

Quantum Thinking Limited

量子思維有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

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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 of Directors (the “**Board**”) of the Company hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and nine months ended 31 December 2018 together with the unaudited comparative figures for the corresponding periods in 2017 as follows:

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

For the three months and nine months ended 31 December 2018

	<i>Note</i>	Three months ended 31 December		Nine months ended 31 December	
		2018	2017	2018	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	3,016	2,958	10,702	8,315
Cost of sales and services		(2,097)	(546)	(6,897)	(2,807)
Gross profit		919	2,412	3,805	5,508
Other income		498	441	7,987	2,723
Distribution costs		(2,280)	(964)	(4,845)	(3,360)
Administrative expenses		(9,497)	(3,754)	(21,100)	(14,253)
Loss before income tax		(10,360)	(1,865)	(14,153)	(9,382)
Income tax expense	4	(36)	(125)	(230)	(141)
Loss for the period		(10,396)	(1,990)	(14,383)	(9,523)
Other comprehensive (expense)/income					
Exchange differences arising on translation of foreign operations that will be reclassified subsequently to profit or loss		23	465	(1,868)	1,312
Other comprehensive (expense)/income for the period, net of tax		23	465	(1,868)	1,312
Total comprehensive expense for the period, net of tax		(10,373)	(1,525)	(16,251)	(8,211)

		Three months ended 31 December		Nine months ended 31 December	
		2018	2017	2018	2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss for the period attributable to:					
Owners of the Company		(7,653)	(1,638)	(9,052)	(6,993)
Non-controlling interests		(2,743)	(352)	(5,331)	(2,530)
		<u>(10,396)</u>	<u>(1,990)</u>	<u>(14,383)</u>	<u>(9,523)</u>
Total comprehensive expense for the period attributable to:					
Owners of the Company		(7,642)	(912)	(11,940)	(4,999)
Non-controlling interests		(2,731)	(613)	(4,311)	(3,212)
		<u>(10,373)</u>	<u>(1,525)</u>	<u>(16,251)</u>	<u>(8,211)</u>
Loss per share attributable to the owners of the Company:					
— Basic loss per share: (HK cents)	5	<u>(0.56)</u>	<u>(0.12)</u>	<u>(0.67)</u>	<u>(0.52)</u>
— Diluted loss per share: (HK cents)	5	<u>(0.56)</u>	<u>(0.12)</u>	<u>(0.67)</u>	<u>(0.52)</u>

Notes:

1. GENERAL INFORMATION

Quantum Thinking Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) was incorporated in the Cayman Islands on 8 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company’s registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s principal place of business is situated at Unit 1201–5, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong.

The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Group is principally engaged in the provision of system development services and other value-added technical consultation services and hardware-related business. The Group has also expanded into the People’s Republic of China (the “**PRC**”) market in the areas of manufacturing of ancillary high-tech software and hardware products; developing and establishing integrated online platforms for distribution of mobile products and provision of value-added services; and setting up joint ventures with multinational companies to introduce and procure mobile application services, among other things.

In the opinion of the directors of the Company (the “**Directors**”), the parent and ultimate holding company of the Company is Happy On Holdings Limited (“**Happy On**”), which was incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information of the Group for the nine months ended 31 December 2018 (the “**Condensed Financial Report**”) has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the 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 2018 (the “**2018 Annual Financial Statements**”). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2018 Annual Financial Statements, except for the adoption of the new or amended HKFRSs which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2018.

The preparation of the Condensed Financial Report in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Condensed Financial Report has been prepared under the historical cost convention, except for financial instruments classified as financial assets designated at fair value through profit or loss which are stated at fair values. The Condensed Financial Report is presented in Hong Kong dollars (“**HK\$**”) which is also the functional currency of the Company and all values are rounded to the nearest thousands (“**HK\$’000**”) unless otherwise stated.

3. REVENUE

Revenue represents the net invoiced value of goods sold and net value of services rendered, after allowances for returns and trade discounts.

