Quantum Thinking Limited
量子思維有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

The board of directors (the "**Board**") of the Company hereby presents the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2019, together with the comparative figures for the year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*4*	**12,256**	17,258
Cost of sales and services		**(8,472)**	(10,628)
Gross profit		**3,784**	6,630
Other income	*5*	**9,619**	5,287
Distribution costs		**(6,590)**	(4,579)
Administrative expenses		**(39,253)**	(20,041)
Loss before income tax	*6*	**(32,440)**	(12,703)
Income tax (expense)/credit	*7*	**(229)**	431
Loss for the year		**(32,669)**	(12,272)
Loss for the year attributable to:			
Owners of the Company		**(21,136)**	(8,519)
Non-controlling interests		**(11,533)**	(3,753)
		(32,669)	(12,272)
Loss per share attributable to the owners of the Company			
Basic (HK cents)	*9*	**(1.56)**	(0.63)
Diluted (HK cents)	*9*	**(1.56)**	(0.63)

	Note	2019 HK$'000	2018 HK$'000
Loss for the year		**(32,669)**	(12,272)
Other comprehensive expense			
Exchange differences arising on translation of foreign operations that will be reclassified subsequently to profit or loss		**(1,538)**	2,159
Other comprehensive expense for the year, net of tax		**(1,538)**	2,159
Total comprehensive expense for the year		**(34,207)**	(10,113)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(23,399)**	(5,142)
Non-controlling interests		**(10,808)**	(4,971)
		(34,207)	(10,113)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**5,723**	987
Intangible assets		**54**	393
Prepayment of leasehold improvement		**279**	1,267
		6,056	2,647
Current assets			
Inventories		**–**	–
Trade and other receivables	*10*	**5,338**	46,208
Financial assets designated at fair value through profit or loss		**49,204**	24,365
Cash and cash equivalents		**51,278**	76,790
Restricted cash		**735**	42,063
		106,555	189,426
Current liabilities			
Trade and other payables	*11*	**87,542**	141,054
Tax payable		**494**	522
		88,036	141,576
Net current assets		**18,519**	47,850
Total assets less current liabilities		**24,575**	50,497
Net assets		**24,575**	50,497
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**135,625**	135,625
Reserves		**(94,370)**	(70,971)
		41,255	64,654
Non-controlling interests		**(16,680)**	(14,157)
Total equity		**24,575**	50,497

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to the owners of the Company							
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Warrant reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
As at 1 April 2017	135,625	99,935	900	(5,701)	(161,060)	69,699	(9,089)	60,610
Comprehensive expense								
Loss for the year	–	–	–	–	(8,519)	(8,519)	(3,753)	(12,272)
Other comprehensive expense								
Exchange differences arising on translation of foreign operations	–	–	–	3,377	–	3,377	(1,218)	2,159
Total comprehensive expense for the year	–	–	–	3,377	(8,519)	(5,142)	(4,971)	(10,113)
Transaction with owners								
Deemed disposal of the partial investment in a subsidiary, Shenzhen Anxin	–	–	–	–	(266)	(266)	266	–
Acquisition of additional investment in a subsidiary, Shenzhen Anxin	–	–	–	–	363	363	(363)	–
Release upon expiry of warrants	–	–	(900)	–	900	–	–	–
Total transaction with owners	–	–	(900)	–	997	97	(97)	–
As at 31 March 2018 and 1 April 2018	**135,625**	**99,935**	**–**	**(2,324)**	**(168,582)**	**64,654**	**(14,157)**	**50,497**
Comprehensive expense								
Loss for the year	**–**	**–**	**–**	**–**	**(21,136)**	**(21,136)**	**(11,533)**	**(32,669)**
Other comprehensive expense								
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**(2,263)**	**–**	**(2,263)**	**725**	**(1,538)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(2,263)**	**(21,136)**	**(23,399)**	**(10,808)**	**(34,207)**
Transaction with owners								
Acquisition of subsidiaries *(note 12)*	**–**	**–**	**–**	**–**	**–**	**–**	**8,285**	**8,285**
Total transaction with owners	**–**	**–**	**–**	**–**	**–**	**–**	**8,285**	**8,285**
As at 31 March 2019	**135,625**	**99,935**	**–**	**(4,587)**	**(189,718)**	**41,255**	**(16,680)**	**24,575**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION

Quantum Thinking Limited (the "**Company**") was incorporated in the Cayman Islands on 8 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is situated at Unit 1201–5, China Resources Building, No. 26 Harbour Road, Wan Chai, Hong Kong.

