

Quantum Thinking Limited

量子思維有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8050)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2020 together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2020

	Note	Three months ended 30 September		Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4	10,180	4,531	20,422	6,034
Cost of sales and services		<u>(9,236)</u>	<u>(4,201)</u>	<u>(18,582)</u>	<u>(5,619)</u>
Gross profit		944	330	1,840	415
Other income	5	1,294	271	2,129	923
Gain on disposal of subsidiaries	15	52,781	–	52,781	–
Distribution costs		–	(976)	–	(2,530)
Administrative expenses		(6,934)	(8,524)	(13,479)	(17,384)
Impairment loss on amount due from former fellow subsidiaries		(18,765)	–	(18,765)	–
Finance costs		<u>(73)</u>	<u>(34)</u>	<u>(155)</u>	<u>(133)</u>
Profit/(loss) before income tax		29,247	(8,933)	24,351	(18,709)
Income tax expense	6	<u>–</u>	<u>(3)</u>	<u>–</u>	<u>172</u>
Profit/(loss) for the period	7	<u>29,247</u>	<u>(8,936)</u>	<u>24,351</u>	<u>(18,537)</u>
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation of financial statements from functional currency to presentation currency		<u>(172)</u>	<u>14</u>	<u>(242)</u>	<u>220</u>
Other comprehensive income for the period, net of tax		<u>(172)</u>	<u>14</u>	<u>(242)</u>	<u>220</u>
Total comprehensive income/ (expense) for the period, net of tax		<u>29,075</u>	<u>(8,922)</u>	<u>24,109</u>	<u>(18,317)</u>

	<i>Note</i>	Three months ended 30 September		Six months ended 30 September	
		2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Profit/(loss) for the period attributable to:					
Owners of the Company		29,768	(7,153)	25,572	(14,854)
Non-controlling interests		(521)	(1,783)	(1,221)	(3,683)
		<u>29,247</u>	<u>(8,936)</u>	<u>24,351</u>	<u>(18,537)</u>
Total comprehensive income/ (expense) for the period attributable to:					
Owners of the Company		30,087	(7,780)	25,890	(15,782)
Non-controlling interests		(1,012)	(1,142)	(1,781)	(2,535)
		<u>29,075</u>	<u>(8,922)</u>	<u>24,109</u>	<u>(18,317)</u>
Earnings/(Loss) per share attributable to the owners of the Company:					
— Basic earnings/(loss) per share: (HK cents)	8	<u>2.19</u>	<u>(0.53)</u>	<u>1.89</u>	<u>(1.10)</u>
— Diluted earnings/(loss) per share: (HK cents)	8	<u>2.19</u>	<u>(0.53)</u>	<u>1.89</u>	<u>(1.10)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		30 September 2020 <i>HK\$'000</i> (unaudited)	31 March 2020 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Plant and equipment		4,915	6,337
Right-of-use assets		4,950	6,440
Intangible assets		34	41
		9,899	12,818
Total non-current assets			
Current assets			
Trade and other receivables	10	11,488	10,076
Contract assets		–	1,193
Financial assets at fair value through profit or loss	11	23,072	29,035
Cash and cash equivalents		25,217	28,030
		59,777	68,334
Assets classified as held for sale	14	–	8,125
		59,777	76,459
Total current assets			
Current liabilities			
Trade and other payables	12	32,175	14,656
Lease liabilities		3,222	3,550
Contract liabilities		–	251
Income tax payable		22	21
		35,419	18,478
Liabilities associated with assets classified held for sale	14	–	76,704
		35,419	95,182
		35,419	95,182

