賽 伯 樂 國 際 控 股

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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1020)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022, 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 2022

		Six months ended 30 June	
		2022	2021
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**21,703**	71,887
Cost of sales/service rendered		**(9,966)**	(50,740)
Gross profit		**11,737**	21,147
Other gains, net		**540**	986
Impairment losses, net	*5*	**152**	(5,665)
Selling and distribution costs		**(1,363)**	(1,130)
Administrative expenses		**(15,473)**	(32,979)
Finance costs	*6*	**(19,470)**	(18,723)
Loss before taxation		**(23,877)**	(36,364)
Taxation	*7*	**(81)**	2,704
Loss for the period	*8*	**(23,958)**	(33,660)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**2,578**	608
Total comprehensive expense for the period		**(21,380)**	(33,052)
Loss for the period attributable to:			
Owners of the Company		**(24,537)**	(33,678)
Non-controlling interests		**579**	18
		(23,958)	(33,660)
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		**(21,977)**	(33,069)
Non-controlling interests		**597**	17
		(21,380)	(33,052)
Loss per share	*10*		
Basic and diluted		**(RMB0.62 cents)**	(RMB0.85 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	NOTES	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	**8,865**	9,319
Right-of-use assets	12	**5,031**	3,770
Goodwill		**70,299**	67,013
Intangible assets		**–**	–
		84,195	80,102
Current assets			
Inventories		**3,860**	4,244
Trade receivables	13	**4,086**	27,192
Loan receivables	14	**182,017**	171,268
Other receivables, deposits and prepayments		**42,028**	22,279
Bank balances and cash		**41,577**	44,596
		273,568	269,579
Current liabilities			
Trade and bills payables	15	**23,998**	30,848
Other payables and accruals		**12,776**	11,727
Lease liabilities		**3,416**	2,275
Tax liabilities		**7,377**	7,388
Other borrowings		**2,561**	–
		50,128	52,238
Net current assets		**223,440**	217,341
Total assets less current liabilities		**307,635**	297,443

	NOTES	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		**1,003**	916
Promissory notes	*16*	**274,258**	242,773
		275,261	243,689
Net asset		**32,374**	53,754
Capital and reserves			
Share capital	*17*	**337,128**	337,128
Reserves		**(302,698)**	(280,721)
Equity attributable to owners of the Company		**34,430**	56,407
Non-controlling interests		**(2,056)**	(2,653)
Total equity		**32,374**	53,754

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 ("Listing Rules") Governing the Listing of 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 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 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

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 2022. 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 2021. A number of new or amended standards are effective from 1 January 2022 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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from money lending business	**8,286**	7,842
Revenue from trading of goods from eCommerce business	**13,287**	56,970
Revenue from provision of internet education services	**130**	7,075
	21,703	71,887

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 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)**

For the six months ended 30 June 2021 (Unaudited)

	Continuing operations			
	Money lending business *RMB'000*	eCommerce *RMB'000*	Internet education services *RMB'000*	Consolidated *RMB'000*
Revenue	7,842	56,970	7,075	71,887
Segment (loss)/profit	(22,316)	3,164	(2,608)	(21,760)
Unallocated corporate income				177
Unallocated corporate expenses				(14,781)
Loss before taxation				(36,364)

5. **IMPAIRMENT LOSSES, NET**

	Six months ended 30 June	
	2022 *RMB'000* **(Unaudited)**	2021 *RMB'000* (Unaudited)
Trade and loan receivables	**(152)**	7,467
Other receivables	**–**	(1,802)
	(152)	5,665

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest charge on lease liabilities	**65**	47
Interest charge on promissory notes	**19,341**	18,594
Interest charge on bank borrowing	**64**	82
	19,470	18,723

7. TAXATION

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Continuing operations:		
Hong Kong Profits Tax:		
Current period	**–**	384
PRC Enterprise Income Tax:		
Current period	**81**	–
Deferred tax:		
Current period	**–**	(3,088)
	81	(2,704)

