# 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 2019

### 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.**



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

The board of Directors (the "**Board**") of the Company hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the three months ended 30 June 2019 together with the unaudited comparative figures for the corresponding period in 2018 as follows:

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

*For the three months ended 30 June 2019*

| | | Three months ended 30 June | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) |
| **Revenue** | *3* | **1,504** | 4,050 |
| Cost of services | | **(1,418)** | (1,813) |
| **Gross profit** | | **86** | 2,237 |
| Other income | | **651** | 468 |
| Distribution costs | | **(1,554)** | (823) |
| Administrative expenses | | **(8,859)** | (3,184) |
| Finance costs | | **(100)** | – |
| **Loss before income tax** | | **(9,776)** | (1,302) |
| Income tax refund/(expenses) | *4* | **174** | (195) |
| **Loss for the period** | | **(9,602)** | (1,497) |
| **Other comprehensive income/(expense)** | | | |
| Exchange differences arising on translation of foreign operations that will be reclassified subsequently to profit or loss | | **206** | (836) |
| **Other comprehensive income/(expense) for the period, net of tax** | | **206** | (836) |
| **Total comprehensive expense for the period, net of tax** | | **(9,396)** | (2,333) |

| | Note | Three months ended 30 June | |
|---|---|---|---|
| | | **2019** | 2018 |
| | | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) |
| **Loss for the period attributable to:** | | | |
| Owners of the Company | | **(7,701)** | (1,013) |
| Non-controlling interests | | **(1,901)** | (484) |
| | | **(9,602)** | (1,497) |
| **Total comprehensive (expense)/income for the period attributable to:** | | | |
| Owners of the Company | | **(8,002)** | (2,610) |
| Non-controlling interests | | **(1,394)** | 277 |
| | | **(9,396)** | (2,333) |
| **Loss per share attributable to the owners of the Company:** | | | |
| — Basic *(in HK cents)* | *5* | **(0.57)** | (0.07) |
| — Diluted *(in HK cents)* | *5* | **(0.57)** | (0.07) |

## 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 1201–5, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong.

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

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

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the three months ended 30 June 2019 (the "**Condensed Financial Announcement**") has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

The Condensed Financial Announcement should be read in conjunction with the annual financial statements of the Company for the year ended 31 March 2019 (the "**2019 Annual Financial Statements**"). The principal accounting policies used in the Condensed Financial Announcement are consistent with those adopted in the 2019 Annual Financial Statements, except for the adoption of HKFRS 16 "Leases".

**Adoption of HKFRS 16 "Leases"**

During the three months ended 30 June 2019, the Group has applied HKFRS 16 and the related consequential amendments to other HKFRSs which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply the new standard retrospectively with the cumulative effect of initial application recognised at 1 April 2019. The Group elects the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group uses the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities under HKAS 17. Operating lease rental expenses were recognised in the consolidated statement of profit or loss and other comprehensive income over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Group recognised the full lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of respective entities. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred using effective interest method.

At the inception of a contract that contains a lease component, as a lessee, the Group should allocate the consideration in the contract to each lease component on the basis of their relative stand-alone price. The Group, as a lessee, assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The right-of-use assets were recognised in the consolidated statement of financial position.

Depreciation was charged on a straight-line basis over the shorter of the asset's useful life and the lease term.

The impacts of HKFRS16 on the condensed consolidated statement of profit or loss and other comprehensive income for the three months ended 30 June 2019 are set out as below:

| | **As per HKFRS 16** | **As per HKAS 17** | **Impact due to change** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Depreciation (included in administrative expenses) | (1,573) | – | (1,573) |
| Lease expenses (included in administrative expenses) | – | (1,604) | 1,604 |
| Finance costs | (100) | – | (100) |
| Loss for the period | (9,602) | (9,533) | (69) |

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

In addition to HKFRS 16 Leases, HKICPA has issued a number of new and revised HKFRSs. For those which are effective for accounting periods beginning on 1 April 2019, the adoption has no material effect on how the results and the financial position of the Group for the current or prior accounting periods have been prepared and presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Condensed Financial Announcement has been prepared under the historical cost convention. The Condensed Financial Announcement is presented in Hong Kong dollars ("**HK$**") which is also the functional currency of the Company and all values are rounded to the nearest thousands ("**HK$'000**") unless otherwise stated.

