

Quantum Thinking Limited

量子思維有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8050)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, 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 announcement.

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

The board (the “**Board**”) of Directors hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2022 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2021 (the “**Corresponding Period**” or “**2021**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2022

	Notes	Three months ended 30 September		Six months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	4	4,858	10,503	10,023	20,286
Cost of sales and services		(4,068)	(9,659)	(8,455)	(18,557)
Gross profit		790	844	1,568	1,729
Other income	5	693	403	991	1,249
Distribution costs		(6)	–	(6)	–
Administrative expenses		(4,879)	(7,107)	(9,317)	(14,797)
Finance costs	6	(242)	(522)	(494)	(559)
Loss before income tax		(3,644)	(6,382)	(7,258)	(12,378)
Income tax expense	7	–	–	–	–
Loss for the period	8	(3,644)	(6,382)	(7,258)	(12,378)
Other comprehensive income					
<i>Items that will be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation of financial statements from functional currency to presentation currency		405	171	566	241
Other comprehensive income for the period, net of tax		405	171	566	241
Total comprehensive expense for the period, net of tax		(3,239)	(6,211)	(6,692)	(12,137)

	Three months ended 30 September 2022		Six months ended 30 September 2022	
	2021	2021	2021	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Notes	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss for the period attributable to:				
Owners of the Company	(3,149)	(5,429)	(6,317)	(10,535)
Non-controlling interests	(495)	(953)	(941)	(1,843)
	<u>(3,644)</u>	<u>(6,382)</u>	<u>(7,258)</u>	<u>(12,378)</u>
Total comprehensive expense for the period attributable to:				
Owners of the Company	(3,202)	(5,234)	(6,596)	(10,220)
Non-controlling interests	(37)	(977)	(96)	(1,917)
	<u>(3,239)</u>	<u>(6,211)</u>	<u>(6,692)</u>	<u>(12,137)</u>
Loss per share attributable to the owners of the Company:				
— Basic loss per share:				
(HK cents)	9			
	<u>(0.23)</u>	<u>(0.40)</u>	<u>(0.47)</u>	<u>(0.78)</u>
— Diluted loss per share:				
(HK cents)	9			
	<u>(0.23)</u>	<u>(0.40)</u>	<u>(0.47)</u>	<u>(0.78)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2022 <i>HK\$'000</i> (unaudited)	31 March 2022 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Plant and equipment		114	1,503
Right-of-use assets		531	1,374
Intangible assets		8	14
		<u>653</u>	<u>2,891</u>
Total non-current assets			
Current assets			
Trade and other receivables	11	14,041	23,870
Contract assets		512	574
Financial assets at fair value through profit or loss	12	14,031	22,894
Bank balances and cash		7,254	7,978
		<u>35,838</u>	<u>55,316</u>
Total current assets			
Current liabilities			
Trade and other payables	13	39,366	53,503
Lease liabilities		550	1,355
Financial liabilities at fair value through profit or loss		–	–
Income tax payable		16	18
		<u>39,932</u>	<u>54,876</u>
Total current liabilities			
Net current (liabilities)/assets		<u>(4,094)</u>	<u>440</u>
Total assets less current liabilities		<u>(3,441)</u>	<u>3,331</u>
Non-current liabilities			
Lease liabilities		–	80
Net (liabilities)/assets		<u>(3,441)</u>	<u>3,251</u>
Equity			
Share capital	14	135,625	135,625
Reserves		(131,514)	(124,918)
Equity attributable to owners of the Company		<u>4,111</u>	<u>10,707</u>
Non-controlling interests		<u>(7,552)</u>	<u>(7,456)</u>
Total (deficits)/equity		<u>(3,441)</u>	<u>3,251</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company					Non- controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Accumulated losses	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
As at 1 April 2021	135,625	99,935	(5,630)	(201,517)	28,413	(3,521)	24,892
Comprehensive income/(expense)							
Loss for the period	-	-	-	(10,535)	(10,535)	(1,843)	(12,378)
Other comprehensive income/(expense)							
Exchange differences arising on translation of foreign operations	-	-	315	-	315	(74)	241
Total comprehensive income/(expense)	-	-	315	(10,535)	(10,220)	(1,917)	(12,137)
Transaction with owners							
Acquisition of subsidiaries	-	-	-	-	-	(216)	(216)
Total transaction with owners	-	-	-	-	-	(216)	(216)
As at 30 September 2021	<u>135,625</u>	<u>99,935</u>	<u>(5,315)</u>	<u>(212,052)</u>	<u>18,193</u>	<u>(5,654)</u>	<u>12,539</u>
As at 1 April 2022	<u>135,625</u>	<u>99,935</u>	<u>(5,147)</u>	<u>(219,706)</u>	<u>10,707</u>	<u>(7,456)</u>	<u>3,251</u>
Comprehensive expense							
Loss for the period	-	-	-	(6,317)	(6,317)	(941)	(7,258)
Other comprehensive (expense)/income							
Exchange differences arising on translation of foreign operations	-	-	(279)	-	(279)	845	566
Total comprehensive expense	-	-	(279)	(6,317)	(6,596)	(96)	(6,692)
As at 30 September 2022	<u><u>135,625</u></u>	<u><u>99,935</u></u>	<u><u>(5,426)</u></u>	<u><u>(226,023)</u></u>	<u><u>4,111</u></u>	<u><u>(7,552)</u></u>	<u><u>(3,441)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Net cash used in operating activities	<u>(7,034)</u>	<u>(9,521)</u>
Cash flows from investing activities		
Purchase of plant and equipment	(8)	(18)
Proceeds from sale of plant and equipment	601	–
Acquisition of subsidiary	15	6
Cash paid for acquisition of financial assets at fair value through profit or loss	(7,358)	(54,090)
Proceeds from disposal of financial assets at fair value through profit or loss	14,167	55,412
Interest received from bank	5	4
Investment income from financial assets at fair value through profit or loss	5	471
Net cash generated from investing activities	<u>7,557</u>	<u>1,785</u>
Cash flows from financing activities		
Repayment of lease liabilities	(884)	(1,300)
Net cash used in financing activities	<u>(884)</u>	<u>(1,300)</u>
Net decrease in cash and cash equivalents	<u>(361)</u>	<u>(9,036)</u>
Cash and cash equivalents at the beginning of the period		
	7,978	18,847
Effect on foreign exchange rate changes, on cash held	(363)	160
Cash and cash equivalents at the end of the period	<u><u>7,254</u></u>	<u><u>9,971</u></u>
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents with an original maturity of three months or less:		
Cash at banks and in hand	6,054	9,971
Short-term time deposits in banks	1,200	–
	<u><u>7,254</u></u>	<u><u>9,971</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 parent and ultimate holding company of the Company is Happy On Holdings Limited, which was incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2022 (the “**Condensed Financial Report**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The Condensed Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 31 March 2022 (the “**2022 Annual Financial Statements**”). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2022 Annual Financial Statements, except for the adoption of the new or amended HKFRSs which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2022. Details of these changes in accounting policies are set out in note 3.

