

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 2020

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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 condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and nine months ended 31 December 2020 together with the unaudited comparative figures for the corresponding periods in 2019 as follows:

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

For the three months and nine months ended 31 December 2020

		Three months ended 31 December		Nine months ended 31 December	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	10,102	9,360	30,525	15,395
Cost of sales and services		<u>(9,198)</u>	<u>(8,518)</u>	<u>(27,780)</u>	<u>(14,138)</u>
Gross profit		904	842	2,745	1,257
Other income	4	804	953	2,933	1,876
Gain on disposal of subsidiaries	8	–	–	52,781	–
Distribution costs		–	(1,155)	–	(3,685)
Administrative expenses		(7,604)	(8,121)	(21,084)	(25,505)
Impairment loss on amount due from former fellow subsidiaries		–	–	(18,765)	–
Finance costs		<u>(9)</u>	<u>(89)</u>	<u>(163)</u>	<u>(222)</u>
(Loss)/profit before income tax		(5,905)	(7,570)	18,447	(26,279)
Income tax refund/(expense)	5	<u>15</u>	<u>(1)</u>	<u>15</u>	<u>171</u>
(Loss)/profit for the period		<u>(5,890)</u>	<u>(7,571)</u>	<u>18,462</u>	<u>(26,108)</u>
Other comprehensive income/(expense)					
<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>1,381</u>	<u>(282)</u>	<u>1,138</u>	<u>(62)</u>
Other comprehensive income/ (expense) for the period, net of tax		<u>1,381</u>	<u>(282)</u>	<u>1,138</u>	<u>(62)</u>
Total comprehensive (expense)/ income for the period, net of tax		<u>(4,509)</u>	<u>(7,853)</u>	<u>19,600</u>	<u>(26,170)</u>

	Three months ended 31 December		Nine months ended 31 December		
	2020	2019	2020	2019	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
(Loss)/profit for the period attributable to:					
Owners of the Company	(5,342)	(6,510)	20,230	(21,364)	
Non-controlling interests	(548)	(1,061)	(1,768)	(4,744)	
	<u>(5,890)</u>	<u>(7,571)</u>	<u>18,462</u>	<u>(26,108)</u>	
Total comprehensive (expense)/income for the period attributable to:					
Owners of the Company	(3,779)	(6,430)	22,111	(22,212)	
Non-controlling interests	(730)	(1,423)	(2,511)	(3,958)	
	<u>(4,509)</u>	<u>(7,853)</u>	<u>19,600</u>	<u>(26,170)</u>	
(Loss)/earnings per share attributable to the owners of the Company:					
— Basic (loss)/earnings per share: (HK cents)	6	<u>(0.39)</u>	<u>(0.48)</u>	<u>1.49</u>	<u>(1.58)</u>
— Diluted (loss)/earnings per share: (HK cents)	6	<u>(0.39)</u>	<u>(0.48)</u>	<u>1.49</u>	<u>(1.58)</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

For the nine months ended 31 December 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)	Non- controlling interest <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
As at 1 April 2019, as originally stated (audited)	135,625	99,935	(4,587)	(189,718)	(16,680)	24,575
Prior year adjustments	–	–	–	(1,792)	–	(1,792)
At 1 April 2019, as restated	135,625	99,935	(4,587)	(191,510)	(16,680)	22,783
Comprehensive expense						
Loss for the period	–	–	–	(21,364)	(4,744)	(26,108)
Other comprehensive (expense)/income						
Exchange differences arising on translation of foreign operations	–	–	(848)	–	786	(62)
Total comprehensive expense	–	–	(848)	(21,364)	(3,958)	(26,170)
As at 31 December 2019	<u>135,625</u>	<u>99,935</u>	<u>(5,435)</u>	<u>(212,874)</u>	<u>(20,638)</u>	<u>(3,387)</u>
As at 1 April 2020	<u>135,625</u>	<u>99,935</u>	<u>(5,448)</u>	<u>(218,220)</u>	<u>(21,333)</u>	<u>(9,441)</u>
Comprehensive income/(expense)						
Profit/(loss) for the period	–	–	–	20,230	(1,768)	18,462
Other comprehensive income/(expense)						
Exchange differences arising on translation of foreign operations	–	–	1,881	–	(743)	1,138
Total comprehensive income/(expense)	–	–	1,881	20,230	(2,511)	19,600
Transaction with owners						
Disposal of subsidiaries	–	–	(1,366)	–	18,769	17,403
Total transaction with owners	–	–	(1,366)	–	18,769	17,403
As at 31 December 2020	<u>135,625</u>	<u>99,935</u>	<u>(4,933)</u>	<u>(197,990)</u>	<u>(5,075)</u>	<u>27,562</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 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 Group is principally engaged in the provision of system development services and other value-added technical consultation services and trading of hardware products.

