

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 2022

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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 of Directors (the “**Board**”) 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 2022 together with the unaudited comparative figures for the corresponding periods in 2021 as follows:

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

For the three months and nine months ended 31 December 2022

	<i>Notes</i>	Three months ended 31 December		Nine months ended 31 December	
		2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Revenue	3	4,399	8,513	14,424	28,799
Cost of sales and services		(4,125)	(7,497)	(12,581)	(26,054)
Gross profit		274	1,016	1,843	2,745
Other income	4	181	158	1,172	1,407
Administrative expenses		(4,964)	(6,850)	(14,288)	(21,647)
Finance costs		(232)	(276)	(726)	(835)
Loss before income tax		(4,741)	(5,952)	(11,999)	(18,330)
Income tax refund	5	–	6	–	6
Loss for the period		(4,741)	(5,946)	(11,999)	(18,324)
Other comprehensive expense/income					
<i>Items that will be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation of financial statements from functional currency to presentation currency		(251)	43	314	284
Other comprehensive expense/income for the period, net of tax		(251)	43	314	284
Total comprehensive expense for the period, net of tax		(4,992)	(5,903)	(11,685)	(18,040)

	<i>Notes</i>	Three months ended		Nine months ended	
		31 December		31 December	
		2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss for the period attributable to:					
Owners of the Company		(4,365)	(5,234)	(10,682)	(15,769)
Non-controlling interests		(376)	(712)	(1,317)	(2,555)
		<u>(4,741)</u>	<u>(5,946)</u>	<u>(11,999)</u>	<u>(18,324)</u>
Total comprehensive expense for the period attributable to:					
Owners of the Company		(4,407)	(4,967)	(11,003)	(15,187)
Non-controlling interests		(585)	(936)	(682)	(2,853)
		<u>(4,992)</u>	<u>(5,903)</u>	<u>(11,685)</u>	<u>(18,040)</u>
Loss per share attributable to the owners of the Company:					
— Basic loss per share:					
(HK cents)	6	<u>(0.32)</u>	<u>(0.39)</u>	<u>(0.79)</u>	<u>(1.16)</u>
— Diluted loss per share:					
(HK cents)	6	<u>(0.32)</u>	<u>(0.39)</u>	<u>(0.79)</u>	<u>(1.16)</u>

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

For the nine months ended 31 December 2022

	Attributable to owners of the Company				Total HK\$'000 (unaudited)	Non- controlling interests HK\$'000 (unaudited)	Total equity 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 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 expense							
Loss for the period	-	-	-	(15,769)	(15,769)	(2,555)	(18,324)
Other comprehensive income/(expense)							
Exchange differences arising on translation of foreign operations	-	-	582	-	582	(298)	284
Total comprehensive income/(expense)	<u>-</u>	<u>-</u>	<u>582</u>	<u>(15,769)</u>	<u>(15,187)</u>	<u>(2,853)</u>	<u>(18,040)</u>
Transaction with owners							
Acquisition of a subsidiary	-	-	-	-	-	(216)	(216)
Total transaction with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(216)</u>	<u>(216)</u>
As at 31 December 2021	<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>
As at 1 April 2022	<u>135,625</u>	<u>99,935</u>	<u>(5,147)</u>	<u>(219,706)</u>	<u>10,707</u>	<u>(7,456)</u>	<u>3,251</u>
Comprehensive expense							
Loss for the period	-	-	-	(10,682)	(10,682)	(1,317)	(11,999)
Other comprehensive (expense)/income							
Exchange differences arising on translation of foreign operations	-	-	(321)	-	(321)	635	314
Total comprehensive expense	<u>-</u>	<u>-</u>	<u>(321)</u>	<u>(10,682)</u>	<u>(11,003)</u>	<u>(682)</u>	<u>(11,685)</u>
As at 31 December 2022	<u>135,625</u>	<u>99,935</u>	<u>(5,468)</u>	<u>(230,388)</u>	<u>(296)</u>	<u>(8,138)</u>	<u>(8,434)</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, 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 2022 (the “**Condensed Financial Report**”) has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

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

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 2022 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 2022.

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.

For the nine months ended 31 December 2022 (the “**Reporting Period**”), the Group reported a loss attributable to owners of the Company of approximately HK\$10,682,000. In addition, as of 31 December 2022, the Group’s current liabilities exceeded its current assets by approximately HK\$9,229,000 and the Group had net liabilities of approximately HK\$8,443,000.