The preparation of the Condensed Financial Report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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

The unaudited condensed consolidated financial statements have not been audited by the Company's auditor, but have been reviewed by the audit committee of the Company (the "Audit Committee").

For the six months ended 30 September 2022 (the "Reporting Period"), the Group reported a loss attributable to owners of the Company of HK\$6,317,000. In addition, as of 30 September 2022, the Group's current liabilities exceeded its current assets by approximately HK\$4,094,000 and the Group had net liabilities of approximately HK\$3,441,000.

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

- (i) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.
- (ii) The Group will seek to dispose of Guangzhou YBDS IT Co., Ltd.* (廣州韻博信息科技有限公司), an indirect wholly-owned subsidiary of the Company, with net liabilities of approximately HK\$23,720,000 as at 30 September 2022.
- (iii) The Group, through its subsidiary based in the People's Republic of China (the "PRC"), signed a contract in October 2022 to cooperate with an information technology company in providing such a value-added service as multimedia short messaging service on behalf of a branch of a major PRC telecommunications carrier in Guangdong Province. The Directors consider that this new project will be profitable and would contribute towards the Group's business in other value-added technical consultation services.

3. CHANGES IN ACCOUNTING POLICIES

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

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

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

	Three months ended		Six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Hardware	235	4,857	1,274	9,660
Service:				
— System development	4,313	4,507	7,878	9,015
— Consultancy	310	1,139	871	1,611
	<u>4,623</u>	<u>5,646</u>	<u>8,749</u>	<u>10,626</u>
	<u>4,858</u>	<u>10,503</u>	<u>10,023</u>	<u>20,286</u>
Disaggregation of revenue from contracts with customers by timing of recognition:				
Timing of revenue recognition				
At a point in time	235	4,857	1,274	9,660
Over time	4,623	5,646	8,749	10,626
Total revenue from contracts with customers	<u>4,858</u>	<u>10,503</u>	<u>10,023</u>	<u>20,286</u>

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

The CODM review the Group’s financial information from hardware and services perspectives. The reportable segments are classified in a manner consistent with the information reviewed by the CODM.

