

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 2023

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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 2023 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2022 (the “**Corresponding Period**” or “**2022**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2023

	Notes	Three months ended 30 September		Six months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4	5,050	4,858	8,273	10,023
Cost of sales and services		(4,787)	(4,068)	(7,622)	(8,455)
Gross profit		263	790	651	1,568
Other income	5	130	693	371	991
Gain on disposal of subsidiary		19,286	–	19,286	–
Distribution costs		–	(6)	–	(6)
Administrative expenses		(3,680)	(4,879)	(7,568)	(9,317)
Finance costs	6	(209)	(242)	(453)	(494)
Profit/(Loss) before income tax		15,790	(3,644)	12,287	(7,258)
Income tax expense	7	–	–	–	–
Profit/(loss) for the period	8	15,790	(3,644)	12,287	(7,258)
Other comprehensive income <i>Items that will be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation of financial statements from functional currency to presentation currency		140	405	1,153	566
Other comprehensive income for the period, net of tax		140	405	1,153	566
Total comprehensive income/ (expense) for the period		15,930	(3,239)	13,440	(6,692)

	Three months ended 30 September 2023		Six months ended 30 September 2023	
	2022	2022	2022	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Notes	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) for the period attributable to:				
Owners of the Company	16,128	(3,149)	12,799	(6,317)
Non-controlling interests	(338)	(495)	(512)	(941)
	15,790	(3,644)	12,287	(7,258)
Total comprehensive income/ (expense) for the period attributable to:				
Owners of the Company	16,216	(3,202)	13,421	(6,596)
Non-controlling interests	(286)	(37)	19	(96)
	15,930	(3,239)	13,440	(6,692)
Earnings/(loss) per share attributable to the owners of the Company:				
— Basic earning/(loss) per share: (HK cents)	9	1.19	(0.23)	0.94
— Diluted earning/(loss) per share: (HK cents)	9	1.19	(0.23)	0.94

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2023 <i>HK\$'000</i> (unaudited)	31 March 2023 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Plant and equipment		297	345
Right-of-use assets		1,114	1,631
Intangible assets		1	1
		1,412	1,977
Total non-current assets			
Current assets			
Trade and other receivables	11	13,905	20,105
Contract assets		231	246
Financial assets at fair value through profit or loss	12	2,199	8,210
Bank balances and cash		2,596	3,493
		18,931	32,054
Assets classified as held for sale		–	602
		18,931	32,656
Total current assets			
Current liabilities			
Trade and other payables	13	14,505	20,760
Lease liabilities		853	790
Financial liabilities at fair value through profit or loss		–	–
Income tax payable		16	16
		15,374	21,566
Liabilities associated with assets classified as held for sale		–	25,629
		15,374	47,195
Total current liabilities			
Net current assets/(liabilities)		3,557	(14,539)
Total assets less current liabilities		4,969	(12,562)