Hong Kong Profits Tax was calculated at 16.5% (2021: 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% (2021: 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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**8,849**	50,740
Depreciation of property, plant and equipment	**879**	891
Depreciation of right-of-use assets	**1,722**	1,924
Amortisation of other intangible assets	**–**	13,098

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the current period (2021 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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to the owners of the Company	**(24,537)**	(33,678)

	Six months ended 30 June	
	2022	2021
	'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 2022 and 2021 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 2022, the Group acquired property, plant and equipment of approximately RMB9,000 (2021: RMB198,000), and no property, plant and equipment has been disposed of (2021: RMB Nil).

12. RIGHT-OF-USE ASSETS

During the period ended 30 June 2022, additions to right-of-use assets were RMB2,822,000 (2021: RMB2,964,000), 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 2021: 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 2022 *RMB'000* **(Unaudited)**	At 31 December 2021 *RMB'000* (Audited)
0 – 30 days	**1,094**	6,890
31 – 60 days	**2,201**	5,330
61 – 90 days	**791**	4,820
Over 90 days but within 1 year	**–**	10,152
	4,086	27,192

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 RMB7,867,000 (30 June 2021: allowance of RMB3,613,000) recognised during the six months ended 30 June 2022 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 2022 ***RMB'000*** **(Unaudited)**	At 31 December 2021 *RMB'000* (Audited)
Within 3 months	**98,941**	21,924
3 months to 1 year	**70,726**	119,542
Over 1 year which contain a repayment on demand clause	**12,350**	29,802
	182,017	171,268

Reversal of allowance of RMB8,019,000 (30 June 2021: loss allowance of RMB3,854,000) recognised during the six month ended 30 June 2022 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 2022 ***RMB'000*** **(Unaudited)**	At 31 December 2021 *RMB'000* (Audited)
0 – 30 days	**817**	4,662
31 – 60 days	**383**	1,230
61 – 90 days	**129**	3,372
Over 90 days but within 1 year	**22,669**	21,584
	23,998	30,848

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

16. PROMISSORY NOTES

	At 30 June 2022 *RMB'000* **(Unaudited)**	At 31 December 2021 *RMB'000* (Audited)
At 1 January	**242,773**	334,737
Accrued interest charged	**19,341**	27,779
Gain on extinguishment on promissory notes	**–**	(66,973)
Repayment	**–**	(43,601)
Exchange realignment	**12,144**	(9,169)
At 30 June/31 December	**274,258**	242,773
Analysis as:		
Current	**–**	–
Non-current	**274,258**	242,773
	274,258	242,773

17. SHARE CAPITAL

	Number of shares at HK$0.10 per share *'000*	**Amount** *HK$'000*
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	20,000,000	2,000,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	3,975,448	397,545

Shown in the condensed consolidated financial statements

At 30 June 2022 (Unaudited)	**RMB'000 equivalent**	**337,128**
At 31 December 2021 (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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Remuneration of the Directors and other members of key management	**1,708**	2,299
Retirement benefit scheme contributions	**22**	63
	1,730	2,362

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	**2022**	2021
Name of related party	**Relationship**	**transaction/balance**	***RMB'000***	*RMB'000*
			(Unaudited)	(Unaudited)
Lu Yongchao	Executive director	Loan interest received	**74**	20
		Loan receivable	**2,519**	2,453
Yip Sum Yu	Executive director	Loan interest received	**72**	73
		Loan receivable	**2,476**	2,412
Sin Kwok Wai Ronald	Key management	Loan receivable	**–**	416
Hongshanshu (Hangzhou) Information Technology Co., Ltd	Common directorship *(Note 1)*	Purchase of intangible assets	**–**	944

Note:

1. Mr. Zhu Min has resigned as director of Hongshanshu (Hangzhou) Information Technology Co., Ltd on 1 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The International Monetary Fund (IMF) has commented in the World Economic Outlook analysis that a tentative recovery of the world economy in 2021 has been followed by increasingly gloomy developments in 2022, as risks began to materialize. The global output contracted in the second quarter of 2022, owing to the downturns in China and Russia, while the U.S. consumer spending undershot expectations. Several shocks have hit the world economy that already weakened by the pandemic including the higher-than-expected inflation worldwide especially in the United States and major European economies; the triggering tighter financial conditions; a worse-than-anticipated slowdown in China in reflecting Covid-19 outbreaks and lockdowns; and the further negative spillovers from the war in Ukraine.