In the opinion of 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 2020 (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 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 HKFRSs which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2020.

The adoption of the new and revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the nine months ended 31 December 2020.

The Group has not applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group’s results of operations and financial position.

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.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Hardware	4,610	5,253	13,943	9,264
Services				
— System development	4,946	3,644	15,140	5,267
— Consultancy	546	384	1,442	543
— Maintenance	—	79	—	321
	5,492	4,107	16,582	6,131
	10,102	9,360	30,525	15,395

4. OTHER INCOME

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income from bank deposits	14	83	158	122
Investment income from financial assets designated as at FVTPL	194	266	586	888
Government grants (<i>note</i>)	502	66	1,315	195
Others	94	538	874	671
	804	953	2,933	1,876

Note: The amount represented the government grants received from the People's Republic of China (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.

5. INCOME TAX (REFUND)/EXPENSE

No provision for Hong Kong profits tax has been made for the three months and nine months ended 31 December 2020 and 2019 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 2019: 25%) on the estimated assessable profit for the three months and nine months ended 31 December 2020.

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC enterprise income tax				
Current period	–	–	–	–
Under provision/(over provision) in respect of prior years	–	1	–	–
Income tax refund in respect of prior years	<u>(15)</u>	<u>–</u>	<u>(15)</u>	<u>(171)</u>
Income tax (refund)/expense	<u><u>(15)</u></u>	<u><u>1</u></u>	<u><u>(15)</u></u>	<u><u>(171)</u></u>

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (31 December 2019: Nil).

6. (LOSS)/EARNINGS PER SHARE

Basic loss per share for the three months ended 31 December 2020 is calculated by dividing the loss attributable to owners of the Company for the period of HK\$5,342,000 and basic earnings per share for the nine months ended 31 December 2020 is calculated by dividing the profit attributable to owners of the Company for the period of HK\$20,230,000 (three months and nine months ended 31 December 2019: loss of HK\$6,510,000 and HK\$21,364,000 respectively) by the weighted average number of 1,356,250,000 (three months and nine months ended 31 December 2019: weighted average number of 1,356,250,000) ordinary shares of the Company in issue during the period.

No adjustment has been made to the basic loss per share and basic earnings per share presented for the three and nine months ended 31 December 2020 and 2019 as the Company had no potential dilutable ordinary shares in issue during the three and nine months ended 31 December 2020.

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2020 (nine months ended 31 December 2019: Nil).

8. DISPOSAL OF SUBSIDIARIES

On 19 August 2020, the Group entered into a sale and purchase agreement with a director of 華天網絡科技有限公司 (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 dispose of its entire equity interests in China Mobile Payment Technology Group Company Limited* (中國支付科技集團有限公司) (“**China Mobile Payment Technology**”), 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	(79,204)
	<hr/>
Net liabilities disposed of	(70,134)
	<hr/> <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	1,366
	<hr/>
Gain on disposal of subsidiaries	52,781
	<hr/> <i>HK\$'000</i>
Analysis of net cash flow on disposal:	
Cash and cash equivalent disposed of	(257)
	<hr/>
Net cash outflow from disposal of subsidiaries	(257)
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REVIEW AND PROSPECTS

FINANCIAL REVIEW

For the nine months ended 31 December 2020 (the “**Reporting Period**”), the Group recorded a revenue of approximately HK\$30,525,000, representing an increase of approximately 98% when compared with that in the corresponding period last year of approximately HK\$15,395,000.