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

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

	Six months ended 30 September 2022		
	Hardware <i>HK\$'000</i> (unaudited)	Services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment revenue	<u>1,274</u>	<u>8,749</u>	<u>10,023</u>
Segment loss	<u>(1,913)</u>	<u>(2,012)</u>	<u>(3,925)</u>
Unallocated corporate income			991
Unallocated corporate expenses			(3,830)
Unallocated finance costs			<u>(494)</u>
Loss before taxation			<u><u>(7,258)</u></u>
	Six months ended 30 September 2021		
	Hardware <i>HK\$'000</i> (unaudited)	Services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment revenue	<u>9,660</u>	<u>10,626</u>	<u>20,286</u>
Segment loss	<u>(1,205)</u>	<u>(8,503)</u>	<u>(9,708)</u>
Unallocated corporate income			529
Unallocated corporate expenses			(2,677)
Unallocated finance costs			<u>(522)</u>
Loss before taxation			<u><u>(12,378)</u></u>

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

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

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

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Hardware	1,938	10,138
Services	9,006	13,562
Total segment assets	10,944	23,700
Unallocated assets*	25,547	34,507
Total assets per condensed consolidated statement of financial position	36,491	58,207
Hardware	1,287	8,468
Services	7,484	11,621
Total segment liabilities	8,771	20,089
Unallocated liabilities*	31,161	34,867
Total liabilities per condensed consolidated statement of financial position	39,932	54,956

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

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

5. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Interest income from bank deposits	3	2	6	4
Investment income from financial assets	56	231	149	471
Government grants (<i>note</i>)	28	144	108	720
Others	606	26	728	54
	693	403	991	1,249

Note: The amount represented government grants received from the PRC local government authorities in respect of subsidising the Group's scientific and technological and operating activities, which were immediately recognised as other income for the period as the Group fulfilled all the relevant granting criteria.

6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Interest on late settlement of litigation claims	233	485	471	485
Interests on lease liabilities	9	37	23	74
	<u>242</u>	<u>522</u>	<u>494</u>	<u>559</u>

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and PRC enterprise income tax has been made for the six months and three months ended 30 September 2022 and 2021 as the Group had incurred losses for taxation purpose.

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (30 September 2021: Nil).

8. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Cost of inventories sold	1	4,598	924	9,102
Depreciation of plant and equipment	478	534	986	1,068
Depreciation of right-of-use assets	221	605	822	1,211
Research and development costs	459	2,027	953	3,621
Employee benefit expense	1,812	2,535	3,710	5,127
Short-term leases/operating lease charges in respect of rented premises	422	16	437	39
	<u>422</u>	<u>16</u>	<u>437</u>	<u>39</u>

9. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 September 2022 is calculated by dividing the loss attributable to owners of the Company for the three months and six months ended 30 September 2022 of approximately HK\$3,149,000 and HK\$6,317,000 respectively (three months and six months ended 30 September 2021: loss of HK\$5,429,000 and HK\$10,535,000 respectively) by the weighted average number of 1,356,250,000 (three months and six months ended 30 September 2021: weighted average number of 1,356,250,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share presented for the three and six months ended 30 September 2022 and 2021 as the Group had no potential dilutable ordinary shares in issue during the three and six months ended 30 September 2022 and 2021.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

11. TRADE AND OTHER RECEIVABLES

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Trade receivables (<i>Note a</i>)	9,368	18,686
Prepayments, deposits and other receivables	4,673	5,184
	14,041	23,870

Note a: The credit period granted by the Group to its customers generally ranged from 0 to 120 days. As at 30 September 2022 and 31 March 2022, the ageing analysis of the Group's trade receivables (net of provision for impaired receivables) based on invoice date is as follows:

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Within 90 days	4,683	1,972
91 to 180 days	3,658	4,451
181–365 days	1,022	12,257
Over 365 days	5	6
	9,368	18,686

All amounts are short term and hence the carrying values of the Group's trade and other receivables are considered to be a reasonable approximation of fair values.

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

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Wealth management products	14,031	22,894

As at 30 September 2022, the Group had short term investments linked wealth management products that were denominated in RMB12,720,000 (equivalent to HK\$14,031,000) (At 31 March 2022: RMB18,550,000 (equivalent to HK\$22,894,000)) with banks.

Interest rates of the wealth management products vary depending on the return rate of the relevant short term bonds, money market investment fund and time deposits.

Wealth management products are carried at fair value and their dealing price is derived from net asset values of the investment funds with reference to observable quoted price of underlying investment portfolio in active markets and inputs other than quoted market price for respective wealth management products (note 16.1).