		30 September 2023	31 March 2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(unaudited)	(audited)
Non-current liabilities			
Lease liabilities		<u>290</u>	<u>811</u>
Net assets/(liabilities)		<u>4,679</u>	<u>(13,373)</u>
Equity			
Share capital	<i>14</i>	135,625	135,625
Reserves		<u>(117,346)</u>	<u>(135,379)</u>
Equity attributable to owners of the Company		18,279	246
Non-controlling interests		<u>(13,600)</u>	<u>(13,619)</u>
Total equity/(deficits)		<u>4,679</u>	<u>(13,373)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Attributable to owners of the Company				Total	Non- controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Accumulated losses			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
As at 1 April 2022	<u>135,625</u>	<u>99,935</u>	<u>(5,147)</u>	<u>(219,706)</u>	<u>10,707</u>	<u>(7,456)</u>	<u>3,251</u>
Comprehensive expense							
Loss for the period	–	–	–	(6,317)	(6,317)	(941)	(7,258)
Other comprehensive (expense)/income							
Exchange differences arising on translation of foreign operations	–	–	(279)	–	(279)	845	566
Total comprehensive expense	<u>–</u>	<u>–</u>	<u>(279)</u>	<u>(6,317)</u>	<u>(6,596)</u>	<u>(96)</u>	<u>(6,692)</u>
As at 30 September 2022	<u><u>135,625</u></u>	<u><u>99,935</u></u>	<u><u>(5,426)</u></u>	<u><u>(226,023)</u></u>	<u><u>4,111</u></u>	<u><u>(7,552)</u></u>	<u><u>(3,441)</u></u>
As at 1 April 2023	<u><u>135,625</u></u>	<u><u>99,935</u></u>	<u><u>(5,500)</u></u>	<u><u>(229,814)</u></u>	<u><u>246</u></u>	<u><u>(13,619)</u></u>	<u><u>(13,373)</u></u>
Comprehensive income/(expense)							
Profit/(loss) for the period	–	–	–	12,799	12,799	(512)	12,287
Other comprehensive income/ (expense)							
Exchange differences arising on translation of foreign operations	–	–	622	–	622	531	1,153
Total comprehensive Income	<u>–</u>	<u>–</u>	<u>622</u>	<u>12,799</u>	<u>13,421</u>	<u>19</u>	<u>13,440</u>
Disposal of a subsidiary (note 15)	<u>–</u>	<u>–</u>	<u>4,612</u>	<u>–</u>	<u>4,612</u>	<u>–</u>	<u>4,612</u>
As at 30 September 2023	<u><u><u>135,625</u></u></u>	<u><u><u>99,935</u></u></u>	<u><u><u>(266)</u></u></u>	<u><u><u>(217,015)</u></u></u>	<u><u><u>18,279</u></u></u>	<u><u><u>(13,600)</u></u></u>	<u><u><u>4,679</u></u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	2023	2022
<i>Notes</i>	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Net cash used in operating activities	(6,090)	(7,034)
Cash flows from investing activities		
Purchase of plant and equipment	–	(8)
Proceeds from sale of plant and equipment	–	601
Cash paid for acquisition of financial assets at fair value through profit or loss	(5)	(7,358)
Proceeds from disposal of financial assets at fair value through profit or loss	5,657	14,167
Interest received from bank	5	8
Investment income from financial assets at fair value through profit or loss	5	149
Net cash generated from investing activities	5,715	7,557
Cash flows from financing activities		
Repayment of lease liabilities	(474)	(884)
Net cash used in financing activities	(474)	(884)
Net decrease in cash and cash equivalents	(849)	(361)
Cash and cash equivalents at the beginning of the period	3,493	7,978
Effect on foreign exchange rate changes, on cash held	(49)	(363)
Cash and cash equivalents at the end of the period	2,595	7,254
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	2,595	6,054
Short-term time deposits in banks	–	1,200
	2,595	7,254

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 Unit 1308, 13/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 trading of hardware products.

In the opinion of the directors of the Company, the parent and ultimate holding company of the Company is Happy On Holdings Limited, which was 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 2023 (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 2023 (the “**2023 Annual Financial Statements**”). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2023 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 2023. 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.

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**”).

For the six months ended 30 September 2023 (the “**Reporting Period**”), the Group reported a profit attributable to owners of the Company of HK\$12,799,000. In addition, as of 30 September 2023, the Group’s current assets exceeded its current liabilities by approximately HK\$3,557,000 and the Group had net assets of approximately HK\$4,679,000.

The Directors consider the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis after taking into consideration the followings:

- (i) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.
- (ii) The Group, through its newly acquired subsidiaries namely, Beijing Hongchang Yayun Technology Co. Ltd (北京弘昌雅韻科技有限公司) and Shenzhen Xinyoutong Technology Co. Ltd (深圳市馨優通科技有限公司) respectively based in the People’s Republic of China (the “**PRC**”), signed two contracts in April 2023 to cooperate with two information technology companies in providing such a value-added service as multimedia short messaging service. The Directors consider that this new project will be profitable and would contribute towards the Group’s business in other value-added technical consultation services.

