

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Quantum Thinking Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or to the transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

Quantum Thinking Limited

量子思維有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8050)

MAJOR TRANSACTION (1) FORMATION OF A JV COMPANY AND (2) DEEMED DISPOSAL OF EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY

A letter from the Board is set out on pages 3 to 14 of this circular.

Pursuant to Rule 19.44 of the GEM Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written shareholder's approval for the JV Formation, the JV Shareholders' Agreement and the transactions contemplated thereunder has been obtained from Happy On, the controlling shareholder holding approximately 72.83% of the total issued share capital of the Company as at the Latest Practicable Date. No general meeting will be convened for approving the JV Formation, the JV Shareholders' Agreement and the transactions contemplated thereunder and this circular is for information only.

This circular 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 website of the Company at www.8050hk.com.

26 May 2021

CHARACTERISTICS OF GEM

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	3
Appendix I — Financial Information	I-1
Appendix II — General Information	II-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Articles”	the articles of association of the Company
“Announcement”	the announcement of the Company dated 10 February 2021 regarding the entering into of the JV Shareholders’ Agreement
“Board”	board of Directors
“China Mobile Group”	China Mobile Communications Group Co., Ltd (中國移動通信集團有限公司), a wholly state-owned company established in the PRC
“China Telecom Corporation”	China Telecommunications Corporation* (中國電信集團有限公司), a wholly state-owned company established in the PRC
“China Unicom Group”	China United Network Communications Company Limited (中國聯合網絡通信集團有限公司), a wholly state-owned company established in the PRC
“Chinese Shield Anicert”	Beijing Chinese Shield Anicert Technology Development Co., Ltd.* (北京中盾安信科技發展有限公司), a limited liability sole proprietor company established in the PRC
“CITIC Cyber Security”	Shenzhen CITIC Cyber Security Authentication Co., Ltd.* (深圳市中信網安認證有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“CITIC Group”	CITIC Group Corporation (中國中信集團有限公司), a wholly state-owned enterprise established in the PRC
“Company”	Quantum Thinking Limited (量子思維有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM (stock code: 8050)
“Deemed Disposal”	the proposed reduction of the Group’s indirect shareholding in CITIC Cyber Security from 70% to less than 50% under the Undertaking
“Director(s)”	director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

DEFINITIONS

“Happy On”	Happy On Holdings Limited, a company with limited liability incorporated in the British Virgin Islands
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	a limited liability company to be established in the PRC pursuant to the terms of the JV Shareholders’ Agreement, tentatively to be named Zhonglian Anicert Technology Development Co., Ltd.* (中聯安信科技發展有限公司)
“JV Formation”	the proposed formation of the JV Company pursuant to the terms of the JV Shareholders’ Agreement
“JV Shareholders”	the parties to the JV Shareholders’ Agreement, namely China Mobile Group, China Telecom Corporation, China Unicom Group, Chinese Shield Anicert and CITIC Cyber Security
“JV Shareholders’ Agreement”	the joint venture shareholders’ agreement dated 30 September 2020 entered into between the China Mobile Group, China Telecom Corporation, China Unicom Group, CITIC Cyber Security and Chinese Shield Anicert in relation to the JV Formation
“Latest Practicable Date”	20 May 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular prior to its publication
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Undertaking”	the undertaking made by CITIC Cyber Security set forth in the paragraph headed “Undertakings made by CITIC Cyber Security” in the letter from the Board in this circular
“%”	per cent

LETTER FROM THE BOARD

Quantum Thinking Limited

量子思維有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8050)

Executive Directors:

Mr. Wang Xiaoqi

Mr. Ho Yeung

Mr. Cai Dan

Independent Non-executive Directors:

Mr. Lau Chor Ki

Mr. Tse Yee Hin, Tony

Mr. Wong Kin Kee

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Room 1403, 14/F, Capital
Centre, 151 Gloucester Road,
Wanchai, Hong Kong

26 May 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
(1) FORMATION OF A JV COMPANY
AND
(2) DEEMED DISPOSAL OF EQUITY INTEREST IN A
NON-WHOLLY OWNED SUBSIDIARY

1. INTRODUCTION

Reference is made to the announcements of the Company dated 10 February 2021, 5 March 2021 and 22 April 2021 in relation to, among others, the JV Formation and the Deemed Disposal.

