

# Quantum Thinking Limited

量子思維有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

## THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

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*This announcement, for which the directors (the “**Directors**”) of Quantum Thinking Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board (the “**Board**”) of Directors of the Company hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and nine months ended 31 December 2019 together with the unaudited comparative figures for the corresponding periods in 2018 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

*For the three months and nine months ended 31 December 2019*

	Note	Three months ended 31 December		Nine months ended 31 December	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Revenue</b>	3	<b>9,360</b>	3,016	<b>15,395</b>	10,702
Cost of sales and services		<u>(8,518)</u>	<u>(2,097)</u>	<u>(14,138)</u>	<u>(6,897)</u>
<b>Gross profit</b>		<b>842</b>	919	<b>1,257</b>	3,805
Other income		<b>953</b>	498	<b>1,876</b>	7,987
Distribution costs		<b>(1,155)</b>	(2,280)	<b>(3,685)</b>	(4,845)
Administrative expenses		<b>(8,121)</b>	(9,497)	<b>(25,505)</b>	(21,100)
Finance costs		<b>(89)</b>	–	<b>(222)</b>	–
<b>Loss before income tax</b>		<b>(7,570)</b>	(10,360)	<b>(26,279)</b>	(14,153)
Income tax expense	4	<b>(1)</b>	(36)	<b>171</b>	(230)
<b>Loss for the period</b>		<u><b>(7,571)</b></u>	<u>(10,396)</u>	<u><b>(26,108)</b></u>	<u>(14,383)</u>
<b>Other comprehensive (expense)/income</b>					
Exchange differences arising on translation of foreign operations that will be reclassified subsequently to profit or loss		<u><b>(282)</b></u>	<u>23</u>	<u><b>(62)</b></u>	<u>(1,868)</u>
<b>Other comprehensive (expense)/income for the period, net of tax</b>		<u><b>(282)</b></u>	<u>23</u>	<u><b>(62)</b></u>	<u>(1,868)</u>
<b>Total comprehensive expense for the period, net of tax</b>		<u><b>(7,853)</b></u>	<u>(10,373)</u>	<u><b>(26,170)</b></u>	<u>(16,251)</u>

	Three months ended 31 December		Nine months ended 31 December	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Loss for the period attributable to:</b>				
Owners of the Company	(6,510)	(7,653)	(21,364)	(9,052)
Non-controlling interests	<u>(1,061)</u>	<u>(2,743)</u>	<u>(4,744)</u>	<u>(5,331)</u>
	<u>(7,571)</u>	<u>(10,396)</u>	<u>(26,108)</u>	<u>(14,383)</u>
<b>Total comprehensive expense for the period attributable to:</b>				
Owners of the Company	(6,430)	(7,642)	(22,212)	(11,940)
Non-controlling interests	<u>(1,423)</u>	<u>(2,731)</u>	<u>(3,958)</u>	<u>(4,311)</u>
	<u>(7,853)</u>	<u>(10,373)</u>	<u>(26,170)</u>	<u>(16,251)</u>
<b>Loss per share attributable to the owners of the Company:</b>				
— Basic loss per share: (HK cents)	5	<u>(0.48)</u>	<u>(0.56)</u>	<u>(1.58)</u>
— Diluted loss per share: (HK cents)	5	<u>(0.48)</u>	<u>(0.56)</u>	<u>(1.58)</u>

## NOTES:

### 1. GENERAL INFORMATION

Quantum Thinking Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) was incorporated in the Cayman Islands on 8 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company’s registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s principal place of business is situated at Unit 1201–5, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong.

The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Group is principally engaged in the provision of system development services and other value-added technical consultation services and hardware-related business. The Group has also expanded into the People’s Republic of China (the “**PRC**”) market in the areas of manufacturing of ancillary high-tech software and hardware products; developing and establishing integrated online platforms for distribution of mobile products and provision of value-added services; and setting up joint ventures with multinational companies to introduce and procure mobile application services, among other things.

