

# Quantum Thinking Limited

量子思維有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8050)

## THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

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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 of the Company hereby presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and nine months ended 31 December 2021 together with the unaudited comparative figures for the corresponding periods in 2020 as follows:

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

*For the three months and nine months ended 31 December 2021*

		Three months ended 31 December		Nine months ended 31 December	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Revenue</b>	3	<b>8,513</b>	10,102	<b>28,799</b>	30,525
Cost of sales and services		<u>(7,497)</u>	<u>(9,198)</u>	<u>(26,054)</u>	<u>(27,780)</u>
<b>Gross profit</b>		<b>1,016</b>	904	<b>2,745</b>	2,745
Other income	4	<b>158</b>	804	<b>1,407</b>	2,933
Gain on disposal of subsidiaries		–	–	–	34,016
Administrative expenses		<b>(6,850)</b>	(7,604)	<b>(21,647)</b>	(21,084)
Finance costs		<b>(276)</b>	(9)	<b>(835)</b>	(163)
<b>(Loss)/profit before income tax</b>		<b>(5,952)</b>	(5,905)	<b>(18,330)</b>	18,447
Income tax refund	5	<b>6</b>	15	<b>6</b>	15
<b>(Loss)/profit for the period</b>		<u><b>(5,946)</b></u>	<u>(5,890)</u>	<u><b>(18,324)</b></u>	<u>18,462</u>
<b>Other comprehensive income</b>					
<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		<b>43</b>	1,381	<b>284</b>	1,138
<b>Other comprehensive income for the period, net of tax</b>		<u><b>43</b></u>	<u>1,381</u>	<u><b>284</b></u>	<u>1,138</u>
<b>Total comprehensive (expense)/ income for the period, net of tax</b>		<u><b>(5,903)</b></u>	<u>(4,509)</u>	<u><b>(18,040)</b></u>	<u>19,600</u>

	Three months ended 31 December		Nine months ended 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Notes	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>(Loss)/profit for the period attributable to:</b>				
Owners of the Company	<b>(5,234)</b>	(5,342)	<b>(15,769)</b>	20,230
Non-controlling interests	<b>(712)</b>	(548)	<b>(2,555)</b>	(1,768)
	<u><b>(5,946)</b></u>	<u>(5,890)</u>	<u><b>(18,324)</b></u>	<u>18,462</u>
<b>Total comprehensive (expense)/ income for the period attributable to:</b>				
Owners of the Company	<b>(4,967)</b>	(3,779)	<b>(15,187)</b>	22,111
Non-controlling interests	<b>(936)</b>	(730)	<b>(2,853)</b>	(2,511)
	<u><b>(5,903)</b></u>	<u>(4,509)</u>	<u><b>(18,040)</b></u>	<u>19,600</u>
<b>(Loss)/earnings per share attributable to the owners of the Company:</b>				
— Basic (loss)/earnings per share: (HK cents)	6			
	<u><b>(0.39)</b></u>	<u>(0.39)</u>	<u><b>(1.16)</b></u>	<u>1.49</u>
— Diluted (loss)/earnings per share: (HK cents)	6			
	<u><b>(0.39)</b></u>	<u>(0.39)</u>	<u><b>(1.16)</b></u>	<u>1.49</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

*For the nine months ended 31 December 2021*

	Attributable to owners of the Company				Total HK\$'000 (unaudited)	Non- controlling interest HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Translation reserve HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)			
As at 1 April 2020	135,625	99,935	(5,448)	(218,220)	11,892	(21,333)	(9,441)
<b>Comprehensive income/(expense)</b>							
Profit/(loss) for the period	-	-	-	20,230	20,230	(1,768)	18,462
<b>Other comprehensive income/(expense)</b>							
Exchange differences arising on translation of foreign operations	-	-	1,881	-	1,881	(743)	1,138
<b>Total comprehensive income/(expense)</b>	-	-	1,881	20,230	22,111	(2,511)	19,600
<b>Transaction with owners</b>							
Disposal of subsidiaries	-	-	(1,366)	-	(1,366)	18,769	17,403
<b>Total transaction with owners</b>	-	-	(1,366)	-	(1,366)	18,769	17,403
<b>As at 31 December 2020</b>	<u>135,625</u>	<u>99,935</u>	<u>(4,933)</u>	<u>(197,990)</u>	<u>32,637</u>	<u>(5,075)</u>	<u>27,562</u>
As at 1 April 2021	<b>135,625</b>	<b>99,935</b>	<b>(5,630)</b>	<b>(201,517)</b>	<b>28,413</b>	<b>(3,521)</b>	<b>24,892</b>
<b>Comprehensive income/(expense)</b>							
Loss for the period	-	-	-	(15,769)	(15,769)	(2,555)	(18,324)
<b>Other comprehensive income/(expense)</b>							
Exchange differences arising on translation of foreign operations	-	-	582	-	582	(298)	284
<b>Total comprehensive income/(expense)</b>	-	-	582	(15,769)	(15,187)	(2,853)	(18,040)
<b>Transaction with owners</b>							
Acquisition of a subsidiary	-	-	-	-	-	(216)	(216)
<b>Total transaction with owners</b>	-	-	-	-	-	(216)	(216)
<b>As at 31 December 2021</b>	<u>135,625</u>	<u>99,935</u>	<u>(5,048)</u>	<u>(217,286)</u>	<u>13,226</u>	<u>(6,590)</u>	<u>6,636</u>