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

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Hardware	249	1,462	249	3,510
Services				
— System development	2,671	1,382	6,814	4,605
— Consultancy	—	—	3,374	—
— Maintenance	28	114	197	145
— Others	68	—	68	55
	<u>2,767</u>	<u>1,496</u>	<u>10,453</u>	<u>4,805</u>
	<u>3,016</u>	<u>2,958</u>	<u>10,702</u>	<u>8,315</u>

4. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the three months and nine months ended 31 December 2018 and 2017 as the Group had incurred losses for taxation purpose in Hong Kong. The PRC enterprise income tax has been provided at the rate of 25% (three months and nine months ended 31 December 2017: 25%) on the estimated assessable profit for the three months and nine months ended 31 December 2018.

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC enterprise income tax				
Current period	36	125	42	144
Under provision/(overprovision) in respect of prior years	<u>—</u>	<u>—</u>	<u>188</u>	<u>(3)</u>
Income tax expenses	<u>36</u>	<u>125</u>	<u>230</u>	<u>141</u>

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (31 December 2017: Nil).

5. LOSS PER SHARE

Basic loss per share for the three months and nine months ended 31 December 2018 is calculated by dividing the loss attributable to owners of the Company for the period of HK\$7,653,000 and HK\$9,052,000 respectively (three months and nine months ended 31 December 2017: loss of HK\$1,638,000 and HK\$6,993,000 respectively) by the weighted average number of 1,356,250,000 (three months and nine months ended 31 December 2017: weighted average number of 1,356,250,000) ordinary shares in issue during the period.

Diluted loss per share for the three months and nine months ended 31 December 2017 equals to the basic loss per share as the potential ordinary shares on exercise of warrants were not included in the calculation of diluted loss per share because they are anti-dilutive.

No adjustment has been made to the basic earnings per share presented for the three and nine months ended 31 December 2018 as the Group had no potential dilutable ordinary shares in issue during the three and nine months ended 31 December 2018.

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2018 (nine months ended 31 December 2017: Nil).

7. RESERVES

For the nine months ended 31 December 2018

	Share premium HK\$'000 (unaudited)	Warrant reserve HK\$'000 (unaudited)	Translation reserve HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)	Non- controlling interest HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
As at 1 April 2017	99,935	900	(5,701)	(161,060)	(9,089)	(75,015)
Loss for the period	–	–	–	(6,993)	(2,530)	(9,523)
Other comprehensive expense	–	–	–	–	–	–
Exchange differences arising on translation of foreign operations	–	–	1,994	–	(682)	1,312
Total comprehensive income/(expense)	–	–	1,994	(6,993)	(3,212)	(8,211)
Release upon expiry of warrants	–	(900)	–	900	–	–
As at 31 December 2017	99,935	–	(3,707)	(167,153)	(12,301)	(83,226)
As at 1 April 2018	99,935	–	(2,324)	(168,582)	(14,157)	(85,128)
Loss for the period	–	–	–	(9,052)	(5,331)	(14,383)
Other comprehensive (expense)/income	–	–	–	–	–	–
Exchange differences arising on translation of foreign operations	–	–	(2,888)	–	1,020	(1,868)
Total comprehensive expense	–	–	(2,888)	(9,052)	(4,311)	(16,251)
Transaction with owners	–	–	–	–	–	–
Acquisition of Shenzhen Quantum	–	–	–	–	9,162	9,162
As at 31 December 2018	99,935	–	(5,212)	(177,634)	(9,306)	(92,217)

8. ACQUISITION OF SUBSIDIARIES

On 4 July 2018, the Group acquired of its entire 100% equity interests in the Shenzhen Quantum Technology Information Co., Ltd.* (“**Shenzhen Quantum**”) together with its subsidiary Shenzhen CITIC Cyber Security Authentication Co., Ltd.* (“**CITIC Cyber Security**”) (70% equity interest held by Shenzhen Quantum) for a cash consideration of RMB3,500,000 (equivalent to approximately HK\$4,139,000). CITIC Cyber Security is engaged in the technical development and software development of credible identity authentication services related products in the PRC.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree’s identifiable net assets.

The following table summarises the consideration paid for the acquisitions, the aggregate amounts of provisional fair value of the assets acquired and liabilities assumed at the acquisition date.