Profit before income tax of the Group for the Reporting Period was approximately HK\$18,447,000 compared with a loss before income tax of approximately HK\$26,279,000 for the corresponding period last year. Profit attributable to owners of the Company for the Reporting Period was approximately HK\$20,230,000 compared with a loss attributable to owners of the Company of approximately HK\$21,364,000 for the corresponding period last year.

INDUSTRY OVERVIEW

The operating environment of the information technology sector continued to be difficult during the third quarter of the Reporting Period ended 31 December 2020. This was because projects in that sector were delayed or suspended due to the sporadic outbreak of novel coronavirus pneumonia pandemic in the People’s Republic of China (the “**PRC**” or “**China**”) and the United States of America (the “**United States**”) government’s sanctions against and restrictions on certain technology companies from the PRC.

The sanctions had prohibited the installation of the United States operating systems in the devices and equipment produced by a major Chinese telecommunications equipment and consumer electronics company, and ultimately disrupted the supply of large batches of that Chinese company’s products to China’s major telecommunications carriers. This, in turn, dealt a heavy blow to many information system solution developers and providers because they carried out secondary development of information system software based on the hard ware produced by that major Chinese telecommunications equipment and consumer electronics company, whose products have been widely used in China’s telecommunications industry.

For many information system solution developers and providers, including those engaging in online/offline payment solution development such as the Company, China’s major telecommunications carriers are their important clients, accounting for a significant portion of their revenues.

Meanwhile, the still raging worldwide 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.

As to the demand of the end-users of the online/offline payment systems, in the third quarter of 2020, the value of the payments processed by non-bank payment institutions through public information technology networks increased by 23.38% year on year to RMB78.96 trillion in the PRC, according to the People's Bank of China. Meanwhile, the number of such payments grew by 22.65% year on year in the third quarter of 2020 to about 234.5 billion in the country, showing a considerable deceleration from the year-on-year increase of 37.01% in the third quarter of 2019.

BUSINESS REVIEW

In order to keep going in the difficult business environment, the Company pushed forward with its business diversification to broaden its income stream and yet maintained a prudent approach to its business development during the Reporting Period. Following through with the shift of its focus to software and system development that had begun several years ago, the Company further developed its business of internet electronic identity authentication through its 70%-held Shenzhen CITIC Cyber Security Authentication Co., Ltd. (深圳市中信網安認證有限公司) (“**CITIC Cyber Security**”). During the Reporting Period, CITIC Cyber Security made progress in its business development by signing two separate contracts to conduct information verification for a securities brokerage and a certificate authority through websites, application programming interface (API) or terminals. In June 2020, CITIC Cyber Security signed an agreement with a Shenzhen-based information technology system developer to conduct information verification on behalf of a mainland China-based full-service investment banking enterprise. 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 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 June 2019, 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.

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 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 ten more companies, bringing the total number of tenants to 29.

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. Conducting information verification for other companies

During the Reporting Period, CITIC Cyber Security signed two separate contracts to conduct information verification for a securities brokerage and a certificate authority through websites, application programming interface (API) or terminals. Previously, it signed an agreement with a Shenzhen-based information technology system developer in June 2020 to conduct information verification on behalf of a China-based full-service investment banking enterprise.

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

It will take some time for the information technology sector, including the industry of developing systems and solutions for online/offline digital payment, to overcome the difficulties caused by the pandemic and the United States' sanctions against a major Chinese telecom equipment and consumer electronics firm. To mitigate the impact, the Group will push forward with its business diversification and, at the same time, continue with its prudent approach to business development.

As an important move in the Group's drive to diversify its business, its majority-owned internet electronic identity authentication firm CITIC Cyber Security has made progress by signing agreements to conduct information verification on behalf of other companies, especially some financial service firms. It has also 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.

Looking ahead, the Group will forge 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 of developing systems and solutions for online/offline digital payment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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. 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 the 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 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 the capital 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.

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 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 31 December 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 (Note 2)	Approximate percentage of issued share capital as at 31 December 2020 (Note 3)
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 2020.

Save as disclosed above, as at 31 December 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 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 2020.

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.

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 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, 10 February 2021

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