

Quantum Thinking Limited

量子思維有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8050)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2023

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

The board (the “**Board**”) of Directors hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 June 2023 (the “**Reporting Period**”) together with the unaudited comparative figures for the corresponding period in 2022 (the “**Corresponding Period**” or “**2022**”) as follows:

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

For the three months ended 30 June 2023

		Three months ended 30 June	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	(unaudited)	(unaudited)
Revenue	3	3,222	5,165
Cost of sales and services		<u>(2,835)</u>	<u>(4,387)</u>
Gross profit		387	778
Other income	4	241	298
Administrative expenses		(3,887)	(4,438)
Finance costs		<u>(244)</u>	<u>(252)</u>
Loss before income tax		(3,503)	(3,614)
Income tax expense	5	<u>–</u>	<u>–</u>
Loss for the period		<u>(3,503)</u>	<u>(3,614)</u>
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		<u>1,014</u>	<u>161</u>
Other comprehensive income for the period, net of tax		<u>1,014</u>	<u>161</u>
Total comprehensive expense for the period, net of tax		<u>(2,489)</u>	<u>(3,453)</u>

		Three months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
	<i>Note</i>	(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		(3,329)	(3,168)
Non-controlling interests		(174)	(446)
		<u>(3,503)</u>	<u>(3,614)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(2,795)	(3,394)
Non-controlling interests		306	(59)
		<u>(2,489)</u>	<u>(3,453)</u>
Loss per share attributable to the owners of the Company:			
— Basic (in HK cents)	6	<u>(0.25)</u>	<u>(0.23)</u>
— Basic (in HK cents)	6	<u>(0.25)</u>	<u>(0.23)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2023

	Attributable to owners of the Company				Total HK\$'000 (unaudited)	Non- controlling interests HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Translation reserve HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)			
1 April 2022	135,625	99,935	(5,147)	(219,706)	10,707	(7,456)	3,251
Comprehensive expense							
Loss for the period	-	-	-	(3,168)	(3,168)	(446)	(3,614)
Other comprehensive expense							
Exchange differences arising on translation of foreign operations	-	-	(226)	-	(226)	387	161
Total comprehensive expense for the period	-	-	(226)	(3,168)	(3,394)	(59)	(3,453)
As at 30 June 2022	<u>135,625</u>	<u>99,935</u>	<u>(5,373)</u>	<u>(222,874)</u>	<u>7,313</u>	<u>(7,515)</u>	<u>(202)</u>
As at 31 March 2023 and 1 April 2023	<u>135,625</u>	<u>99,935</u>	<u>(5,500)</u>	<u>(229,814)</u>	<u>246</u>	<u>(13,619)</u>	<u>(13,373)</u>
Comprehensive expense							
Loss for the period	-	-	-	(3,329)	(3,329)	(174)	(3,503)
Other comprehensive expense							
Exchange differences arising on translation of foreign operations	-	-	534	-	534	480	1,014
Total comprehensive income/ expense for the period	-	-	534	(3,329)	(2,795)	306	(2,489)
As at 30 June 2023	<u>135,625</u>	<u>99,935</u>	<u>(4,966)</u>	<u>(233,143)</u>	<u>(2,549)</u>	<u>(13,313)</u>	<u>(15,862)</u>

NOTES:

1. GENERAL INFORMATION

Quantum Thinking Limited (the “**Company**”) was incorporated in the Cayman Islands on 8 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company’s registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s principal place of business is situated at Unit 1308, 13/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 information of the Group for the three months ended 30 June 2023 (the “**Condensed Financial Report**”) has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The Condensed Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 31 March 2023 (the “**2023 Annual Financial Statements**”). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2023 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 2023.

The adoption of the new and revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the three months ended 30 June 2023 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 30 June 2023.

The Group has not applied any 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.

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.

3. REVENUE

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

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

	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue:		
Hardware	545	1,039
Services		
— System development	1,902	3,565
— Consultancy	—	561
— SMS service fee	775	—
	<u>3,222</u>	<u>5,165</u>

4. OTHER INCOME

	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income from bank deposits	4	3
Investment income from financial assets designated as at FVTPL	37	93
Government grants (<i>note</i>)	—	80
Others	200	122
	<u>241</u>	<u>298</u>

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

5. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the three months ended 30 June 2023 as the Group had incurred losses for taxation purpose (three months ended 30 June 2022: Nil as the Group had incurred losses for taxation purpose). No PRC enterprise income tax has been provided for the three months ended 30 June 2023 and 2022 as the Group had incurred losses for taxation purposes.

	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current period	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

Deferred tax has not been provided for the Group because the Group had no material temporary differences as at 30 June 2023 (30 June 2022: Nil).

6. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the Reporting Period of approximately HK\$3,329,000 (three months ended 30 June 2022: loss of approximately HK\$3,168,000) by the weighted average number of 1,356,250,000 (30 June 2022: 1,356,250,000) ordinary shares of the Company in issue during the Reporting Period.