In the first half year of 2022, faced with the various complicated challenges both at home and from abroad, under the leadership of the Central Committee with President Xi Jinping, all regions in China implemented the government decisions and arrangements strictly; and the State Council continued to consolidate economic and social development work under the "Zero-Covid" health policy made in the prevention and control of Covid-19 epidemic. During the period under review there were continuous trade war, political conflicts and tensions with the United States, plus the domestic efforts to deleverage debt and financial risks, the China economy witnessed a consolidated momentum of steady and sound growth.

According to the National Bureau of Statistics of China the year-on-year gross domestic product (GDP) growth of China for the first half of 2022 was 2.5 percent at constant prices, which was way below the expected 5.5 percent annual target in March 2022; and the Beijing government have admitted that reaching such GDP goals this year would be hard, while the GDP grew only 0.4 percent year-on-year in the second quarter of 2022. And in the first half of 2022, the total value added of the industrial enterprises above the designated size grew by 3.4 percent year-on-year; the fixed-asset investment of China increased by 6.1 percent year-on-year; the consumer price index (CPI) went up by 1.7 percent year-on-year while the producer prices for industrial products (PPI) went up by 7.7 percent year-on-year.

The Hong Kong economy improved in overall terms in the second quarter of 2022, and the extent of improvement was weaker than expected, though domestic activities saw some revival, the momentum softened in the latter part of the quarter. Its real GDP decreased at a moderated pace of 1.3 percent from a year earlier, after contracting by 3.9 percent in the preceding quarter. The weakened global demand and continued cross-boundary transportation disruptions has dragged heavily on its export performance. Taking into account the worse-than-expected economic performance of Hong Kong in the first half of the year, and the sharp deterioration of global economic prospects, the real GDP growth forecast of Hong Kong for 2022 is revised downwards to somehow between -0.5 percent to 0.5 percent; and the forecast rate of underlying consumer price inflation for 2022 is maintained at 2 percent.

In recent years, the risks of shadow banking in China have continued to fall. And shadow banking refers to activities performed by financial firms outside the formal banking sector which have been subject to lower levels of regulatory oversight and higher risks. Just a few years ago, peer-to-peer (P2P) lending platforms were touted as a model to reshape China's financial landscape, but a lack of financial regulations saw the fly-by-night operators run amok. As informed by the China Banking and Insurance Regulatory Commission (CBIRC) that the number of Chinese P2P lenders dropped to approximately zero at the end of 2020, from a peak of 5,970 in 2017 after the country increased efforts to crack down on such risky forms of financing over the past several years. According to the official website of the CBIRC, a notice on regulating and promoting the development of commercial pension finance business in China was issued in May 2022. It is proposed that commercial pension wealth management products shall not advertise the expected rate of return to customers. The CBIRB has also stated that it supports and encourages banking and insurance institutions to provide long-term to life-long pension collection services to customers, explore the connection of commercial pension financial products with pension, health, long-term care and other services, and enrich pension collection forms. 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. Above all, 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 platforms in China.

