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Quantum Thinking Limited

量子思維有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8050)

MAJOR TRANSACTION

(1) FORMATION OF A JV COMPANY

AND

(2) DEEMED DISPOSAL OF EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY

FORMATION OF A JV COMPANY

CITIC Cyber Security, an indirect non-wholly owned subsidiary of the Company, entered into the JV Shareholders' Agreement dated 30 September 2020 with China Mobile Communications Group Co., Ltd. ("**China Mobile Group**"), China United Network Communications Group Company Limited ("**China Unicom Group**"), China Telecommunications Corporation ("**China Telecom Corporation**") and Chinese Shield Anicert, pursuant to which the parties agreed to jointly establish the JV Company to be a digital technology company providing computer software development and system integration services to its shareholders and other parties.

Pursuant to the JV Shareholders' Agreement, the registered capital of the JV Company would amount to RMB100,000,000, among which, China Mobile Group, China Telecom Corporation, China Unicom Group, CITIC Cyber Security and Chinese Shield Anicert would contribute RMB24 million, RMB20 million, RMB20 million, RMB20 million and RMB16 million and each of them would respectively own 24%, 20%, 20%, 20% and 16% of the equity interest in the JV Company.

DEEMED DISPOSAL OF EQUITY INTEREST IN CITIC CYBER SECURITY

Pursuant to the JV Shareholders' Agreement, CITIC Cyber Security undertakes to procure that on or before 31 December 2021, 50% or more of its shareholding shall be state-owned and the state-owned shareholders in CITIC Cyber Security shall be concert parties when deciding matters relating to the JV Company, including changes in equity interest, election of senior management and operation of the JV Company. As such, upon fulfilment of the Undertaking, the equity interest of the Group in CITIC Cyber Security will be diluted from 70% to less than 50%.

GEM LISTING RULES IMPLICATIONS

As the equity interest of the Group in CITIC Cyber Security will be diluted from 70% to less than 50% following the fulfilment of the Undertaking, the Undertaking will constitute a deemed disposal of the Group's equity interest in CITIC Cyber Security under Rule 19.29 of the GEM Listing Rules.

Depending on the actual percentage of equity interest in CITIC Cyber Security the Group would dispose, one of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Deemed Disposal is expected to exceed 25% but all of them are expected to be less than 75%, therefore the transaction is expected to constitute a major transaction of the Company and will be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

The Company will comply with the applicable requirements under Chapter 19 of the GEM Listing Rules as and when necessary.

As one of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the JV Formation exceeds 25% but all of them are less than 75%, the transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Pursuant to Rule 19.44 of the GEM Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written shareholder's approval for the JV Formation, the JV Shareholders' Agreement and the transaction contemplated thereunder has been obtained from Happy On, the controlling Shareholder holding 987,888,771 Shares, representing approximately 72.83% of the total issued share capital of the Company as at the date of this announcement. As such, no general meeting will be convened for approving the JV Formation, the JV Shareholders' Agreement and the transactions contemplated thereunder pursuant to Rule 19.44 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders, including Happy On, has any material interest in the JV Formation and therefore no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the JV Formation, the JV Shareholders' Agreement and the transactions contemplated thereunder. Pursuant to Rule 19.41(a) of the GEM Listing Rules, the circular containing, among other things, (i) further details of the JV Formation; (ii) financial information of the Group; and (iii) other information as required to be contained in the circular under the GEM Listing Rules is expected to be despatched on or before on or before 5 March 2021.

THE JV FORMATION

CITIC Cyber Security, an indirect non-wholly owned subsidiary of the Company, entered into the JV Shareholders' Agreement dated 30 September 2020 with China Mobile Group, China Unicom Group, China Telecom Corporation and Chinese Shield Anicert, pursuant to which the parties agreed to jointly establish the JV Company.

The principal terms of the JV Shareholders' Agreement are set out below:

Parties

- (1) CITIC Cyber Security;
- (2) China Mobile Group;
- (3) China Unicom Group;
- (4) China Telecom Corporation; and
- (5) Chinese Shield Anicert.

Scope of Business

The JV Company would be a digital technology company providing computer software development and system integration services to its shareholders or other parties.

The scope of business of the JV Company is intended to include: technical research, technical consultation, technology transfer and services regarding computer software and integration of computing system; technology development and sale of electronic authentication related products; technology development and sale of computer software, hardware and auxiliary equipment; software application services; basic software services; database and computer network services.