## 3. REVENUE

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

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

| | **Three months ended 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Revenue:** | | |
| Hardware | **–** | – |
| Services | | |
| — System development | **1,302** | 492 |
| — Consultancy | **–** | 3,485 |
| — Maintenance | **202** | 73 |
| — Others | **–** | – |
| | **1,504** | 4,050 |

## 4. INCOME TAX EXPENSE/(REFUND)

No provision for Hong Kong profits tax has been made for the three months ended 30 June 2019 as the Group had incurred losses for taxation purpose (three months ended 30 June 2018: Nil as the Group had incurred losses for taxation purpose). The PRC enterprise income tax has been provided at the rate of 25% for the three months ended 30 June 2019 on the estimated assessable profit for the period. No PRC enterprise income tax has been provided for the three months ended 30 June 2018 as the Group has incurred losses for taxation purposes.

| | **Three months ended 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **PRC enterprise income tax** | | |
| Current period | **–** | 7 |
| Under provision in respect of prior years | **–** | 188 |
| Income tax refund in respect of prior years | **(174)** | – |
| | **(174)** | 195 |

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (30 June 2018: Nil).

## 5. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the period of approximately HK$7,701,000 (three months ended 30 June 2018: loss of HK$1,013,000) by the weighted average number of 1,356,250,000 (30 June 2018: 1,356,250,000) ordinary shares in issue during the period.

Diluted loss per share for the three months ended 30 June 2019 and 2018 equals to the basic loss per share as the Group had no potential ordinary shares in issue.

## 6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2019 (three months ended 30 June 2018: Nil).

## 7. RESERVES

For the three months ended 30 June 2019:

| | **Share premium** (unaudited) *HK$'000* | **Warrant reserve** (unaudited) *HK$'000* | **Translation reserve** (unaudited) *HK$'000* | **Accumulated losses** (unaudited) *HK$'000* | **Non-Share interests** (unaudited) *HK$'000* | **Total** (unaudited) *HK$'000* |
|---|---|---|---|---|---|---|
| As at 1 April 2018 | 99,935 | – | (2,324) | (168,582) | (14,157) | (85,128) |
| **Comprehensive expense** | | | | | | |
| (Loss)/Profit for the period | – | – | – | (1,013) | (484) | (1,497) |
| **Other comprehensive (expense)/income** | | | | | | |
| Exchange differences arising on translation of foreign operations | – | – | (1,597) | – | 761 | (836) |
| **Total comprehensive income/ (expense) for the period** | – | – | (1,597) | (1,013) | 277 | (2,333) |
| As at 30 June 2018 | 99,935 | – | (3,921) | (169,595) | (13,880) | (87,461) |
| As at 31 March 2019 and 1 April 2019 | **99,935** | **–** | **(4,587)** | **(189,718)** | **(16,680)** | **(111,050)** |
| **Comprehensive expense** | | | | | | |
| Loss for the period | **–** | **–** | **–** | **(7,701)** | **(1,901)** | **(9,602)** |
| **Other comprehensive (expense)/income** | | | | | | |
| Exchange differences arising on translation of foreign operations | **–** | **–** | **(301)** | **–** | **507** | **206** |
| **Total comprehensive expense for the period** | **–** | **–** | **(301)** | **(7,701)** | **(1,394)** | **(9,396)** |
| **As at 30 June 2019** | **99,935** | **–** | **(4,888)** | **(197,419)** | **(18,074)** | **(120,446)** |

## REVIEW AND PROSPECTS

## FINANCIAL REVIEW

During the three months ended 30 June 2019 (the "**Reporting Period**"), Quantum Thinking Limited (the "**Company**") and its subsidiaries (together with the Company, the "**Group**") recorded a revenue of approximately HK$1,504,000, representing a decrease of approximately 63% when compared with approximately HK$4,050,000 in the corresponding period in the last year. Loss before income tax of the Group for the Reporting Period was approximately HK$9,776,000, compared with loss before income tax of approximately HK$1,302,000 for the corresponding period in the last year. Loss attributable to owners of the Company for the Reporting Period was approximately HK$7,701,000 compared with loss attributable to owners of the Company of approximately HK$1,013,000 for the corresponding period in the last year.

## INDUSTRY OVERVIEW

The ongoing Sino-United States trade war resulted in decelerating economic growth in the People's Republic of China (the "**PRC**" or "**China**"), to a record low of 6.2% in the second quarter of 2019 since March 1992. (Source: "China economy reports lowest GDP growth on record for second quarter as US trade war bites" — South China Morning Post dated 15 July 2019).

