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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)

DISCLOSEABLE TRANSACTIONS (1) PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO ENTITY (2) THE ACQUISITION

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO ENTITY

The Board would like to announce that on 1 July 2017, the 1st Loan Agreement was entered into among Subsidiary A, Shenzhen Quantum and Company A in respect of a loan in the amount of RMB16,944,500.

The Board would like to further announce that on 24 April 2018, the 2nd Loan Agreement was entered into among Subsidiary B, Shenzhen Quantum and the Chargor in respect of a loan in the amount of RMB3,500,000.

THE ACQUISITION

On 23 May 2018, Subsidiary B, Shenzhen Quantum and the Chargor entered into a supplemental agreement to the 2nd Loan Agreement, pursuant to which the Chargor agreed to transfer the entire equity interest in Shenzhen Quantum to Subsidiary B for a consideration of RMB3,500,000 in the event that Shenzhen Quantum fails to perform its obligations under the 2nd Loan Agreement upon the expiry of the 2nd Loan. Shenzhen Quantum failed to repay the 2nd Loan upon expiry, and therefore Subsidiary B effected the Acquisition which completed on 4 July 2018.

GEM LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the 1st Loan are more than 5% but all of them are less than 25%, the grant of the 1st Loan under the 1st Loan Agreement constituted a discloseable transaction of the Company and is subject to the reporting and announcement requirements as set out in Chapter 19 the GEM Listing Rules. Furthermore, as the assets ratio in respect of the 1st Loan (as defined under the GEM Listing Rules) exceeds 8%, the 1st Loan is also subject to the general disclosure obligations under Rule 17.15 of the GEM Listing Rules.

As certain applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the 2nd Loan (in aggregate with the 1st Loan) are more than 5% but all of them are less than 25%, the grant of the 2nd Loan under the 2nd Loan Agreement constituted a discloseable transaction of the Company. As the 2nd Loan increased the total advance to Shenzhen Quantum by more than 3% in terms of the assets ratio (as defined under the GEM Listing Rules), the 2nd Loan was also subject to the disclosure obligations under Rule 17.16 of the GEM Listing Rules.

As certain applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but all of them are less than 25%, the Acquisition constituted a discloseable transaction of the Company and is subject to the reporting and announcement requirements as set out in Chapter 19 of the GEM Listing Rules.

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO ENTITY

The 1st Loan Agreement

The Board would like to announce that on 1 July 2017, the 1st Loan Agreement was entered into among Subsidiary A, Shenzhen Quantum and Company A, upon the following principal terms:

Date of Agreement: 1 July 2017

Parties:

1. Subsidiary A as lender
2. Shenzhen Quantum as borrower
3. Company A as paying agent of Subsidiary A

Loan amount: RMB16,944,500

The 1st Loan shall be paid by Company A (being the paying agent of Subsidiary A, an Independent Third Party which held on behalf of Subsidiary A the amount of cash equivalent to the 1st Loan) to Shenzhen Quantum within 3 business days from the date of the 1st Loan Agreement by installments to the bank account of Shenzhen Quantum.

Term: From 1 July 2017 to 31 March 2019

Interest rate: 1% per annum

Repayment: Shenzhen Quantum shall repay the 1st Loan in full in one lump sum together with the interest accrued thereon upon due date

As at the date of this announcement, the outstanding principal under the 1st Loan is RMB16,944,500.

The 2nd Loan Agreement

The Board would like to further announce that on 24 April 2018, the 2nd Loan Agreement was entered into among Subsidiary B, Shenzhen Quantum and the Chargor, upon the following principal terms:

Date of Agreement: 24 April 2018

Parties:

1. Subsidiary B as lender
2. Shenzhen Quantum as borrower
3. the Chargor as chargor

Loan amount: RMB3,500,000

The 2nd Loan was paid to Shenzhen Quantum on 24 April 2018.

Term: From 24 April 2018 to 23 May 2018

Interest rate: 4.36% per annum

Repayment: Shenzhen Quantum shall repay the 2nd Loan in full in one lump sum together with the interest accrued thereon upon due date

Security: the Chargor executed the Share Charge in favour of Subsidiary B over her equity interest in Shenzhen Quantum (representing its entire issued share capital) to secure the performance of its obligation under the 2nd Loan Agreement

FUNDING OF THE LOAN

The Group funded the 1st Loan and the 2nd Loan with its internal resources.