		30 September 2020	31 March 2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	(unaudited)	(audited)
Net current assets/(liabilities)		<u>24,358</u>	<u>(18,723)</u>
Total assets less current liabilities		<u>34,257</u>	<u>(5,905)</u>
Non-current liabilities			
Lease liabilities		<u>2,186</u>	<u>3,536</u>
Net assets/(liabilities)		<u><u>32,071</u></u>	<u><u>(9,441)</u></u>
Equity			
Equity attributable to the Owners of the Company			
Share capital	<i>13</i>	135,625	135,625
Reserves		<u>(99,209)</u>	<u>(123,733)</u>
Equity attributable to owners of the Company		36,416	11,892
Non-controlling interests		<u>(4,345)</u>	<u>(21,333)</u>
Total equity/(deficits)		<u><u>32,071</u></u>	<u><u>(9,441)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital <i>HK\$'000</i> (unaudited)	Share premium <i>HK\$'000</i> (unaudited)	Translation reserve <i>HK\$'000</i> (unaudited)	Accumulated losses <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)	Non- controlling interests <i>HK\$'000</i> (unaudited)	Total equity <i>HK\$'000</i> (unaudited)
As at 1 April 2019, as originally stated (audited)	135,625	99,935	(4,587)	(189,718)	41,255	(16,680)	24,575
Prior year adjustments	-	-	-	(1,792)	(1,792)	-	(1,792)
At 1 April 2019, as restated	135,625	99,935	(4,587)	(191,510)	39,463	(16,680)	22,783
Comprehensive expense							
Loss for the period	-	-	-	(14,854)	(14,854)	(3,683)	(18,537)
Other comprehensive (expense)/income							
Exchange differences arising on translation of foreign operations	-	-	(928)	-	(928)	1,148	220
Total comprehensive expense	-	-	(928)	(14,854)	(15,782)	(2,535)	(18,317)
As at 30 September 2019	<u>135,625</u>	<u>99,935</u>	<u>(5,515)</u>	<u>(206,364)</u>	<u>23,681</u>	<u>(19,215)</u>	<u>4,466</u>
As at 1 April 2020	<u>135,625</u>	<u>99,935</u>	<u>(5,448)</u>	<u>(218,220)</u>	<u>11,892</u>	<u>(21,333)</u>	<u>(9,441)</u>
Comprehensive income/ (expense)							
Profit/(loss) for the period	-	-	-	25,572	25,572	(1,221)	24,351
Other comprehensive income/(expense)							
Exchange differences arising on translation of foreign operations	-	-	318	-	318	(560)	(242)
Total comprehensive income/(expense)	-	-	318	25,572	25,890	(1,781)	24,109
Transaction with owners							
Disposal of subsidiaries	-	-	(1,366)	-	(1,366)	18,769	17,403
Total transaction with owners	-	-	(1,366)	-	(1,366)	18,769	17,403
As at 30 September 2020	<u>135,625</u>	<u>99,935</u>	<u>(6,496)</u>	<u>(192,648)</u>	<u>36,416</u>	<u>(4,345)</u>	<u>32,071</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)
Net cash used in operating activities		(9,171)	(184)
Cash flows from investing activities			
Purchase of plant and equipment		(203)	(20,675)
Proceeds from sale of plant and equipment		221	–
Net cash outflow on disposal of subsidiaries	15	(257)	–
Cash paid for acquisition of financial assets at fair value through profit or loss		(14,722)	(45,290)
Proceeds from disposal of financial assets at fair value through profit or loss		21,695	51,443
Interest received from bank	5	144	39
Investment income from financial assets at fair value through profit or loss	5	393	622
Increase in time deposits with maturity over three months		–	(3,000)
Increase in restricted cash		–	(86)
Net cash generated from/(used in) investing activities		7,271	(16,947)
Cash flows from financing activities			
Repayment of lease liabilities		(1,890)	–
Net cash used in financing activities		(1,890)	–
Net decrease in cash and cash equivalents		(3,790)	(17,131)

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Cash and cash equivalents at the beginning of the period	28,030	51,278
Cash and bank balances included in assets held for sale at the beginning of the period	230	–
Effect on foreign exchange rate changes, on cash held	747	(1,492)
	<u>25,217</u>	<u>32,655</u>
 Cash and cash equivalents at the end of the period	 <u>25,217</u>	 <u>32,655</u>
 Analysis of balances of cash and cash equivalents		
Cash and cash equivalents with an original maturity of three months or less:		
Cash at banks and in hand	14,217	17,455
Short-term time deposits in banks	11,000	15,200
	<u>25,217</u>	<u>32,655</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. GENERAL INFORMATION

Quantum Thinking Limited (the “**Company**”) 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 Room 1403, 14/F, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong.

The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company and its subsidiaries (collectively referred to as the “**Group**”) are 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 parent and ultimate holding company of the Company is Happy On Holdings Limited (“**Happy On**”), which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2020 (the “**Condensed Financial Report**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” 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 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 2020 (the “**2020 Annual Financial Statements**”). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2020 Annual Financial Statements, except for the adoption of the new or amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2020. Details of these changes in accounting policies are set out in note 3.

The preparation of the Condensed Financial Report in conformity with HKAS 34 requires management to make judgements, 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.