In the opinion of the directors of the Company (the “**Directors**”), the parent and ultimate holding company of the Company is Happy On Holdings Limited (“**Happy On**”), which was incorporated in the British Virgin Islands.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information of the Group for the nine months ended 31 December 2019 (the “**Condensed Financial Report**”) has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The Condensed Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 31 March 2019 (the “**2019 Annual Financial Statements**”). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2019 Annual Financial Statements, except for the adoption of HKFRS 16 “**Leases**” and other new or amended HKFRSs which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2019.

#### **Adoption of HKFRS 16 “Leases”**

During the nine months ended 31 December 2019, the Group has applied HKFRS 16 and the related consequential amendments to other HKFRSs which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply the new standard retrospectively with the cumulative effect of initial application recognised at 1 April 2019. The Group elects the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group uses the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities under HKAS 17. Operating lease rental expenses were recognised in the consolidated statement of profit or loss and other comprehensive income over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Group recognised the full lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of respective entities. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred using effective interest method.

At the inception of a contract that contains a lease component, as a lessee, the Group should allocate the consideration in the contract to each lease component on the basis of their relative stand-alone price. The Group, as a lessee, assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The right-of-use assets were recognised in the consolidated statement of financial position.

Depreciation was charged on a straight-line basis over the shorter of the asset's useful life and the lease term.

The impacts of HKFRS16 on the condensed consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2019 are set out as below:

	<b>As per HKFRS 16 HK\$'000 (unaudited)</b>	<b>As per HKAS 17 HK\$'000 (unaudited)</b>	<b>Impact due to change HK\$'000 (unaudited)</b>
Depreciation (included in administrative expenses)	(3,330)	–	(3,330)
Lease expenses (included in administrative expenses)	–	(2,847)	2,847
Finance costs	(133)	–	(133)
Loss for the period	<u>(26,108)</u>	<u>(25,492)</u>	<u>(616)</u>

The preparation of the Condensed Financial Report in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In addition to HKFRS 16 Leases, HKICPA has issued a number of new and revised HKFRSs. For those which are effective for accounting periods beginning on 1 April 2019, the adoption has no material effect on how the results and the financial position of the Group for the current or prior accounting periods have been prepared and presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Condensed Financial Report has been prepared under the historical cost convention, except for financial instruments classified as financial assets designated at fair value through profit or loss which are stated at fair values. The Condensed Financial Report is presented in Hong Kong dollars (“**HK\$**”) which is also the functional currency of the Company and all values are rounded to the nearest thousands (“**HK\$’000**”) unless otherwise stated.

### 3. REVENUE

Revenue represents the net invoiced value of goods sold and net value of services rendered, after allowances for returns and trade discounts.

All significant transactions amongst the companies comprising the Group have been eliminated on consolidation. Revenue recognised during the period is as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
<b>Revenue:</b>				
Hardware	5,253	249	9,264	249
Services				
— System development	3,644	2,671	5,267	6,814
— Consultancy	384	—	543	3,374
— Maintenance	79	28	321	197
— Others	—	68	—	68
	<u>4,107</u>	<u>2,767</u>	<u>6,131</u>	<u>10,453</u>
	<u>9,360</u>	<u>3,016</u>	<u>15,395</u>	<u>10,702</u>

### 4. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the three months and nine months ended 31 December 2019 and 2018 as the Group had incurred losses for taxation purpose in Hong Kong. The PRC enterprise income tax has been provided at the rate of 25% (three months and nine months ended 31 December 2018: 25%) on the estimated assessable profit for the three months and nine months ended 31 December 2019.

	Three months ended 31 December		Nine months ended 31 December	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
<b>PRC enterprise income tax</b>				
Current period	—	36	—	42
Under provision/(overprovision) in respect of prior years	<u>1</u>	<u>—</u>	<u>(171)</u>	<u>188</u>
Income tax expenses	<u>1</u>	<u>36</u>	<u>(171)</u>	<u>230</u>

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (31 December 2018: Nil).

## 5. LOSS PER SHARE

Basic loss per share for the three months and nine months ended 31 December 2019 is calculated by dividing the loss attributable to owners of the Company for the period of HK\$6,510,000 and HK\$21,364,000 respectively (three months and nine months ended 31 December 2018: loss of HK\$7,653,000 and HK\$9,052,000 respectively) by the weighted average number of 1,356,250,000 (three months and nine months ended 31 December 2018: weighted average number of 1,356,250,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share presented for the three and nine months ended 31 December 2019 and 2018 as the Group had no potential dilutable ordinary shares in issue during the three and nine months ended 31 December 2019.