	2018 HK\$’000 (unaudited)
Property, plant and equipment, net	2,730
Deposits and other receivables	1,833
Financial assets designated at fair value through profit or loss	948
Cash and cash equivalents	33,381
Other payables	(7,118)
Amount due to a group subsidiary	<u>(11,862)</u>
Total identifiable net assets	19,912
Less: non-controlling interests	<u>(9,162)</u>
Identifiable net assets acquired	10,750
Cash consideration	<u>(4,139)</u>
Gain on bargain purchase	<u><u>6,611</u></u>
Cash paid on acquisition	(4,139)
Cash and cash equivalents acquired	<u>33,381</u>
Cash inflow on acquisition of subsidiaries	<u><u>29,242</u></u>

FINANCIAL REVIEW

For the nine months ended 31 December 2018 (the “**Reporting Period**”), the Group recorded revenue of approximately HK\$10,702,000, representing an increase of approximately 29% when compared with the corresponding period last year of approximately HK\$8,315,000.

Loss before income tax of the Group for the Reporting Period was approximately HK\$14,153,000 compared with loss before income tax of approximately HK\$9,382,000 for the corresponding period last year. Loss attributable to owners of the Company for the Reporting Period was approximately HK\$9,052,000 compared with loss attributable to owners of the Company of approximately HK\$6,993,000 for the corresponding period last year.

INDUSTRY OVERVIEW

In the People’s Republic of China (“**PRC**”), transaction value of the third-party comprehensive payment (which mainly consists of mobile payment and online payment) increased by approximately 30.30% year on year to approximately RMB54.94 trillion in the third quarter of 2018, according to a PRC-based market research firm, Analysys. The growth was mainly driven by mobile payment. The country’s dominant e-commerce and internet conglomerates, Alibaba Group Holding Limited and Tencent Holdings Limited, were aggressively expanding their business presence in the market for third-party comprehensive payment and consolidating their footholds there. This stimulated growth in both the number of users and that of the active users of their services, hence the increased size of the market for mobile payment. In the third quarter of 2018, the transaction value of the country’s third-party mobile payment rose by approximately 48.62% year on year to approximately RMB43.84 trillion, according to Analysys. In contrast, the transaction value of the country’s third-party online payment only edged up by approximately 2.46% year on year to approximately RMB6.54 trillion in the third quarter of 2018, showing considerable deceleration from the year-on-year growth of approximately 30.14% for the third quarter of 2017. This was because the country’s economic slowdown in the first three quarters of 2018 affected internet finance, which was one of the major contributors of the transaction value of third-party online payment.

BUSINESS REVIEW

During the Reporting Period, the Group continued with its business strategy of constructing an ecosystem of online/offline digital payments in which comprehensive, online shopping platforms are connected to digital payment systems for public utilities with a technology for unified communications. It made progress in or finished some projects for various types of businesses as it capitalised on China’s fast-growing market for digital and mobile payment. It also started some new ones.

In the third quarter ended 31 December 2018 of the Reporting Period, the Group succeeded in renewing annual contracts to develop a unified payment platform of a Shenzhen-based subsidiary of a leading telecommunications company and to provide repair and maintenance services for that unified payment platform. It also won a contract to develop software for centralised maintenance and management of daily records of operations for the Shenzhen branch of a leading bank in the PRC. In addition to the progress in its mainstay business of developing systems and solutions for online/offline digital payments, the Group also started a business of supplying Bluetooth chips to a company in Shenzhen.

1. Development and construction of unified payment system and platform, and the provision of Product Business Operation Support Systems (“PBOSS”) solution of the Internet of Things (“IoT”) for monitoring and managing such system and platform

The Company, through its wholly-owned subsidiary Guangzhou YBDS IT Co., Ltd.* (廣州韻博信息科技有限公司) (“**Guangzhou YBDS**”), undertook the construction of the fifth phase of the unified payment platform of a Shenzhen-based subsidiary of a leading telecommunications company during the Reporting Period. The system and platform enable mobile wallet users to make mobile payments such as those of phone bills and to redeem consumption points and gift cards. During the Reporting Period, 50% of the project was completed. Guangzhou YBDS also provided repair and maintenance services for such system. In addition, Guangzhou YBDS provided PBOSS, which was the solution of the IoT for monitoring and managing such system and platform, and the second phase of the work was completed during the Reporting Period.

Guangzhou YBDS intends to replicate the unified payment system and platform and then sell them to other units and/or subsidiaries of that leading telecommunications company in 31 provinces in the PRC.