Registered Capital

Pursuant to the JV Shareholders' Agreement, the registered capital of the JV Company would amount to RMB100,000,000, among which, China Mobile Group, China Telecom Corporation, China Unicom Group, CITIC Cyber Security and Chinese Shield Anicert would contribute RMB24 million, RMB20 million, RMB20 million, RMB20 million and RMB16 million respectively and each of them would respectively own 24%, 20%, 20%, 20% and 16% of the equity interest in the JV Company.

Capital Contribution

Each of China Mobile Group, China Telecom Corporation, China Unicom Group, CITIC Cyber Security and Chinese Shield Anicert shall make their respective one-off capital contribution in cash within 90 working days after the satisfaction of all the following conditions:

- (a) the completion of business registration and receipt of business license by the JV Company;

- (b) the opening of a RMB capital contribution bank account under the name of the JV Company; and
- (c) the receipt of a written notice issued by the JV Company to all parties confirming the completion of (a) and (b) above and providing the necessary bank account details.

The amount of registered capital of the JV Company was determined after arm's length negotiation between the parties with reference to the future capital requirement of the JV Company.

The Group intends to finance its investment in the JV Company from the internal resources of CITIC Cyber Security.

Any party to the JV Shareholders' Agreement may, according to funding needs of the JV Company, propose an increase in registered capital of the JV Company during its subsistence. Such capital increase shall be subject to the approval of shareholders by way of shareholders' resolution in accordance with the JV Shareholders' Agreement and the performance of relevant formalities such as registration of alteration.

In the event that a capital increase is approved, provided that the respective change in shareholding of each party is in compliance with the relevant laws and regulations of PRC, the parties shall have the pre-emptive right (but not obligation) to subscribe for such increase in capital in accordance with the respective proportion of capital contribution paid by each party.

For shareholders of the JV Company who do not fully exercise their pre-emptive rights within one month after the written notice by the JV Company, the other shareholders of the JV Company who have fully exercised their pre-emptive rights shall be entitled to subscribe for such increase in capital of the JV Company.

Shareholders of the JV Company can transfer their respective equity interests in whole or in part to other existing shareholders of the JV Company. In the event that a shareholder of the JV Company proposes to transfer its equity interest in the JV Company in whole or in part to any third party, the other shareholders shall have a right of first refusal over such transfer. Any two or more shareholders who are in favour of the exercise of their rights of first refusal shall negotiate and confirm their respective proportion of the equity interests to be acquired. In the event that such negotiation fails, the proportion of the equity interests to be acquired by the interested shareholders shall be the same as that of their respective paid capital contributions in the JV Company.

Profit Distribution

The JV Company shall adopt a low profit operation approach at the early stage, which may be later adjusted by shareholders depending on the circumstances.

The JV Company shall withdraw 10% of its profits after tax as statutory provident fund of the JV Company before distribution (the "**Withdrawal**"). No further Withdrawal will be required in the event that the accumulated statutory provident fund amounts to 50% or more of the registered capital of the JV Company.

In the event that the statutory provident fund of the JV Company is insufficient to make up the losses of previous year, the JV Company shall make up such losses using profits of that year prior to the Withdrawal.

Further withdrawal of profits after tax as provident fund in any amount can be made subject to the approval of resolution in the shareholders' meeting.

The profits after tax of the JV Company after making up the losses and withdrawing the provident fund shall be distributed by the parties on a pro rata basis. The profit distribution proposal of the JV Company will be formulated and approved by the board of directors and shareholders' meeting of the JV Company respectively.

Structure of Organization

The shareholders' meetings would consist of all shareholders of the JV Company and would be the highest authority of the JV Company.

The board of directors of the JV Company would consist of five directors and CITIC Cyber Security shall have the right to appoint one director.

The JV Company would not have of a board of supervisors, CITIC Cyber Security shall be entitled to negotiate with Chinese Shield Anicert on nominating a supervisor.

Undertakings made by CITIC Cyber Security

CITIC Cyber Security further undertakes that it shall procure its "state-owned reform" (國有化改造) to be completed on or before 31 December 2021, meaning that 50% or more of its shareholding shall be state-owned on or before 31 December 2021 and such state-owned shareholders shall be concert parties in respect of matters relating to the JV Company, including changes in equity, election of senior management and operation of the JV Company (the "Undertaking").