During the period under review, Hong Kong raised its benchmark interest rate in line with the U.S. Federal Reserve's hawkish move to increase federal funds rate, although the main banks in Hong Kong refrained from following suit, so giving some breathing room for local consumers and businesses. Since the Hong Kong currency is pegged to the U.S. dollar, and the U.S. interest rate is expected to increase further, then it is just a matter of time for Hong Kong's interest rate to rise. If the gap between the Hong Kong and U.S. rates widens and results in a continuous increase in HIBOR, or if the local bank system experiences a massive outflow of funds, the deposit and lending rates of local banks may increase. In the first half 2022, the low interest rate and borrowing costs had still enhanced Hong Kong property market though with a slight fluctuation in property price and transaction volume. And in early August this year, Hong Kong Financial Secretary Mr. Paul Chan said in pubic that the Hong Kong economy was showing signs of improvement, with unemployment going down. Mr. Chan also commented that the labour market should continue to improve, although the extent of improvement would be dependent on the pace of economic revival amid the current tightened financial conditions.

The Covid-19 pandemic changed how the world did business in 2020. In 2021, we saw a number of trends take off and business activities make their way into Business-to-Business (B2B) electronic commerce (eCommerce): mobile-first sites, personalization, and adopting omnichannel selling being just some. For this year, it is expected the envelope be pushed further in terms of B2B eCommerce. In recent years the trade war between U.S. and China has posed unpredictable concerns on the worldwide economy including the eCommerce business expansion and online shopping interest. With the world market fluctuation financially, online shopping now become more accessible than ever. The mobile revolution is continuing to dominate the eCommerce business world, as more than half the global consumers now have a smartphone, and this number is only slated to increase in the years to come. While the post-Covid-19 world economy is recovering more slowly than it did after the 2008-2009 global financial crisis, eCommerce at a growing percentage of total global retail sales is expected will continue over the next few years; and this trend of its growth is not only a tailwind for digital brands, but also a headwind making the world of eCommerce become more crowded and competitive than ever. In the first half of 2022, there were growing eCommerce wave for businesses selling products on as different channels through online, retail and social platforms; and the top eCommerce stores had greatly used artificial intelligence (AI) to provide an automated and personalized shopping experience to their customers. And AI is adopted to help expansion of the eCommerce businesses through understanding their customers' buying preferences and practices.

The Chinese Ministry of Education has always considered using the application of information technology (IT) to advance its education reforms and ensure equitable access to education in China. The number of online education users in China skyrocketed in 2020 and reached 341.7 million, accounting for approximately 34.6 percent of internet users in 2020; and K-12 training, tertiary education, and vocational education are the most important parts of the online education in China. In fact, the Covid-19 pandemic has a positive impact on the K-12 sector of school education going online in China, but slows down territory education and vocational education due to the delayed or cancelled academic examinations and overseas study. However, the Opinions on education reforms based on the double reduction policy released by the Chinese central government was announced in July 2021, stating that one of its major goals is to ease the burden and anxiety for Chinese parents wanting to give their children a good education through after school tutoring activities. The Opinions and later with regulatory guidelines focus on the nine years of compulsory education before high school i.e. the education from elementary to middle school in China; and that also call for academic tutoring businesses to restructure as of non-profit running business. Besides, the policy also prohibits those businesses from offering classes on weekends, holidays, summer and winter school breaks, therefore effectively allowing tutoring only on weekdays with a limited number of hours. "The scale of the tutoring crackdown is far beyond expectations. And this sudden banning of after school tutoring activities had resulted in the collapse overnight of the market capitalization of education-sector firms in China".

According to the Chinese Ministry of Education, within seven months after the crackdown on private tutoring, the number of offline primary and middle school tutoring institutions in China dropped from over 124,000 to 9,728, a drop of 92.14 percent, while 87 percent of the total 263 online institutions shut down. Even the survivors took a heavy punch, with their share prices falling by over 90 percent. Zuoyebang, once the market leader in online tutoring, pivoted to producing hardware such as smart watches and noise-canceling headphones. To keep going, New York-listed New Oriental, China's largest private education firm, shifted to live-streaming eCommerce programs hosted by their teachers. Yuanfudao, once was the number one unicorn in the ed-tech sector internationally with a market cap of US$15.5 billion, has started selling down jackets to make ends meet. 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. They also reckon that the policy measures completely failed to achieve what they set out to do: to stop tutoring operations. During the period under review, most online education and tutoring business in China ceased business operation or shifting their business to new areas to strive for survival.

