

Quantum Thinking Limited

量子思維有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8050)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2020

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*This announcement, for which the directors (the “**Directors**”) of Quantum Thinking Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board (the “**Board**”) of Directors of the Company hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 June 2020 together with the unaudited comparative figures for the corresponding period in 2019 as follows:

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

For the three months ended 30 June 2020

		Three months ended 30 June	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	10,242	1,504
Cost of sales and services		<u>(9,346)</u>	<u>(1,418)</u>
Gross profit		896	86
Other income	4	834	651
Distribution costs		–	(1,554)
Administrative expenses		(6,545)	(8,859)
Finance costs		<u>(82)</u>	<u>(100)</u>
Loss before income tax		(4,897)	(9,776)
Income tax refund	5	–	174
Loss for the period		<u>(4,897)</u>	<u>(9,602)</u>
Other comprehensive (expense)/income			
Exchange differences arising on translation of foreign operations that will be reclassified subsequently to profit or loss		<u>(69)</u>	<u>206</u>
Other comprehensive (expense)/income for the period, net of tax		<u>(69)</u>	<u>206</u>
Total comprehensive expense for the period, net of tax		<u>(4,966)</u>	<u>(9,396)</u>
Loss for the period attributable to:			
Owners of the Company		(4,197)	(7,701)
Non-controlling interests		<u>(700)</u>	<u>(1,901)</u>
		<u>(4,897)</u>	<u>(9,602)</u>

		Three months ended 30 June	
		2020	2019
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(4,197)	(8,002)
Non-controlling interests		(769)	(1,394)
		<u>(4,966)</u>	<u>(9,396)</u>
Loss per share attributable to the owners of the Company:			
— Basic (in HK cents)	6	<u>(0.31)</u>	<u>(0.57)</u>
— Diluted (in HK cents)	6	<u>(0.31)</u>	<u>(0.57)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	As at 30 June 2020	As at 31 March 2020
<i>Notes</i>	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current assets		
Plant and equipment	5,208	6,337
Right-of-use assets	5,619	6,440
Intangible assets	37	41
	10,864	12,818
Total non-current assets		
Current assets		
Inventories	–	–
Trade and other receivables	11,387	10,076
Contract assets	–	1,193
Financial assets at fair value through profit or loss	29,110	29,035
Restricted cash	–	–
Bank balances and cash	22,100	28,030
	62,597	68,334
Assets classified as held for sale	9,191	8,125
	71,788	76,459
Total current assets		
Current liabilities		
Trade and other payables	12,933	14,656
Lease liabilities	3,440	3,550
Contract liabilities	–	251
Financial liabilities at fair value through profit or loss	–	–
Income tax payable	21	21
	16,394	18,478
Liabilities associated with assets classified held for sale	77,877	76,704
	94,271	95,182
Total current liabilities		

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
<i>Notes</i>		
Net current liabilities	<u>(22,483)</u>	<u>(18,723)</u>
Total assets less current liabilities	<u>(11,619)</u>	<u>(5,905)</u>
Non-current liabilities		
Lease liabilities	<u>2,788</u>	<u>3,536</u>
Net liabilities	<u>(14,407)</u>	<u>(9,441)</u>
Equity		
Share capital	135,625	135,625
Reserves	<u>(127,930)</u>	<u>(123,733)</u>
Equity attributable to owners of the Company	7,695	11,892
Non-controlling interests	<u>(22,102)</u>	<u>(21,333)</u>
Total deficits	<u><u>(14,407)</u></u>	<u><u>(9,441)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2020

	Share premium (unaudited) <i>HK\$'000</i>	Warrant reserve (unaudited) <i>HK\$'000</i>	Translation reserve (unaudited) <i>HK\$'000</i>	Accumulated losses (unaudited) <i>HK\$'000</i>	Non- Share interests (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
As at 1 April 2019, as originally stated (audited)	99,935	–	(4,587)	(189,718)	(16,680)	(111,050)
Prior year adjustments	–	–	–	(1,792)	–	(1,792)
At 1 April 2019, as restated	99,935	–	(4,587)	(191,510)	(16,680)	(112,842)
Comprehensive expense						
Loss for the period	–	–	–	(7,701)	(1,901)	(9,602)
Other comprehensive (expense)/income						
Exchange differences arising on translation of foreign operations	–	–	(301)	–	507	206
Total comprehensive expense for the period	–	–	(301)	(7,701)	(1,394)	(9,396)
As at 30 June 2019	<u>99,935</u>	<u>–</u>	<u>(4,888)</u>	<u>(199,211)</u>	<u>(18,074)</u>	<u>(122,238)</u>
As at 31 March 2020 and 1 April 2020	<u>99,935</u>	–	<u>(5,448)</u>	<u>(218,220)</u>	<u>(21,333)</u>	<u>(145,066)</u>
Comprehensive expense						
Loss for the period	–	–	–	(4,197)	(700)	(4,897)
Other comprehensive expense						
Exchange differences arising on translation of foreign operations	–	–	–	–	(69)	(69)
Total comprehensive expense for the period	–	–	–	(4,197)	(769)	(4,966)
As at 30 June 2020	<u>99,935</u>	<u>–</u>	<u>(5,448)</u>	<u>(222,417)</u>	<u>(22,102)</u>	<u>(150,032)</u>

NOTES:

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 Room 1403, 14/F, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong.