3. CHANGES IN ACCOUNTING POLICIES

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the Reporting Period and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the Reporting Period.

The Group has not applied 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.

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	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Hardware	146	235	692	1,274
Services:				
— System development	2,098	4,313	4,000	7,878
— Consultancy	—	310	—	871
— SMS service fee	2,806	—	3,581	—
	<u>4,904</u>	<u>4,623</u>	<u>7,581</u>	<u>8,749</u>
	<u>5,050</u>	<u>4,858</u>	<u>8,273</u>	<u>10,023</u>
Disaggregation of revenue from contracts with customers by timing of recognition:				
Timing of revenue recognition				
At a point in time	146	235	692	1,274
Over time	4,904	4,623	7,581	8,749
	<u>4,904</u>	<u>4,623</u>	<u>7,581</u>	<u>8,749</u>
Total revenue from contracts with customers	<u>5,050</u>	<u>4,858</u>	<u>8,273</u>	<u>10,023</u>

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

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

The following is an analysis of the Group's revenue and results by reportable and operating segments.

	Six months ended 30 September 2023		
	Hardware HK\$'000 (unaudited)	Services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	<u>7,581</u>	<u>692</u>	<u>8,273</u>
Segment loss	<u>(790)</u>	<u>(223)</u>	<u>(1,013)</u>
Unallocated corporate income			19,548
Unallocated corporate expenses			(5,795)
Unallocated finance costs			<u>(453)</u>
Profit before taxation			<u><u>12,287</u></u>

	Six months ended 30 September 2022		
	Hardware HK\$'000 (unaudited)	Services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	<u>1,274</u>	<u>8,749</u>	<u>10,023</u>
Segment loss	<u>(1,913)</u>	<u>(2,012)</u>	<u>(3,925)</u>
Unallocated corporate income			991
Unallocated corporate expenses			(3,830)
Unallocated finance costs			<u>(494)</u>
Loss before taxation			<u><u>(7,258)</u></u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit/(loss) of each segment without allocation of central administration costs, Directors' emoluments and other income. This is the measure reported to the Directors with respect to the resource allocation and performance assessment.

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

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Hardware	10,665	2,101
Services	2,031	14,112
Total segment assets	12,696	16,213
Assets classified as held for sale	–	602
Corporate and other assets	7,647	17,818
Total assets	20,343	34,633
Hardware	8,659	13,631
Services	605	610
Total segment liabilities	9,264	14,241
Liabilities associated with assets classified as held for sale	–	25,629
Corporate and other liabilities	6,400	8,136
Total liabilities per condensed consolidated statement of financial position	15,664	48,006

* For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segment, other than intangible assets, unallocated deposits, prepayments and other receivables, financial assets at fair value through profit or loss, bank balances and cash and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to operating segments, other than unallocated other payables and accruals, income tax payable and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment liabilities.

5. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income from bank deposits	4	3	8	6
Investment income from financial assets	18	56	55	149
Government grants (<i>note</i>)	108	28	110	108
Others	–	606	198	728
	<u>130</u>	<u>693</u>	<u>371</u>	<u>991</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. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on late settlement of litigation claims	193	233	417	471
Interests on lease liabilities	16	9	36	23
	<u>209</u>	<u>242</u>	<u>453</u>	<u>494</u>

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and PRC enterprise income tax has been made for the six months and three months ended 30 September 2023 and 2022 as the Group had incurred losses for taxation purpose.

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (30 September 2022: Nil).