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

- (i) The Group will continue to take active measures to control administrative costs through various channels, including human resources optimisation, management remuneration adjustments and containment of capital expenditures.
- (ii) The Group will seek to dispose of Guangzhou YBDS IT Co., Ltd.* (廣州韻博信息科技有限公司), an indirect wholly-owned subsidiary of the Company, with net liabilities of approximately HK\$24,561,000 as at 31 December 2022.
- (iii) The Group, through its subsidiary based in the People's Republic of China (the "PRC"), signed a contract in October 2022 to cooperate with an information technology company in providing such a value-added service as multimedia short messaging service on behalf of a branch of a major PRC telecommunications carrier in Guangdong Province. The Directors consider that this new project will be profitable and would contribute towards the Group's business in other value-added technical consultation services.

3. 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		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Hardware	279	2,518	1,554	12,178
Services				
— System development	4,000	5,366	11,878	14,381
— Consultancy	120	629	992	2,240
	<u>4,120</u>	<u>5,995</u>	<u>12,870</u>	<u>16,621</u>
	<u>4,399</u>	<u>8,513</u>	<u>14,424</u>	<u>28,799</u>

4. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Interest income from bank deposits	8	3	14	7
Investment income from financial assets designated as at fair value through profit or loss	154	147	303	618
Government grants (<i>note</i>)	12	4	120	724
Others	7	4	735	58
	<u>181</u>	<u>158</u>	<u>1,172</u>	<u>1,407</u>

Note: The amount represented the 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.

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 2022 and 2021 as the Group had incurred losses for taxation purpose.

	Three months ended 31 December		Nine months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
PRC enterprise income tax				
Current period	-	-	-	-
Over provision in respect of prior years	-	(6)	-	(6)
Income tax refund in respect of prior years	-	-	-	-
	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>(6)</u>

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (31 December 2021: Nil).

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the three months and nine months ended 31 December 2022 and 2021 are as follow:

	Three months ended		Nine months ended	
	31 December 2022 (unaudited)	2021 (unaudited)	31 December 2022 (unaudited)	2021 (unaudited)
Loss attributable to the owners of the Company (HK\$'000)	<u>(4,365)</u>	<u>(5,234)</u>	<u>(10,682)</u>	<u>(15,769)</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 per share (HK cents)	<u>(0.32)</u>	<u>(0.39)</u>	<u>(0.79)</u>	<u>(1.16)</u>

(b) Diluted loss 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 2022 and 2021 as the Company had no potential dilutable ordinary shares in issue during the three and nine months ended 31 December 2022 and 2021.

7. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2022 (nine months ended 31 December 2021: 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 (the “**Vendor**”), pursuant to which CITIC Cyber Security agreed to acquire, and the Vendor agreed to sell, 70% of the equity interest in Zhongzhisuxun Technology Development Co., Ltd. (中智速訊科技發展有限公司) (“**Zhongzhisuxun Technology Development**”), at the consideration of RMB7,000.

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

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

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

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

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

Net cash inflow on acquisition of Zhongzhisuxun Technology Development

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

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

REVIEW AND PROSPECTS

FINANCIAL REVIEW

For the nine months ended 31 December 2022 (the “**Reporting Period**”), the Group recorded a revenue of approximately HK\$14,424,000, representing a decrease of approximately 50% when compared with approximately HK\$28,799,000 for the corresponding period in 2021 (the “**Corresponding Period**”).

Loss before income tax of the Group for the Reporting Period was approximately HK\$11,999,000, representing a decrease of approximately 35% when compared with approximately HK\$18,330,000 for the Corresponding Period. Loss attributable to owners of the Company for the Reporting Period was approximately HK\$10,682,000, representing a decrease of approximately 32% when compared with approximately HK\$15,769,000 for the Corresponding Period.

INDUSTRY OVERVIEW

The business environment of the information system solution industry in the People’s Republic of China (“**China**” or the “**PRC**”) remained tough during the third quarter (the three months ended 31 December 2022) of the Company’s financial year ending 31 March 2023 due to the country’s slowing economic growth and the more stringent sanctions by the United States of America (the “**United States**” or “**US**”) government against China’s technology sector.

In October 2022, the US government imposed restrictions on the export of advanced chips (those of less than 14 nanometers) and advanced chip-making technology and equipment to China amid heightening geopolitical tensions. As a result, China’s information system solution developers and providers have become more cautious about investment in research and development of new technology that involves more advanced chips. This can impede the progress of the upgrading and digitalization of the country’s industries. This, coupled with the country’s slowing economy that resulted from the interest rate hikes by advanced countries to combat high inflation as well as from China’s zero-Covid policy, caused projects undertaken by China’s information system solution industry to be delayed or scaled down.

Nevertheless, there were some bright spots in the country’s slowing economy. Among them are electronic signature and artificial intelligence (“**AI**”), which continued to grow in 2022 and still had a bright prospect.