Termination

Before the establishment of the JV Company, the JV Shareholders' Agreement shall be terminated upon the occurrence of any of the following events:

- (1) the unanimous agreement by all the parties to the JV Shareholders' Agreement;
- (2) the exercise of the option to terminate the JV Shareholders' Agreement by any party to the JV Shareholders' Agreement if the JV Company has not been established within 1 year after the date of the JV Shareholders' Agreement provided that the failure to establish the JV Company within the said 1-year period is not caused by the inability to fulfill such party's obligations under the JV Shareholders' Agreement and in such event, each party to the JV Shareholders' Agreement shall repay China Mobile Group for the advance payment(s) made by China Mobile Group in respect of the establishment of the JV Company pursuant to the JV Shareholders' Agreement; or

- (3) in the event that a party to the JV Shareholders' Agreement is in breach of the JV Shareholders' Agreement and such breach has an material adverse effect on the performance of the JV Shareholders' Agreement and render the purpose of the JV Shareholders' Agreement impossible, the issuance of a written notice by all the non-breaching parties to the breaching party to terminate the JV Shareholders' Agreement.

DEEMED DISPOSAL

Pursuant to the JV Shareholders' Agreement, CITIC Cyber Security undertakes to procure that on or before 31 December 2021, 50% or more of its shareholding shall be state-owned and the state-owned shareholders in CITIC Cyber Security shall be concert parties when deciding matters relating to the JV Company, including changes in equity interest, election of senior management and operation of the JV Company. As such, upon the fulfilment of the Undertaking, the equity interest of the Group in CITIC Cyber Security will be diluted from 70% to less than 50%.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision of system development services and other value-added technical consultation services and trading of hardware products.

INFORMATION ON THE PARTIES

CITIC Cyber Security

CITIC Cyber Security is principally engaged in the technical development and software development in the PRC.

As at the date of this announcement, Shenzhen Quantum Technology Information Co., Ltd.* (深圳市量子科技訊息有限公司), a wholly-owned subsidiary of the Company, is holding 70% equity interest of CITIC Cyber Security.

Set out below is extracted from the audited consolidated financial statements of the CITIC Cyber Security for the two years ended 31 March 2020:

	For the year ended 31 March 2019 audited	For the year ended 31 March 2020 Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Approximately)</i>	<i>(Approximately)</i>
Revenue	201	2,170
Net (loss) before taxation	(17,549)	(19,210)
Net (loss) after taxation	(17,549)	(19,210)

The value of the unaudited consolidated net liabilities of CITIC Cyber Security as at 31 December 2020 as shown in its unaudited management accounts was approximately HK\$16,918,000.

China Mobile Group

China Mobile Group is the controlling shareholder of China Mobile Limited, shares of which are listed on the Stock Exchange (Stock code: 0941), which is a leading telecommunications services provider providing full communication services through out the PRC and Hong Kong.

China Telecom Corporation

China Telecom Corporation is the controlling shareholder of China Telecom Corporation Limited, shares of which are listed on the Stock Exchange (Stock code: 0728), which is a large-scale and leading integrated intelligent information services operator in the world, providing telecommunications services, Internet access services, information services and other value-added telecommunications services primarily in the PRC.

China Unicom Group

China Unicom Group is the controlling shareholder of China Unicom (Hong Kong) Limited, shares of which are listed on the Stock Exchange (Stock code: 0762), which provides full range and high quality information and telecommunication services, including mobile broadband, fixed-line broadband, mobile voice, fixed-line voice, ICT, data communications and other related value-added services.

Chinese Shield Anicert

Chinese Shield Anicert is a limited liability sole proprietor company established in the PRC with limited liability and is wholly owned by Beijing Zhongdun Security Technology Development Co. (北京中盾安全技術開發公司), which is a whole people-owned enterprise (全民所有制企業).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of China Mobile Group, China Unicom Group, China Telecom Corporation and Chinese Shield Anicert and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS FOR THE JV FORMATION AND THE DEEMED DISPOSAL

The Group is principally engaged in the provision of system development services and other value-added technical consultation services and trading of hardware products.

The entering into of the JV Shareholders' Agreement and the JV Formation allows CITIC Cyber Security to further develop its business, attract more customers and thus increase the revenue and profit of the Group.