The purpose of this circular is to provide you with, among others, (i) further details of the JV Formation; (ii) financial information of the Group; and (iii) other information as required to be contained in this circular under the GEM Listing Rules.

A summary of the principal terms of the JV Shareholders' Agreement and the relevant information are set out below.

LETTER FROM THE BOARD

2. FORMATION OF A JV COMPANY — JV SHAREHOLDERS' AGREEMENT

Parties

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

Scope of Business

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

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

Registered Capital

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

Capital Contribution

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

- (a) the completion of business registration and receipt of business license by the JV Company;
- (b) the opening of a RMB capital contribution bank account under the name of the JV Company; and

LETTER FROM THE BOARD

- (c) the receipt of a written notice issued by the JV Company to all JV Shareholders confirming the completion of (a) and (b) above and providing the necessary bank account details.

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

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

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

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

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

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

Profit Distribution

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

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

LETTER FROM THE BOARD

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

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

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

Structure of Organization

The shareholders' meetings would consist of all shareholders of the JV Company and will be the highest authority of the JV Company. The JV Shareholders shall exercise their respective voting rights on the proportion of their paid-up capital contributions, unless otherwise agreed by the JV Shareholders or stipulated in the articles of the JV Company. For resolutions to revise the articles of the JV Company, resolutions to increase or reduce the registered capital of the JV Company and resolutions to merge, spin off, dissolve or alter the nature of the JV Company, approval from shareholders with more than 2/3 of the voting rights would be required. Other resolutions shall be passed by shareholders with majority voting rights.

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

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

Undertakings made by CITIC Cyber Security

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

There is no other major term relating to the Undertaking or the "state-owned reform" under the JV Shareholders' Agreement. Should any party violate its obligation, representation or undertaking under the JV Shareholders' Agreement, such party shall be responsible for such breach and compensate the other parties for the actual loss incurred due to that breach (including reasonable legal fees and other fees for enforcing the rights under the JV Shareholders' Agreement).

LETTER FROM THE BOARD

As at the Latest Practicable Date, (i) CITIC Cyber Security only had preliminary discussions with several potential investors and has not entered into any binding agreements in relation to the “state-owned reform” and (ii) save as the intention of the Company as stated in the paragraph headed “6. Financial effect of the JV Formation and the Deemed Disposal” in this letter from the Board, the Company does not have a concrete plan or timetable as to how and when to fulfill the Undertaking.

Termination

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

- (1) the unanimous agreement by all the parties to the JV Shareholders’ Agreement;
- (2) the exercise of the option to terminate the JV Shareholders’ Agreement by any party to the JV Shareholders’ Agreement if the JV Company has not been established within 1 year after the date of the JV Shareholders’ Agreement provided that the failure to establish the JV Company within the said 1-year period is not caused by the inability to fulfill such party’s obligations under the JV Shareholders’ Agreement and in such event, each party to the JV Shareholders’ Agreement shall repay China Mobile Group for the advance payment(s) made by China Mobile Group in respect of the establishment of the JV Company pursuant to the JV Shareholders’ Agreement (which is expected to be the prepayments required for the preparation of the establishment of the JV Company in the amount of about RMB300,000); or
- (3) in the event that a party to the JV Shareholders’ Agreement is in breach of the JV Shareholders’ Agreement and such breach has an material adverse effect on the performance of the JV Shareholders’ Agreement and render the purpose of the JV Shareholders’ Agreement impossible, the issuance of a written notice by all the non-breaching parties to the breaching party to terminate the JV Shareholders’ Agreement.

Latest Status

As at the Latest Practicable Date, the JV Company has not been established and the capital contribution has not been made. The proposed directors and supervisors of the JV Company have been nominated by the JV Shareholders. The JV Company is expected to be established in June 2021.

Business plan and estimated capital requirement

The JV Company is expected to be positioned as a digital technology company which provides digital solutions that mainly focuses on online security and authentication to financial institutions, government departments and corporate clients. In its business development, the JV Company would utilise the fundamental communication capabilities and the nationwide client base of the 3 telecom operators to provide more convenient digital technology services, including digital signature and transaction protection services,

LETTER FROM THE BOARD

to the public. In particular, instead of using traditional authentication technology, the JV Company would seek to take advantage of the ease of use as well as the computing and storage capabilities of SIMs to provide secure login and transaction authorisation services. The relevant services are intended to be first introduced in areas including transport, mobile government and banking transactions.