13. TRADE AND OTHER PAYABLES

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Trade payables (<i>Note a</i>)	8,360	19,275
Other payables and accruals (<i>Note b</i>)	31,006	34,228
	<u>39,366</u>	<u>53,503</u>

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

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Within 90 days	4,110	3,392
91 to 180 days	3,396	4,303
181 to 365 days	601	11,297
Over 365 days	253	283
	<u>8,360</u>	<u>19,275</u>

Note b: Included in the amount of other payables as at 30 September 2022, approximately HK\$24,273,000 (At 31 March 2022: approximately HK\$26,920,000) represented the amounts due to a former subsidiary, Beijing Huaqin World Technology Company Limited* (北京華勤天地科技有限公司). The amount is unsecured, carrying People's Bank of China interest rate of 4.75% per annum and repayable on demand.

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

14. SHARE CAPITAL

	Authorised Ordinary shares of HK\$0.10 each	
	<i>Number of Shares (in thousands)</i>	<i>HK\$'000 (unaudited)</i>
As at 31 March 2022 and 30 September 2022	<u>2,000,000</u>	<u>200,000</u>
	Issued and fully paid Ordinary shares of HK\$0.10 each	
	<i>Number of Shares (in thousands)</i>	<i>HK\$'000 (unaudited)</i>
As at 31 March 2022 and 30 September 2022	<u>1,356,250</u>	<u>135,625</u>

15. ACQUISITION OF A SUBSIDIARY

On 18 June 2021, an indirect non-wholly owned subsidiary of the Company, Shenzhen CITIC Cyber Security Authentication Co., Ltd. (深圳市中信網安認證有限公司) (“**CITIC Cyber Security**”) entered into a share transfer agreement (as amended and restated by a supplemental agreement dated 22 June 2021) with, among others, an independent third party (the “**Vendor**”), pursuant to which CITIC Cyber Security agreed to acquire, and the Vendor agreed to sell, 70% of the equity interest in Zhongzhisuxun Technology Development Co., Ltd. (中智速訊科技發展有限公司) (“**Zhongzhisuxun Technology Development**”), at the consideration of RMB7,000.

No acquisition-related costs have been recognised as an expense during the Reporting Period within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised as at the date of acquisition are as follows:

	<i>HK\$'000</i> (audited)
Plant and equipment	3
Deposits and other receivables	2,080
Cash and cash equivalents	14
Trade and other payables	(2,998)
	<hr/>
	(901)
Consideration transferred	8
Plus: non-controlling interests (30% in Zhongzhisuxun Technology Development)	(460)
Less: net liabilities acquired	901
	<hr/>
Goodwill arising on acquisition	449
	<hr/> <hr/>

Note: CITIC Cyber Security held 70% interest in Zhongzhisuxun Technology Development and hence the Company held a 49% effective interest in Zhongzhisuxun Technology Development. The board of directors of Zhongzhisuxun Technology Development was controlled by the Company. Thus, Zhongzhisuxun Technology Development was the Company's subsidiary.

The non-controlling interests in Zhongzhisuxun Technology Development recognised at the acquisition date was measured at their proportionate share of net liabilities acquired and amounted to approximately HK\$460,000.

Net cash inflow on acquisition of Zhongzhisuxun Technology Development

	<i>HK\$'000</i> (unaudited)
Cash paid on acquisition	(8)
Cash and cash equivalent balances acquired	14
	<hr/>
	6
	<hr/> <hr/>

On 28 February 2022, the Group entered into a sale and purchase agreement with an independent third party not connected with the Group for the disposal of entire equity interest in Zhongzhisuxun Technology Development, an indirectly non-wholly owned subsidiary of the Company, at a cash consideration of RMB1 (equivalent to HK\$1). Zhongzhisuxun Technology Development ceased to be a subsidiary of the Company.

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

16.1 Financial assets measured at fair value

The following table presents financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 2	
	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (unaudited)
Assets		
Financial assets at fair value through profit or loss:		
Wealth management products	<u>14,031</u>	<u>22,894</u>

Wealth management products are derived from net asset values of the investment funds with reference to observable quoted price of underlying investment portfolio in active markets.

The carrying amounts of the financial instruments carried at amortised cost are not materially different from their fair values as at 30 September 2022 and 31 March 2022.

17. MATERIAL RELATED PARTY TRANSACTION

The Group had no significant transactions with related parties during the Reporting Period (six months ended 30 September 2021: Nil).