The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The 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 “**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 interim financial information of the Group for the three months ended 30 June 2020 (the “**Condensed Financial Report**”) has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the 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 2020 (the “**2020 Annual Financial Statements**”). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2020 Annual Financial Statements.

The preparation of the Condensed Financial Report in conformity with HKFRSs requires management to make judgments, 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.

HKICPA has issued a number of new and revised HKFRSs. For those which are effective for accounting periods beginning on 1 April 2020, the adoption has no material effect on how the results and the financial position of the Group for the current or prior accounting periods have been prepared and presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Condensed Financial Report has been prepared under the historical cost convention. 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 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Revenue:		
Hardware	4,395	–
Services		
— System development	5,509	1,302
— Consultancy	338	–
— Maintenance	–	202
	<u>10,242</u>	<u>1,504</u>

4. OTHER INCOME

	Three months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Interest income from bank deposits	80	7
Investment income from financial assets designated as at FVTPL	218	358
Government grants (<i>note</i>)	197	131
Others	339	155
	<u>834</u>	<u>651</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.

5. INCOME TAX REFUND

No provision for Hong Kong profits tax has been made for the three months ended 30 June 2020 as the Group had incurred losses for taxation purpose (three months ended 30 June 2019: Nil as the Group had incurred losses for taxation purpose). No PRC enterprise income tax has been provided for the three months ended 30 June 2020 and 2019 as the Group has incurred losses for taxation purposes.

	Three months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
PRC enterprise income tax		
Current period	–	–
Under provision in respect of prior years	–	–
Income tax refund in respect of prior years	–	(174)
	<u>–</u>	<u>(174)</u>

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (30 June 2019: Nil).

6. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the period of approximately HK\$4,197,000 (three months ended 30 June 2019: loss of HK\$7,701,000) by the weighted average number of 1,356,250,000 (30 June 2019: 1,356,250,000) ordinary shares in issue during the period.

Diluted loss per share for the three months ended 30 June 2020 and 2019 equals to the basic loss per share as the Group had no potential ordinary shares in issue.

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2020 (three months ended 30 June 2019: Nil).

REVIEW AND PROSPECTS

FINANCIAL REVIEW

During the three months ended 30 June 2020 (the “**Reporting Period**”), Quantum Thinking Limited (the “**Company**”) and its subsidiaries (together with the Company, the “**Group**”) recorded a revenue of approximately HK\$10,242,000 representing an increase of approximately 581% when compared with approximately HK\$1,504,000 in the corresponding period in the last year (the “**Corresponding Period**”). Loss before income tax of the Group for the Reporting Period was approximately HK\$4,897,000, compared with loss before income tax of approximately HK\$9,776,000 for the Corresponding Period. Loss attributable to owners of the Company for the Reporting Period was approximately HK\$4,197,000 compared with loss attributable to owners of the Company of approximately HK\$7,701,000 for the Corresponding Period.

INDUSTRY OVERVIEW

The operating environment was made difficult by the worldwide outbreak of novel coronavirus pneumonia and complicated by the escalating tension between the United States of America (the “**United States**”) and the People’s Republic of China (the “**PRC**” or “**China**”).

While the pandemic delayed the progress in economic activities, including information technology projects, the United States’ sanction against a major Chinese telecommunications equipment and consumer electronics company amid the two countries’ strained relations seriously affected China’s telecommunications industry in which the products of that leading Chinese telecommunications equipment company are widely used. The sanction has prohibited the installation of the United States operating systems in the devices and equipment produced by that Chinese company. As a result, information technology solution providers and their clients such as telecom carriers may need to switch over to the products of other telecommunications equipment makers which are not (or at least not yet) subject to the United States’ sanctions. They may also need to negotiate about the copy rights of the United States operating systems before they can start such information technology projects. Newly undertaken information technology projects can thus be delayed.

The pandemic and the Sino-United States trade disputes also combined to dampen the Chinese economic development, causing both the Chinese government departments and businesses to retrench and reduce budgets, including those for solutions for online/offline payment.