## NOTES:

### 1. GENERAL INFORMATION

Quantum Thinking Limited (the “**Company**”) was incorporated in the Cayman Islands on 8 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company’s registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s principal place of business in Hong Kong 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 information of the Group for the nine months ended 31 December 2021 (the “**Condensed Financial Report**”) has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**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.

The adoption of the new and revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the nine months ended 31 December 2021 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the nine months ended 31 December 2021.

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

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

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

### 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 31 December		Nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>Revenue:</b>				
Hardware	2,518	4,610	12,178	13,943
Services				
— System development	5,366	4,946	14,381	15,140
— Consultancy	629	546	2,240	1,442
	<u>5,995</u>	<u>5,492</u>	<u>16,621</u>	<u>16,582</u>
	<u>8,513</u>	<u>10,102</u>	<u>28,799</u>	<u>30,525</u>

### 4. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest income from bank deposits	3	14	7	158
Investment income from financial assets designated as at FVTPL	147	194	618	586
Government grants ( <i>note</i> )	4	502	724	1,315
Others	4	94	58	874
	<u>158</u>	<u>804</u>	<u>1,407</u>	<u>2,933</u>

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

## 5. INCOME TAX REFUND

No provision for Hong Kong profits tax and PRC enterprise income tax has been made for the three months and nine months ended 31 December 2021 and 2020 as the Group had incurred losses for taxation purpose.

	Three months ended 31 December		Nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>PRC enterprise income tax</b>				
Current period	-	-	-	-
Over provision in respect of prior years	(6)	-	(6)	-
Income tax refund in respect of prior years	-	(15)	-	(15)
	<u>-</u>	<u>(15)</u>	<u>-</u>	<u>(15)</u>
Income tax (refund)/expense	<u>(6)</u>	<u>(15)</u>	<u>(6)</u>	<u>(15)</u>

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (31 December 2020: Nil).

## 6. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the three months and nine months ended 31 December 2021 and 2020 are as follow:

	Three months ended 31 December		Nine months ended 31 December	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
(Loss)/profit attributable to the owners of the Company (HK\$'000)	<u>(5,234)</u>	<u>(5,342)</u>	<u>(15,769)</u>	<u>20,230</u>
Weighted average number of ordinary shares	<u>1,356,250,000</u>	<u>1,356,250,000</u>	<u>1,356,250,000</u>	<u>1,356,250,000</u>
Basic (loss)/earnings per share (HK cents)	<u>(0.39)</u>	<u>(0.39)</u>	<u>(1.16)</u>	<u>1.49</u>

### (b) Diluted (loss)/earnings per share

No adjustment has been made to the basic loss per share and basic earnings per share presented for the three and nine months ended 31 December 2021 and 2020 as the Company had no potential dilutable ordinary shares in issue during the three and nine months ended 31 December 2021 and 2020.

## 7. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2021 (nine months ended 31 December 2020: Nil).

## 8. 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, namely Mr. Liu Bo (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	<u>(2,255)</u>
	<u>(720)</u>
Consideration transferred	8
Plus: non-controlling interests (30% in Zhongzhisuxun Technology Development)	(216)
Less: net liabilities acquired	<u>720</u>
Goodwill arising on acquisition	<u><u>512</u></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	<u>13</u>
	<u><u>5</u></u>

## REVIEW AND PROSPECTS

### FINANCIAL REVIEW

For the nine months ended 31 December 2021 (the “**Reporting Period**”), the Group recorded a revenue of approximately HK\$28,799,000, representing a decrease of approximately 6% when compared with that in the corresponding period in 2020 (the “**Corresponding Period**”) of approximately HK\$30,525,000.

Loss before income tax of the Group for the Reporting Period was approximately HK\$18,330,000 compared with a profit before income tax of approximately HK\$18,447,000 for the Corresponding Period. Loss attributable to owners of the Company for the Reporting Period was approximately HK\$15,769,000 compared with a profit attributable to owners of the Company of approximately HK\$20,230,000 for the Corresponding Period.

### INDUSTRY OVERVIEW

During the third quarter of the Reporting Period, the operating environment of the information system solution industry in the People’s Republic of China (the “**PRC**” or “**China**”) was still mired in difficulty because the novel coronavirus pneumonia pandemic worsened and the United States of America (the “**United States**”) government continued its sanctions against and restrictions on certain Chinese technology companies. Nevertheless, the pandemic has facilitated the growing trend towards conducting daily activities online and thus accelerated the digital transformation of companies. This trend has also enabled electronic signature to gain traction as the technology is an integral part of the digitalization of China’s economy.