## 6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2019 (nine months ended 31 December 2018: Nil).

## 7. RESERVES

### For the nine months ended 31 December 2019

	Share premium HK\$'000 (unaudited)	Warrant reserve HK\$'000 (unaudited)	Translation reserve HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)	Non- controlling interest HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
As at 1 April 2018	99,935	–	(2,324)	(168,582)	(14,157)	(85,128)
Loss for the period	–	–	–	(9,052)	(5,331)	(14,383)
<b>Other comprehensive (expense)/income</b>						
Exchange differences arising on translation of foreign operations	–	–	(2,888)	–	1,020	(1,868)
<b>Total comprehensive expense</b>	–	–	(2,888)	(9,052)	(4,311)	(16,251)
<b>Transaction with owners</b>						
Acquisition of Shenzhen Quantum	–	–	–	–	9,162	9,162
<b>As at 31 December 2018</b>	<u>99,935</u>	<u>–</u>	<u>(5,212)</u>	<u>(177,634)</u>	<u>(9,306)</u>	<u>(92,217)</u>
As at 1 April 2019	<u>99,935</u>	–	(4,587)	(189,718)	(16,680)	(111,050)
Loss for the period	–	–	–	(21,364)	(4,744)	(26,108)
<b>Other comprehensive (expense)/income</b>						
Exchange differences arising on translation of foreign operations	–	–	(848)	–	786	(62)
<b>Total comprehensive expense</b>	–	–	(848)	(21,364)	(3,958)	(26,170)
<b>As at 31 December 2019</b>	<u>99,935</u>	<u>–</u>	<u>(5,435)</u>	<u>(211,082)</u>	<u>(20,638)</u>	<u>(137,220)</u>

## 8. ACQUISITION OF SUBSIDIARIES

On 4 July 2018, the Group acquired of its entire 100% equity interests in the Shenzhen Quantum Technology Information Co., Ltd.\* (“**Shenzhen Quantum**”) together with its subsidiary Shenzhen CITIC Cyber Security Authentication Co., Ltd.\* 深圳市中信網安認證有限公司 (“**CITIC Cyber Security**”) (70% equity interest held by Shenzhen Quantum) for a cash consideration of RMB3,500,000 (equivalent to approximately HK\$4,139,000). CITIC Cyber Security is engaged in the technical development and software development of credible identity authentication services related products in the PRC.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree’s identifiable net assets.

The following table summarises the consideration paid for the acquisitions, the aggregate amounts of provisional fair value of the assets acquired and liabilities assumed at the acquisition date.

	<b>2019</b> <b>HK\$’000</b> <b>(unaudited)</b>
Property, plant and equipment, net	2,730
Deposits and other receivables	1,833
Financial assets designated at fair value through profit or loss	948
Cash and cash equivalents	33,381
Other payables	(7,118)
Amount due to a group subsidiary	<u>(11,862)</u>
Total identifiable net assets	19,912
Less: non-controlling interests	<u>(8,285)</u>
Identifiable net assets acquired	11,627
Cash consideration	<u>(4,139)</u>
Gain on bargain purchase	<u>7,488</u>
Cash paid on acquisition	(4,139)
Cash and cash equivalents acquired	<u>33,381</u>
Cash inflow on acquisition of subsidiaries	<u>29,242</u>



Before the acquisition, Shenzhen Quantum has entered into an investment agreement containing certain profit guarantee arrangement with the non- controlling shareholder of CITIC Cyber Security:

- (1) In the event that the net profit attributable to the shareholders of CITIC Cyber Security (after deducting non-recurring profit and loss) for the year ending 31 December 2019, 31 December 2020 and 31 December 2021 is less than RMB800,000, RMB40,000,000 and RMB85,000,000 (the “**Guaranteed Net Profit**”), respectively, Shenzhen Quantum shall compensate CITIC Technology in accordance with the following formula:

$$\text{Compensation amount} = (\text{Guaranteed Net Profit for the year} - \text{actual net profit for the year}) \times 30\% \times 10$$

- (2) In the event that the average net profit attributable to the shareholders of CITIC Cyber Security (after deducting non-recurring profit and loss) for the 3 years ending 31 December 2021 is less than RMB40,000,000, the aggregate net profit attributable to the shareholders of CITIC Cyber Security (after deducting non-recurring profit and loss) for the 3 years ending 31 December 2021 is less than RMB120,000,000, there is material default, or serious illegal business has been undertaken by CITIC Cyber Security, CITIC Technology may request Shenzhen Quantum to acquire the equity interest in CITIC Cyber Security held by CITIC Technology in accordance with the terms and conditions of such investment agreement.