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. ADOPTION OF NEW AND AMENDED HKFRSS AND CHANGES IN ACCOUNTING POLICIES

3.1 New and amended HKFRSS adopted as at 1 April 2020

The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the annual financial statements for the year ended 31 March 2020, except for the adoption of the following new and amended HKFRSS effective as of 1 April 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the new and amended HKFRSS had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

4. REVENUE AND SEGMENT INFORMATION

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

	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Hardware	4,937	4,011	9,332	4,011
Service				
— System development	4,685	321	10,194	1,623
— Consultancy	558	159	896	159
— Maintenance	—	40	—	241
	<u>5,243</u>	<u>520</u>	<u>11,090</u>	<u>2,023</u>
	<u>10,180</u>	<u>4,531</u>	<u>20,422</u>	<u>6,034</u>

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make operating decisions. Executive directors are considered as the chief operating decision maker (“CODM”).

The CODM review the Group’s financial information from hardware and services perspectives. The reportable segments are classified in a manner consistent with the information reviewed by the CODM.

The CODM assess the performance of the operating segments based on a measure of reportable segment (loss)/profit. This measurement basis excludes other income and unallocated expenses.

Segment assets mainly exclude assets that are managed on a central basis. Segment liabilities mainly exclude liabilities that are managed on a central basis.

	Hardware		Services		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reportable segment revenue:						
From external customers	<u>9,332</u>	<u>4,011</u>	<u>11,090</u>	<u>2,023</u>	<u>20,422</u>	<u>6,034</u>
Reportable segment loss	<u>(2,489)</u>	<u>(5,433)</u>	<u>(2,493)</u>	<u>(4,567)</u>	<u>(4,982)</u>	<u>(10,000)</u>

	Hardware		Services		Total	
	Three months ended 30 September		Three months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reportable segment revenue:						
From external customers	<u>4,937</u>	<u>4,011</u>	<u>5,243</u>	<u>520</u>	<u>10,180</u>	<u>4,531</u>
Reportable segment loss	<u>(1,174)</u>	<u>(3,676)</u>	<u>(1,110)</u>	<u>(1,131)</u>	<u>(2,284)</u>	<u>(4,807)</u>

	Hardware		Services		Total	
	30 September	31 March	30 September	31 March	30 September	31 March
	2020	2020	2020	2020	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reportable segment assets	<u>3,707</u>	<u>7,475</u>	<u>4,862</u>	<u>11,323</u>	<u>8,569</u>	<u>18,798</u>
Reportable segment liabilities	<u>3,463</u>	<u>6,743</u>	<u>4,508</u>	<u>6,752</u>	<u>7,971</u>	<u>13,495</u>

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the Condensed Financial Report as follows:

	Three months ended 30 September		Six months ended 30 September	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Reportable segment loss	(2,284)	(4,807)	(4,982)	(10,000)
Depreciation	(1,950)	(2,015)	(3,336)	(3,905)
Unallocated corporate expenses*	(20,594)	(2,382)	(22,240)	(5,727)
Unallocated corporate income	<u>54,075</u>	<u>271</u>	<u>54,909</u>	<u>923</u>
Profit/(loss) before income tax	<u><u>29,247</u></u>	<u><u>(8,933)</u></u>	<u><u>24,351</u></u>	<u><u>(18,709)</u></u>

* Unallocated Corporate expenses mainly include short-term leases/operating lease charges in respect of rented premises and headquarter expenses.

	30 September 2020 <i>HK\$'000</i> (unaudited)	31 March 2020 <i>HK\$'000</i> (audited)
Total segment assets	8,569	18,798
Unallocated assets*	<u>61,107</u>	<u>70,479</u>
Total assets per condensed consolidated statement of financial position	<u><u>69,676</u></u>	<u><u>89,277</u></u>
Total segment liabilities	7,971	13,495
Unallocated liabilities*	<u>29,634</u>	<u>85,223</u>
Total liabilities per condensed consolidated statement of financial position	<u><u>37,605</u></u>	<u><u>98,718</u></u>

* Unallocated assets mainly include property, plant and equipment, other receivables, financial assets at fair value through profit or loss, and cash and cash equivalents. Unallocated liabilities mainly include certain other payables, accruals and tax payable.

5. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest income from bank deposits	64	33	144	39
Investment income from financial assets designated as at FVTPL	174	263	393	622
Government grants (<i>note</i>)	616	(2)	813	129
Others	440	(23)	779	133
	<u>1,294</u>	<u>271</u>	<u>2,129</u>	<u>923</u>

Note: The amount represented government grants received from the PRC local government authorities in respect of subsidising the Group's scientific and technological and operating activities, which were immediately recognised as other income for the period as the Group fulfilled all the relevant granting criteria.

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the six months and three months ended 30 September 2020 and 2019 as the Group had incurred losses for taxation purpose. The PRC enterprise income tax has been provided at the rate of 25% (six months and three months ended 30 September 2019: 25%) on the estimated assessable profit for the six months and three months ended 30 September 2020.