The JV Company is expected to require RMB100 million for its operation which would be the registered capital of the JV Company and satisfied by the capital injection under the JV Shareholders' Agreement. The aforesaid capital requirement is currently expected to be utilized in five years, a majority of which is intended for staff cost, rent and marketing expenses.

3. DEEMED DISPOSAL

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

There is no other major term relating to the Undertaking or the "state-owned reform" under the JV Shareholders' Agreement. Should any party violate its obligation, representation or undertaking under the JV Shareholders' Agreement, such party shall be responsible for such breach and compensate the other parties for the actual loss incurred due to that breach (including reasonable legal fees and other fees for enforcing the rights under the JV Shareholders' Agreement). As the actual loss to be incurred by the JV Shareholders and the legal fees required are not certain, the maximum exposure or the amount of the actual loss to be incurred by the Company should it fail to fulfill the Undertaking is not quantifiable at this stage.

As at the Latest Practicable Date, the Company intends to fulfill the Undertaking and does not anticipate that it will breach the JV Shareholders' Agreement.

4. INFORMATION ON THE GROUP

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

5. INFORMATION ON THE PARTIES

CITIC Cyber Security

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

LETTER FROM THE BOARD

As at the Latest Practicable Date, CITIC Cyber Security was owned as to 70% by Shenzhen Quantum Technology Information Co., Ltd.* (深圳市量子科技訊息有限公司) (“**Shenzhen Quantum**”), a wholly-owned subsidiary of the Company, and 30% by CITIC Technology Co., Ltd.* (中信技術公司) (“**CITIC Technology**”), a wholly-owned subsidiary of the CITIC Group.

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

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

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

China Mobile Group

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

China Telecom Corporation

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

China Unicom Group

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

LETTER FROM THE BOARD

Chinese Shield Anicert

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

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

6. FINANCIAL EFFECT OF THE JV FORMATION AND THE DEEMED DISPOSAL

Following completion of the capital contribution by the parties as contemplated under the JV Shareholders' Agreement, the JV Company will be accounted for as an associate of the Company, and its results will not be consolidated into the financial statements of the Group. The overall effects of the JV Formation on the future earnings of the Group will depend on, among other things, the operating results and distribution of dividends of the JV Company. It is expected that the making of such capital contribution would not have any material adverse impact on the financial position of the Group.

To fulfill the Undertaking, the Group would be required to dispose at least 21% of the equity interest in CITIC Cyber Security to a state-owned enterprise. After such disposal, CITIC Cyber Security is expected to be owned as to 49% by Shenzhen Quantum, 30% by CITIC Technology, and 21% by the new state-owned shareholder.

The JV Shareholders' Agreement does not impose any restriction on CITIC Cyber Security as to its board composition after the "state-owned reform". As such, it is viable for the Company to, while fulfilling the Undertaking, enter into an agreement with the other shareholders of CITIC Cyber Security so that it could maintain both (i) its ownership of 49% of the equity interest in CITIC Cyber Security; and (ii) its control over the board of CITIC Cyber Security. In such case, according to the relevant accounting standards, the Company could, and it is the Company's intention to, keep CITIC Cyber Security as its subsidiary after the disposal and consolidate its results as a subsidiary into its financial statements and thereby the JV Company will continue to be accounted for as an associate of the Company.

Should the Company fail to keep CITIC Cyber Security as its subsidiary after the disposal, CITIC Cyber Security will be accounted for as an associate of the Company and in such case, its results will not be consolidated into the financial statements of the Group and the JV Company will not be accounted for in the financial statements of the Group.

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

First of all, the JV Shareholders believed that CITIC Cyber Security could attract state-owned enterprises in other industries with industry resources to participate in the business of the JV Company through owning part of the equity interest in CITIC Cyber Security, and thereby promote the business development of the JV Company.

LETTER FROM THE BOARD

As mentioned in the paragraph headed “Business plan and estimated capital requirement” in this letter from the Board, the JV Company would be positioned as a digital technology company which provides digital solutions that mainly focuses on online security and authentication to financial institutions, government departments and corporate clients. In its business development, the JV Company would utilise the capabilities and the client base of the 3 telecom operators and take advantage of the strengths of SIMs to provide more convenient digital technology services to the public.