2. Construction of an e-commerce network platform for payment and clearing, and installation of point-of-sales (“POS”) terminals

Guangzhou YBDS and its business partner, a Shanghai-based subsidiary of a third-party payment service company, had together finished the construction of an e-commerce network platform for payment and clearing, and the installation of POS terminals at more than 100 outlets of a retail chain in Beijing. The two parties also leased out the POS terminals to such outlets of the retail chain. During the Reporting Period, Guangzhou YBDS and that Shanghai-based subsidiary of the third-party payment service company extended their market coverage to the surrounding areas of Beijing. They plan to install and lease out the POS terminals at the outlets of the businesses in other service industries such as a convenience store chain.

3. Development of software for a comprehensive payment platform of a leading property developer in the PRC

Shenzhen YBDS IT Co., Ltd.* (深圳市韻博信息科技有限公司) (“**Shenzhen YBDS**”), the Company’s indirect, wholly owned subsidiary, was developing software for the first phase of the construction of a comprehensive payment platform of a leading property developer in the PRC for the latter’s commercial properties and e-commerce. The platform will enable the club members or users of the property developer’s commercial properties to digitise consumption points, gift cards, coupons and other membership services so as to create a delightful experience of faster, smoother shopping. As at 31 December 2018, 95% of the project was finished. Shenzhen YBDS will assist that property developer in leveraging its traditional real estate business as a springboard to internet-enabled businesses. It will do so by building an e-commerce platform on which the developer can provide comprehensive online services that can complement its offline services.

4. Provision of technical support for and localisation of an automatic system for vending and checking tickets of an intercity railway in Shandong province

The Company, through its indirect subsidiary, Hua Strong Network Science and Technology Limited Company* (華天網絡科技有限公司), was cooperating with a software development and system integration company in providing technical support for and localising an automatic system for vending and checking tickets of an intercity railway in Shandong province, the PRC. Approximately 50% of the project had been completed during the Reporting Period.

5. Development of software for centralised maintenance and management of daily records of operations for the Shenzhen branch of a leading bank in the PRC

The Group, through its subsidiary, Shenzhen CITIC Cyber Security Authentication Co., Ltd.* (深圳市中信網安認證有限公司) (“**CITIC Cyber Security**”), won a contract to develop software for centralised maintenance and management of daily records of operations for the Shenzhen branch of a leading bank in the PRC.

PROSPECT

The Group will continue to build on what it has achieved in its mainstay business of developing systems and solutions for online/offline digital payments. It has laid the foundations for further business development because it has been cooperating with various types of businesses in pursuing the strategy of constructing an ecosystem of online/offline digital payments in which comprehensive, online shopping platforms are connected to digital payment systems for public utilities with a technology for unified communications.

For instance, the Company, through Guangzhou YBDS, will continue to cooperate with a third-party payment service company in developing a system and software that enable a leading property developer to diversify into e-commerce through its comprehensive, online shopping platform with a built-in payment system. Such platform and system will enable the property developer to implement an online-to-offline business model. Guangzhou YBDS will fully utilise its capability of developing internet-enabled systems and platforms for finance and payment as well as its capability of big data processing and cloud computing. The objective of the project is to enhance the users’ experience of ordering a comprehensive range of services and products on that property developer’s online platform at the commercial and residential properties that it has built. During the Reporting Period, 95% of the work of software development for the first phase of the comprehensive, online shopping platform with a built-in payment system was completed. Guangzhou YBDS is now negotiating with that property developer about the second phase of the project.

As part of its strategy for development, the Group has also been developing digital systems that enable citizens to pay for public utilities. It has undertaken the construction of a smart traffic platform in Urumqi, Xinjiang that comprises systems for a traffic control centre, the comprehensive monitoring of the traffic, traffic signal control and communication network. In that project, the Group also provides technical support for the security of such systems. The smart traffic platform has potential for enabling digital payment, and the Group will explore such a possibility. The Group plans to replicate the smart traffic platform and sell it to other provinces in the PRC.

In May 2018, Shenzhen YBDS entered into an agreement with a leading information system integration and services firm. Under the agreement, Shenzhen YBDS implements a mobile client technology, which is an application that runs on mobile devices to enable a company to promote its products and services through such devices on a leading telecommunications company's instant messaging and social media platform. Shenzhen YBDS will also provide technical support for that application.

The Group's acquisition of a majority stake in CITIC Cyber Security in July of 2018 also began to contribute to the Group's revenue as CITIC Cyber Security won a contract in the third quarter ended 31 December 2018 of the Reporting Period to develop software for centralised maintenance and management of daily records of operations for the Shenzhen branch of a leading bank in the PRC.