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
PRC enterprise income tax				
Current period	-	-	-	-
Under provision/(overprovision) in respect of prior years	-	3	-	(172)
Income tax expense	<u>-</u>	<u>3</u>	<u>-</u>	<u>(172)</u>

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (30 September 2019: Nil).

7. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period is arrived at after charging/(crediting):

	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cost of inventories sold	4,545	5,619	8,704	5,619
Depreciation of plant and equipment	1,950	2,015	3,336	3,905
Research and development costs	996	2,033	2,401	4,631
Employee benefit expense	1,645	2,507	3,628	5,244
Net foreign exchange loss	–	(432)	–	(240)
Short-term leases/operating lease charges in respect of rented premises	–	180	25	436
Impairment loss on amount due from former fellow subsidiaries	18,765	–	18,765	–

8. EARNINGS/(LOSS) PER SHARE

Basic earnings per share for the three months and six months ended 30 September 2020 is calculated by dividing the profit attributable to owners of the Company for the period of HK\$29,768,000 and HK\$25,572,000 respectively (three months and six months ended 30 September 2019: loss of HK\$7,153,000 and HK\$14,854,000 respectively) by the weighted average number of 1,356,250,000 (three months and six months ended 30 September 2019: 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 six months ended 30 September 2020 and 2019 as the Group had no potential dilutable ordinary shares in issue during the three and six months ended 30 September 2020 and 2019.

9. DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

10. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade receivables (<i>Note a</i>)	8,535	7,854
Prepayments, deposits and other receivables	2,953	2,222
	<u>11,488</u>	<u>10,076</u>

Note a: The credit period granted by the Group to its customers generally ranged from 0 to 120 days. As at 30 September 2020 and 31 March 2020, the ageing analysis of the Group's trade receivables (net of provision for impaired receivables) based on invoice date is as follows:

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Within 90 days	7,054	7,161
91 to 180 days	1,481	693
	<u>8,535</u>	<u>7,854</u>

All amounts are short term and hence the carrying values of the Group's trade and other receivables are considered to be a reasonable approximation of fair values.

11. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Wealth management products	<u>23,072</u>	<u>29,035</u>

As at 30 September 2020, the Group had short term investments linked wealth management products that were denominated in RMB20,260,000 (equivalent to HK\$23,072,000) (At 31 March 2020: RMB26,560,000 (equivalent to HK\$29,035,000)) with banks.

Interest rates of the wealth management products vary depending on the return rate of the relevant short term bonds, money market investment fund and time deposits.

Wealth management products are carried at fair value and their dealing price is derived from net asset values of the investment funds with reference to observable quoted price of underlying investment portfolio in active markets and inputs other than quoted market price for respective wealth management products (note 16.1).

12. TRADE AND OTHER PAYABLES

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Trade payables (<i>Note a</i>)	7,552	7,167
Other payables and accruals (<i>Note b</i>)	<u>24,623</u>	<u>7,489</u>
	<u>32,175</u>	<u>14,656</u>

Note a: The ageing analysis of the Group's trade payables based on invoice date is as follows:

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Within 30 days	3,435	5,974
31 to 90 days	3,258	1,193
Over 91 days	<u>859</u>	<u>–</u>
	<u>7,552</u>	<u>7,167</u>

Note b: Included in the above balances as of 31 March 2020 is the amount of HK\$194,000 due to Mr. Chan Foo Wing, the ultimate beneficial owner of the Company. The amount due is unsecured, interest-free and repayable on demand.

The carrying values of the Group's trade and other payables are considered to be a reasonable approximation of fair values.

13. SHARE CAPITAL

	Authorised Ordinary shares of HK\$0.10 each	
	<i>Number of Shares (in thousands)</i>	<i>HK\$'000 (unaudited)</i>
As at 31 March 2020 and 30 September 2020	<u>2,000,000</u>	<u>200,000</u>
	Issued and fully paid Ordinary shares of HK\$0.10 each	
	<i>Number of Shares (in thousands)</i>	<i>HK\$'000 (unaudited)</i>
As at 1 April 2019, 31 March 2020 and 30 September 2020	<u>1,356,250</u>	<u>135,625</u>

14. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During the year ended 31 March 2020, the directors of the Company resolved to dispose of the entire equity interest in China Mobile Payment Technology Group Company Limited. Negotiations with several interested parties have subsequently taken place. The assets and liabilities attributable to the group, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the group classified as held for sale are as follows:

	31 March 2020 HK\$'000 (audited)
Plant and equipment	33
Trade and other receivables	1,303
Financial assets at fair value through profit or loss	6,559
Bank balances and cash	230
	<hr/>
Total assets classified as held for sale	8,125
	<hr/> <hr/>
Trade and other payables (<i>note i, ii and iii</i>)	76,704
	<hr/>
Total liabilities classified as held for sale	76,704
	<hr/> <hr/>

Notes:

- (i) Included in the amount of other payables as at 31 March 2020, approximately of HK\$194,000 represented the amount due to Mr. Chan Foo Wing, the ultimate beneficial owner of the Company. The amount is unsecured, interest-free and repayment on demand.
- (ii) Included in the amount of other payables as at 31 March 2020, approximately of HK\$10,932,000 represented the amount due to an independent third party, 北京瑞智恒達網絡科技有限公司. The amount is unsecured, interest-free and repayment on demand.
- (iii) Included in the amount of other payables as at 31 March 2020, approximately of HK\$2,353,000 represented the amount payable to several former employees of Beijing Huaqin due to the litigations in respect of the termination of employment.

The disposal group had been disposed on 19 August 2020 for cash consideration receivables of HK\$50,000.

15. DISPOSALS OF SUBSIDIARIES

On 19 August 2020, the Group entered into a sale and purchase agreement with a director of 華天網路科技有限公司 (Huatian Internet Technology Co., Ltd.*) (“**Huatian**”) and 北京華勤天地科技有限公司 (Beijing Huaqin Tiandi Technology Co., Ltd.*) (“**Huaqin**”), to disposed of its entire equity interests in the China Mobile Payment Technology Group Company Limited (中國支付科技集團有限公司), which is an investment holding company holding 90% equity interest in Huatian which in turn holds 51% equity interest in, and controls the board of directors of, Huaqin for a consideration of HK\$50,000. Huatian is principally engaged in investment holding and IT network consultation service, whereas Huaqin is principally engaged in trading of residential gateway products.

In accordance with HKFRS 5, assets and liabilities relating to Disposal Group were classified as held for sale in the consolidated statement of financial position as at 31 March 2020. The disposal did not constitute a discontinued operation as it did not represent a major line of business or geographical area of operation.

The net liabilities of the Disposal Group at the date of disposal were as follows:

	At 19 August 2020 <i>HK\$'000</i>
Plant and equipment	32
Financial assets at fair value through profit or loss	6,660
Trade and other receivables	2,121
Restricted cash	127
Bank balances and cash	130
Trade and other payables	<u>(79,204)</u>
Net liabilities disposed of	<u><u>(70,134)</u></u>
	<i>HK\$'000</i>
Gain on disposal of subsidiaries:	
Cash consideration receivable included in other receivables	50
Net liabilities disposed of	70,134
Non-controlling interests	(18,769)
Cumulated translation reserve in respect of the net assets of the subsidiaries	<u>1,366</u>
Gain on disposal of subsidiaries	<u><u>52,781</u></u>
	<i>HK\$'000</i>
Analysis of net cash flow on disposal:	
Cash and cash equivalent disposed of	<u>(257)</u>
Net cash outflow from disposal of subsidiaries	<u><u>(257)</u></u>

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

16.1 Financial assets measured at fair value

The following table presents financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 2	
	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Assets		
Financial assets at fair value through profit or loss:		
Wealth management products	<u>23,072</u>	<u>29,035</u>

Wealth management products are derived from net asset values of the investment funds with reference to observable quoted price of underlying investment portfolio in active markets.

The carrying amounts of the financial instruments carried at amortised cost are not materially different from their fair values as at 30 September 2020 and 31 March 2020.

17. MATERIAL RELATED PARTY TRANSACTION

The Group had no significant transactions with related parties during the reporting period (six months ended 30 September 2019: Nil).

The remuneration of key management personnel for the six months ended 30 September 2020 amounted to HK\$824,000 (six months ended 30 September 2019: HK\$819,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 September 2020 (the “**Reporting Period**”), Quantum Thinking Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) recorded a revenue of approximately HK\$20,422,000, representing an increase of approximately 238% when compared with that of approximately HK\$6,034,000 for the corresponding period in the last year.

Profit before income tax of the Group for the Reporting Period was approximately HK\$24,351,000, compared with loss before income tax of approximately HK\$18,709,000 for the corresponding period in the last year. Profit attributable to owners of the Company for the Reporting Period was approximately HK\$25,572,000 compared with loss attributable to owners of the Company of approximately HK\$14,854,000 for the corresponding period in the last year.