In the PRC, a majority of the leading transport providers, end users in mobile government services and banks are state-owned enterprises. Therefore, to accelerate the promotion of digital technology business, CITIC Cyber Security is looking for state-owned enterprises from other industries with industry resources to own part of its equity interest for their close cooperation with the JV Company.

Moreover, the JV Formation was jointly initiated and procured by the Company, the CITIC Group (which indirectly owns 30% of the equity interest in CITIC Cyber Security through CITIC Technology), China Mobile Group, China Unicom Group and China Telecom Corporation. As one of the founding shareholders, CITIC Cyber Security could introduce state-owned shareholder to instill business resources into the JV Company and facilitate the development of the JV Company. While such introduction would lead to a dilution in the Company’s equity interest in CITIC Cyber Security, it would be beneficial for the JV Company and thereby enhance the profit of the Company.

Last but not least, the JV Shareholders were also of the view that the increase in state-owned shareholding of CITIC Cyber Security would promote the diversification of both the client base and the end user base of the JV Company.

As a result, the other JV Shareholders required CITIC Cyber Security to increase its state-owned shareholding to facilitate the business development of the JV Company.

In the PRC, cooperation through capitalisation is an important mean to accelerate business development. On one hand, CITIC Cyber Security could expand its business through the JV Formation and utilise the fundamental capabilities and state-owned backgrounds of the other JV Shareholders. On the other, CITIC Cyber Security is the only JV Shareholder which could carry out capitalization. In addition, the digital solution service of the JV Company would be mainly targeted at state-owned enterprises or areas where state-owned enterprises are major stakeholders. Therefore, the state-owned reform could introduce state-owned enterprises with industry experience into the shareholder base of CITIC Cyber Security, facilitate the development of the business of the JV Company and CITIC Cyber Security and increase the revenue of JV Company, CITIC Cyber Security and the Group.

Furthermore, CITIC Cyber Security has been cooperating with China Mobile Group, China Unicom Group and China Telecom Corporation. The entering into of the JV Shareholders’ Agreement and the JV Formation, which include the Undertaking, would deepen the cooperation among CITIC Cyber Security, China Mobile Group, China Unicom Group and China Telecom Corporation and thereby allow CITIC Cyber Security to further develop its digital technology business by taking advantage of the fundamental communication capabilities

LETTER FROM THE BOARD

and the nationwide client base of the 3 telecom operators and provide the public and corporate clients with digital solutions for enhancement of convenient transport and secure transactions, attract more clients and thus increase the revenue and profit of the Group.

As disclosed in the paragraph headed “Financial Effect of the JV Formation and the Deemed Disposal” in this letter from the Board, it is the Company’s intention to keep CITIC Cyber Security as its subsidiary after the disposal while fulfilling the Undertaking. As at the Latest Practicable Date, the Company did not and does not anticipate that it would breach the JV Shareholders’ Agreement.

On top of the aforesaid, the terms of the JV Shareholders’ Agreement are negotiated after arm’s length negotiations. As such, the Directors are of the view that having considered the benefits from the JV Formation to be brought to the Group, the terms of the JV Shareholders’ Agreement (including the Undertaking) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

8. GEM LISTING RULES IMPLICATION

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

Depending on the actual percentage of equity interest in CITIC Cyber Security the Group would dispose, the Deemed Disposal may constitute a notifiable transaction of the Company and may be subject to the reporting, announcement requirements and Shareholders’ approval requirements (if applicable) under Chapter 19 of the GEM Listing Rules.

The Company will comply with the applicable requirements under Chapter 19 of the GEM Listing Rules regarding the fulfilment of the Undertaking as and when necessary, including the reporting, announcement and Shareholders’ approval (if applicable) requirements under Chapter 19 of the GEM Listing Rules.

As one of the applicable percentage ratio (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the JV Formation exceeds 25% but all of them are less than 100%, the transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

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

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders including Happy On has any material interest in the JV Formation and therefore no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the JV Formation, the JV Shareholders' Agreement and the transaction contemplated thereunder.

