

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 2021

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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.

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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 six months ended 30 September 2021 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2020 (the “**Corresponding Period**” or “**2020**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2021

		Three months ended 30 September		Six months ended 30 September	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	10,503	10,180	20,286	20,422
Cost of sales and services		(9,659)	(9,236)	(18,557)	(18,582)
Gross profit		844	944	1,729	1,840
Other income	5	403	1,294	1,249	2,129
Gain on disposal of subsidiaries		–	34,016	–	34,016
Administrative expenses		(7,107)	(6,934)	(14,797)	(13,479)
Finance costs	6	(522)	(73)	(559)	(155)
(Loss)/profit before income tax		(6,382)	29,247	(12,378)	24,351
Income tax expense	7	–	–	–	–
(Loss)/profit for the period	8	(6,382)	29,247	(12,378)	24,351
Other comprehensive income/(expense)					
<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		171	(172)	241	(242)
Other comprehensive income/(expense) for the period, net of tax		171	(172)	241	(242)
Total comprehensive (expense)/income for the period, net of tax		(6,211)	29,075	(12,137)	24,109

	Three months ended 30 September		Six months ended 30 September		
	2021	2020	2021	2020	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
<i>Note</i>	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
(Loss)/profit for the period attributable to:					
Owners of the Company	(5,429)	29,768	(10,535)	25,572	
Non-controlling interests	(953)	(521)	(1,843)	(1,221)	
	<u>(6,382)</u>	<u>29,247</u>	<u>(12,378)</u>	<u>24,351</u>	
Total comprehensive (expense)/income for the period attributable to:					
Owners of the Company	(5,234)	30,087	(10,220)	25,890	
Non-controlling interests	(977)	(1,012)	(1,917)	(1,781)	
	<u>(6,211)</u>	<u>29,075</u>	<u>(12,137)</u>	<u>24,109</u>	
(Loss)/earnings per share attributable to the owners of the Company:					
— Basic (loss)/earnings per share: (HK cents)	9	<u>(0.40)</u>	<u>2.19</u>	<u>(0.78)</u>	<u>1.89</u>
— Diluted (loss)/earnings per share: (HK cents)	9	<u>(0.40)</u>	<u>2.19</u>	<u>(0.78)</u>	<u>1.89</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		30 September 2021 <i>HK\$'000</i> (unaudited)	31 March 2021 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Plant and equipment		2,535	3,524
Right-of-use assets		2,578	1,940
Intangible assets		21	28
Goodwill		512	–
		5,646	5,492
Total non-current assets			
Current assets			
Trade and other receivables	11	23,746	8,830
Contract assets		229	225
Financial assets at fair value through profit or loss	12	27,787	28,623
Cash and cash equivalents		9,971	18,847
		61,733	56,525
Total current assets			
Current liabilities			
Trade and other payables	13	51,428	34,349
Lease liabilities		1,906	1,654
Contract liabilities		702	690
Income tax payable		23	23
		54,059	36,716
Net current assets		7,674	19,809
Total assets less current liabilities		13,320	25,301
Non-current liabilities			
Lease liabilities		781	409
Net assets		12,539	24,892