Amid depressed sentiment towards economy, both the government departments and the private sector have taken a cautious approach to budgets and expenditure. The effect spilled over to their spending on systems and solutions for online/offline payment. This trend in 2018 continued well into the first half of 2019.

In the first quarter of 2019, the value of the payments processed by non-bank payment institutions through public information technology networks grew by 13.44% year on year to RMB58.00 trillion while the number of such payments grew by 34.80% year on year to about 148.53 billion in the PRC, according to the People's Bank of China. The increases were attributable to the steady growth in the transaction value of the country's third-party mobile payment and seasonal recovery in the transaction value of its third-party online payment, according to a PRC-based market research firm, Analysys.

## BUSINESS REVIEW

It was against the backdrop of retrenchment by the government departments and the private sector in the PRC that the business of the Company was affected in the Reporting Period.

To cope with the setback, the Company had already been diversifying into and expanding its business of internet electronic identity authentication. Such business also fits in with the Company's mainstay business of developing systems and solutions for online/offline digital payments because internet electronic identity authentication can help prevent the leakage of personal data in online transactions and payment. In June of 2019, the Company's 70%-held internet electronic identity authentication company, Shenzhen CITIC Cyber Security Authentication Co., Ltd. (深圳市中信網安認證有限公司) ("**CITIC Cyber Security**"), signed an agreement with a Shenzhen branch of a PRC-based bank to jointly promote each other's respective services, namely CITIC Cyber Security's internet electronic identity authentication and the bank's financial services. Under that agreement, eCitizen ("e 公民" in Chinese), which is CITIC Cyber Security's proprietary mobile phone SIM ("**subscriber identification module**") card-based system for electronic identity authentication, will be applied to the bank's financial services. The system will enable its digital identity holders to safely log in, sign digitally and have their personal data protected in online transactions. In the same month, CITIC Cyber Security also reached an agreement with a Shenzhen-based certificate authority to cooperate in combining eCitizen SIM card and digital certificates and in applying the two combined technologies to such fields as electronic signature.

Meanwhile, the Company's mainstay business of developing systems and solutions for online/offline digital payments also sought to capitalize on the trend of retrenchment by both the businesses and government departments in China. That line of business intended to use its expertise to develop and provide a platform and software for reduction of both the operating cost and electric energy consumption for a leading PRC-based telecommunications firm. It has been negotiating with the latter about the project.

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

The Company's wholly-owned subsidiary Guangzhou YBDS IT Co., Ltd. (廣州韻博信息科技有限公司) ("**Guangzhou YBDS**") finished 90% of the construction of the fifth phase of the unified payment system and platform of a Shenzhen-based subsidiary of a leading telecommunications company during the Reporting Period. The system and platform enable mobile wallet users to make mobile payments such as those of phone bills and to redeem consumption points and gift cards. Guangzhou YBDS also undertook renewed contracts to develop a unified payment platform for that Shenzhen-based subsidiary of the leading telecommunications company and to provide repair and maintenance services for that unified payment platform for the years 2018 and 2019.

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

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

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

3. **Developing software and new functions for a system for the clearing of payment made by customers with prepaid cards at petrol filling stations**

   The Company's another wholly-owned subsidiary, Shenzhen YBDS IT Co., Ltd. (深圳市韻博信息科技有限公司) ("**Shenzhen YBDS**"), cooperated with a third-party payment service company in developing software and new functions for a system for the clearing of payment made by customers with prepaid cards at the petrol filling stations of a leading PRC-based petroleum company and for topping up such prepaid cards. The two parties also worked together to develop and construct an electronic commerce platform for the clearance of payments and to install POS terminals at the gas stations. Their work lasted from April to June of 2019.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

To ensure that the Company is financially stable with sufficient financial resources to continue the development of its proposed projects, the Company had on 5 August 2013, raised net proceeds of approximately HK$100 million through a subscription (the "**Subscription**"). Immediately after the completion of the Subscription, Happy On held 987,888,771 shares of the Company, representing approximately 72.83% of the total issued share capital of the Company.

As stipulated in the circular of the Company dated 11 July 2013, such proceeds were to be applied in the following manner:

(i) approximately HK$30,000,000 will be used to pay up the remaining registered capital of Guangzhou YBDS and Beijing YBDS IT Co., Ltd. (北京韻博港信息科技有限公司) ("**Beijing YBDS**");

(ii) approximately HK$50,000,000 will be used as further investment for contribution towards the total investment amounts of Guangzhou YBDS and Beijing YBDS; and

(iii) the remaining balance as general working capital of the Company.