The Company regrets its delay in compliance with Chapter 19 of the GEM Listing Rules. While the JV Shareholders' Agreement is dated 30 September 2020, the JV Shareholders' Agreement had not been executed by all the parties involved until 21 December 2020. The Directors considered that there might still be uncertainties that the other parties may not be able to obtain their internal approval for executing the JV Shareholders' Agreement and some of the terms might still be changed. After the execution by all the JV Shareholders, the Company was required to obtain approval from the other JV Shareholders as to the publish and the content of the Announcement. After obtaining such approval, the Company made the Announcement on 10 February 2021. As such, the JV Formation, the JV Shareholders' Agreement and the transactions contemplated thereunder were kept confidential from 30 September 2020 to the date of the Announcement while the Company's compliance with Chapter 19 of the GEM Listing Rules was delayed.

9. REMEDIAL MEASURES

To prevent the reoccurrence of similar incidents in the future, the Group has adopted the following remedial measures:

- (a) the Company will seek to propose a different document execution mechanism to the counterparties so that the agreements would not be dated before execution;
- (b) the Company will seek to include provisions in the relevant agreements so as to ensure that the Company could make announcements and comply with other relevant GEM Listing Rules without interference from the counterparties; and
- (c) the Company has endeavoured to enhance training to the Directors, the management and the responsible staff in its PRC subsidiaries so as to reinforce their understanding of and importance of compliance with the GEM Listing Rules.

10. RECOMMENDATION

The Directors, including the independent non-executive Directors, consider the terms of the JV Shareholders' Agreement are fair and reasonable, and are in the interest of the Company and its Shareholders as a whole. Had an extraordinary general meeting been convened for the approval of the JV Shareholders' Agreement, the Directors, including the independent non-executive Directors, would have recommended the Shareholders to vote in favour of the JV Shareholders' Agreement.

LETTER FROM THE BOARD

11. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Quantum Thinking Limited
Cai Dan
Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 March 2018, 2019 and 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (<http://www.8050hk.com>):

- (a) the annual report of the Company for the year ended 31 March 2018 published on 27 June 2018 (pages 60 to 144) in relation to the financial information of the Group for the same year;
- (b) the annual report of the Company for the year ended 31 March 2019 published on 27 June 2019 (pages 63 to 152) in relation to the financial information of the Group for the same year;
- (c) the annual report of the Company for the year ended 31 March 2020 published on 24 June 2020 (pages 67 to 188) in relation to the financial information of the Group for the same year; and
- (d) the interim report of the Company for the six months ended 30 September 2020 published on 13 November 2020 (pages 1 to 30) in relation to the financial information of the Group for the same period.

2. INDEBTEDNESS STATEMENT

Apart from intra-group liabilities and normal trade payables, as at the close of business on 31 March 2021, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or other borrowings, mortgages, charges, guarantees, obligation under finance leases, promissory note or contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account the internal financial resources and credit facilities available to the Group and the effects of the Deemed Disposal, and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for a period of at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Business Prospects

With China having achieved initial success in its commercial adoption of 5G, the three major telecommunication operators in China have announced details of 5G services which will provide China's digital economy with a solid foundation and drive for future expansion and development. Digital identity is the cornerstone of developing the digital economy. According to information from iiMedia Research, the digital economy in China accounted for 35.8% of GDP in 2020, approximately RMB35.8 trillion, becoming a key driver for economic growth. However, the growth potential for the digital identity market is bigger and broader, with the digital signature industry now a fast-developing industry that recorded even faster growth during the Covid-19 Pandemic. According to market forecasts, China's digital signature industry will significantly increase from RMB10.82 billion in 2020 to RMB25 billion in 2023, with a CAGR of more than 30%. When Internet+ becomes more widely adopted and used by the general public given the macro environment of "paperless" and "remote" working, electronic signing will enable users to conveniently sign different types of electronic contracts anytime, anywhere with absolute confidentiality. Enormous demand exists for this, whether in the finance, healthcare, human resources management, property development, remote working, public service or e-commerce sectors.

Market research shows that the market for global digital transformation will increase from USD469.8 billion to USD1,009.8 billion in 2025, a CAGR of 16.5% during the forecast period. Regarding the development of digital identity around the world, the digital identity industry in Europe has evolved into an industry chain. According to data from research platform, Markets and Markets, the global digital identity solutions market is expected to grow from USD13.7 billion in 2019 to USD30.5 billion in 2024, a CAGR of 17.3% during the forecast period. The European Commission has recently announced a target of having 80% of citizens using digital IDs by 2030 through large-scale cloud computing, big data, artificial intelligence and 5G applications.