Business Review

In the first half of 2022, the Cybernaut Group comprises of 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 have operations in both Hong Kong and overseas were still adversely affected by the the Covid-19 pandemic restrictions and control measures together with the continuous trade war between China and U.S.A, which is under the current Administration under the U.S. President Joe Biden.

Time Credit Limited (TCL), 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 2022. In consideration of the government measures to release the hardship of business in Hong Kong financially to face the Covid-19 pandemic since 2020, the TCL management had also helped entities with good past working history in need of loans for their business operation. During the period under review, the subsidiary continued its business policy to generate revenue from the first mortgage property loans prudently granted to customers of the high net worth and through referrals. Besides, with partnership alliance on sub-mortgage arrangements, TCL establishsed loan portfolio to contribute a steady income stream for the Cybernaut Group in the first half of 2022.

Today eCommerce business is highly competitive, and online retailers are moving beyond competing on price to competing also on logistics. In the first half of 2022, our eCommerce business subsidiary with trade name of "VTZero" strived very hard to meet the overseas market demands with sales of the second-handed and refurbished mobile phones of good brand names. As a cross-border eCommerce trading company, VTZero has to evaluate the internet shopping habit of today country by country and explore business through online marketplace platforms to sustain the business e.g. Rakuten, cDiscount, Fnac and Darty during the period under review. In the first half 2022, the subsidiary of eCommerce operation has taken cautious procedures to reduce its market risks and uncertainties resulted from the U.S.-China trade war and the impacts of the Covid-19 affecting on market demand. It was adversely affected in generating revenue in the first half 2022, due to the continual absence of flights and disrupted local logistics for deliveries to overseas customers during the pandemic of Covid-19 variants and different country lockdowns, traffic and health restrictions etc. Additionally, some marketplace platforms had strictly implemented restrictive clauses of high retention money on our eCommerce business for any possibility of our potential claims on logistic delays, so making our subsidiary business became more conservative in its strategic move in the market.

Before July 2021, the subsidiary segment of Cybernaut Group engaged in the online education business has its business operated through the VIE arrangements with 京師沃學(北京)教育科技有限公司 Capital Wowxue (Beijing) Education Technology Limited (沃學"Wowxue") to provide students with the best updated information and software accessible through the education platform and packages. In July 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of the People's Republic of China had issued the Opinions on Further Reducing the Burden of Compulsory Education Students' Homework and Off-campus Training* (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the "Opinions"), which regulates institutions offering tutoring on the school curriculum. Since then, the Group and our subsidiary management have been in close communication with our PRC legal advisers to assess the potential impacts of the Opinions, its educational reforms and regulatory measures governing on after school tutoring and online education requirements for operation advice for our subsidiary. During the period under review, the group was still undergoing restructuring of 湖州公司 Huzhou Company after the surrender of our ICP license to deregister the VIE restructure with Wowxue. Until now, most of the operation was suspended to comply with the education regulation in China, our subsidiary group will resume business with new strategy once Huzhou restructured was approved by the PRC government; and the management of online education subsidiary would provide services in different areas, scope and new clienteles to strive for its market share in the second half of 2022.

Consolidation in Customer Base

The outbreak of the variant Covid-19 pandemic has intermittently caused some flight delays and traffic restriction of nationwide epidemic control in different countries in 2022; and the business and operation of our subsidiaries were affected 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.

In the first half of 2022, our eCommerce business included mainly online retail sale. In future, we will enhance business growth and the customer royalty to encourage them to visit our site more regularly and particularly in the pandemic lockdown time. The major customers were mainly those in USA, France and UK.