8. PROFIT/(LOSS) FOR THE PERIOD

Profit for the period is arrived at after charging:

	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cost of inventories sold	138	1	654	924
Depreciation of plant and equipment	14	478	29	986
Depreciation of right-of-use assets	210	221	497	822
Research and development costs	396	459	874	953
Employee benefit expense	1,406	1,812	3,028	3,710
Short-term leases/operating lease charges in respect of rented premises	1	422	10	437

9. EARNING/(LOSS) PER SHARE

Basic earning per share for the three months and six months ended 30 September 2023 is calculated by dividing the earning attributable to owners of the Company for the three months and six months ended 30 September 2023 of approximately HK\$16,128,000 and HK\$12,799,000 respectively (three months and six months ended 30 September 2022: loss of approximately HK\$3,149,000 and HK\$6,317,000) by the weighted average number of 1,356,250,000 (three months and six months ended 30 September 2022: weighted average number of 1,356,250,000) ordinary shares in issue during the Reporting Period.

No adjustment has been made to the basic earnings per share presented for the three and six months ended 30 September 2023 and 2022 as the Group had no potential dilutable ordinary shares in issue during the three and six months ended 30 September 2023 and 2022.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

11. TRADE AND OTHER RECEIVABLES

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Trade receivables (<i>Note a</i>)	9,939	14,921
Prepayments	690	752
Deposits	2,114	3,296
Other receivables	1,162	1,136
	<u>13,905</u>	<u>20,105</u>

Note a: The credit period granted by the Group to its customers generally ranged from 0 to 120 days. As at 30 September 2023 and 31 March 2023, the ageing analysis of the Group's trade receivables (net of provision for impaired receivables) based on invoice date is as follows:

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Within 90 days	4,521	8,457
91 to 180 days	2,512	9
181 to 365 days	2,777	6,344
Over 365 days	129	111
	<u>9,939</u>	<u>14,921</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.

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

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Wealth management products	<u>2,199</u>	<u>8,210</u>

As at 30 September 2023, the Group had short term investments linked wealth management products that were denominated in RMB2,049,000 (equivalent to HK\$2,199,000) (At 31 March 2023: RMB7,185,000 (equivalent to HK\$8,210,000)) 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).

13. TRADE AND OTHER PAYABLES

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Trade payables (<i>Note a</i>)	9,159	13,877
Other payables and accruals	5,346	6,883
	14,505	20,760

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

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Within 90 days	4,294	8,923
91 to 180 days	2,926	1
181 to 365 days	1,694	4,691
Over 365 days	245	262
	9,159	13,877

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

14. SHARE CAPITAL

	Authorised ordinary shares of HK\$0.10 each	
	Number of shares (in thousands)	HK\$'000 (unaudited)
As at 31 March 2023 and 30 September 2023	2,000,000	200,000
	Issued and fully paid ordinary shares of HK\$0.10 each	
	Number of shares (in thousands)	HK\$'000 (unaudited)
As at 31 March 2023 and 30 September 2023	1,356,250	135,625

15. DISPOSAL OF A SUBSIDIARY

Disposal of Guangzhou YBDS IT Co., Ltd.*

On 19 September 2023, the Group entered into a sale and purchase agreement with an independent third party, who is not connected with the Group, for the disposal of its entire equity interest in Guangzhou YBDS IT Co., Ltd.* (廣州韻博信息科技有限公司), an indirectly wholly owned subsidiary of the Company, at a cash consideration of RMB1 (equivalent to HK\$1).

* for identification purpose only

	<i>HK\$'000</i>
Consideration:	
Other receivables	_*
	<hr/>
Analysis of assets and liabilities over which control was lost:	
Trade and other receivables	581
Bank balances and cash	3
Trade and other payables	(24,482)
	<hr/>
Net liabilities disposed of	(23,898)
	<hr/> <hr/>
	<i>HK\$'000</i>
Gain on disposal of a subsidiary	
Consideration receivable	_*
Net liabilities disposed of	23,898
Reclassification of cumulative translation reserve upon disposal of the subsidiary	(4,612)
	<hr/>
	19,286
	<hr/> <hr/>
	<i>HK\$'000</i>
Net cash outflow arising on disposal:	
Cash consideration received	_*
Less: bank balances and cash disposed of	(3)
	<hr/>
	(3)
	<hr/> <hr/>

The disposal did not constitute a discontinued operation as it did not represent a major line of business or geographical area of operation.