		30 September 2021	31 March 2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	(unaudited)	(audited)
Equity			
Equity attributable to the Owners of the Company			
Share capital	<i>14</i>	135,625	135,625
Reserves		(117,432)	(107,212)
		<hr/>	<hr/>
Equity attributable to owners of the Company		18,193	28,413
Non-controlling interests		(5,654)	(3,521)
		<hr/>	<hr/>
Total equity		12,539	24,892
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital <i>HK\$'000</i> (unaudited)	Share premium <i>HK\$'000</i> (unaudited)	Translation reserve <i>HK\$'000</i> (unaudited)	Accumulated losses <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)	Non- controlling interests <i>HK\$'000</i> (unaudited)	Total equity <i>HK\$'000</i> (unaudited)
As at 1 April 2020	135,625	99,935	(5,448)	(218,220)	11,892	(21,333)	(9,441)
Comprehensive income/(expense)							
Profit/(loss) for the period	-	-	-	25,572	25,572	(1,221)	24,351
Other comprehensive income/ (expense)							
Exchange differences arising on translation of foreign operations	-	-	318	-	318	(560)	(242)
Total comprehensive income/ (expense)	-	-	318	25,572	25,890	(1,781)	24,109
Transaction with owners							
Disposal of subsidiaries	-	-	(1,366)	-	(1,366)	18,769	17,403
Total transaction with owners	-	-	(1,366)	-	(1,366)	18,769	17,403
As at 30 September 2020	<u>135,625</u>	<u>99,935</u>	<u>(6,496)</u>	<u>(192,648)</u>	<u>36,416</u>	<u>(4,345)</u>	<u>32,071</u>
As at 1 April 2021	<u>135,625</u>	<u>99,935</u>	<u>(5,630)</u>	<u>(201,517)</u>	<u>28,413</u>	<u>(3,521)</u>	<u>24,892</u>
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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

		Six months ended 30 September	
		2021	2020
		HK\$'000	HK\$'000
	Note	(unaudited)	(unaudited)
Net cash used in operating activities		(9,520)	(9,171)
Cash flows from investing activities			
Purchase of plant and equipment		(18)	(203)
Proceeds from sale of plant and equipment		–	221
Acquisition of subsidiary	16	5	–
Net cash outflow on disposal of subsidiaries		–	(257)
Cash paid for acquisition of financial assets at fair value through profit or loss		(54,090)	(14,722)
Proceeds from disposal of financial assets at fair value through profit or loss		55,412	21,695
Interest received from bank	5	4	144
Investment income from financial assets at fair value through profit or loss	5	471	393
Net cash generated from investing activities		1,784	7,271
Cash flows from financing activities			
Repayment of lease liabilities		(1,300)	(1,890)
Net cash used in financing activities		(1,300)	(1,890)
Net decrease in cash and cash equivalents		(9,036)	(3,790)
Cash and cash equivalents at the beginning of the period		18,847	28,030
Cash and bank balances included in assets held for sale at the beginning of the period		–	230
Effect on foreign exchange rate changes, on cash held		160	747
Cash and cash equivalents at the end of the period		9,971	25,217
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		9,971	14,217
Short-term time deposits in banks		–	11,000
		9,971	25,217

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. GENERAL INFORMATION

Quantum Thinking Limited (the “**Company**”) was incorporated in the Cayman Islands on 8 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company’s registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s principal place of business is situated at Room 1403, 14/F, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong.

The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of system development services and other value-added technical consultation services and trading of hardware products.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2021 (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 2021 (the “**2021 Annual Financial Statements**”). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2021 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 2021. 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**”).

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRS that are first effective for the current accounting period of the Group.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Hardware	4,857	4,937	9,660	9,332
Service:				
— System development	4,507	4,685	9,015	10,194
— Consultancy	1,139	558	1,611	896
	<u>5,646</u>	<u>5,243</u>	<u>10,626</u>	<u>11,090</u>
	<u>10,503</u>	<u>10,180</u>	<u>20,286</u>	<u>20,422</u>
Disaggregation of revenue from contracts with customers by timing of recognition				
Timing of revenue recognition				
At a point in time	4,857	4,937	9,660	9,332
Over time	5,646	5,243	10,626	11,090
	<u>10,503</u>	<u>10,180</u>	<u>20,286</u>	<u>20,422</u>
Total revenue from contracts with customers	<u>10,503</u>	<u>10,180</u>	<u>20,286</u>	<u>20,422</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 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>
	Six months ended 30 September 2020		
	Hardware <i>HK\$'000</i> (unaudited)	Services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment revenue	<u>9,332</u>	<u>11,090</u>	<u>20,422</u>
Segment loss	<u>(2,447)</u>	<u>(4,321)</u>	<u>(6,768)</u>
Unallocated corporate income			1,675
Gain on disposal of subsidiaries			34,016
Unallocated corporate expenses			(4,550)
Unallocated finance costs			<u>(22)</u>
Profit before taxation			<u><u>24,351</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 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Hardware	8,204	6,441
Services	14,043	5,883
Total segment assets	22,247	12,324
Unallocated assets*	45,132	49,693
Total assets per condensed consolidated statement of financial position	67,379	62,017
Hardware	6,290	4,240
Services	12,054	4,023
Total segment liabilities	18,344	8,263
Unallocated liabilities*	36,496	28,862
Total liabilities per condensed consolidated statement of financial position	54,840	37,125