The country's growing digital economy boosted the demand for electronic signature. iiMedia Research, a data mining and analysis organization for new economy industries, predicted that China's electronic signature market would grow from RMB15.28 billion in 2021 to RMB21.71 billion in 2022 and RMB40.42 billion in 2024 (Source: an article entitled “電子簽名行業數據分析: 2022年中國電子簽名市場規模預計將達217.1億元” posted on iiMedia Research's website iiMedia.cn on 14 February 2022). Specifically, China's market for electronic signature software is predicted to grow to US\$91.0 million in 2022, albeit at a lower speed due to the raging pandemic, following a 31.7% increase to US\$73 million in 2021 (Source: an article entitled “2023年中國電子簽名軟件市場規模及競爭格局預測分析” and dated 12 December 2022 on www.ASCKI.com (中商情報網)). Such market is projected to grow at a compound annual growth rate of 26.4% from 2022 to 2026, according to the article on www.ASCKI.com quoting from International Data Corporation (IDC), a global market intelligence firm which is focused on the technology industry.

Meanwhile, businesses and industries in China had increasing demand for AI services and solutions and robotic process automation (“RPA”) because such technologies helped them to grapple with the problems of labour shortage and wage rises caused by the pandemic. The Chinese government had earlier mapped out a plan to foster the development of such technologies which can facilitate the digitalization and the upgrading of industries. China's market for AI software and services grew by 23.5% to RMB106.44 billion in 2021 and is projected to reach over RMB200 billion in 2024, according to Analysys, a PRC-based market research firm (Sources: an article entitled “2021年中國人工智能軟件及服務市場規模超千億，認知智能增速顯著” dated 13 September 2022 on 36kr.com and an article entitled “人工智能軟件及服務細分市場數據監測報告合集” dated 13 October 2022 on sohu.com quoting from Analysys). Specifically, China's market for AI software and applications is projected to grow to US\$6.6 billion in 2022 from US\$5.28 billion in 2021 (Source: an article entitled “2022年中國人工智能軟件及應用市場規模及結構預測分析” and dated 21 June 2022 on www.ASCKI.com (中商情報網)) quoting from IDC).

BUSINESS REVIEW

To ride out the harsh operating environment, the Group pushed forward with its business transformation and diversification. It has been capitalizing on China's growing digital economy by fostering both the back-end and front-end businesses of information technology software and system development. In the back-end business, the Group kept on developing its businesses of information technology software and system development for information verification, AI services and solutions and RPA. Meanwhile, the Group was also gradually shifting its business focus to the operation of information technology systems from the development of such systems in anticipation of the already difficult business environment being exacerbated by the US restrictions on the export of advanced chips to China. For instance, in the second half of 2022, the Group already started preparing to diversify into such a value-added service as a short messaging service for businesses and into a front-end business of selling wearable devices which would be installed with the information technology software and system developed by the Group. The front-end business will enable the Group to build its brand in the end-user market and thus create its brand awareness.

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

During the third quarter of the previous financial year, CITIC Cyber Security signed separate contracts to 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.

CITIC Cyber Security had earlier entered into an agreement dated 30 September 2020 to form a digital technology joint venture company with China’s three major telecommunications carriers and a wholly-owned subsidiary of a state-owned public security technology company (For further details, please refer to the Company’s announcement dated 10 February 2021 and circular dated 26 May 2021, which were published on the website of Hong Kong Exchanges and Clearing Limited). The joint venture company will provide financial institutions, government departments and enterprises with digital solutions for cyber security. As at 31 December 2022, the joint venture company has not yet been established.

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

During the Reporting Period, CITIC Cyber Security continued to conduct information verification for a securities brokerage, a certificate authority and a mainland China-based full-service investment banking enterprise through websites, application programming interface (“**API**”) or terminals. It was also fulfilling a contract to build a unified digital authentication system, carry out application integration and operate and maintain such system for an information technology subsidiary of a China-based transportation infrastructure design and construction firm.

In September 2022, the Group signed a contract to sell two data encryption devices, two server encryption devices and one authenticated encryption device to an information technology firm and to develop software for it. Such devices and services are involved in the information verification conducted for the above-mentioned securities brokerage, certificate authority and mainland China-based full-service investment banking enterprise.

CITIC Cyber Security had earlier signed an agreement with the Shenzhen branch of a PRC-based bank to jointly promote each other's respective services, namely CITIC Cyber Security's internet electronic identity authentication and the bank's financial services in June 2019. Under this agreement, eCitizen would be applied to the bank's financial services. In June 2019, CITIC Cyber Security also reached an agreement with a Shenzhen-based certificate authority to cooperate in combining eCitizen SIM card and digital certificates and in applying the two combined technologies to such fields as electronic signature. In January 2020, CITIC Cyber Security signed a contract to develop and implement on behalf of another PRC-based bank a platform for signing, managing and auditing contracts electronically.