The internet education business acquired in November 2017, was suspended during the reporting period due to the education reform in China since July 2021.

Business Growth in Overseas Markets

For the half year of 2022, eCommerce contributed more than 61% 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 21 patents held as at 30 June 2022. 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 2022.

Financial Review

Revenue

Money Lending

Even though the keen market competition and the wide spread of Coronavirus Disease 2019 ("Covid-19"), our money lending business tend to remain conservative in the first half of 2022. As a result, the revenue contributed by this business was approximately RMB8.3 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately RMB7.8 million).

ECommerce

The revenue contributed by this business was approximately RMB13.3 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately RMB57.0 million). The decrease of revenue of approximately 76.7% was mainly due to price and supply fluctuation on second hand iPhone from USA; continuous logistics cost increase hits the margin; and logistics time to European warehouse unstable and mostly delay and hit the sales stability on marketplace. Also, with returns due to the defective products from our previous supplier, eCommerce business was negatively affected in sales channels, so inhibiting our exposure in marketplace and led to a small revenue size of business in the period under review.

Internet Education Services

The revenue contributed by this business which was acquired in November 2017 was approximately RMB0.1 million for the six months ended 2022 (for the six months ended 2021: RMB7.1 million). The revenue decreased by approximately 98.6% is mainly due to the operation suspended to comply with education regulatory rules and requirement on after school tutoring and educational activities in China. 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 2022, the Group's cost of sales decreased by approximately 80.3% from approximately RMB50.7 million for the six months ended 30 June 2021 to approximately RMB10.0 million for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease of sale revenue of eCommerce business and internet education services business during the period under review.

Gross Profit

The Group engaged in the different industries had a gross profit of approximately RMB11.7 million for the six months ended 30 June 2022. For the six months ended 30 June 2021, the Group recorded a gross profit of approximately RMB21.1 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 year of 2022, an increase for loss allowance for trade receivables amounted to approximately RMB7.9 million has been recognised for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately RMB3.6 million). Meanwhile, the repayment condition for money lending business improved in the first half of 2022, a reversal of allowance for loan receivable amounted to approximately RMB8.0 million has been recognised for the six months ended 30 June 2022 (for the six months ended 30 June 2021: loss allowance of approximately RMB3.9 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 2022, the Group's selling and distribution costs was approximately RMB1.4 million for the six months ended 30 June 2022 (for the six month ended 30 June 2021: approximately RMB1.1 million).

Administrative Expenses

The Group's administrative expenses decreased by around 53.0% from approximately RMB33.0 million for the six months ended 30 June 2021 to approximately RMB15.5 million for the same period ended 30 June 2022. The amortization of the intangible asset of internet education services acquired on 22 November 2017 amounting to approximately RMBNil million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately RMB12.4 million).

Finance Costs

The Group's finance costs were approximately RMB19.5 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB18.7 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 2022 was approximately RMB21.4 million while the loss and total comprehensive expense was approximately RMB33.1 million for the six months ended 30 June 2021. The Group's basic loss per share was approximately RMB0.62 cents for the six months ended 30 June 2022, compared to a basic loss per share of approximately RMB0.85 cents for the six months ended 30 June 2021.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

Capital Structure, Liquidity and Financial Resources

The Group's bank balances and cash as at 30 June 2022 was approximately RMB41.6 million (as at 31 December 2021: approximately RMB44.6 million).

Total equity of the Group as at 30 June 2022 was approximately RMB32.4 million (as at 31 December 2021: approximately RMB53.8 million). The Group has an outstanding other borrowings and promissory notes of approximately RMB2.6 million and approximately RMB274.3 million, respectively as at 30 June 2022 (as at 31 December 2021: approximately RMBNil and approximately RMB242.8 million).

As at 30 June 2022, the Group's gearing ratio, which was calculated on the basis of total borrowings as a percentage of shareholder equity, was 77% (as at 31 December 2021: 69%).