INDUSTRY OVERVIEW

The telecommunications sector of the People’s Republic of China (the “**PRC**” or “**China**”) continued to be mired in a difficult business environment during the second quarter of the Reporting Period ended 30 September 2020 as a result of the protracted worldwide outbreak of novel coronavirus pneumonia and the United States of America (the “**United States**”) government’s sanctions against and restrictions on certain technology companies from the PRC.

While the pandemic has delayed the progress in economic activities including information technology projects, the United States decided in early October to impose restrictions on the United States companies’ exports of equipment to China’s largest semiconductor foundry company amid the increasingly strained relations between the two countries. This followed the United States’ earlier sanction against a major Chinese telecommunications equipment and consumer electronics company. The United States sanctions had prohibited the installation of the United States operating systems in the devices and equipment produced by that Chinese telecommunications equipment and consumer electronics company, and ultimately disrupted the supply of large batches of that Chinese company’s products such as the base stations of the fifth-generation (5G) telecommunications technology to China’s major telecommunications carriers. In some cases, such supplies even came to a halt. As a result, many information technology projects had to be suspended or delayed. This also seriously affected the online/offline payment solution developers and providers such as the Company. It was because many information system solution developers and providers carried out secondary development of information system software based on the hardware produced by that major Chinese telecommunications equipment and consumer electronics company, whose products have been widely used in China’s telecommunications industry.

Information technology solution providers and their clients such as telecom carriers needed to switch over to the products of other telecommunications equipment makers which were not (or at least not yet) subject to the United States' sanctions. They may also need to negotiate about the copyrights of the United States operating systems before they can start such information technology projects.

Moreover, the pandemic and the Sino-United States trade disputes also combined to affect China's economic development, causing both the Chinese government departments and businesses to retrench and reduce budgets, including those for solutions for online/offline payment.

Nevertheless, the pandemic also generated some opportunities for the information technology industry, especially for the internet sector, as it boosted demand for internet-enabled distance learning and online courses and teleconferences. Meanwhile, the retrenchment by the Chinese government departments and businesses also generated demand for a platform and software for reduction of both the operating cost and electric energy consumption.

As to the demand of the end-users of the online/offline payment systems, in the second quarter of 2020, the value of the payments processed by non-bank payment institutions through public information technology networks increased by 18.37% year on year to RMB70.22 trillion in the PRC, showing a deceleration from the year-on-year growth of 22.84% in the second quarter of 2019, according to the People's Bank of China. Meanwhile, the number of such payments grew by 14.48% year on year in the second quarter of 2020 to about 203.5 billion in the country, showing a considerable deceleration from the year-on-year increase of 44.52% in the second quarter of 2019.

BUSINESS REVIEW

The Company was stepping up its diversification into the business of internet electronic identity authentication during the Reporting Period in view of the significant impact of the United States sanctions against a major Chinese telecommunications equipment and consumer electronics company on its mainstay business of developing systems and solutions for online/offline digital payment.

For instance, the Group, through its 70%-held internet electronic identity authentication company Shenzhen CITIC Cyber Security Authentication Co., Ltd. (深圳市中信網安認證有限公司) ("**CITIC Cyber Security**"), has been building up a reserve of technologies of its proprietary mobile phone SIM ("**subscriber identification module**") card-based system for electronic identity authentication.

In July 2020, CITIC Cyber Security signed a contract to build a unified digital authentication system, carry out application integration and operate and maintain such system for an information technology subsidiary of a China-based transportation infrastructure design and construction firm.

In June 2020, CITIC Cyber Security signed an agreement with a Shenzhen-based information technology system developer to authenticate the identities of the customers of a mainland China-based full-service investment banking enterprise and the identities of the holders of the bank cards issued by mainland Chinese banks with their real names as shown on the citizens' identity cards during transactions.

CITIC Cyber Security had earlier 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 in June 2019. Under that agreement, eCitizen (“e 公民” in Chinese), which is CITIC Cyber Security's proprietary mobile phone SIM card-based system for electronic identity authentication, would be applied to the bank's financial services. The system would 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 signing, managing and auditing contracts electronically.

Other businesses that the Group had also diversified into since the financial year ended 31 March 2020 (the “**Previous Period**”) included subleasing co-working spaces of an office building in Shenzhen to mainly financial technology start-ups; 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.

In addition to the diversification of its business to broaden its income stream, the Group also further developed its mainstay business of developing systems and solutions for online/offline digital payment to capitalize on the retrenchment measures of both the businesses and government departments in China. The Company's mainstay business used 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. However, the telecommunications firm decided to develop such platform and software by itself. The negotiation ended.