* The amount shown as zero due to rounding less than HK\$1,000.

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 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Assets		
Financial assets at fair value through profit or loss:		
Wealth management products	<u>2,199</u>	<u>8,210</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 2023 and 31 March 2023.

17. MATERIAL RELATED PARTY TRANSACTION

The Group had no significant transactions with related parties during the Reporting Period (six months ended 30 September 2022: Nil).

The remuneration of key management personnel for the six months ended 30 September 2023 amounted to HK\$1,234,000 (six months ended 30 September 2022: HK\$1,433,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Reporting Period, the Group recorded a revenue of approximately HK\$8,273,000, representing a decrease of approximately 17% when compared with that of approximately HK\$10,023,000 for the Corresponding Period.

Profit before income tax of the Group for the Reporting Period was approximately HK\$12,287,000 as compared with loss before income tax of approximately HK\$7,258,000 for the Corresponding Period. Profit attributable to owners of the Company for the Reporting Period was approximately HK\$12,799,000 as compared with loss attributable to owners of the Company of approximately HK\$6,317,000 for the Corresponding Period.

As at 30 September 2023, the Group's gearing ratio, expressed as a percentage of bank borrowings and long term debts over total equity, was nil (31 March 2023: nil).

INDUSTRY OVERVIEW

During the six months ended 30 September 2023 (the “**Reporting Period**” of the Group), difficulties and volatility persisted in the business environment of the information system solution industry of the People's Republic of China (“**China**” or the “**PRC**”). While China's economic recovery had yet to fully gather momentum, the United States of America (the “**United States**” or “**US**”) government stepped up its sanction against the country's technology sector. In August 2023, the US president signed an executive order prohibiting certain US investments in sensitive technology in China. The order prohibits or restricts certain US investments in Chinese entities in three sectors, namely semiconductors and microelectronics, quantum information technologies and certain artificial intelligence systems (Source: an article entitled “Huawei accused of building secret microchip factories to beat US sanctions” dated 23 August 2023 in The Guardian). This can deal one more blow to China's information system solution industry as it still depends on the advanced American technology. This followed the earlier US restriction imposed on the export of advanced chips (those of less than 14 nanometres) and advanced chip-making technology and equipment to China in October 2022 amid strains in the relationship between the two countries. Japan and the Netherlands even joined the US in imposing such restriction on China in February 2023. Such sanctions have already made China's information system solution industry more cautious about investment in the research and development of technology and have impeded the projects undertaken by the industry. Although China has been trying to catch up in developing and producing advanced chips, it will take quite a long while for such efforts to yield results.

In addition to boosting its capability to develop and produce advanced chips, China has been pressing on with its plan to integrate digital technologies with its real economy. The trend has generated demand for artificial intelligence (AI), which is one of the driving forces behind the industries' digital transformation and high-quality economic development. The country's information system solution industry can tap the growing markets for AI services and solutions and robotic process automation (“**RPA**”). Such technologies have not only helped industries cope with the problems of labour shortage and wage rises but also will facilitate their digitalization and upgrading.

China's AI market has been forecast by International Data Corporation (IDC), a global market intelligence firm which is focused on the technology industry, to expand at a compound annual growth rate of over 20% from 2021 to 2026, reaching US\$14.75 billion in 2023 and US\$26.44 billion in 2026 (Source: an article entitled “IDC: 2026年中國人工智能市場總規模預計將超264.4億美元” dated 29 March 2023 on IDC's website). In 2022, the size of the country's AI market was about US\$12.24 billion, according to IDC (Source: an article entitled “According to IDC's Forecast, China's AI Market to Exceed US\$26 Billion by 2026, Hardware to Make Up 56% of Market” dated 18 May 2023 on www.idc.com).