Diluted loss per share for the three months ended 30 June 2023 and 2022 equals to the basic loss per share as the Group had no potential ordinary shares in issue.

7. DIVIDEND

The Board does not recommend the payment of any dividend in respect of the three months ended 30 June 2023 (three months ended 30 June 2022: Nil).

REVIEW AND PROSPECTS

FINANCIAL REVIEW

During the three months ended 30 June 2023 (the “**Reporting Period**”), Quantum Thinking Limited (the “**Company**”) and its subsidiaries (together with the Company, the “**Group**”) recorded a revenue of approximately HK\$3,222,000, representing a decrease of approximately 38% when compared with approximately HK\$5,165,000 for the corresponding period last year (the “**Corresponding Period**”). Loss before income tax of the Group for the Reporting Period was approximately HK\$3,503,000, representing a decrease of approximately 3% when compared with approximately HK\$3,614,000 for the Corresponding Period. Loss attributable to owners of the Company for the Reporting Period was approximately HK\$3,329,000, representing an increase of approximately 5% when compared with approximately HK\$3,168,000 for the Corresponding Period.

INDUSTRY OVERVIEW

The People’s Republic of China (“**China**” or the “**PRC**”) government had already relaxed or abolished most of its anti-pandemic measures by the first quarter of 2023. This contributed to a 6.3% year-on-year growth in the country’s gross domestic product in the second quarter although the growth was also partly due to a very low comparison base in the same period of 2022. However, the United States of America (the “**United States**” or “**US**”) government stepped up its sanction against China’s technology sector by restricting the export of advanced chips (those of less than 14 nanometres) and advanced chip-making technology and equipment to China in October 2022 amid strains in the relationship between the two countries. Japan and the Netherlands even joined the US in imposing such restriction on China in February 2023. This, coupled with the Chinese government’s more stringent regulation of the country’s leading e-commerce and internet companies amid the rectification of the technology sector, continued to make the business environment complicated and volatile for the country’s information system solution industry during the Reporting Period.

Nevertheless, China forged ahead with its plan to integrate digital technologies with its real economy despite the headwinds from the geopolitical tensions. In digital economy, artificial intelligence (AI) is one of the driving forces behind the industries’ digital transformation and high-quality economic development. The country’s information system solution industry still saw opportunities in the growing markets for AI services and solutions and robotic process automation (“**RPA**”). Such technologies have not only helped industries cope with the problems of labour shortage and wage rises caused by the pandemic, but also will facilitate their digitalization and upgrading.

China’s market for AI has been predicted by International Data Corporation (IDC), a global market intelligence firm which is focused on the technology industry, to grow at a compound annual growth rate of over 20% from 2021 to 2026, reaching US\$14.75 billion in 2023 and US\$26.44 billion in 2026 (Source: an article entitled “IDC: 2026年中國人工智能市場總規模預計將超264.4億美元” dated 29 March 2023 on IDC’s website). In 2022, the size of the country’s AI market was about US\$12.24 billion, according to IDC (Source: an article entitled “According to IDC’s Forecast, China’s AI Market to Exceed US\$26 Billion by 2026, Hardware to Make Up 56% of Market” dated 18 May 2023 on www.idc.com).

BUSINESS REVIEW

In response to the difficult operating environment, the Group had become more cautious about investment in research and development of technologies, and had adopted a more prudent approach to business development. Therefore, it had already been shifting the focus of its business to the operation of information technology systems from the development of such systems.

For example, the Group started diversifying into the business of value-added services such as short messaging services for businesses in the previous financial year ended 31 March 2023 (the “**previous financial year**”) and has since been stepping up its efforts to expand that business. It started its cooperation with an information technology company in providing a multimedia short messaging service for businesses on behalf of a branch of a major telecommunications carrier of China in Guangdong province in the second half of 2022. The Group followed that up by signing one more contract with that information technology company during the Reporting Period to provide short messaging services for businesses through the network of that major telecommunications carrier.

The Group had also been preparing to diversify into a front-end business of selling wearable devices such as smartwatches for children which would be installed with the information technology software and system developed by the Group and would be bundled with the telecommunication services of a major telecom carrier in China. The Group will be an agent for the distribution of the smartwatches or provide services that support the operation of such wearable devices as hardware. That business will begin with the markets of two provinces of mainland China, and progress in the preparation for it is expected in the second half of 2023. The front-end business will enable the Group to build its brand in the end-user market and thus create its brand awareness.

These moves are part of the Group’s ongoing business transformation and diversification which are aimed at tiding itself over the difficult business environment, broadening the income stream and fostering growth drivers.

The Group has earlier formulated a strategy for 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 continued to run its businesses of information technology software and system development for information verification, AI services and solutions and RPA.