In December 2018, Guangzhou YBDS succeeded in renewing annual contracts to develop a unified payment platform of a Shenzhen-based subsidiary of a leading telecommunications company and to provide repair and maintenance services for that unified payment platform.

The Group will continue to seek more opportunities to cooperate with various types of businesses in tapping into China's rapidly growing market for digital and mobile payment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

To ensure that the Company is financially stable with sufficient financial resources to continue the development of its proposed projects, the Company had on 5 August 2013, raised net proceeds of approximately HK\$100 million through a subscription (the "**Subscription**"). 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 the following manner:

- (i) approximately HK\$30,000,000 will be used to pay up the remaining registered capital of Guangzhou YBDS and Beijing YBDS IT Co., Ltd.* (北京韻博港信息科技有限公司) ("**Beijing YBDS**");
- (ii) approximately HK\$50,000,000 will be used as further investment for contribution towards the total investment amounts of Guangzhou YBDS and Beijing YBDS; and
- (iii) the remaining balance as general working capital of the Company.

The Company had previously applied approximately HK\$9,400,000 (or approximately RMB7,350,000) and approximately HK\$5,500,000 (or approximately RMB4,330,000) of the proceeds to pay up the remaining initial registered capital of RMB20,000,000 and increased registered capital of RMB20,000,000 of Guangzhou YBDS, respectively. During the year ended 31 March 2015, the Company had applied approximately HK\$19,785,000 (or approximately RMB15,670,000) of the proceeds to pay up the outstanding remaining increased registered capital of Guangzhou YBDS.

At the time of the Subscription, only 20% of the registered capital or RMB4 million of Beijing YBDS has been paid up with the remaining 80% or RMB16 million due to be paid on or before 18 December 2014. The Company had intended to apply to the Bureau of Foreign Trade and Economic Cooperation of Beijing Municipality (北京市對外貿易經濟合作局) to increase the registered capital of Beijing YBDS from RMB20 million to RMB40 million and its total investment from RMB40 million to RMB80 million. A sum of approximately HK\$45.5 million from the proceeds of the Subscription was earmarked for paying up the initial registered capital and increased registered capital of Beijing YBDS (the “**Capital Increase**”). The intent of the Capital Increase was to enable the Group’s subsidiaries to meet the minimum capital threshold requirement when submitting bids for proposed projects offered by the relevant telecommunications service providers in the PRC.

Given the Company has acquired China Mobile Payment on 23 December 2014, a holding company that owns a subsidiary with the aforesaid threshold requirement for bids submission, this corporate action is no longer deemed to be necessary. The Company has already commenced the process of de-registration of Beijing YBDS. De-registration has entered into the final stage and is pending for the approval of PRC authority.

Moreover, the Company intends to apply the aforesaid earmarked proceeds of approximately HK\$45.5 million for new potential projects and for general working capital purposes.

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY

The Group has entered into two loan agreements as lender on 1 July 2017 (the “**1st Loan Agreement**”) and 24 April 2018 (the “**2nd Loan Agreement**”, together with the 1st Loan Agreement, the “**Loan Agreements**”), respectively, amongst others, the details of the Loan Agreements which each of them constituted discloseable transactions for the Company under Chapter 19 of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) are as follows:

On 1 July 2017, an indirect non wholly-owned subsidiary of the Company (“**Subsidiary A**”), as lender, entered into the 1st Loan Agreement with, Shenzhen Quantum, as borrower, and an independent third party (“**Company A**”), as paying agent of Subsidiary A, in relation to a loan of RMB16,944,500 for a term of 21 months (from 1 July 2017 to 31 March 2019) at an annual interest rate of 1% (the “**1st Loan**”). Shenzhen Quantum shall repay the 1st Loan in full in one lump sum together with the interest accrued thereon upon due date.