BUSINESS REVIEW

To cope with the tough and volatile operating environment, the Group had already been shifting the focus of its business to the operation of information technology systems from the development of such systems. For example, it started diversifying into the business of value-added services such as short messaging services for businesses in the previous financial year ended 31 March 2023 (the “**previous financial year**”) and has since been taking efforts to expand that business.

The Group started its cooperation with an information technology company in providing a multimedia short messaging service for businesses on behalf of a branch of a major telecommunications carrier of China in Guangdong province in the second half of 2022. It followed that up by signing one more contract with that information technology company during the first quarter of its financial year ending 31 March 2024 to provide short messaging services for businesses through the network of that major telecommunications carrier.

The Group had also been preparing to diversify into a front-end business of selling wearable devices such as smartwatches for children which would be installed with the information technology software and system developed by the Group and would be bundled with the telecommunication services of a major telecom carrier in China. The Group will be an agent for the distribution of the smartwatches or provide services that support the operation of such wearable devices as hardware. The Group has been working towards the target of starting that business by the end of 2023 and will begin with the markets of two provinces, namely Liaoning and Guangdong of mainland China. The front-end business will enable the Group to build its brand in the end-user market and thus create its brand awareness.

These moves are part of the Group's ongoing business transformation and diversification which are aimed at mitigating the impact of the difficult business environment, broadening the income stream and fostering growth drivers.

The Group has earlier formulated a strategy for capitalizing on China's growing digital economy by fostering both the back-end and front-end businesses of information technology software and system development. In the back-end business, the Group continued to run its businesses of information technology software and system development for information verification, AI services and solutions and RPA.

In the information verification business, the Company's 70%-held Shenzhen Cyber Security Authentication Co., Ltd. (formerly known as Shenzhen CITIC Cyber Security Authentication Co., Ltd.) ("**Cyber Security**") had already undertaken projects to apply eCitizen (or "e 公民" in Chinese, which is its proprietary product for electronic identity authentication that enables users of services to safely log in, sign digitally and have their personal data protected in online transactions) to some banks' financial services and to conduct information verification for other companies.

During the Reporting Period, Cyber Security continued to conduct information verification for a securities brokerage, a certificate authority and a mainland China-based full-service investment banking enterprise through websites, application programming interface ("**API**") or terminals. It was also fulfilling 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 September 2022, the Group signed a contract to sell two data encryption devices, two server encryption devices and one authenticated encryption device to an information technology firm and to develop software for it. Such devices and services are involved in the information verification conducted for the above-mentioned securities brokerage, certificate authority and mainland China-based full-service investment banking enterprise.

During the fourth quarter of the financial year ended 31 March 2022, Cyber Security signed a contract to build an infrastructure for real-name system management based on eCitizen digital identity verification technology for a technology development company. Cyber Security would provide 5G-eCitizen SIM cards, develop applications customized for certain occasions, and provide technical support.

Cyber Security had earlier entered into an agreement dated 30 September 2020 to form a digital technology joint venture company with China's three major telecommunications carriers and a wholly-owned subsidiary of a state-owned public security technology company (For further details, please refer to the Company's announcement dated 10 February 2021 and circular dated 26 May 2021, which were published on the website of Hong Kong Exchanges and Clearing Limited). The joint venture company will provide financial institutions, government departments and enterprises with digital solutions for cyber security. As at 30 September 2023, the joint venture company has not yet been established.

To diversify into the AI business, the Company's wholly-owned subsidiary, Shenzhen YBDS IT Co., Ltd. (深圳市韻博信息科技有限公司) ("**Shenzhen YBDS**") signed a framework agreement during the financial year ended 31 March 2022 to provide training in and consultancy on RPA for a software and information technology service company. Such training in and consultancy on RPA enable a leading telecommunications company to provide some AI-based customer services such as answering customer enquiries about outstanding fees and unused quota of data transmission without involving any manpower. Such AI services and solutions not only can replace manual workers in simple and routine jobs and thus can relieve the pressure of the rising labour cost, but also can lay the foundation of big data analytics, which can help companies to promote certain new services or products among target customers.