The remuneration of key management personnel for the six months ended 30 September 2022 amounted to HK\$1,433,000, (six months ended 30 September 2021: HK\$1,672,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Reporting Period, the Group recorded a revenue of approximately HK\$10,023,000, representing a decrease of approximately 51% when compared with that of approximately HK\$20,286,000 for the Corresponding Period.

Loss before income tax of the Group for the Reporting Period was approximately HK\$7,258,000, representing a decrease of approximately 41% when compared with approximately HK\$12,378,000 for the Corresponding Period. Loss attributable to owners of the Company for the Reporting Period was approximately HK\$6,317,000, representing a decrease of approximately 40% when compared with approximately HK\$10,535,000 for the Corresponding Period.

As at 30 September 2022, the Group's gearing ratio, expressed as a percentage of bank borrowings and long term debts over total equity, was nil (31 March 2022: nil).

INDUSTRY OVERVIEW

Escalating geopolitical conflicts triggered off high inflation which, in turn, compelled some advanced countries to raise interest rates. The interest rate hikes and the protracted COVID-19 pandemic combined to cause economic recession or slowdown around the world. Economic growth of the People's Republic of China ("China" or the "PRC") decelerated in the year to date in 2022. This, coupled with the United States of America (the "United States" or "US") government's ongoing measures to constrain the development of China's technology sector and the Chinese government's tightening regulation of the online payment, exacerbated the difficult business environment of China's information system solution industry. Projects undertaken by the industry were delayed or scaled down.

The information system solution providers had to find a way to ride out the severe market conditions. It tried to capitalize on the bright spots of the country's slowing economy. China's thriving digital economy had presented opportunities for such sectors as electronic signature and artificial intelligence.

Electronic signature, as a sector of China's information system solution industry, benefited from the country's growing digital economy. iiMedia Research, a data mining and analysis organization for new economy industries, predicted that China's electronic signature market would grow from RMB15.28 billion in 2021 to RMB21.71 billion in 2022 and RMB40.42 billion in 2024 (Source: an article entitled "電子簽名行業數據分析：2022年中國電子簽名市場規模預計將達217.1億元" posted on iiMedia Research's website iiMedia.cn on 14 February 2022).

Meanwhile, artificial intelligence (“AI”) services and solutions and robotic process automation (“RPA”) were gaining traction among businesses and industries as they helped them to grapple with the problems of labour shortage and thus a rise in wages caused by the pandemic. The Chinese government had earlier mapped out a plan to foster the development of such technologies which can facilitate the digitalization and the upgrading of industries. China’s market for AI software and services grew by 23.5% to RMB106.44 billion in 2021 and is projected to reach over RMB200 billion in 2024, according to Analysys, a PRC-based market research firm (Sources: an article entitled “2021年中國人工智能軟件及服務市場規模超千億，認知智能增速顯著” dated 13 September 2022 on 36kr.com and an article entitled “人工智能軟件及服務細分市場數據監測報告合集” dated 13 October 2022 on sohu.com quoting from Analysys).

BUSINESS REVIEW

To cope with the challenging operating environment, the Group forged ahead with its business transformation and diversification. It has been capitalizing on China’s growing digital economy by fostering both the back-end and front-end businesses of information technology software and system development. In the back-end business, the Group kept on developing its businesses of information technology software and system development for information verification, AI services and solutions and RPA. It was also gradually shifting its business focus to the operation of information technology systems from the development of such systems. For instance, it was seeking to diversify into such value-added services as short messaging services for businesses which would include banks. Meanwhile, the Group also planned to begin its front-end business of selling wearable devices which would be installed with the information technology software and system developed by the Group.

During the fourth quarter of the previous financial year ended 31 March 2022 (the “**previous financial year**”), the Company’s 70%-held Shenzhen CITIC Cyber Security Authentication Co., Ltd. (深圳市中信網安認證有限公司) (“**CITIC Cyber Security**”) signed a contract to build an infrastructure for real-name system management based on eCitizen digital identity verification technology for a technology development company. CITIC Cyber Security will provide 5G-eCitizen SIM cards, develop applications customized for certain occasions, and provide technical support. A wholly-owned subsidiary of CITIC Cyber Security signed an agreement to authorize a website of a technology company that builds a smart city to replicate digitally, issue and disseminate on information network the video content of an education course. The subsidiary also signed a contract to provide, install, operate and maintain intelligent bookcases that serve as automatic libraries of both print books and digital reading materials for a culture industry company.