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

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

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

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

## PROSPECT

The prospect of business will remain cloudy as China and the United States continue their trade conflicts. This is expected to affect the industry that develops systems and solutions for online/offline digital payments. Nevertheless, the Group has already diversified into internet electronic identity authentication while pressing ahead with its strategy of constructing an ecosystem of online/offline digital payments. In that ecosystem, comprehensive online shopping platforms are connected to digital payment systems for public utilities with a technology for unified communications. The Group made progress in its business of internet electronic identity authentication during the Reporting Period by signing agreements respectively with a bank and a certificate authority to promote its proprietary mobile phone SIM card-based system for electronic identity authentication.

In June of 2019, the Company's 70%-held internet electronic identity authentication company, CITIC Cyber Security, signed an agreement with a Shenzhen branch of a PRC-based bank to jointly promote each other's respective services, namely CITIC Cyber Security's internet electronic identity authentication and the bank's financial services. Under that agreement, eCitizen ("e 公民" in Chinese), which is CITIC Cyber Security's proprietary mobile phone SIM card-based system for electronic identity authentication, will be applied to the bank's financial services. The system will enable its digital identity holders to safely log in, sign digitally and have their personal data protected in online transactions.

In June of 2019, CITIC Cyber Security signed 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 May 2018, Shenzhen YBDS entered into an agreement with a leading information system integration and services firm. Under the agreement, Shenzhen YBDS implements a mobile client technology, which is an application that runs on mobile devices to enable a company to promote its products and services through such devices on a leading telecommunications company's instant messaging and social media platform. Shenzhen YBDS will also provide technical support for that application.

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

Meanwhile, as the businesses and government departments are curtailing their budgets amid China's economic slowdown, the Group's principal business of developing systems and solutions for online/offline digital payments will seek to leverage its expertise to help both the public and private sectors to reduce both operating cost and electric energy consumption. For instance, Shenzhen YBDS, the Company's wholly-owned subsidiary, is negotiating with a leading PRC-based telecommunications firm on the development and provision of a platform and software for reduction of both the operating cost and electric energy consumption for the latter.

Looking ahead, the Group will build up its business of internet electronic identity authentication while constructing an ecosystem of online/offline digital payments through cooperation with various types of businesses.

## 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 2019, (i) Mr. Wang Xiaoqi is interested in 382,000 ordinary shares of the Company, representing approximately 0.028% of the total number of ordinary shares of the Company; (ii) Mr. Ho Yeung is interested in 18,083,500 ordinary shares of the Company, representing approximately 1.333% of the total number of ordinary shares of the Company. Save as disclosed above, none of the other Directors or their respective associates and the chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2019, so far as the Directors are aware of and having made due enquires, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

| **Name of shareholder** | **Capacity** | **Number of issued ordinary shares held** *(Note 2)* | **Approximate percentage of issued share capital as at 30 June 2019** *(Note 3)* |
|---|---|---|---|
| Happy On Holdings Limited ("**Happy On**") *(Note 1)* | Beneficial owner | 987,888,771 (L) | 72.83% |
| Mr. Chan Foo Wing ("**Mr. Chan**") *(Note 1)* | Interest in a controlled corporation | 987,888,771 (L) | 72.83% |

*Notes:*

1. As Mr. Chan is the ultimate beneficial owner and the sole director of Happy On, by virtue of the SFO, Mr. Chan is deemed to be interested in the 987,888,771 shares held by Happy On.

2. "L" means long positions in the shares.

3. Based on 1,356,250,000 shares of the Company in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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, as at 30 June 2019, at no time during the three months ended 30 June 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

A share option scheme was adopted on 1 August 2011 by the shareholders of the Company under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent of the shares in the Company in issue as at the date of approval of the share option scheme. The purpose of the share option scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries. No option was granted under the share option scheme since its adoption by the Company or outstanding, lapsed, cancelled or exercised at any time during the three months ended 30 June 2019.

## 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 three months ended 30 June 2019.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

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

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the three months ended 30 June 2019.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established in May 2000, and the Company had adopted a revised specific terms of reference as of 11 November 2016 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 three months ended 30 June 2019 have been reviewed by the Audit Committee.

By Order of the Board
**Quantum Thinking Limited**
**Wang Xiaoqi**
*Director*

Hong Kong, 14 August 2019

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

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

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at http://www.8050hk.com.*

* *For identification purpose only*