Details of the investment agreement have been set out in the Company’s announcement dated 12 October 2018. The Directors of the Company consider the fair value of the liability arising from the profit guarantee as at the acquisition date and at 31 December 2019 were insignificant by reference to a cash flow forecast prepared by the Directors.

## REVIEW AND PROSPECTS

### FINANCIAL REVIEW

For the nine months ended 31 December 2019 (the “**Reporting Period**”), the Group recorded a revenue of approximately HK\$15,395,000, representing an increase of approximately 44% when compared with the corresponding period last year of approximately HK\$10,702,000.

Loss before income tax of the Group for the Reporting Period was approximately HK\$26,279,000 compared with loss before income tax of approximately HK\$14,153,000 for the corresponding period last year. Loss attributable to owners of the Company for the Reporting Period was approximately HK\$21,364,000 compared with loss attributable to owners of the Company of approximately HK\$9,052,000 for the corresponding period last year.

### INDUSTRY OVERVIEW

In 2019, the People’s Republic of China (the “**PRC**” or “**China**”) posted the slowest gross domestic product growth, of 6.1%, since 1991 because of its trade war with the United States of America (the “**United States**”). The cloudy economic outlook compelled the government departments, state-owned enterprises and the private sector alike in China to be circumspect in their budgets, including those for online/offline payment solutions and systems.

In the third quarter of 2019, the value of the payments processed by non-bank payment institutions through public information technology networks grew by 23.04% year on year to RMB63.99 trillion while the number of such payments increased by 37.01% year on year to about 191.19 billion in the PRC, according to the People’s Bank of China.

The growth was mainly attributable to the rapid increase in the transaction value of the country’s third-party mobile payment and the high season for the businesses of airlines, travel, electronic commerce and catering in summer, according to a PRC-based market research firm, Analysys.

## BUSINESS REVIEW

To cope with the more difficult operating environment that resulted from the shrinking budgets of government departments and businesses for online/offline payment solutions and systems, the Company was actively expanding the scope of its business to broaden the stream of income during the first nine months ended 31 December 2019 (the “**Reporting Period**”). In addition to its mainstay business of developing systems and solutions for online/offline digital payment, the Group also started engaging in office rental which is bundled with its information technology services and some office administration services. Other businesses that it also diversified into included the supply of electrical and electronic components, namely inductors and master control chips; the research on and development of an application for an online learning platform, financial software and related information technology system and solution, and information systems for housing; and the supply and installation of surveillance cameras as part of a security system.

Since the financial year ended 31 March 2019, the Group has also diversified into and expanded its business of internet electronic identity authentication through the acquisition of a majority stake in Shenzhen CITIC Cyber Security. Such business also fits in with the Company’s mainstay business of developing systems and solutions for online/offline digital payment because internet electronic identity authentication can help prevent the leakage of personal data in online transactions and payment.

In June of 2019, the Company’s 70%-held CITIC Cyber Security signed an agreement with a Shenzhen branch of a PRC-based bank to jointly promote each other’s respective services, namely CITIC Cyber Security’s internet electronic identity authentication and the bank’s financial services. Under that agreement, eCitizen (“**e公民**” in Chinese), which is CITIC Cyber Security’s proprietary mobile phone SIM (“**subscriber identification module**”) card-based system for electronic identity authentication, will be applied to the bank’s financial services. The system will enable its digital identity holders to safely log in, sign digitally and have their personal data protected in online transactions. In the same month, CITIC Cyber Security also reached an agreement with a Shenzhen-based certificate authority to cooperate in combining eCitizen SIM card and digital certificates and in applying the two combined technologies to such fields as electronic signature. In January 2020, CITIC Cyber Security signed a contract to develop and implement on behalf of another PRC-based bank a platform for electronically signing, managing and auditing contracts.