The Acquisition

On 23 May 2018, Subsidiary B, Shenzhen Quantum and the Chargor entered into a supplemental agreement to the 2nd Loan Agreement, pursuant to which the Chargor agreed to transfer the entire equity interest in Shenzhen Quantum to Subsidiary B for a consideration of RMB3,500,000 in the event that Shenzhen Quantum fails to perform its obligations under the 2nd Loan Agreement upon the expiry of the 2nd Loan. Shenzhen Quantum failed to repay the 2nd Loan upon expiry, and therefore Subsidiary B effected the acquisition which completed on 4 July 2018. Details are set out below.

Date: 4 July 2018

Parties:

1. The Chargor as the vendor
2. Subsidiary B as the purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shenzhen Quantum and its ultimate beneficial owner were Independent Third Parties.

Assets acquired: 100% of the entire equity interest in Shenzhen Quantum

As a result of the Acquisition, Shenzhen Quantum became a wholly-owned subsidiary of the Company and CITIC Cyber Security became an indirect non-wholly owned subsidiary of the Company and their financial results will be consolidated into the Group's consolidated financial statements.

Consideration: The consideration for the Acquisition was RMB3,500,000, which was settled by the amount owed by Shenzhen Quantum under the 2nd Loan.

The consideration was determined after arm's length negotiations between the Chargor and the Group, having considered the ability of Shenzhen Quantum to repay the 2nd Loan and the prospect of its business.

Other matters: CITIC Cyber Security is owned as to 70% by Shenzhen Quantum and 30% by CITIC Technology.

Pursuant to the investment agreement entered into between, among others, Shenzhen Quantum, CITIC Technology and CITIC Cyber Security in September 2017:

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

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

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

- (3) Shenzhen Quantum undertakes that, unless written consent having been obtained from CITIC Technology, the actual controllers and controlling percentages of Shenzhen Quantum shall not be changed and the percentage of equity interests in CITIC Cyber Security held by Shenzhen Quantum shall not fall below 51% during the investment period of CITIC Technology.
- (4) In the event that CITIC Cyber Security proposes to further increase its registered capital or its existing shareholders transfer their equity interests in CITIC Cyber Security, prior written consent shall be obtained from CITIC Technology and CITIC Technology shall enjoy pre-emptive rights under equal conditions. In the event that CITIC Cyber Security introduces new investors by any means, the investment prices paid by the new investors shall not be lower than that paid by CITIC Technology.
- (5) In the event that CITIC Cyber Security implements any capital increase scheme in the future, all the shareholders of CITIC Cyber Security shall enjoy the pre-emptive rights to subscribe the corresponding capital contribution of the newly increased registered capital in accordance with their shareholding percentages. In the event that Shenzhen Quantum decides to transfer its equity interests in CITIC Cyber Security, CITIC Technology shall enjoy tag-along rights or pre-emptive rights in accordance with the terms of the investment agreement.

INFORMATION OF THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of system integration services and other value-added technical consultation services and hardware-related business.

INFORMATION OF SHENZHEN QUANTUM

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

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shenzhen Quantum and its ultimate beneficial owner were Independent Third Parties.

The Following table sets out the financial information of Shenzhen Quantum:

**For the period
from its date of
establishment
to 31 May 2018**
(Unaudited)
RMB ('000)

Net loss for the period	17,875
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As at 31 May 2018, the unaudited net asset value of Shenzhen Quantum was approximately RMB18,293,000.

REASONS FOR THE GRANT OF THE LOANS

The Company had been exploring opportunities to develop its business in the area of authentication services in connection with network elective identities and was interested to cooperate with Shenzhen Quantum. By providing the Loans to Shenzhen Quantum, it could utilize such fund as working capital to facilitate the development of its business and carry on its projects.

The terms of each of the 1st Loan Agreement and the 2nd Loan Agreement were negotiated on an arm's length basis, and the Directors consider that the provision of the Loans are fair and reasonable and in the interests of the Company and its shareholders as a whole.