According to figures presented at the 3rd Digital China Construction Summit, the total volume of digital identity data collected through innovative digital identity applications and stored in China's authoritative database currently exceeds 5 billion pieces which includes travel identity information such as resident IDs, electronic passports and mainland travel permits. As of today, the total volume of digital identification services exceeded 3.5 billion with a daily average of over 15 million which encompasses more than 50 industries and over 350 enterprises such as government, public security, internet and finance.

We believe that close cooperation with the three telecommunications operators, China Mobile Group, China Telecommunications Corporation and China Unicom Group, will empower the Group to provide financial institutions, government departments and enterprises with core digital solution capacity through leveraging their combined telecommunication infrastructures, experience and resources in sales & marketing, and nationwide client networks. To accelerate development of the vast digital identity market, the Group aims to build a digital identity industry chain with inherent advantages by integrating its underlying strengths in digital solutions with its R&D capabilities in digital identity technology, thereby enlarging future business development, minimizing operating costs and mutually pursuing larger market share.

Looking ahead, we aim to offer convenient digital services such as more use-friendly digital identification, digital signature and trading protection, and providing the general public and corporate clients with digital solutions in areas such as easier travel and financial trading security enhancement, and to continue developing our digital technology business, ultimately increasing the Group's revenue and profits.

Financial Prospects

The Group plans to increase its investment in R&D to meet future business volume growth and provide its public and corporate clients with dependable and secure technical support. At the same time, the Group is seeking to reduce the immense costs of independently driving market development through cooperating and sharing with the three major operators. In the future, the Group will further expand market share using its market advantages to increase income and maintain good profitability.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, including particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there is no other matters the omission of which would make any statement contained in this circular or this circular misleading.

2. DISCLOSURE OF DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, (i) Mr. Wang Xiaoqi was interested in 382,000 ordinary shares of the Company, representing approximately 0.028% of the total number of ordinary shares in issue of the Company; (ii) Mr. Ho Yeung was interested in 18,083,500 ordinary shares of the Company, representing approximately 1.333% of the total number of ordinary shares in issue of the Company; and (iii) Mr. Cai Dan was interested in 682,000 ordinary shares of the Company, representing approximately 0.05% of the total number of ordinary shares in issue of the Company. All the Shares held by the Directors are being personal interest, in long position and in the capacity of beneficial owners. 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 Rules 5.46 to 5.67 of the GEM Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company is a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

3. DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, 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
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:

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

Save as disclosed above, as at the Latest Practicable Date, 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.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Group were made up.

5. DIRECTORS' SERVICE CONTRACTS

None of the Directors had entered or been proposed to enter into any service contract with the Group excluding contracts expiring or which may be terminated by the Group within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

6. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Group were made up.

7. DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which any of the Company's holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

8. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competed with or might compete with the business of the Group.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

10. MATERIAL CONTRACTS

Save as disclosed below, no material contract (not being contracts entered into in the ordinary course of business carried out by the Group) have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the sale and purchase agreement dated 19 August 2020 entered into between Able Bloom Technology Limited, an indirect wholly-owned subsidiary of the Company, as vendor and Liu Jing Jing as purchaser, in relation to the disposal of the entire equity interest of China Mobile Payment Technology Group Company Limited (中國支付科技集團有限公司) at the consideration of HK\$50,000; and
- (b) the JV Shareholders' Agreement.

11. GENERAL

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Room 1403, 14/F, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is at Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Mr. Tung Tat Chiu, Michael, a practicing solicitor in Hong Kong and a China-Appointed Attesting Officer.