During the third quarter of the previous financial year, CITIC Cyber Security signed separate contracts to design a total solution and system for AI-based recognition and facial recognition system for an automated fare collection system of a metro company in China on behalf of a robotics and industrial automation device company, to conduct overhauls and tests of the cyber security of a corporate cultural exchange organizing and corporate management consulting company and to provide cyber security services for it. CITIC Cyber Security also signed separate contracts to provide, install, operate and maintain intelligent bookcases that serve as automatic libraries of both print books and digital reading materials for an equity exchange and a property development and management firm. It also undertook a project of testing software on behalf of a technology company.

CITIC Cyber Security had earlier entered into an agreement dated 30 September 2020 to form a digital technology joint venture company with China's three major telecommunications carriers and a wholly-owned subsidiary of a state-owned public security technology company (For further details, please refer to the Company's announcement dated 10 February 2021 and circular dated 26 May 2021 published on the website of Hong Kong Exchanges and Clearing Limited). The joint venture company will provide financial institutions, government departments and enterprises with digital solutions for cyber security. As at 30 September 2022, the joint venture company has not yet been established.

For CITIC Cyber Security, these breakthroughs in business development are built on its past achievements as it had already undertaken projects to apply eCitizen (or “e 公民” in Chinese, which is its proprietary product for electronic identity authentication that enables users of services to safely log in, sign digitally and have their personal data protected in online transactions) to some banks' financial services and electronic signature and to conduct information verification for other companies.

During the Reporting Period, CITIC Cyber Security continued to conduct information verification for a securities brokerage, a certificate authority and a mainland China-based full-service investment banking enterprise through websites, application programming interface (“API”) or terminals. It was also fulfilling a contract to build a unified digital authentication system, carry out application integration and operate and maintain such system for an information technology subsidiary of a China-based transportation infrastructure design and construction firm. In September 2022, the Group signed a contract to sell two data encryption devices, two server encryption devices and one authenticated encryption device to an information technology firm and to develop software for it. Such devices and services are involved in the information verification conducted for the above-mentioned securities brokerage, certificate authority and mainland China-based full-service investment banking enterprise.

CITIC Cyber Security had earlier signed an agreement with the 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 this agreement, eCitizen would be applied to the bank's financial services. In June 2019, 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 engaged in during the Reporting 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; and designing mobile web pages for marketing on behalf of an information technology firm and its client as an end-user and providing technical support for them in running such web pages.

Meanwhile, it is also preparing to develop a business of front-end information technology software and system development such as that for wearable devices. The front-end business will enable the Group to build its brand in the end-user market and thus create its brand awareness.

1. Business of office rental which is bundled with information technology services and office administration services in Shenzhen

CITIC Cyber Security subleased co-working spaces of an office building in Shenzhen to mainly financial technology start-ups. The office rental is bundled with its information technology services and some office administration services. During the Reporting Period, the maximum number of tenants was 40.

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

CITIC Cyber Security developed and implemented on behalf of a PRC-based bank a platform for signing, managing and auditing contracts electronically. The contract was nearly completed during the Reporting Period.

3. Conducting information verification for other companies

During the financial year ended 31 March 2021, CITIC Cyber Security had signed two separate contracts to conduct information verification for a securities brokerage and a certificate authority through websites, API or terminals. Previously, it signed an agreement with a Shenzhen-based information technology system developer in June 2020 to conduct information verification on behalf of a mainland China-based full-service investment bank.

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

In July 2020, CITIC Cyber Security signed a contract to build a unified digital authentication system, carry out application integration and operate and maintain such system for an information technology subsidiary of a China-based transportation infrastructure design and construction firm. CITIC Cyber Security provided both services and hardware for its client during the Reporting Period.

5. Provision, installation, operation and maintenance of intelligent bookcases

During the financial year ended 31 March 2022, CITIC Cyber Security and its wholly-owned subsidiary signed three separate contracts to provide, install, operate and maintain intelligent bookcases that serve as automatic libraries of both print books and digital reading materials for an equity exchange, a property development and management firm and a culture industry company. The services were provided during the Reporting Period.

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

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

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

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

8. Designing mobile web pages for marketing

In June 2022, the Company's wholly-owned subsidiary, Shenzhen YBDS IT Co., Ltd. (深圳市韻博信息科技有限公司) signed a contract to design mobile web pages for marketing on behalf of an information technology firm and its client as an end-user and to provide technical support for them in running such web pages for the client's marketing campaigns. The services were provided during the Reporting Period.

PROSPECT

The United States government stepped up its sanctions against China's technology sector by imposing restrictions on the export of advanced chips (those of less than 14 nanometers) and advanced chip-making technology and equipment to the county in October 2022 amid heightening geopolitical tensions. Such sanctions will probably affect China's information system solution industry. The impact can become more pronounced in two to three years as the industry sought to upgrade its technology. Therefore, China's information system solution developers and providers have become more cautious about investment in research and development of new technology that involves more advanced chips.