In the Group's other businesses, a wholly-owned subsidiary of Cyber Security signed an agreement during the fourth quarter of the financial year ended 31 March 2022 to authorize a website of a technology company that builds a smart city to replicate digitally, issue and disseminate on information network the video content of an education course.

During the Reporting Period, the Group also engaged in other businesses that included the supply of electrical and electronic components, namely inductors and master control chips; and designing mobile web pages for marketing on behalf of an information technology firm and its client as an end-user and providing technical support for them in running such web pages.

1. Conducting information verification for other companies

During the financial year ended 31 March 2021, Cyber Security had signed two separate contracts to conduct information verification for a securities brokerage and a certificate authority through websites, 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 mainland China-based full-service investment bank.

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

In July 2020, 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. Cyber Security provided both services and hardware for its client during the Reporting Period.

3. Building infrastructure for real-name system management based on eCitizen digital identity verification technology

In March 2022, Cyber Security signed a contract to build an infrastructure for real-name system management based on eCitizen digital identity verification technology for a technology development company. Cyber Security will provide 5G-eCitizen SIM cards, develop applications customized for certain occasions, and provide technical support.

4. Authorizing a website to replicate digitally, issue and disseminate on information network the video content of an education course

In January 2022, a wholly-owned subsidiary of Cyber Security signed an agreement to authorize a website of a technology company that builds a smart city to replicate digitally, issue and disseminate on information network the video content of an education course.

5. Designing mobile web pages for marketing

In June 2022, Shenzhen YBDS signed a contract to design mobile web pages for marketing on behalf of an information technology firm and its client as an end-user and to provide technical support for them in running such web pages for the client's marketing campaigns. The services were provided during the Reporting Period.

6. Providing short messaging services for businesses through the network of a major telecommunications carrier in China

Following the successful start of its cooperation with an information technology company in providing a multimedia short messaging service for businesses on behalf of a branch of a major telecommunications carrier of China in Guangdong province during the previous financial year, the Group also signed one more contract with that information technology company during the first quarter of its financial year ending 31 March 2024 to provide short messaging services for businesses through the network of that major telecommunications carrier. The business of providing short messaging services for businesses generated income during the Reporting Period.

PROSPECT

The United States stepped up its efforts to impede technological advancement in China amid the intensifying rivalry between the two countries in economic affairs and geopolitics. In October 2023, the US government decided to curb export of more AI chips to China. The move was apparently triggered by a technological breakthrough made by a leading Chinese company in information and communications technology infrastructure and smart devices — the launch of a smartphone capable of 5G telecommunications in late August. This, together with the earlier US sanctions, can strike a blow to China's information system solution industry. Meanwhile, the Chinese economic recovery has yet to show any signs of gaining full momentum. It has been against the backdrop of the industry's cloudy outlook that the Group has been shifting the focus of its business to the operation of information technology systems from the development of such systems. The move is aligned with the Group's ongoing business transformation and diversification which are aimed at tiding itself over the tough business environment, broadening the income stream and fostering growth drivers. Specifically, the Group is implementing a two-pronged business strategy of fostering both the front-end and back-end businesses.

In 2023, the Group will step up its effort to expand the business of value-added services such as short messaging services and will continue to prepare to diversify into a front-end business of distributing wearable devices such as smartwatches for children. The smartwatches for children will be installed with the information technology software and system developed by the Group and can function as a handset for both audio and visual communications, connect to the internet through Wi-Fi and enables the wearer's parents to track him through the global positioning system (GPS). The smartwatches will be bundled with the telecommunication services of a major telecom carrier in China. The Group has been working towards the target of starting that business by the end of 2023 and will begin with the markets of two provinces, namely Liaoning and Guangdong of mainland China. The front-end business will enable the Group to build its brand in the end-user market and thus create its brand awareness.