Meanwhile, the Company’s mainstay business of developing systems and solutions for online/offline digital payment also sought to capitalize on the trend of retrenchment by both the businesses and government departments in China. That line of business intended to use its expertise to develop and provide a platform and software for reduction of both the operating cost and electric energy consumption for a leading PRC-based telecommunications firm. It has been negotiating with the latter about the project.

**1. Development and construction of unified payment system and platform, and the provision of repair and maintenance services for such system and platform**

The Company's wholly-owned subsidiary Guangzhou YBDS IT Co., Ltd. (廣州韻博信息科技有限公司) (“**Guangzhou YBDS**”) finished 90% of the construction of the fifth phase of the unified payment system and platform of a Shenzhen-based subsidiary of a leading telecommunications company during the Reporting Period. The system and platform enable mobile wallet users to make mobile payment such as those of phone bills and to redeem consumption points and gift cards. Guangzhou YBDS also undertook renewed contracts to develop a unified payment platform for that Shenzhen-based subsidiary of the leading telecommunications company and to provide repair and maintenance services for that unified payment platform for the years 2018 and 2019. During the Reporting Period, 90% of the work under the renewed contract on developing a unified payment platform was accomplished, and 80% of the work under the renewed contract on providing repair and maintenance services for that unified payment platform was completed. In September 2019, Guangzhou YBDS won a tender for a contract to develop and maintain a unified payment platform of the Shenzhen-based subsidiary of that leading telecommunications company for years 2019 to 2021. It signed the contract in September 2019. Guangzhou YBDS intends to replicate the unified payment system and platform and then sell them to other units and/or subsidiaries of that leading telecommunications company in 31 provinces in the PRC.

**2. Construction of an e-commerce network platform for payment and clearing, and installation of point-of-sales (“POS”) terminals**

Guangzhou YBDS and its business partner, a Shanghai-based subsidiary of a third-party payment service company, had together finished the construction of an e-commerce network platform for payment and clearing, and the installation of POS terminals at more than 100 outlets of a retail chain in Beijing. The two parties also leased out the POS terminals to such outlets of the retail chain. During the Reporting Period, Guangzhou YBDS and that Shanghai-based subsidiary of the third-party payment service company extended their market coverage to the surrounding areas of Beijing. They plan to install and lease out the POS terminals at the outlets of the businesses in other service industries such as a convenience store chain.

**3. Developing software and new functions for a system for the clearing of payment made by customers with prepaid cards at petrol filling stations**

The Company's another wholly-owned subsidiary, Shenzhen YBDS, cooperated with a third-party payment service company in developing software and new functions for a system for the clearing of payment made by customers with prepaid cards at the petrol filling stations of a leading PRC-based petroleum company and for topping up such prepaid cards. The two parties also worked together to develop and construct an electronic commerce platform for the clearance of payments and to install POS terminals at the gas stations. Their work lasted from April to June of 2019.

**4. Business of office rental which is bundled with information technology services and office administration services in Shenzhen**

CITIC Cyber Security started a business of leasing out co-working spaces of an office building in Shenzhen to mainly financial technology start-ups. The office rental is bundled with its information technology services and some office administration services. During the Reporting Period, it leased out some co-working spaces to ten companies.

**5. Research on and development of application for online learning platform, financial software and related information technology system and solution, and information systems for housing**

During the Reporting Period, Shenzhen YBDS signed a contract to research on and develop an application for an online learning platform, financial software and related information technology system and solution, and information systems for housing on behalf of an information technology solution provider for the period from 15 October 2019 to 14 October 2020. The information systems include those for a user's application management, property management and leasing management.

**6. Supply, installation and testing of surveillance cameras as part of a security system**

During the Reporting period, Shenzhen YBDS signed a contract to supply, install and test surveillance cameras as part of a security system on behalf of a company that develops and trades in security alarms, security cameras and home surveillance equipment, and other electronic products.