Considering the challenging outlook for the industry, the Group has decided to scale down its commitment to research and development of information system. Instead, it is gradually shifting its business focus to the operation of information technology systems. For instance, it has diversified into such a value-added service as multimedia short messaging services for businesses. Through its PRC-based subsidiary, the Group signed a contract in October 2022 to cooperate with an information technology company in providing a multimedia short messaging service on behalf of a branch of a major telecommunications carrier of China in Guangdong province.

Meanwhile, the Group plans to start its front-end business of selling wearable devices which would be installed with the information technology software and system developed by the Group. The front-end business will enable the Group to build its brand in the end-user market and thus create its brand awareness.

These initiatives represent the Group's drives for business transformation and diversification. They also fit in the Group's two-pronged development strategy, namely developing both its businesses of back-end and front-end information technology software and system development.

Other back-end businesses that the Group has been building up include those of internet electronic identity authentication, electronic signature and AI services and solutions. Such businesses are aimed at capitalizing on China's booming digital economy and the growing trends towards digitalization and automation among businesses. During the previous financial year, Shenzhen YBDS IT Co., Ltd. signed a framework agreement to provide training in and consultancy on RPA for a software and information technology service company. Such training in and consultancy on RPA will enable a leading telecommunications company to provide some AI-based customer services such as answering customer enquiries about outstanding fees and unused quota of data transmission without involving any manpower. Such AI services and solutions not only can replace manual workers in simple and routine jobs and thus can relieve the pressure of the rising labour cost, but also can lay the foundation of big data analytics, which can help companies to promote certain new services or products among target customers.

All these initiatives not only can broaden the income stream to help the Group overcome the difficult business environment but also can add impetus to the Group's business development for the long term.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company raised net proceeds of approximately HK\$100 million through a subscription (the "**Subscription**") on 5 August 2013 by issuing 450,000,000 ordinary shares of the Company at a subscription price of HK\$0.225 per ordinary share of the Company to Happy On Holdings Limited ("**Happy On**"). Immediately after the completion of the Subscription, Happy On held 987,888,771 shares of the Company, representing approximately 72.83% of the total issued share capital of the Company.

As stipulated in the circular of the Company dated 11 July 2013, such proceeds were to be applied in (i) paying and contributing to the registered capital, increased registered capital and further investment in Guangzhou YBDS IT Co., Ltd.* (廣州韻博信息科技有限公司) ("**Guangzhou YBDS**") and Beijing YBDS IT Co., Ltd.* (北京韻博港信息科技有限公司) ("**Beijing YBDS**"), the two indirect wholly-owned subsidiaries of the Company, especially for Beijing YBDS in order to meet the minimum capital threshold requirement when submitting bids for the proposed projects offered by relevant telecommunications service providers in the PRC; and (ii) general working capital of the Company.

During the year ended 31 March 2015, the Company applied approximately HK\$19,785,000 of the proceeds to pay up the outstanding remaining increased registered capital of Guangzhou YBDS. As the Company acquired China Mobile Payment Technology Group Company Limited on 23 December 2014, a holding company that owns a subsidiary with the aforesaid threshold requirement for bids submission, Beijing YBDS was no longer needed and had been deregistered on 17 June 2016. As stated in the announcement dated 23 December 2014, the part of proceeds of approximately HK\$45.5 million originally earmarked for Beijing YBDS' registered capital and the capital increase, together with the remaining balance of the proceeds were then added to the Company's capital for new potential projects and general working capital purposes.

For details, please refer to the announcements of the Company dated 3 June 2013, 5 August 2013, 20 August 2014 and 23 December 2014, and the circulars dated 11 July 2013 and 10 November 2014.

SIGNIFICANT INVESTMENTS

As at 30 September 2022, the Group held financial assets at fair value through profit or loss of RMB12,720,000 (equivalent to approximately HK\$14,031,000) (31 March 2022: RMB18,550,000 (equivalent to approximately HK\$22,894,000)).

It recorded a total income of approximately HK\$149,000 during the Reporting Period, mainly attributable to the dividend income received from the investment portfolio.

The financial assets are the investment funds which invests in various types of bonds issued by the interbank and exchange markets, as well as capital lending, reverse repurchase, time deposits, brokerage beneficiary certificates, trust plans, asset management plans and etc. that meet the requirements of the regulatory authority.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

Most of the transactions of the Group are denominated in Hong Kong Dollar (“**HKD**”) and Renminbi (“**RMB**”). The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize the exposure to foreign exchange risks. As at 30 September 2022, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

CONTINGENT LIABILITIES

As at 30 September 2022, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2022, the Group had no charges on the Group's assets.