Meanwhile, the Group will continue to run its back-end businesses such as internet electronic identity authentication and AI services and solutions. Such businesses are aimed at capitalizing on China's booming digital economy and the growing trends towards digitalization and automation among businesses.

By shifting the focus of its business to the operation of information technology systems and maintaining a prudent approach to operating and developing its businesses, the Group aims to mitigate the adverse impact of a difficult and complicated business environment and add impetus to its business development for the long term.

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 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 IT Co., Ltd.* (廣州韻博信息科技有限公司) ("**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 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 deregistered 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.

SIGNIFICANT INVESTMENTS

As at 30 September 2023, the Group held financial assets at fair value through profit or loss of approximately RMB2,049,000 (equivalent to approximately HK\$2,199,000) (31 March 2023: approximately RMB7,185,000 (equivalent to approximately HK\$8,210,000)).

It recorded a total income of approximately HK\$55,000 during the Reporting Period, mainly attributable to the dividend income received from the investment portfolio.

The financial assets include investment funds which invest in various types of bonds issued in the interbank and exchange markets as well as capital lending, reverse repurchase, time deposits, brokerage beneficiary certificates, trust plans and asset management plans, etc.

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 2023, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save for the disposal of Guangzhou YBDS as disclosed in Note 15 to the condensed consolidated financial statements, the Group did not have any material acquisition or disposal of subsidiaries or associated companies during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2023, the Group did not have future plans for material investments and capital assets.

CONTINGENT LIABILITIES

As at 30 September 2023, the Group had no material contingent liabilities.

CHARGES ON THE GROUP’S ASSETS

As at 30 September 2023, 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 2023, the Group had 24 employees (2022: 27 employees). The total remuneration paid to employees, including the Directors, for the Reporting Period was approximately HK\$2,851,000 (2022: HK\$3,327,000). 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 AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 September 2023, (i) Mr. Wang Xiaoqi as beneficial owner is interested in 382,000 ordinary shares of the Company, representing approximately 0.028% of the total number of issued ordinary shares of the Company; (ii) Mr. Ho Yeung as beneficial owner is interested in 18,083,500 ordinary shares of the Company, representing approximately 1.333% of the total number of issued ordinary shares of the Company. Save as disclosed above, as at 30 September 2023, none of the other Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures 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 required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2023, 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 an interest or short position 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 2023 <i>(Note 3)</i>
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 of the Company 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 2023.

Save as disclosed above, as at 30 September 2023, so far as the Directors were aware of and having made due enquiries, there were no other persons (other than 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 in this announcement, 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.

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 controlling shareholders of the Company or their respective close 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.

SHARE OPTION SCHEME

A share option scheme was adopted on 1 August 2011 by the shareholders of the Company under which the executive 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 aforesaid share option scheme. The purpose of such 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 such share option scheme since its adoption by the Company or outstanding, lapsed, cancelled or exercised at any time during the Reporting Period.

The aforesaid share option scheme remained in force for a period of 10 years commencing on 1 August 2011, being the date on which it was adopted by the shareholders of the Company, and expired on 31 July 2021.

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 provision(s) (the “**Code Provision(s)**”) set out in the Corporate Governance Code (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 C.1.8 and C.2.1 of the Code as explained as follows:

Code Provision C.1.8

Code Provision C.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 C.2.1

Code Provision C.2.1 stipulates that the roles of chairman and chief executive officer should be separated.

The executive Directors, namely, Mr. Wang Xiaoqi, Mr. Ho Yeung and Ms. Ho Ching 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 D.2 of the Code.

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 was established in May 2000, and the Company had 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 to 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, 14 November 2023

As at the date of this announcement, the executive Directors are Mr. Wang Xiaoqi, Mr. Ho Yeung and Ms. Ho Ching; 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 Stock Exchange's website at www.hkexnews.hk for at least 7 days from the date of its posting and on the Company's website at www.8050hk.com.

* For identification purpose only