Nevertheless, the difficult situation has a silver lining: the epidemic has also presented opportunities for the information technology industry, especially for the internet sector, as it boosted demand for internet-enabled distance learning and online courses and teleconferences. Meanwhile, the retrenchment by the Chinese government departments and businesses also generated demand for a platform and software for reduction of both the operating cost and electric energy consumption.

In the first quarter of 2020, the value of the payments processed by non-bank payment institutions through public information technology networks increased by 4.99% year on year to RMB60.90 trillion in the PRC, showing a drastic deceleration from the year-on-year growth of 13.44% in the first quarter of 2019, according to the People’s Bank of China. Meanwhile, the number of such payments decreased by 3.59% year on year in the first quarter of 2020 to about 143.2 billion in the country, in contrast to the year-on-year increase of 34.80% in the first quarter of 2019.

BUSINESS REVIEW

To take on challenges and grasp opportunities in the difficult operating environment, the Company continued to press on with its two-pronged approach for business development during the Reporting Period: business diversification to broaden its income stream on the one hand and further development of its mainstay business of developing systems and solutions for online/offline digital payment to capitalize on the retrenchment measures of both the businesses and government departments in China on the other hand.

The Group diversified into the business of internet electronic identity authentication through the acquisition of a majority stake in Shenzhen CITIC Cyber Security Authentication Co., Ltd. (深圳市中信網安認證有限公司) (“**CITIC Cyber Security**”) in the financial year ended 31 March 2019 and has since been expanding that business. Such business also fits in with the Company’s mainstay business of developing systems and solutions for online/offline digital payment because internet electronic identity authentication can help prevent the leakage of personal data in online transactions and payment.

In June 2020, the Company’s 70%-held CITIC Cyber Security signed an agreement with a Shenzhen-based information technology system developer to authenticate the identities of the customers of a mainland China-based full-service investment banking enterprise and the identities of the holders of the bank cards issued by mainland Chinese banks with their real names as shown on the citizens’ identity cards during transactions. The information about customers’ identities will be sent by the information technology system developer on behalf of that investment banking enterprise to CITIC Cyber Security through websites, application programming interface (API) or terminals for authentication.

CITIC Cyber Security had earlier signed an agreement with a Shenzhen branch of a PRC-based bank to jointly promote each other’s respective services, namely CITIC Cyber Security’s internet electronic identity authentication and the bank’s financial services in June 2019. Under that agreement, eCitizen (“e 公民” in Chinese), which is CITIC Cyber Security’s proprietary mobile phone SIM (“**subscriber identification module**”) card-based system for electronic identity authentication, would be applied to the bank’s financial services. The system would enable its digital identity holders to safely log in, sign digitally and have their personal data protected in online transactions. In the same month, CITIC Cyber Security also reached an agreement with a Shenzhen-based certificate authority to cooperate in combining eCitizen SIM card and digital certificates and in applying the two combined technologies to such fields as electronic signature. In January 2020, CITIC Cyber Security signed a contract to develop and implement on behalf of another PRC-based bank a platform for signing, managing and auditing contracts electronically.

Other businesses that the Group had also diversified into since the financial year ended 31 March 2020 (the “**Previous Period**”) included subleasing co-working spaces of an office building in Shenzhen to mainly financial technology start-ups; the supply of electrical and electronic components, namely inductors and master control chips; the research on and development of an application for an online learning platform, financial software and related information technology system and solution, and information systems for housing; and the supply and installation of surveillance cameras as part of a security system.

In the meantime, the Company’s mainstay business of developing systems and solutions for online/offline digital payment also used its expertise to develop and provide a platform and software for reduction of both the operating cost and electric energy consumption for a leading PRC-based telecommunications firm. It has been negotiating with the latter about the project and expects to pilot that platform at two of the provincial branches of that telecommunication company in year 2020.

1. Development and construction of unified payment system and platform, and the provision of repair and maintenance services for such system and platform

The Company’s wholly-owned subsidiary Guangzhou YBDS IT Co., Ltd. (廣州韻博信息科技有限公司) (“**Guangzhou YBDS**”) finished the construction of the fifth phase of the unified payment system and platform of a Shenzhen-based subsidiary of a leading telecommunications company during the Previous Period. The system and platform enable mobile wallet users to make mobile payment such as those of phone bills and to redeem consumption points and gift cards. In the Previous Period, Guangzhou YBDS also undertook renewed contracts to develop a unified payment platform for that Shenzhen-based subsidiary of the leading telecommunications company and to provide repair and maintenance services for that unified payment platform for years 2018 and 2019. The work under the renewed contract on developing a unified payment platform was completed in the Previous Period. In October 2019, Guangzhou YBDS won a tender for a contract to develop and maintain a unified payment platform of the Shenzhen-based subsidiary of that leading telecommunications company for years 2019 to 2021. It signed the contract in December 2019. Guangzhou YBDS intends to replicate the unified payment system and platform and then sell them to other units and/or subsidiaries of that leading telecommunications company in 31 provinces in the PRC.