**PROSPECT**

At the beginning of 2020, the trade tensions between China and the United States abated as the two countries reached some trade deals. This can bode well for China's economy. However, it is too early to tell whether the government departments and businesses in China are confident enough about economic stabilization to be less tight with spending on online/offline payment solutions and systems. To mitigate the impact of the difficult operating environment on its mainstay business, the Group will continue to explore ways to broaden its source of income.

Firstly, to capitalize on the retrenchment of government departments and businesses, the Group will leverage the expertise of its principal business of developing systems and solutions for online/offline digital payment to help them reduce both operating cost and electric energy consumption. For instance, Shenzhen YBDS, the Company's wholly-owned subsidiary, is negotiating with a leading PRC-based telecommunications firm on the development and provision of a platform and software for reduction of both the operating cost and electric energy consumption for the latter.

Secondly, the Group will continue to diversify its business. Since the financial year ended 31 March 2019, the Group has already diversified into internet electronic identity authentication while pressing ahead with its strategy of constructing an ecosystem of online/offline digital payment. In that ecosystem, comprehensive online shopping platforms are connected to digital payment systems for public utilities with a technology for unified communications. The Group made progress in its business of internet electronic identity authentication during the Reporting Period by signing agreements respectively with a bank and a certificate authority to promote its proprietary mobile phone SIM card-based system for electronic identity authentication. In January 2020, the Group signed a contract to develop and implement on behalf of another PRC-based bank a platform for electronically signing, managing and auditing contracts.

During the Reporting Period, the Group already started engaging in office rental which is bundled with its information technology services and some office administration services. Other businesses that it also diversified into included the supply of electrical and electronic components; the research on and development of an application for an online learning platform, financial software and related information technology system and solution, and information systems for housing; and the supply and installation of surveillance cameras as part of a security system.

In the future, the Group will continue to explore different business opportunities to broaden the stream of income while it takes time for its business of internet electronic identity authentication to become profitable. It will also keep cooperating with various types of businesses in constructing an ecosystem of online/offline digital payment.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

To ensure that the Company is financially stable with sufficient financial resources to continue the development of its proposed projects, the Company had on 5 August 2013, raised net proceeds of approximately HK\$100 million through a subscription (the “**Subscription**”). Immediately after the completion of the Subscription, Happy On Holdings Limited (“**Happy On**”) held 987,888,771 shares of the Company, representing approximately 72.83% of the total issued share capital of the Company.

As stipulated in the circular of the Company dated 11 July 2013, such proceeds were to be applied in the following manner:

- (i) approximately HK\$30,000,000 would be used to pay up the remaining registered capital of Guangzhou YBDS and Beijing YBDS IT Co., Ltd.\* (北京韻博港信息科技有限公司) (“**Beijing YBDS**”);
- (ii) approximately HK\$50,000,000 would be used as further investment for contribution towards the total investment amounts of Guangzhou YBDS and Beijing YBDS; and
- (iii) the remaining balance would be used as the general working capital of the Company.

The Company had previously applied approximately HK\$9,400,000 (or approximately RMB7,350,000) and approximately HK\$5,500,000 (or approximately RMB4,330,000) of the proceeds to pay up the remaining initial registered capital of RMB20,000,000 and increased registered capital of RMB20,000,000 of Guangzhou YBDS, respectively. During the year ended 31 March 2015, the Company had applied approximately HK\$19,785,000 (or approximately RMB15,670,000) of the proceeds to pay up the outstanding remaining increased registered capital of Guangzhou YBDS.

At the time of the Subscription, only 20% of the registered capital or RMB4 million of Beijing YBDS has been paid up with the remaining 80% or RMB16 million due to be paid on or before 18 December 2014. The Company had intended to apply to the Bureau of Foreign Trade and Economic Cooperation of Beijing Municipality (北京市對外貿易經濟合作局) to increase the registered capital of Beijing YBDS from RMB20 million to RMB40 million and its total investment from RMB40 million to RMB80 million. A sum of approximately HK\$45.5 million from the proceeds of the Subscription was earmarked for paying up the initial registered capital and increased registered capital of Beijing YBDS (the “**Capital Increase**”). The intent of the Capital Increase was to enable the Group’s subsidiaries to meet the minimum capital threshold requirement when submitting bids for proposed projects offered by the relevant telecommunications service providers in the PRC.