Pledge of Assets

As at 30 June 2022, there were no pledge on the Group's assets (as at 31 December 2021: 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 2022, 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 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 2022, the Group had a total of 21 staff members employed in mainland China and Hong Kong (2021: 96). 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 expected to tighten further as many major central banks continue to raise interest rates to curb inflation, weighing on global economic momentum. The continued tensions in Ukraine and the evolving global pandemic also pose challenges.

In the July 2022 World Economic Outlook Update published by the IMF, it has commented that tighter global financial conditions could induce debt distress in emerging market and developing economies; renewed Covid-19 outbreaks and lockdowns as well as a further escalation of the property sector crisis might further suppress Chinese growth; and geopolitical fragmentation could impede global trade and cooperation. The IMF report update also indicated that with increasing prices continuing to squeeze living standards worldwide, taming inflation should be the first priority for policymakers. Tighter monetary policy will inevitably have real economic costs, but delay will only exacerbate them.

The China stimulus policies have created a positive effect and in the first half of 2022 economic indicators has shown signs of slight recovery from the Covid-19 pandemic impact to some extent. However, it is still far away from China's goal of 5.5 percent growth in GDP for 2022; and analysts believe that there is no way for China to achieve this goal unless it rolls out more vigorous stimulus plans and substantially relaxes Covid-19 curbs. Although the government has control the spread the Covid-19 epidemic in China, the year-long trade war between U.S. and China has not been solved; and that might still have a heavier toll on businesses and investment, fueling worries for the coming of a global recession. In the second half this year, the global economy will continue facing huge uncertainties on issues, such as public health risks of the mutated Omicron Covid-19 variants epidemic, geopolitical risks, and financial market risks. Internally, there are more challenges for government to take proper measures for the economic growth activities on the aspect of weak domestic consumption in China; and externally there are still external challenges of negative impacts China's economic performance in the second half 2022, including the continuous trade disruptions and weak demand due to the Covid-19 pandemic, as well as the notably soaring prices for commodities like the semiconductors and key technologies.

Hong Kong expects its economy to potentially contract this year for the third time since 2019 as the city grapples with Covid-19 restrictions, a trade slump and other global headwinds. Looking forward, the worsening global economic outlook and deteriorating external environment will pressurize heavily on Hong Kong's export performance in the second half of 2022. Nonetheless, if cross-boundary logistics disruptions between the Mainland and Hong Kong show more visible easing, Hong Kong's external trade may get some relief. The latest adjustments to the quarantine and testing arrangements for inbound visitors should also help exports of services. Provided that the local epidemic situation remains under control, the Hong Kong economic activities are expected to revive further in the coming months with the Consumption Voucher Scheme Phase II to support consumption demand, but notably the effects of tighter financial conditions may have some dampening effect on consumer sentiment and spending. The expected situations of rising borrowing costs in Hong Kong may also make businesses more cautious in undertaking fixed asset investment.

As the US is expected to further increase the interest rate, local banks will eventually increase their rates under the Linked Exchange Rate System. Economists expect the banks will lift their rates this year, some by as much as 100 basis points. That would be the first time in four years that Hong Kong banks have done so. A rise in prime rates would increase borrowing costs for companies and individuals at a time when Hong Kong's Covid-19 restrictions continue to weigh on the economy and hurt the employment. In regard to the lending business segment of our Cybernaut Group, TCL will continue adopting its strategy of tight credit policy and be more cautions to grant new first mortgage loans and renewals to clients. While monitoring the impacts of the Covid-19 variants closely, TCL will approve new loans to clients in a prudent manner, so as to meet the needs for the Hong Kong property market and the environmental changes accordingly. Besides, TCL will continue its customer policy only grant loans to customers of good and healthy reference check in the second half of 2022.

