao Ke. The audit committee of the Company has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2017, including the accounting principles and practices adopted by the Group, in conjunction with Elite Partners CPA Limited.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

Publication of the Unaudited Interim Results and Interim Report

This announcement will be published on the Company's website (www.cybernaut.com.hk) and Stock Exchange's website (www.hkexnews.hk). The 2017 Interim Report containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and despatched to the shareholders of the Company in due course.

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

Hong Kong, 31 August 2017

As at the date of this announcement, the executive Directors are Mr. Zhu Min, Mr. Gao Xiang, Mr. Lu Yongchao, Mr. Xu Yejun and Mr. Sin Kwok Wai Ronald; the non-executive Directors are Mr. Chow Chi Wa and Ms. Yip Sum Yu, and the independent non-executive Directors are Mr. Cao Ke, Mr. Tong Yiu On and Mr. Li Yik Sang.