Other businesses that the Group engaged in during the Reporting Period included the supply of electrical and electronic components, namely inductors and master control chips; and designing mobile web pages for marketing on behalf of an information technology firm and its client as an end-user and providing technical support for them in running such web pages. Its business of subleasing co-working spaces of an office building in Shenzhen ceased in October 2022.

1. 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.

2. Conducting information verification for other companies

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

3. 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.

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

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

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

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

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

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

7. Designing mobile web pages for marketing

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

PROSPECT

The Chinese government relaxed its anti-pandemic measures in December 2022. This bodes well to a future recovery in the country's information system solution industry. However, the industry will take quite a while to rebound because the country's economy has yet to fully regain its growth momentum while the U.S. persists in restraining China's technological development amid geopolitical tensions. Specifically, the U.S. government restricts the export of advanced chips and the technology and equipment for manufacturing such advanced chips to China. This can disrupt the supply chain of China's information system solution industry and thus frustrate the industry's development. Although China will step up its effort to research and develop its own advanced chips and information systems to which such chips are applied, the endeavour will probably take quite a long while to yield results. The information system developers' efforts can be frustrated. This can affect the upgrading and transformation of the country's industries. Therefore, the Group is shifting the focus of its business development to the operation of information technology systems from the development of such systems in order to broaden its income stream.

In the second half of 2022, the Group already started preparing to diversify into such a value-added service as a short messaging service for businesses which would include banks. Through its PRC-based subsidiary, the Group signed a contract in October 2022 to cooperate with an information technology company in providing a multimedia short messaging service for businesses on behalf of a branch of a major telecommunications carrier of China in Guangdong province.

Meanwhile, in the second half of 2022, the Group was also preparing to begin its front-end business of selling wearable devices such as smartwatches for children that will be installed with the information technology software and system developed by the Group. The smartwatch can function as a handset for both audio and visual communications, connect to the internet through Wi-Fi and enables the wearer's parents to track him through the global positioning system (GPS). The smartwatches will be bundled with the telecommunication services of a major telecom carrier in China. The Group will be the general agency for the distribution of the smartwatches or provide services that support the operation of such wearable devices as hardware. The front-end business will enable the Group to build its brand in the end-user market and thus create its brand awareness.

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

Other back-end businesses that the Group has been building up include those of internet electronic identity authentication, electronic signature and AI services and solutions. Such businesses are aimed at capitalizing on China's booming digital economy and the growing trends towards digitalization and automation among businesses.

During the previous financial year, Shenzhen YBDS signed a framework agreement to provide training in and consultancy on RPA for a software and information technology service company. Such training in and consultancy on RPA will enable a leading telecommunications company to provide some AI-based customer services such as answering customer enquiries about outstanding fees and unused quota of data transmission without involving any manpower. Such AI services and solutions not only can replace manual workers in simple and routine jobs and thus can relieve the pressure of the rising labour cost, but also can lay the foundation of big data analytics, which can help companies to promote certain new services or products among target customers.

All these initiatives not only can expand the income source to help the Group tide itself over the tough business environment but also can add impetus to the Group's business development for the long term.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

SIGNIFICANT INVESTMENTS

As at 31 December 2022, the Group held financial assets at fair value through profit or loss of approximately RMB10,300,000 (equivalent to approximately HK\$11,657,000) (31 March 2022: approximately RMB18,550,000 (equivalent to approximately HK\$22,894,000)).

It recorded a total income of approximately HK\$303,000 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.

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 2022, (i) Mr. Wang Xiaoqi is interested in 382,000 ordinary shares of the Company, representing approximately 0.028% of the total number of issued ordinary shares of the Company; (ii) Mr. Ho Yeung is interested in 18,083,500 ordinary shares of the Company, representing approximately 1.333% of the total number of issued ordinary shares of the Company; 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 2022, so far as the Directors are aware of and having made due enquires, the following persons (not being a Director or chief executive of the Company) had 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 2022 (Note 3)
Happy On (Note 1)	Beneficial owner	987,888,771 (L)	72.83%
Mr. Chan Foo Wing ("Mr. Chan") (Note 1)	Interest in a controlled corporation	987,888,771 (L)	72.83%

Notes:

- 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 2022.

Save as disclosed above, as at 31 December 2022, 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.

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 of the Company (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 2023

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 website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its posting and on the Company’s website at www.8050hk.com.

* For identification purpose only