The terms of the JV Shareholders' Agreement are negotiated after arm's length negotiations. The Directors are of the view that having considered the benefits from the JV Formation, the terms of the JV Shareholders' Agreement (including the Undertaking) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

As the equity interest of the Company in CITIC Cyber Security will be diluted from 70% to less than 50% following the fulfilment of the Undertaking, the JV Formation will constitute a deemed disposal of the Group's equity interest in CITIC Cyber Security under Rule 19.29 of the GEM Listing Rules.

Depending on the actual percentage of equity interest in CITIC Cyber Security the Group would dispose, one of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Deemed Disposal is expected to exceed 25% but all of them are expected to be less than 75%, therefore the transaction is expected to constitute a major transaction of the Company and will be subject to the reporting, announcement requirements and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

The Company will comply with the applicable requirements under Chapter 19 of the GEM Listing Rules as and when necessary.

As one of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the JV Formation exceeds 25% but all of them are less than 75%, the transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Pursuant to Rule 19.44 of the GEM Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written shareholder's approval for the JV Formation, the JV Shareholders' Agreement and the transaction contemplated thereunder has been obtained from Happy On, the controlling Shareholder holding 987,888,771 Shares, representing approximately 72.83% of the total issued share capital of the Company as at the date of this announcement. As such, no general meeting will be convened for approving the JV Formation, the JV Shareholders' Agreement and the transactions contemplated thereunder pursuant to Rule 19.44 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders including Happy On has any material interest in the JV Formation and therefore no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the JV Formation, the JV Shareholders' Agreement and the transactions contemplated thereunder. Pursuant to Rule 19.41(a) of the GEM Listing Rules, the circular containing, among other things, (i) further details of the JV Formation; (ii) financial information of the Group; and (iii) other information as required to be contained in the circular under the GEM Listing Rules is expected to be despatched on or before on or before 5 March 2021.

The Company regrets its delay in compliance with Chapter 19 of the GEM Listing Rules. While the JV Shareholders' Agreement is dated 30 September 2020, the JV Shareholders' Agreement had not been executed by all the parties involved at that time. The Directors considered that there might still be uncertainties that the other parties may not be able to obtain their internal approval for executing the JV Shareholders' Agreement and some of the terms might still be changed. As such, the JV Formation, the JV Shareholders' Agreement

and the transactions contemplated thereunder were kept confidential from 30 September 2020 to the date of this announcement while the Company's compliance with Chapter 19 of the GEM Listing Rules was delayed.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	board of Directors
“China Mobile Group”	China Mobile Communications Group Co., Ltd. (中國移動通信集團有限公司), a wholly state-owned company established in the PRC
“China Telecom Corporation”	China Telecommunications Corporation (中國電信集團有限公司), a wholly state-owned company established in the PRC
“China Unicom Group”	China United Network Communications Company Limited (中國聯合網絡通信集團有限公司), a other limited liability company established in the PRC
“CITIC Cyber Security”	Shenzhen CITIC Cyber Security Authentication Co., Ltd.* (深圳市中信網安認證有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Chinese Shield Anicert”	Beijing Chinese Shield Anicert Technology Development Co., Ltd.* (北京中盾安信科技發展有限公司), a limited liability sole proprietor company established in the PRC
“Company”	Quantum Thinking Limited (量子思維有限公司), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on GEM (stock code: 8050)
“Deemed Disposal”	the proposed reduction of the Group's indirect shareholding in CITIC Cyber Security from 70% to less than 50% under the Undertaking
“Director(s)”	director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of the Securities on GEM
“Group”	the Company and its subsidiaries
“Happy On”	Happy On Holdings Limited, a company with limited liability incorporated in the British Virgin Islands

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	a limited liability company to be established in the PRC pursuant to the terms of the JV Shareholders’ Agreement, tentatively to be named Zhonglian Anicert Technology Development Co., Ltd.* (中聯安信科技發展有限公司)
“JV Formation”	the proposed formation of the JV Company pursuant to the terms of the JV Shareholders’ Agreement
“JV Shareholders’ Agreement”	the joint venture shareholders’ agreement dated 30 September 2020 entered into between the China Mobile Group, China Telecom Corporation, China Unicom Group, CITIC Cyber Security and Chinese Shield Anicert in relation to the formation of the JV Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Undertaking”	the undertaking made by CITIC Cyber Security set forth in the paragraph headed “Undertakings made by CITIC Cyber Security” in this announcement
“%”	per cent.

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 all 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 www.8050hk.com.

** For identification purposes only*