Given the Company has acquired China Mobile Payment on 23 December 2014, a holding company that owns a subsidiary with the aforesaid threshold requirement for bids submission, this corporate action is no longer deemed to be necessary. The Company has already commenced the process of deregistration of Beijing YBDS. De-registration has entered into the final stage and is pending for the approval of PRC authority.

Moreover, the Company intends to apply the aforesaid earmarked proceeds of approximately HK\$45.5 million for new potential projects and for general working capital purposes.

## **PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY**

The Group has entered into two loan agreements as lender on 1 July 2017 (the “**1st Loan Agreement**”) and 24 April 2018 (the “**2nd Loan Agreement**”, together with the 1st Loan Agreement, the “**Loan Agreements**”), respectively, amongst others, the details of the Loan Agreements which each of them constituted discloseable transactions for the Company under Chapter 19 of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) are as follows:

On 1 July 2017, an indirect non wholly-owned subsidiary of the Company (“**Subsidiary A**”), as lender, entered into the 1st Loan Agreement with, Shenzhen Quantum Technology Information Co., Ltd. (“**Shenzhen Quantum**”), as borrower, and an independent third party (“**Company A**”), as paying agent of Subsidiary A, in relation to a loan of RMB16,944,500 for a term of 21 months (from 1 July 2017 to 31 March 2019) at an annual interest rate of 1% (the “**1st Loan**”). Shenzhen Quantum shall repay the 1st Loan in full in one lump sum together with the interest accrued thereon upon due date. As at the date of this announcement, the outstanding principal under the 1st Loan is RMB16,944,500.

On 24 April 2018, an indirect wholly-owned subsidiary of the Company (“**Subsidiary B**”), as lender, entered into the 2nd Loan Agreement with Shenzhen Quantum, as borrower, and an independent third party holding the entire issued share capital of Shenzhen Quantum before the Acquisition (to be defined thereafter), as chargor (the “**Chargor**”), in relation to a loan of RMB3,500,000 for a term of 1 month (from 24 April 2018 to 23 May 2018) at an annual interest rate of 4.36% secured by the share charge dated 24 April 2018 executed by the Chargor and Subsidiary B (the “**2nd Loan**”, together with the 1st Loan, the “**Loans**”), pursuant to which the Chargor charged in favour of Subsidiary B over her equity interest in Shenzhen Quantum (representing its entire issued share capital). Shenzhen Quantum failed to repay the 2nd Loan upon expiry. For the further details of the 2nd Loan, please refer to “Acquisition of 100% interests in Shenzhen Quantum” in this announcement and the announcement of the Company dated 12 October 2018.

The Loan Agreements also constituted advance to an entity under Rules 17.15 and 17.16 of the GEM Listing Rules. For details of the Loan Agreements, please refer to the announcement of the Company dated 12 October 2018.

### **ACQUISITION OF 100% INTERESTS IN SHENZHEN QUANTUM**

On 23 May 2018, Subsidiary B, Shenzhen Quantum and the Chargor entered into a supplemental agreement to the 2nd Loan Agreement, pursuant to which the Chargor agreed to transfer the entire equity interest in Shenzhen Quantum to Subsidiary B for a consideration of RMB3,500,000 in the event that Shenzhen Quantum fails to perform its obligations under the 2nd Loan Agreement upon the expiry of the 2nd Loan. Shenzhen Quantum failed to repay the 2nd Loan upon expiry, and therefore Subsidiary B effected the acquisition which was completed on 4 July 2018 (the “**Acquisition**”). For details of the Acquisition, please refer to the announcement of the Company dated 12 October 2018.

Shenzhen Quantum is a company established in the PRC in June 2017 which focuses on investment in the development of software and the platform of services. It holds 70% of the equity interest in CITIC Cyber Security. CITIC Cyber Security is a joint venture company established in the PRC where CITIC Technology Co., Ltd.\* (中信技術公司) a subsidiary of CITIC Group Corporation, is its shareholder. CITIC Cyber Security focuses on the technical development and software development of credible identity authentication services related products in the PRC.