* 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		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income from bank deposits	2	64	4	144
Investment income from financial assets	231	174	471	393
Government grants (<i>note</i>)	144	616	720	813
Others	26	440	54	779
	<u>403</u>	<u>1,294</u>	<u>1,249</u>	<u>2,129</u>

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

6. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on late settlement of litigation claims	485	–	485	–
Interests on lease liabilities	37	73	74	155
	<u>522</u>	<u>73</u>	<u>559</u>	<u>155</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 2021 and 2020 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 2020: Nil).

8. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period is arrived at after charging/(crediting):

	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cost of inventories sold	4,598	4,545	9,102	8,704
Depreciation of plant and equipment	534	1,102	1,068	1,654
Depreciation of right-of-use assets	605	848	1,211	1,682
Research and development costs	2,027	996	3,621	2,401
Employee benefit expense	2,535	1,645	5,127	3,628
Short-term leases/operating lease charges in respect of rented premises	16	–	39	25
Impairment loss on amount due from former fellow subsidiaries	–	18,765	–	18,765
	<u>–</u>	<u>18,765</u>	<u>–</u>	<u>18,765</u>

9. (LOSS)/EARNINGS PER SHARE

Basic loss per share for the three months and six months ended 30 September 2021 is calculated by dividing the loss attributable to owners of the Company for the period of HK\$5,429,000 and HK\$10,535,000 respectively (three months and six months ended 30 September 2020: profit of HK\$29,768,000 and HK\$25,572,000 respectively) by the weighted average number of 1,356,250,000 (three months and six months ended 30 September 2020: 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 2021 and 2020 as the Group had no potential dilutable ordinary shares in issue during the three and six months ended 30 September 2021 and 2020.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

11. TRADE AND OTHER RECEIVABLES

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Trade receivables (<i>Note a</i>)	18,374	5,493
Prepayments, deposits and other receivables	5,372	3,337
	<u>23,746</u>	<u>8,830</u>

Note a: The credit period granted by the Group to its customers generally ranged from 0 to 120 days. As at 30 September 2021 and 31 March 2021, the ageing analysis of the Group's trade receivables (net of provision for impaired receivables) based on invoice date is as follows:

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Within 90 days	8,907	3,674
91 to 180 days	7,549	1,819
181–365 days	1,158	–
Over 365 days	760	–
	<u>18,374</u>	<u>5,493</u>

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 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Wealth management products	<u>27,787</u>	<u>28,623</u>

As at 30 September 2021, the Group had short term investments linked wealth management products that were denominated in RMB23,050,000 (equivalent to HK\$27,787,000) (At 31 March 2021: RMB24,150,000 (equivalent to HK\$28,623,000)) 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 17.1).

13. TRADE AND OTHER PAYABLES

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Trade payables (<i>Note a</i>)	16,544	4,696
Other payables and accruals (<i>Note b</i>)	34,884	29,653
	51,428	34,349

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

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Within 30 days	2,679	3,544
31–60 days	2,656	–
61–90 days	2,390	–
Over 91 days	8,819	1,152
	16,544	4,696