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. 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 audit committee comprises three members, Mr. Tse Yee Hin, Tony, Mr. Lau Chor Ki and Mr. Wong Kin Kee, all of whom are independent non-executive Directors. The chairman of the audit committee is Mr. Tse Yee Hin, Tony. Further details are as follows:

Mr. Tse Yee Hin, Tony (謝宇軒) (“**Mr. Tse**”), aged 51, holds a Bachelor of Science degree with honours in Finance and Accounting from the University of Salford, United Kingdom and a degree in Executive Master of Business Administration from Richard Ivey School of Business, The University of Western Ontario, Canada. Mr. Tse is a member of each of Illinois Certified Public Accountants Society, American Institute of Certified Public Accountants, Institute of Accountants Exchange, Hong Kong Securities and Investment Institute and Hong Kong Securities Professional Association. Mr. Tse is also an associate member of The Chartered Institute of Management Accountants of the United Kingdom and Hong Kong Institute of Certificate Public Accountants. Mr. Tse has over 18 years of experience in corporate finance and accounting and has worked for several international accounting firms, investment banks and the Stock Exchange. Mr Tse is currently a managing director of corporate finance department in Essence Corporate Finance (Hong Kong) Limited and acts as its principal under the sponsor regime. Mr. Tse was a non-executive director of China Oil Gangran Energy Group Holdings Limited (formerly known as Fairson Holdings Limited) (Stock Code: 8132) from 10 January 2014 to 30 April 2015. Mr. Tse was also a non-executive director of Millennium Pacific Group Holdings Limited (Stock Code: 8147) from 6 October 2014 to 17 July 2017. Mr. Tse is a responsible officer licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Save as disclosed, Mr. Tse (i) has not held any directorships in the last three years preceding the Latest Practicable Date in any other public companies the securities of which are

listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position with the Company or any other members of the Group; and (iii) has no other major appointments and professional qualifications.

Mr. Lau Chor Ki (柳楚奇) (“**Mr. Lau**”), aged 68, hold a diploma in Management from Hong Kong Polytechnic (awarded jointly by the Hong Kong Management Association), a certificate programme on writing precisely what you mean from the Hong Kong Management Association, a certificate of Practice in Chinese Property Laws — a distance learning certificate programme from the Hong Kong Management Association. Mr. Lau joined in Hang Seng Bank group (stock code: 00011) and had served in the group for 40 years from 1973 to 2013. During this period, Mr. Lau worked in various department including retail banking, loans department, credit control and administration. Also, he was a department head monitoring the central cash of the bank when retired in May 2013. Save as disclosed, Mr. Lau (i) has not held any directorships in the last three years preceding the Latest Practicable Date in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position with the Company or any other members of the Group; and (iii) has no other major appointments and professional qualifications.

Mr. Wong Kin Kee (黃建基) (“**Mr. Wong**”), aged 68, graduated from Columbia Radio Institute (哥林比亞無線電工程學校) majoring in radio engineering in 1978. Mr. Wong has been working for Mitsubishi Electric Hong Kong Group Ltd. (三菱升降機有限公司) (formerly known as Ryoden Electric Engineering Co., Ltd. (菱電工程有限公司)) from 1970 to 2010. He has been responsible for the company’s China business since 1983. He was the key responsible person for its subsidiary established in China, his last position was a supervisor of the executive department and was mainly responsible for its elevator business. Mr. Wong is currently a director of Jinxiong Plastic Industry Co., Ltd.* (錦雄(塑膠)工業有限公司) and an executive director of Shenzhen Sanli Mechanical and Electrical Equipment Engineering Co., Ltd.* (深圳市三利機電設備工程有限公司), both are agents for electrical products of Changzhou Sanli Electrics Company* (常州市三利電器公司). Save as disclosed, Mr. Wong (i) has not held any directorships in the last three years preceding the Latest Practicable Date in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position with the Company or any other members of the Group; and (iii) has no other major appointments and professional qualifications.

- (e) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from Monday to Friday (other than public holidays) at the principal place of business of the Company in Hong Kong at Room 1403, 14/F, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong for a period of 14 days from the day of this circular (both days inclusive):

- (a) the Memorandum and Articles of Association of the Company;
- (b) the JV Shareholders' Agreement;
- (c) the material contracts referred to in the section headed "Material Contracts" in this Appendix;
- (d) the annual report of the Company for the year ended 31 March 2018;
- (e) the annual report of the Company for the year ended 31 March 2019;
- (f) the annual report of the Company for the year ended 31 March 2020;
- (g) the interim report of the Company for the six months ended 30 September 2020;
- (h) the letter from the Board dated 26 May 2021 to the Shareholders, the text of which is set out on pages 3 to 14 of this circular; and
- (i) this circular.