SEGMENT INFORMATION

The analysis of the principal activities of the operations of the Group is set out in Note 4 to the Condensed Financial Report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group had 27 employees (2021: 33 employees). The total remuneration paid to employees, including the Directors, for the Reporting Period was approximately HK\$3,327,000 (2021: HK\$4,389,000). The remuneration is determined by reference to the market terms and the performance, qualification and experience of each individual employee. The annual year-end double pay is paid based on each individual employee's performance as a recognition of and reward for their contributions. Other benefits accruing to the employees include contributions made to statutory mandatory provident fund scheme and a group medical scheme. We also subsidise our employees for pursuing further studies in related fields.

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

As at 30 September 2022, (i) Mr. Wang Xiaoqi is interested in 382,000 ordinary shares of the Company, representing approximately 0.028% of the total number of issued ordinary shares of the Company; (ii) Mr. Ho Yeung is interested in 18,083,500 ordinary shares of the Company, representing approximately 1.333% of the total number of issued ordinary shares of the Company; (iii) Mr. Cai Dan is interested in 682,000 ordinary shares of the Company, representing approximately 0.05% of the total number of issued 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2022, 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 September 2022 (Note 3)
Happy On (Note 1)	Beneficial owner	987,888,771 (L)	72.83%
Mr. Chan Foo Wing ("Mr. Chan") (Note 1)	Interest in a controlled corporation	987,888,771 (L)	72.83%

Notes:

1. As Mr. Chan is the ultimate beneficial owner and the sole director of Happy On, by virtue of the SFO, Mr. Chan is deemed to be interested in the 987,888,771 shares of the Company held by Happy On.
2. "L" means long positions in the shares.
3. Based on 1,356,250,000 shares of the Company in issue as at 30 September 2022.

Save as disclosed above, as at 30 September 2022, 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.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provision(s) (the "**Code Provision(s)**") set out in the Corporate Governance Code (the "**Code**") as set out in Appendix 15 to the GEM Listing Rules. The Company has complied with the Code Provisions set out in the Code throughout the Reporting Period except for the deviations from Code Provisions C.1.8 and C.2.1 of the Code as explained as follows:

Code Provision C.1.8

Code Provision C.1.8 stipulates that the Company should arrange appropriate insurance cover in respect of legal actions against its directors.

During the Reporting Period, the Board considered that under the current situations of the close management and the business scale of the Group, the possibility of actual litigation against the Directors is very low. The Company will consider reviewing various insurance cover proposals and will make such an arrangement as appropriate.

Code Provision C.2.1

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

The executive Directors, namely, Mr. Wang Xiaoqi, Mr. Ho Yeung, Mr. Cai Dan and Ms. Ho Ching are focused on evaluating new potential business and investment opportunities and formulating and implementing business strategies to enhance the revenue and growth potential of the Company. Hence, a new chairman and chief executive officer will not be appointed until suitable candidates have been identified for such purpose.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has conducted a review of its risk management and internal control systems under Code Provision D.2 of the Code.

The Board has engaged an independent consultants, Roma Risk Advisory Limited (“**Roma**”) to execute the internal audit and risk management functions. The Board reviews risk management and internal control systems on an annual basis and when necessary.

A review of the effectiveness of the risk management and internal control systems has been conducted and the Company considers them effective and adequate during the Reporting Period.

During the Reporting Period, the Company has followed up on those recommendations made by Roma as part of its comprehensive review on the internal controls of the Group. As such, the Group’s internal supervision and risk prevention measures continue to improve.

AUDIT COMMITTEE

The Audit Committee was established in May 2000, and the Company had adopted a revised specific terms of reference on 10 January 2019 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. Currently, the Audit Committee comprises Mr. Tse Yee Hin, Tony, Mr. Lau Chor Ki and Mr. Wong Kin Kee, all of whom are independent non-executive Directors. Mr. Tse Yee Hin, Tony is the current chairman of the Audit Committee. The primary duties of the Audit Committee are to review the Group’s audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to the GEM Listing Rules, internal and audit control, and cash flow forecast.

The unaudited consolidated results of the Group for the Reporting Period have been reviewed by the Audit Committee.

By Order of the Board
Quantum Thinking Limited
Wang Xiaoqi
Director

Hong Kong, 14 November 2022

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

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

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its posting and on the Company’s website at www.8050hk.com.

* *For identification purpose only*