On 24 April 2018, an indirect wholly-owned subsidiary of the Company (“**Subsidiary B**”), as lender, entered into the 2nd Loan Agreement with Shenzhen Quantum, as borrower, and an independent third party holding the entire issued share capital of Shenzhen Quantum before the Acquisition (to be defined thereafter), as chargor (the “**Chargor**”), in relation to a loan of RMB3,500,000 for a term of 1 month (from 24 April 2018 to 23 May 2018) at an annual interest rate of 4.36% secured by the share charge dated 24 April 2018 executed by the Chargor and Subsidiary B (the “**2nd Loan**”, together with the 1st Loan, the “**Loans**”), pursuant to which the Chargor charged in favour of Subsidiary B over her equity interest in Shenzhen Quantum (representing its entire issued share capital). Shenzhen Quantum failed to repay the 2nd Loan upon expiry. For the further details of the 2nd Loan, please refer to “Acquisition of 100% interests in Shenzhen Quantum” in this section and the announcement of the Company dated 12 October 2018.

The Loan Agreements also constituted advance to an entity under Rules 17.15 and 17.16 of the GEM Listing Rules. For details of the Loan Agreements, please refer to the announcement of the Company dated 12 October 2018.

ACQUISITION OF 100% INTERESTS IN SHENZHEN QUANTUM

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 was completed on 4 July 2018 (the “**Acquisition**”). For details of the Acquisition, please refer to the announcement of the Company dated 12 October 2018.

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 Co., Ltd.* (中信技術公司), 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.

Provision of system integration services and other value-added technical consultation services and hardware-related business are core businesses of the Group. The Group’s acquisition of a majority stake in CITIC Cyber Security in July of 2018 also began to contribute to the Group’s revenue as CITIC Cyber Security won a contract in the third quarter ended 31 December 2018 of the Reporting Period to develop software for centralised maintenance and management of daily records of operations for the Shenzhen branch of a leading bank in the PRC.

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

As at 31 December 2018, (i) Mr. Wang Xiaoqi is interested in 382,000 ordinary shares of the Company, representing approximately 0.028% of the total number of ordinary shares of the Company; (ii) Mr. Ho Yeung is interested in 18,083,500 ordinary shares of the Company, representing approximately 1.333% of the total number of ordinary shares of the Company. Saved as disclosed above, none of the other Directors or their respective associates and the chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 December 2018, so far as the Directors are aware of and having made due enquires, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Capacity	Number of issued ordinary shares held (Note 2)	Approximate percentage of issued share capital as at 31 December 2018 (Note 3)
Happy On (Note 1)	Beneficial owner	987,888,771 (L)	72.83%
Mr. Chan Foo Wing ("Mr. Chan") (Note 1)	Interest in a controlled corporation	987,888,771 (L)	72.83%

Notes:

- As Mr. Chan is the ultimate beneficial owner and the sole director of Happy On, by virtue of the SFO, Mr. Chan is deemed to be interested in the 987,888,771 shares of the Company held by Happy On.
- "L" means long positions in the shares.
- Based on 1,356,250,000 shares of the Company in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, so far as the Directors are aware of and having made due enquiries, there were no other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the nine months ended 31 December 2018 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

A share option scheme was adopted on 1 August 2011 by the shareholders of the Company under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent of the shares in the Company in issue as at the date of approval of the share option scheme. The purpose of the share option scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries.

No options were granted under the share option scheme since its adoption by the Company or outstanding, lapsed, cancelled or exercised at any time during the nine months ended 31 December 2018.

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 nine months ended 31 December 2018.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the date of this announcement, none of the Directors, or the initial management shareholders or the substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competed with or might compete with any business of the Group and had or might have any other conflicts of interest with the Group.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its Shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the nine months ended 31 December 2018.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established in May 2000, and the Company had adopted a revised specific terms of reference as of January 2019 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee comprised three members, namely, Mr. Tse Yee Hin, Tony, Mr. Lau Chor Ki and Mr. Wong Kin Kee, all of whom were independent non-executive Directors. Mr. Tse Yee Hin, Tony is the current chairman of the Audit Committee. The primary duties of the Audit Committee are to review the Group's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance with the GEM Listing Rules, internal and audit control, risk management and cash flow forecast.

The unaudited consolidated results of the Group for the nine months ended 31 December 2018 have been reviewed by the Audit Committee.

By order of the Board
Quantum Thinking Limited
Wang Xiaoqi
Director

Hong Kong, 13 February 2019

As at the date of this announcement, the executive directors of the Company are Mr. Wang Xiaoqi and Mr. Ho Yeung; and the independent non-executive directors of the Company 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>.

* For identification purpose only