2. 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. Guangzhou YBDS and that Shanghai-based subsidiary of the third-party payment service company had 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. Business of office rental which is bundled with information technology services and office administration services in Shenzhen

CITIC Cyber Security started a business of subleasing co-working spaces of an office building in Shenzhen to mainly financial technology start-ups in the Previous Period. The office rental is bundled with its information technology services and some office administration services. During the Reporting Period, it subleased some co-working spaces to four more companies, bringing the total number of tenants to sixteen.

4. Research on and development of an application for online learning platform, financial software and related information technology system and solution, and information systems for housing

During the Previous Period, the Group signed a contract to research on and develop an application for an online learning platform, financial software and related information technology system and solution, and information systems for housing on behalf of an information technology solution provider for the period from 15 October 2019 to 14 October 2020. The information systems for housing include those for a user's application management, property management and leasing management.

5. Supply, installation and testing of surveillance cameras as part of a security system

The Company's another wholly-owned subsidiary, Shenzhen YBDS IT Co., Ltd. (深圳市韻博信息科技有限公司) ("**Shenzhen YBDS**") supplied, installed and tested surveillance cameras as part of a security system on behalf of a company that develops and trades in security alarms, security cameras and home surveillance equipment, and other electronic products during the Reporting Period.

6. Development and implementation of a platform for electronically signing, managing and auditing contracts

In January 2020, CITIC Cyber Security signed a contract to develop and implement on behalf of a PRC-based bank a platform for signing, managing and auditing contracts electronically. It also signed a contract in March 2020 to supply information technology equipment to that bank to enable that platform and it finished the contract during the Reporting Period.

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 Technology Group Company Limited 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 deregistration of Beijing YBDS. The deregistration 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.

PROSPECT

The outlook is far from clear as the novel coronavirus pneumonia pandemic has not yet abated, and the Sino-United States relations has become tense again after their apparent trade truce in January 2020. In the light of the situation, the Company has already adopted a very prudent approach for developing business. It will also continue with its two-pronged business strategy, namely diversifying its business and tapping further the potential of its mainstay business.

It will continue to seek opportunities for diversifying into different businesses that can help broaden the income stream or have synergy with its mainstay business. Meanwhile, it will foster the development of the diverse businesses that it has already branched out into. The Company's majority-owned internet electronic identity authentication firm CITIC Cyber Security is a case in point. The firm made progress during the Reporting Period by entering into an agreement to authenticate the identities of the customers of a mainland China-based full-service investment banking enterprise and the identities of the holders of the bank cards issued by mainland Chinese banks during transactions.

On the other hand, its mainstay business of developing systems and solutions for online/offline digital payment will capitalize on the retrenchment of government departments and businesses in China by developing and providing a platform and software for reduction of both the operating cost and electric energy consumption. For instance, Shenzhen YBDS, the Company's wholly-owned subsidiary, is negotiating with a leading PRC-based telecommunications firm and expects to pilot such platform and software at two of that telecommunications firms' provincial branches in year 2020.

Looking ahead, the Group will press on with its strategy of constructing an ecosystem of online/offline digital payment by cooperating with various types of businesses. In that ecosystem, comprehensive online shopping platforms are connected to digital payment systems for public utilities with a technology for unified communications.

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 June 2020, (i) Mr. Wang Xiaoqi is interested in 382,000 ordinary shares of the Company, representing approximately 0.028% of the total number of ordinary shares 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. Save as disclosed above, none of the other Directors or their respective associates and the chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the 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 AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, so far as the Directors are aware of and having made due enquires, the following persons (not being a Director or chief executive of the Company) had 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 (Note 2)	Approximate percentage of issued share capital as at 30 June 2020 (Note 3)
Happy On Holdings Limited ("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 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 30 June 2020.

Save as disclosed above, as at 30 June 2020, so far as the Directors are 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 above, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

A share option scheme was adopted on 1 August 2011 by the shareholders of the Company under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent of the shares in the Company in issue as at the date of approval of the share option scheme. The purpose of the share option scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries. No option was granted under the share option scheme since its adoption by the Company or outstanding, lapsed, cancelled or exercised at any time during the Reporting Period.

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 management shareholders or substantial shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interests in a business which competed with or might compete with the business of the Group and had or might have any other conflicts of interest with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee of the Company (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 August 2020

As at the date of this announcement, the executive Directors are Mr. Wang Xiaoqi and Mr. Ho Yeung; and the independent non-executive Directors are Mr. Lau Chor Ki, Mr. Tse Yee Hin, Tony and Mr. Wong Kin Kee.

This announcement, for which the Directors of the Company 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 of the Company, 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 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>.