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**”), won a tender in October 2019 for a contract to develop and maintain a unified payment system and platform of the Shenzhen-based subsidiary of a leading telecommunications company for years 2019 to 2021. 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. It signed the contract in December 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. Business of office rental which is bundled with information technology services and office administration services in Shenzhen

CITIC Cyber Security started a business of subleasing co-working spaces of an office building in Shenzhen to mainly financial technology start-ups in the financial year ended 31 March 2020 (the “**Previous Period**”). The office rental is bundled with its information technology services and some office administration services. During the Reporting Period, it subleased some co-working spaces to three more companies, bringing the total number of tenants to nineteen.

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

During the Previous Period, the Group 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 for housing include those for a user's application management, property management and leasing management.

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

The Company's another wholly-owned subsidiary, Shenzhen YBDS IT Co., Ltd. (深圳市韻博信息科技有限公司) (“**Shenzhen YBDS**”) supplied, installed and tested 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 during the Reporting Period.

5. Development and implementation of a platform for electronically signing, managing and auditing contracts

In January 2020, CITIC Cyber Security signed a contract to develop and implement on behalf of a PRC-based bank a platform for signing, managing and auditing contracts electronically. It also signed a contract in March 2020 to supply information technology equipment to that bank to enable that platform and it had finished the contract during the first quarter ended 30 June 2020.

6. Authenticating the identities of the customers of a Chinese investment bank

In June 2020, CITIC Cyber Security signed an agreement with a Shenzhen-based information technology system developer to authenticate the identities of the customers of a China-based full-service investment banking enterprise and the identities of the holders of the bank cards issued by mainland Chinese banks with their real names as shown on the citizens' identity cards during transactions. The information about customers' identities will be sent by the information technology system developer on behalf of that investment banking enterprise to CITIC Cyber Security through websites, application programming interface (API) or terminals for authentication.

7. Construction of unified digital authentication system, application integration and operation and maintenance of the system

In July 2020, CITIC Cyber Security signed a contract to build a unified digital authentication system, carry out application integration and operate and maintain such system for an information technology subsidiary of a China-based transportation infrastructure design and construction firm. CITIC Cyber Security will provide both services and hardware for its client.

PROSPECT

The United States' sanctions against a major Chinese telecom equipment and consumer electronics firm has significantly affected the Group's mainstay business of developing systems and solutions for online/offline digital payment. To minimize such impact on its overall business, the Group will step up the development of its business of internet security, that is, the business of its proprietary mobile phone SIM card-based system for electronic identity authentication through its majority-owned internet electronic identity authentication firm CITIC Cyber Security.

CITIC Cyber Security made progress by signing an agreement in June 2020 to authenticate the identities of the customers of a Chinese investment bank and a contract in July 2020 to build a unified digital authentication system, carry out application integration and operate and maintain such system for an information technology subsidiary of a China-based transportation infrastructure design and construction firm.

The Group will press ahead with its two-pronged business strategy, namely diversifying its business to broaden the income stream and tapping further the potential of its mainstay business.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2020, the shareholders' funds of the Group amounted to approximately HK\$36,416,000. Current assets of approximately HK\$59,777,000 were mainly comprised of cash and cash equivalents of approximately HK\$25,217,000, and trade and other receivables of approximately HK\$11,488,000. Current liabilities of approximately HK\$35,419,000 were mainly comprised of trade and other payables of approximately HK\$32,175,000. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 30 September 2020, the Group did not have any borrowings or long-term debt. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 1.69 (As at 31 March 2020: 0.8), reflecting the adequacy of financial resources.

The Company raised net proceeds of approximately HK\$100 million through a subscription (the "**Subscription**") on 5 August 2013 by issuing 450,000,000 ordinary shares of the Company at a subscription price of HK\$0.225 per ordinary share of the Company to Happy On Holdings Limited ("**Happy On**"). Immediately after the completion of the Subscription, 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 (i) paying and contributing to the registered capital, increased registered capital and further investment in Guangzhou YBDS and Beijing YBDS IT Co., Ltd.* (北京韻博港信息科技有限公司) ("**Beijing YBDS**"), the two indirect wholly-owned subsidiaries of the Company, especially for Beijing YBDS in order to meet the minimum capital threshold requirement when submitting bids for proposed projects offered by the relevant telecommunications service providers in the PRC; and (ii) general working capital of the Company.