According to iiMedia Research, a data mining and analysis organization for new economy industries, the size of China’s electronic signature market grew by 41.2% to RMB15.28 billion in 2021 from RMB10.82 billion in 2020. The organization also projected that the market would increase to RMB40.42 billion in 2024 (Source: “艾媒諮詢2021年中國電子簽名行業年度發展研究報告” posted on iiMedia Research’s website iiMedia.cn on 19 January 2022).

Meanwhile, the coronavirus disease has caused labour shortage and thus a rise in wages. 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 third quarter of 2021, the value of the payments processed by non-bank payment institutions through public information technology networks increased by 14.88% year on year to RMB90.71 trillion while the number of such payments grew by 14.37% year on year to about 268.19 billion, according to the People’s Bank of China.

## BUSINESS REVIEW

The Group tried to cushion itself against the impact of the difficult business environment by increasing its effort to capitalize on China's booming digital economy. It had done so by stepping up its diversification into the businesses of providing digital solutions for cyber security, facilitating companies' digital transformation and providing artificial intelligence (AI) services and solutions.

For instance, during the third quarter of the Reporting Period, the Company's 70%-held Shenzhen CITIC Cyber Security Authentication Co., Ltd. (深圳市中信網安認證有限公司) ("**CITIC Cyber Security**") signed separate contracts to design a total solution and system for artificial intelligence-based recognition and facial recognition system for an automated fare collection (AFC) system of a metro company in China on behalf of a robotics and industrial automation device company, to conduct overhauls and tests of the cyber security of a corporate cultural exchange organizing and corporate management consulting company and to provide cyber security services for it. CITIC Cyber Security also signed separate contracts to provide, install, operate and maintain intelligent bookcases that serve as automatic libraries of both print books and digital reading materials for an equity exchange and a property development and management firm. It also undertook a project of testing software on behalf of a technology company.

CITIC Cyber Security had earlier entered into an agreement to form 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.

In June 2021, 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 quarterly reporting period ended 30 June 2021.

With the acquisition of Zhongzhisuxun Technology Development, the Group and CITIC Cyber Security aim to provide the PRC Central Government's 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 PRC Central Government's 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 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. 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 third quarter of the Reporting Period, the total number of tenants was 37.

**2. 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.

**3. 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 third quarter of the Reporting Period.

**4. 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.

## **5. 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.

## **6. Provision, installation, operation and maintenance of intelligent bookcases**

During the Reporting Period, CITIC Cyber Security signed two separate contracts to provide, install, operate and maintain intelligent bookcases that serve as automatic libraries of both print books and digital reading materials for an equity exchange and a property development and management firm.

## **PROSPECT**

To be resilient to 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 grasping opportunities in China's booming digital economy. For instance, it has already been diversifying into internet electronic identity authentication, electronic signature and AI services and solutions. Such initiatives not only can broaden the income stream to help the Group get through the difficult business environment but also add impetus to the Group's business development for the long term.

During the Reporting Period, the Company's wholly-owned subsidiary, Shenzhen YBDS IT Co., Ltd.(深圳市韻博信息科技有限公司), signed a framework agreement to provide training in and consultancy on robotic process automation (RPA) for a software and information technology service company. Such training in and consultancy on RPA will enable a leading telecommunications company to provide some AI-based customer services such as answering customer enquiries about outstanding fees and unused quota of data transmission without involving any human effort. Such AI services and solutions not only can replace manual workers in simple and routine jobs and thus can relieve the pressure of the rising labour cost, but also can lay the foundation of big data analytics, which can help companies promote certain new services or products among target customers.

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.

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 consolidate the foundation for its business development and fully capitalize on 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.

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

As at 31 December 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; and (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 required standard of dealings 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 OR UNDERLYING SHARES OF THE COMPANY

As at 31 December 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, or were deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Capacity	Number of issued ordinary shares held (Note 2)	Approximate percentage of issued share capital as at 31 December 2021 (Note 3)
Happy On (Note 1)	Beneficial owner	987,888,771 (L)	72.83%
Mr. Chan Foo Wing ("Mr. Chan") (Note 1)	Interest in a controlled corporation	987,888,771 (L)	72.83%

Notes:

- As Mr. Chan is the ultimate beneficial owner and the sole director of Happy On, by virtue of the SFO, Mr. Chan is deemed to be interested in the 987,888,771 shares of the Company held by Happy On.
- "L" means long positions in the shares.
- Based on 1,356,250,000 ordinary shares of the Company in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, so far as the Directors are aware of and having made due enquiries, there were no other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

#### **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 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 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 nine months ended 31 December 2021.

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 enquiry, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the Reporting Period.

## AUDIT COMMITTEE

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

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

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

Hong Kong, 14 February 2022

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

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

*This announcement will remain on the "Latest Listed Company Information" page of the GEM website at [www.hkgem.com](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