Note b: Included in the amount of other payables as at 30 September 2021, approximately HK\$25,556,000 (At 31 March 2021: approximately HK\$24,563,000) represented the amounts due to former subsidiaries Beijing Huaqin World Technology Company Limited (“**Beijing Huaqin**”) 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</i>	<i>HK\$'000</i>
	(in thousands)	(unaudited)
As at 31 March 2021 and 30 September 2021	<u>2,000,000</u>	<u>200,000</u>
	Issued and fully paid Ordinary shares of HK\$0.10 each	
	<i>Number of Shares</i>	<i>HK\$'000</i>
	(in thousands)	(unaudited)
As at 1 April 2020, 31 March 2021 and 30 September 2021	<u>1,356,250</u>	<u>135,625</u>

15. COMMITMENTS

Operating lease commitments

As at 30 September 2021, the lease commitments for short-term leases were as follows:

	30 September 2021	31 March 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Office		
— Within one year	<u>52</u>	<u>13</u>

As at 30 September 2021 and 31 March 2021, the Group leases a number of office which are qualified to be accounted for under short-term lease exemption under HKFRS 16 “Leases”.

16. 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>
Plant and equipment	3
Deposits and other receivables	1,518
Cash and cash equivalents	14
Other payables	(2,255)
	<u>(720)</u>
Consideration transferred	8
Plus: non-controlling interests (30% in Zhongzhisuxun Technology Development)	(216)
Less: net liabilities acquired	720
	<u>512</u>
Goodwill arising on acquisition	<u>512</u>

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\$216,000.

Net cash inflow on acquisition of Zhongzhisuxun Technology Development

	<i>HK\$'000</i>
Cash paid on acquisition	(8)
Cash and cash equivalent balances acquired	13
	<u>5</u>

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

17.1 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 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Assets		
Financial assets at fair value through profit or loss:		
Wealth management products	<u>27,787</u>	<u>28,623</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 2021 and 31 March 2021.

18. MATERIAL RELATED PARTY TRANSACTION

The Group had no significant transactions with related parties during the reporting period (six months ended 30 September 2020: Nil).

The remuneration of key management personnel for the six months ended 30 September 2021 amounted to HK\$1,672,000, (six months ended 30 September 2020: HK\$824,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Reporting Period, the Group recorded a revenue of approximately HK\$20,286,000, representing a slight decrease when compared with that of approximately HK\$20,422,000 for the Corresponding Period.

Loss before income tax of the Group for the Reporting Period was approximately HK\$12,378,000, compared with profit before income tax of approximately HK\$24,351,000 for the Corresponding Period. Loss attributable to owners of the Company for the Reporting Period was approximately HK\$10,535,000 compared with profit attributable to owners of the Company of approximately HK\$25,572,000 for the Corresponding Period. The Group's gearing ratio, expressed as a percentage of bank borrowings and long term debts over total equity, was nil.

INDUSTRY OVERVIEW

During the second quarter of the Reporting Period ended 30 September 2021, the operating environment of the information system solution industry in the People's Republic of China (the "PRC" or "China") remained difficult because of the sporadic cases of novel coronavirus pneumonia in many parts of the country and the United States of America (the "United States") government's sanctions against and restrictions on certain Chinese technology companies. Specifically, the Chinese government's tighter regulation of the online/offline digital payment services also affected the industry which is related to such services. However, the pandemic has compelled more people and businesses to move their daily activities online and led to higher labour cost, thus adding impetus to the digitalization of China's economy and the adoption of artificial intelligence there.

The emergence of internet finance, the pandemic outbreak that has triggered off the growing trend towards "remote office", and the government's goal of attaining carbon neutrality in 2060 (which also advocates "paperless office" in order to reduce carbon dioxide emissions) have together generated immense business opportunities for China's electronic signature industry. Electronic signature is poised to gain popularity with government departments, conglomerates and small and medium-sized enterprises. iiMedia Research, a data mining and analysis organization for new economy industries, estimated that the size of the country's electronic signature market will grow by 41.2% to RMB15.28 billion in 2021 from RMB10.82 billion in 2020. It also projected that the frequency of electronic signature of contracts will grow by 25.0% to 69.63 billion in 2021 (Source: "2020–2021年中國電子簽名行業發展現狀及用戶調研分析報告" compiled by iiMedia Research and dated 26 February 2021).