During the year ended 31 March 2015, the Company applied approximately HK\$19,785,000 of the proceeds to pay up the outstanding remaining increased registered capital of Guangzhou YBDS. As the Company acquired China Mobile Payment Technology Group Company Limited on 23 December 2014, a holding company that owns a subsidiary with the aforesaid threshold requirement for bids submission, Beijing YBDS was no longer needed and had been de-registered on 17 June 2016. As stated in the announcement dated 23 December 2014, the part of proceeds of approximately HK\$45.5 million originally earmarked for Beijing YBDS' registered capital and total investment increase, together with the remaining balance of the proceeds were then added to the Company's capital for new potential projects and general working capital purposes.

For details, please refer to the announcements of the Company dated 3 June 2013, 5 August 2013, 20 August 2014 and 23 December 2014, and the circulars dated 11 July 2013 and 10 November 2014.

SIGNIFICANT INVESTMENTS

As at 30 September 2020, the Group held financial assets at fair value through profit or loss of RMB20,260,000 (equivalent to approximately HK\$23,072,000) (31 March 2020: RMB26,560,000 (equivalent to approximately HK\$29,035,000)).

It recorded a total revenue of approximately HK\$393,000 during the Reporting Period, mainly attributable to the dividend income received from the investment portfolio.

The financial assets are the investment funds which invests in various types of bonds issued by the interbank and exchange markets, as well as capital lending, reverse repurchase, time deposits, brokerage beneficiary certificates, trust plans, asset management plans and etc. that meet the requirements of the regulatory authority.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

Most of the transactions of the Group are denominated in Hong Kong Dollar (“**HKD**”) and Renminbi (“**RMB**”). The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize the exposure to foreign exchange risks. As at 30 September 2020, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

OPERATING LEASE COMMITMENTS

As at 30 September 2020, the Group had operating lease commitments of approximately HK\$36,000.

CAPITAL COMMITMENTS

As at 30 September 2020, the contracted capital commitments of the Group were nil.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group had no material contingent liabilities.

CHARGES ON THE GROUP’S ASSETS

As at 30 September 2020, the Group had no charges on the Group’s assets.

SEGMENT INFORMATION

The analysis of the principal activities of the operations of the Group is set out in Note 4 to the Condensed Financial Report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group had 23 employees (2019: 60 employees). The total remuneration paid to employees, including Directors, for the Reporting Period was approximately HK\$2,793,000 (2019: HK\$5,244,000). The remuneration is determined by reference to the market terms and the performance, qualification and experience of each individual employee. The annual year-end double pay is paid based on each individual employee's performance as a recognition of and reward for their contributions. Other benefits accruing to the employees include contributions made to statutory mandatory provident fund scheme and a group medical scheme. We also subsidise our employees for pursuing further studies in related fields.

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

As at 30 September 2020, (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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (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 30 September 2020, 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 <i>(Note 2)</i>	Approximate percentage of issued share capital as at 30 September 2020 <i>(Note 3)</i>
Happy On Holdings Limited ("Happy On") <i>(Note 1)</i>	Beneficial owner	987,888,771 (L)	72.83%
Mr. Chan Foo Wing ("Mr. Chan") <i>(Note 1)</i>	Interest in a controlled corporation	987,888,771 (L)	72.83%

Notes:

1. 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 held by Happy On.
2. "L" means long positions in the shares.
3. Based on 1,356,250,000 shares of the Company in issue as at 30 September 2020.

Save as disclosed above, as at 30 September 2020, 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 of 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 contributions 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 Reporting Period.

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 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.

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 enquiries, 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.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions (the “**Code Provisions**”) set out in the Corporate Governance Code and Corporate Governance Report (the “**Code**”) as set out 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has conducted a review of its risk management and internal control systems under Code Provision C.2 of the Code as set out in Appendix 15 to the GEM Listing Rules.

The Board has engaged an independent consultants, Roma Risk Advisory Limited (“**Roma**”) to execute the internal audit and risk management functions. The Board reviews risk management and internal control systems on an annual basis and when necessary.

A review of the effectiveness of the risk management and internal control systems has been conducted and the Company considers them effective and adequate during the Reporting Period.

During the Reporting Period, the Company has followed up on those recommendations made by Roma as part of its comprehensive review on the internal controls of the Group. As such, the Group’s internal supervision and risk prevention measures continue to improve.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established in May 2000, and the Company adopted a revised specific terms of reference on 10 January 2019 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. Currently, the Audit Committee comprises Mr. Tse Yee Hin, Tony, Mr. Lau Chor Ki and Mr. Wong Kin Kee, all of whom are 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, 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, 13 November 2020

As at the date of this announcement, the executive Directors are Mr. Wang Xiaoqi and Mr. Ho Yeung; and the independent non-executive Directors 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 Listed Company Information” page of the GEM website at 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