The provision of system integration services and other value-added technical consultation services and hardware-related business are core businesses of the Group. As mentioned above, the Company had been exploring opportunities to participate in the business of provision of authentication services in connection with network electronic identities, where Shenzhen Quantum (through CITIC Cyber Security) engages in such business area.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2019, (i) Mr. Wang Xiaoqi is interested in 382,000 ordinary shares of the Company, representing approximately 0.028% of the total number of ordinary shares in issue of the Company; (ii) Mr. Ho Yeung is interested in 18,083,500 ordinary shares of the Company, representing approximately 1.333% of the total number of ordinary shares in issue of the Company. Save as disclosed above, none of the other Directors or their respective associates and the chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, so far as the Directors are aware of and having made due enquires, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Capacity	Number of issued ordinary shares held (Note 2)	Approximate percentage of issued share capital as at 31 December 2019 (Note 3)
Happy On Holdings Limited ("Happy On") (Note 1)	Beneficial owner	987,888,771 (L)	72.83%
Mr. Chan Foo Wing ("Mr. Chan") (Note 1)	Interest in a controlled corporation	987,888,771 (L)	72.83%

Notes:

- As Mr. Chan is the ultimate beneficial owner and the sole director of Happy On, by virtue of the SFO, Mr. Chan is deemed to be interested in the 987,888,771 shares of the Company held by Happy On.
- "L" means long positions in the shares.
- Based on 1,356,250,000 shares of the Company in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, so far as the Directors are aware of and having made due enquiries, there were no other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

#### **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed above, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

#### **OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY**

A share option scheme was adopted on 1 August 2011 by the shareholders of the Company under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent of the shares in the Company in issue as at the date of approval of the share option scheme. The purpose of the share option scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries.

No options were granted under the share option scheme since its adoption by the Company or outstanding, lapsed, cancelled or exercised at any time during the nine months ended 31 December 2019.

#### **PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

#### **DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the date of this announcement, none of the Directors, or the initial management shareholders or the substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competed with or might compete with any business of the Group and had or might have any other conflicts of interest with the Group.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its Shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions (the “**Code Provisions**”) and certain recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report (the “**Code**”) in Appendix 15 to the GEM Listing Rules.

The Company has complied with the Code Provisions set out in the Code throughout the Reporting Period except for the deviations from Code Provisions A.1.8 and A.2.1 of the Code as explained as follows:

### **Code Provision A.1.8**

Code Provision A.1.8 stipulates that the Company should arrange appropriate insurance cover in respect of legal actions against its directors. During the Reporting Period, the Board considered that under the current situations of the close management and the business scale of the Group, the possibility of actual litigation against the Directors is very low. The Company will consider reviewing various insurance cover proposals and will make such an arrangement as appropriate.

### **Code Provision A.2.1**

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated. The executive Directors, namely, Mr. Wang Xiaoqi and Mr. Ho Yeung are focused on evaluating new potential business and investment opportunities and formulating and implementing business strategies to enhance the revenue and growth potential of the Company. Hence, a new chairman and chief executive officer will not be appointed until suitable candidates have been identified for such purpose.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the Reporting Period.

## AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established in May 2000, and the Company had adopted a revised specific terms of reference as of January 2019 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee comprises three members, namely, Mr. Tse Yee Hin, Tony, Mr. Lau Chor Ki and Mr. Wong Kin Kee, all of whom were independent non-executive Directors. Mr. Tse Yee Hin, Tony is the current chairman of the Audit Committee. The primary duties of the Audit Committee are to review the Group’s audit findings, accounting policies and standards, changes of accounting rules (if any), compliance with the GEM Listing Rules, internal and audit control, risk management and cash flow forecast.

The unaudited consolidated results of the Group for the Reporting Period have been reviewed by the Audit Committee.

By order of the Board  
**Quantum Thinking Limited**  
**Wang Xiaoqi**  
*Director*

Hong Kong, 14 February 2020

*As at the date of this announcement, the executive Directors of the Company are Mr. Wang Xiaoqi and Mr. Ho Yeung; and the independent non-executive Directors of the Company are Mr. Lau Chor Ki, Mr. Tse Yee Hin, Tony and Mr. Wong Kin Kee.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the Company’s website at <http://www.8050hk.com>.*

\* For identification purpose only