REASONS FOR THE ACQUISITION

Provision of system integration services and other value-added technical consultation services and hardware-related business are core businesses of the Group. As mentioned above, the Company had been exploring opportunities to participate in the business of provision of authentication services in connection with network electronic identities, where Shenzhen Quantum (through CITIC Cyber Security) engages in such business area. As disclosed in the announcement of the Company respectively dated 28 February 2018 and 28 May 2018, the Group entered into a memorandum of understanding in relation to the proposed acquisition of the equity interest in CITIC Cyber Security. The Board is of the view that the Acquisition is a step of the Group's expansion strategy which could bring positive impact to the service business of the Group. Having considered the ability of Shenzhen Quantum to repay the 2nd Loan and the prospect of its business, the Directors are of the view that the Acquisition are on normal commercial terms, which are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the 1st Loan are more than 5% but all of them are less than 25%, the grant of the 1st Loan under the 1st Loan Agreement constituted a discloseable transaction of the Company and is subject to the reporting and announcement requirements as set out in Chapter 19 of the GEM Listing Rules. Furthermore, as the assets ratio in respect of the 1st Loan (as defined under the GEM Listing Rules) exceeds 8%, the 1st Loan is also subject to the general disclosure obligations under Rule 17.15 of the GEM Listing Rules.

As certain applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the 2nd Loan (in aggregate with the 1st Loan) are more than 5% but all of them are less than 25%, the grant of the 2nd Loan under the 2nd Loan Agreement constituted a discloseable transaction of the Company. As the 2nd Loan increased the total advance to Shenzhen Quantum by more than 3% in terms of the assets ratio (as defined under the GEM Listing Rules), the 2nd Loan was also subject to the disclosure obligations under Rule 17.16 of the GEM Listing Rules.

As certain applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but all of them are less than 25%, the Acquisition constituted a discloseable transaction of the Company and is subject to the reporting and announcement requirements as set out in Chapter 19 of the GEM Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“1st Loan”	the loan in the amount of RMB16,944,500
“1st Loan Agreement”	the loan agreement dated 1 July 2017 (as supplemented by the letter of confirmation dated 12 June 2018) entered into between Subsidiary A (as lender), Shenzhen Quantum (as borrower) and Company A (as paying agent of Subsidiary A) in relation to the 1st Loan
“2nd Loan”	the loan in the amount of RMB3,500,000
“2nd Loan Agreement”	the loan agreement dated 24 April 2018 entered into between Subsidiary B (as lender), Shenzhen Quantum (as borrower) and the Chargor (as chargor) in relation to the 2nd Loan
“Acquisition”	the acquisition of the entire equity interest in Shenzhen Quantum by Subsidiary B
“Board”	the board of the Directors
“Chargor”	an Independent Third Party holding the entire issued share capital of Shenzhen Quantum before the Acquisition

“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
“CITIC Technology”	CITIC Technology Co., Ltd.* (中信技術公司), an enterprise owned by the whole people (全民所有制企業) established in the PRC
“Company”	Quantum Thinking Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM of the Stock Exchange, with stock code 8050
“Company A”	a company established in the PRC with limited liability which is an Independent Third Party
“Directors”	director(s) of the Company
“Group”	the Company and its subsidiaries
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected person(s)
“Loans”	The 1st Loan and the 2nd Loan
“PRC”	The People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share Charge”	the share charge dated 24 April 2018 executed by the Chargor and Subsidiary B, pursuant to which the Chargor charged in favour of Subsidiary B over her equity interest in Shenzhen Quantum (representing its entire issued share capital) to secure the performance of its obligations under the 2nd Loan Agreement
“Shenzhen Quantum”	Shenzhen Quantum Technology Information Co., Ltd.* (深圳市量子科技訊息有限公司), a company established in the PRC with limited liability

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary A”	a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
“Subsidiary B”	a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

By Order of the Board
Quantum Thinking Limited
Wang Xiaoqi
Director

Hong Kong, 12 October 2018

As at the date of this announcement, the executive Directors are Mr. Ho Yeung and Mr. Wang Xiaoqi; 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 Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the Company’s website at <http://www.8050hk.com>.

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