Meanwhile, the pandemic has caused the labour cost to rise. As a result, many businesses are seeking to replace manual workers with artificial intelligence in simple and routine jobs. Voice control for performing such tasks is a case in point. This means business opportunities for the industry of artificial intelligence (AI) services and solutions.

As to the demand of the end-users of the online/offline payment systems in the PRC in the second quarter of 2021, the value of the payments processed by non-bank payment institutions through public information technology networks increased by 24.37% year on year to RMB87.32 trillion while the number of such payments grew by 28.17% year on year to about 260.83 billion, according to the People's Bank of China.

BUSINESS REVIEW

To mitigate the impact of the difficult business environment, the Group had been stepping up its business diversification by actively seeking opportunities in the promising sectors of China's information system solution industry amid the country's booming digital economy. For instance, it had formed a joint venture company to tap into China's market for digital solutions for cyber security, and had acquired a software and information technology developer which enables state-owned infrastructure construction enterprises to raise the level of digitalization and thus enhance efficiency at infrastructure construction works. The Group is now also exploring the domestic market for AI services and solutions that can replace manual workers in simple and routine jobs. This can relieve the pressure of the rising labour cost.

In June 2021, the Group'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 an agreement to acquire a 70% equity stake in Zhongzhisuxun Technology Development Co., Ltd.* (中智速訊科技發展有限公司) ("**Zhongzhisuxun Technology Development**"), which is a software and information technology developer. Zhongzhisuxun Technology Development principally engages in the development of digital culture innovative software, internet and information security software and basic artificial intelligence software, software outsourcing service, information technology consultation service and computer system service, engineering technical services, acting as a general contractor of the projects on the construction of buildings and municipal infrastructure, and undertaking intelligent construction. CITIC Cyber Security already completed the acquisition of Zhongzhisuxun Technology Development in the first quarter of the Reporting Period ended 30 June 2021.

With the acquisition of Zhongzhisuxun Technology Development, the Group and CITIC Cyber Security aim to provide the state-owned infrastructure construction enterprises with products that enable the digitalization and informatization of their operation with the support of the new type of infrastructure for information technology and telecommunications. The products enable such state-owned enterprises to raise the level of digitalization and thus enhance efficiency at infrastructure construction works (For further details, please refer to the Company's announcement dated 22 June 2021 published on the website of Hong Kong Exchanges and Clearing Limited).

CITIC Cyber Security had earlier entered into an agreement dated 30 September 2020 to form a joint venture company with China's three major telecommunications carriers, namely China Mobile Communications Group Co., Ltd., China United Network Communications Group Company Limited and China Telecommunications Corporation, and Beijing Chinese Shield Anicert Technology Development Co., Ltd., which is a wholly-owned subsidiary of Beijing Zhongdun Security Technology Development Co., 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 be positioned as a digital technology company which provides financial institutions, government departments and enterprises with digital solutions for cyber security. It will leverage the three telecommunications carriers' service capabilities and customer bases as well as the advantages of subscriber identification module (SIM) such as convenience and strong capabilities for computing and data storage to enable the public to log in and authorize transactions with convenience and cyber security. The joint venture company will initially introduce its services into transportation, mobile public services and transactions at banks.

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.

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; the supply and installation of surveillance cameras as part of a security system; the research and development of various systems and devices, including a navigation and positioning system for unmanned vehicles and aircraft that can be operated in combination with cameras, Global Navigation Satellite System (GNSS) or maps; an intelligent cloud platform system for distant interaction; a cross-platform, high-performance player; a simplified version of an enterprise resource planning (ERP) system; and an information security system with multiple licences for small and medium-sized financial holding companies.

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**”), won a tender in October 2019 for a contract to develop and maintain a unified payment system and platform of the Shenzhen-based subsidiary of a leading telecommunications company for years 2019 to 2021. The system and platform enable mobile wallet users to make mobile payment such as those of phone bills and to redeem consumption points and gift cards. It signed the contract in December 2019. Guangzhou YBDS intends to replicate the unified payment system and platform and then sell them to other units and/or subsidiaries of that leading telecommunications company in 31 provinces in the PRC.