In the information verification business, the Company’s 70%-held Shenzhen CITIC Cyber Security Authentication Co., Ltd. (“**CITIC Cyber Security**”) 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.

During the fourth quarter of the financial year ended 31 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 would provide 5G-eCitizen SIM cards, develop applications customized for certain occasions, and provide technical support.

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, which were 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 June 2023, the joint venture company has not yet been established.

To diversify into the AI business, the Company’s wholly-owned subsidiary, Shenzhen YBDS IT Co., Ltd. (深圳市韻博信息科技有限公司) (“**Shenzhen YBDS**”) signed a framework agreement during the financial year ended 31 March 2022 to provide training in and consultancy on RPA for a software and information technology service company. Such training in and consultancy on RPA 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.

In the Group’s other businesses, a wholly-owned subsidiary of CITIC Cyber Security signed an agreement during the fourth quarter of the financial year ended 31 March 2022 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.

During the Reporting Period, the Group also engaged in other businesses that included 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.

1. 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.

2. 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.

3. 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.

4. 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.

5. Designing mobile web pages for marketing

In June 2022, Shenzhen YBDS 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.

6. Providing short messaging services for businesses through the network of a major telecommunications carrier in China

Following the successful start of its cooperation with an information technology company in providing a multimedia short messaging service for businesses on behalf of a branch of a major telecommunications carrier of China in Guangdong province during the previous financial year, the Group also signed one more contract with that information technology company during the Reporting Period to provide short messaging services for businesses through the network of that major telecommunications carrier. The business of providing short messaging services for businesses already generated income during the Reporting Period.

PROSPECT

Challenges and opportunities lie ahead for China's information system solution industry. On the one hand, it will still have to face a number of uncertainties such as the US and some other countries' sanctions against China's technology sector amid the escalating geopolitical tensions, the speed of China's economic recovery in the post-pandemic era, and the pace of a rebound in the country's technology sector, but on the other hand, China's growing digital economy and the upgrading and transformation of the country's industries have presented opportunities. A recent development in the country's technology sector also boded well for its outlook — in July 2023, the Chinese government announced its call for the country's leading e-commerce and internet companies to support the development of the national economy, to join hands with small and medium-sized enterprises in spearheading business innovation, and to generate new employment opportunities in the platform economy.

While it takes time for the e-commerce and internet giants' efforts to yield results and thus benefit the development of the small and medium-sized businesses, the Group will continue to gear up for the improving prospect of the information system solution industry. The Group will maintain its prudent approach to business development and forge ahead with business transformation and diversification.

In 2023, it will step up its effort to expand the business of value-added services such as short messaging services and to diversify into a front-end business of selling wearable devices such as smartwatches for children.

Meanwhile, the Group will continue to develop its back-end businesses such as 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.

The two-pronged business strategy of fostering both the front-end and back-end businesses will help the Group mitigate the adverse impact of a difficult and complicated business environment and add impetus to its 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 June 2023, the Group held financial assets at fair value through profit or loss of approximately RMB5,198,000 (equivalent to approximately HK\$5,613,000) (31 March 2023: approximately RMB7,185,000 (equivalent to approximately HK\$8,210,000)).

It recorded a total income of approximately HK\$37,000 during the Reporting Period, mainly attributable to the dividend income received from the investment portfolio.

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

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

As at 30 June 2023, (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 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 of the Company. Save as disclosed above, as at 30 June 2023, none of the other directors of the Company (the “**Directors**”) or their respective associates and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures 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 required standards of dealing by directors of the Company as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

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

As at 30 June 2023, so far as the Directors were aware of and having made due enquires, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Capacity	Number of issued ordinary shares held (Note 2)	Approximate percentage of issued share capital as at 30 June 2023 (Note 3)
Happy On (Note 1)	Beneficial owner	987,888,771 (L)	72.83%
Mr. Chan Foo Wing (“ Mr. Chan ”) (Note 1)	Interest in a controlled corporation	987,888,771 (L)	72.83%

Notes:

- As Mr. Chan is the ultimate beneficial owner and the sole director of Happy On, by virtue of the SFO, Mr. Chan is deemed to be interested in the 987,888,771 shares held by Happy On.
- “L” means long positions in the shares.
- Based on 1,356,250,000 shares of the Company in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, so far as the Directors were 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 had purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established in May 2000, and the Company had adopted a revised specific terms of reference on 10 January 2019 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. Currently, the Audit Committee comprises Mr. Tse Yee Hin, Tony, Mr. Lau Chor Ki and Mr. Wong Kin Kee, all of whom are independent non-executive Directors. Mr. Tse Yee Hin, Tony is the current chairman of the Audit Committee. The primary duties of the Audit Committee are to review the Group’s audit findings, accounting policies and standards, changes of accounting rules (if any), compliance with 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, 11 August 2023

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

* For identification purpose only