On top of the public health concerns, across the globe with eCommerce business of B2B, B2C, and brick-and-mortar brands alike are all bracing for the impact that Covid-19 coronavirus will have on their eCommerce business as a whole since 2020. Disruptions to manufacturing and global supply chains have wreaked havoc on retailers as well, resulting in delayed shipments and inefficient inventory levels. This disruption happens to eCommerce world somehow, because of the flight restrictions and different country health controls and lockdowns. In fact, the digital online channels have not only helped sustain sales, they have also significantly changed the way the retail business operates, and even built eCommerce business through social media platform. It is expected that social commerce will no doubt continue to thrive as consumers are accustomed to their digital habits of shopping in the second half of 2022, and both the traditional and eCommerce retailers will make adjustments to the post-Covid-19 climate.

Staying on top of the eCommerce trends is not an option but a necessity for the business owner. Our VTZero eCommerce business is no exception to other competitors, as keeping abreast of the industry trends is particularly important for eCommerce business owners to stay competitive and identify new opportunities. In other words, the eCommerce space is becoming more crowded and competitive. ECommerce incumbents and new entrants are racing to gain the consumers' attention, and the result is increased costs of advertising and reduced return on ad spend (ROAS). Following the industry trend, VTZero like other eCommerce companies have to venture business in new and unsaturated marketing channels though with its limited resources for business development and market share. Though the second half of 2022 is likely to be full of uncertainty and competitive challenges, our subsidiary engaged in eCommerce business with its majority of business specialized on B2C retailing mainly on refurbished second mobile phone will continue its business through platforms like eBay and Amazon and seek for better trade terms in other different marketplaces.

Since the Covid-19 outbreak, the online learning applications have noticeably increased as schools, training centers, and parents collectively turn to digital platforms to combat the disruption caused in China. However, in July 2021, under the announced "double reduction policy" from the Central Government, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of the People's Republic of China issued the Opinions on Further Reducing the Burden of Compulsory Education Students' Homework and Off-campus Training* (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the "Opinions"), which regulates institutions offering tutoring on the school curriculum. In August the new regulation of education banning the profit-making business of providing after school tutoring services was made. In fact, when it comes to the implications of the double reduction policy for teachers and students in China, there are findings in surveys that the education reforms effectively removed private tutoring companies from the picture, but the burden of after-school childcare and extracurricular learning naturally fell on parents and schools. In cities like Shanghai and Beijing, government-funded programs were then established to fill the gap. On the online platforms to provide education services built by local officials, students are given access to free tutoring services by their teachers at school and pre-recorded videos of classes. And while Beijing's education overhaul partially achieved its objective of making Chinese students work less and sleep more through regulatory reforms, it seems to have fallen short of fundamentally changing the competitive nature of China's education system and eliminating parental anxiety over their children's academic careers. More than half of students interviewed in survey had cited that it was the "family expectations" as the primary source of their stress on studying; and over 90 percent of the parents said that they wanted their children to go to traditional and reputed college, with about 30 percent of them voicing a strong bias against career training programs despite China's ongoing efforts to improve vocational education.

Our education subsidiary originally providing online education services to tutor students in China will continue undergoing restructuring to establish new business stream for its survival and to comply with the new education regulation under the double reduction policy in the second half of 2022. Despite running without the VIE structure on tutoring and the utmost effort to prepare for providing different kind of educational and vocational training services through online platform for new customers, we have to become more cautious on any new challenges to make good use of the remains from the existing educational materials and platform assets in the second half 2022. Realized that the current market situations and the hardship ahead under the pressure of new education regulations and government measures, our subsidiary management would closely monitor the impacts and market changes in providing similar educational services to customers and new users in China.

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

During the six months ended 30 June 2022, the Company has applied and complied with all the code provisions of the Corporate Governance Code (except some of the new and/of amended code provisions of the Corporate Governance Code taking effect from 1 January 2022, which will be applied and complied with from time to time during the financial year 2022) as set out in Appendix 14 of the Listing Rules.

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 2022.

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 2022.

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

During the six months period ended 30 June 2022, 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 2022 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 2022

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.