2. 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, one more company rented the co-working spaces, bringing the total number of tenants to 37.

3. Research and development of various systems and devices

During the Reporting Period, the Group was fulfilling a contract to conduct research and development of various systems and devices on behalf of an information technology solution provider for the period from 15 October 2020 to 14 October 2021. Such systems and devices included a navigation and positioning system for unmanned vehicles and aircraft that can be operated in combination with cameras, Global Navigation Satellite System (GNSS) or maps; an intelligent cloud platform system for distant interaction; a cross-platform, high performance player; a simplified version of an enterprise resource planning (ERP) system; and an information security system with multiple licences for small and medium-sized financial holding companies.

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

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

5. 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.

6. Conducting information verification for other companies

In the financial year ended 31 March 2021 (the "**Previous Period**"), CITIC Cyber Security had signed two separate contracts to conduct information verification for a securities brokerage and a certificate authority through websites, application programming interface (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.

7. 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.

PROSPECT

To get through the complicated and volatile business environment of its mainstay business of developing systems and solutions for online/offline digital payment, the Group has been actively capitalizing on China's booming digital economy. For instance, it has already been diversifying into internet electronic identity authentication and electronic signature, and is also exploring the opportunities in the market for AI services and solutions. Such moves can, on the one hand, broaden the income stream to help the Group tide itself over the difficult business environment and, on the other hand, add impetus to the Group's business development for the long term.

In the Previous Period and the first quarterly reporting period ended 30 June 2021, CITIC Cyber Security successively entered into an agreement to form a digital technology joint venture company that would provide financial institutions, government departments and enterprises with digital solutions for cyber security and acquired a 70% equity stake in a software and information technology developer to assist state-owned infrastructure construction enterprises to carry out digital transformation. The Group then negotiated with a business partner about a contract to provide artificial intelligence (AI) services and solutions for a company.

Looking ahead, the Group will keep on fostering the digital technology business and other businesses that it has already diversified into while continuing to develop its mainstay business. This will enable it to strengthen the foundation for its business development and fully grasp the opportunities presented by the upgrading and transformation of China's industries.

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 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 2021, the Group held financial assets at fair value through profit or loss of RMB23,050,000 (equivalent to approximately HK\$27,787,000) (31 March 2021: RMB24,150,000 (equivalent to approximately HK\$28,623,000)).

It recorded a total income of approximately HK\$471,000 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 2021, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

CONTINGENT LIABILITIES

As at 30 September 2021, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2021, 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 2021, the Group had 33 employees (2020: 23 employees). The total remuneration paid to employees, including the Directors, for the Reporting Period was approximately HK\$4,389,000 (2020: HK\$2,793,000). 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 2021, (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 2021, 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 <i>(Note 2)</i>	Approximate percentage of issued share capital as at 30 September 2021 <i>(Note 3)</i>
Happy On <i>(Note 1)</i>	Beneficial owner	987,888,771 (L)	72.83%
Mr. Chan Foo Wing ("Mr. Chan") <i>(Note 1)</i>	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 September 2021.

Save as disclosed above, as at 30 September 2021, so far as the Directors are aware of and having made due enquiries, there were no other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

A share option scheme (the “**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 of 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 contributions to the Company or its subsidiaries.

No options were granted under the Share Option Scheme since its adoption by the Company or outstanding, lapsed, cancelled or exercised at any time during the Reporting Period.

The Share Option Scheme remained in force for a period of 10 years commencing on 1 August 2011, being the date on which it was adopted and has expired on 31 July 2021.

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 and Corporate Governance Report (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 A.1.8 and A.2.1 of the Code as explained as follows:

Code Provision A.1.8

Code Provision A.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 A.2.1

Code Provision A.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 C.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 2020 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, 12 November 2021

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 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