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

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

The consolidated financial statements are presented in thousands of unit of Hong Kong dollars ("**HK$'000**") unless otherwise stated, these consolidated financial statements for the year ended 31 March 2019 were approved for issue by the Board on 14 June 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**").

The significant accounting policies that have been used in preparation of the consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3 to the consolidated financial statements.

The consolidated financial statements have been prepared under the historical cost basis except for financial assets designated at fair value through profit or loss which are stated at fair values. The measurement basis is fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of the these new and amended HKFRSs has no material impact on how the financial performance and financial position for the current and prior periods have been prepared and presented.

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "ECL model" for the impairment of financial assets.

Classification and measurement of financial assets

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1 April 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in accumulated losses.

For trade and other receivables, restricted cash and cash and cash equivalents are previously classified as loans and receivables under HKAS 39, now classified at financial assets measured at amortised cost under HKFRS 9.

Impairment of financial assets

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including trade and other receivables and restricted cash and cash and cash equivalents).

The Group applies a simplified approach of recognising lifetime ECL for trade receivables. For other financial assets measured at amortised cost, the Group applies a general approach of recognising ECL.

The Group has concluded that the impact of ECL on financial assets is insignificant as at 1 April 2018 and therefore no adjustment was recorded to opening equity.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to HKFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "**HKFRS 15**") replace HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18.

Summary of nature and effect of the changes on previous accounting policies are set out below:

i. *Timing of revenue recognition*

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture[1]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual period beginning on or after 1 January 2021
4 Effective date not yet determined
5 Effective for business combination and asset acquisitions for which the acquisition date is on or after beginning of the first annual period beginning on or after 1 January 2020

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

	2019	2018
	HK$'000	*HK$'000*
Revenue:		
Hardware	**248**	3,462
Services		
— System development	**8,420**	10,846
— Consultancy	**3,310**	2,225
— Maintenance	**197**	613
— Others	**81**	112
	12,008	13,796
	12,256	17,258

Management has determined the operating segments based on the reports reviewed by the executive Directors that are used to make operating decisions. Executive Directors are considered as the chief operating decision makers ("**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 profit/(loss). This measurement basis excludes other income and unallocated expenses.

Segment assets mainly exclude assets that are managed on a centralised basis. Segment liabilities mainly exclude liabilities that are managed on a centralised basis.

In respect of geographical segment reporting, sales are based on the countries in which customers are located, and non-current assets are based on the countries where the assets are located.

The segment results for the year ended 31 March 2019 are as follows:

	Hardware *HK$'000*	**Services** *HK$'000*	**Unallocated*** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**248**	**12,008**	**–**	**12,256**
Reportable segment loss	**(62)**	**(17,958)**	**(24,039)**	**(42,059)**
Bank interest income				**323**
Other income	**–**	**7,488**	**1,808**	**9,296**
Loss before income tax				**(32,440)**
Income tax expense *(note 7)*				**(229)**
Loss for the year				**(32,669)**
Depreciation of property, plant and equipment	**98**	**1,716**	**186**	**2,000**
Amortisation of intangible assets	**–**	**–**	**13**	**13**
Impairment loss on				
— trade receivables	**1,623**	**61**	**–**	**1,684**
— other receivables	**–**	**–**	**831**	**831**
Loss on written off of property, plant and equipment	**–**	**–**	**452**	**452**
Gain on bargain purchase in respect of the acquisition of the subsidiaries *(note 12)*	**–**	**(7,488)**	**–**	**(7,488)**

* Unallocated expenses mainly include operating lease charges in respect of rented premises and headquarter expenses and allowance expenses.

The segment results for the year ended 31 March 2018 are as follows:

	Hardware *HK$'000*	Services *HK$'000*	Unallocated* *HK$'000*	Total *HK$'000*
Revenue from external customers	3,462	13,796	–	17,258
Reportable segment (loss)/profit	(8,211)	2,163	(11,942)	(17,990)
Bank interest income				153
Other income				5,134
Loss before income tax				(12,703)
Income tax credit *(note 7)*				431
Loss for the year				(12,272)
Depreciation of property, plant and equipment	788	152	212	1,152
Amortisation of intangible assets	–	–	1	1
Impairment loss on				
— trade receivables	3,261	–	–	3,261
— other receivables	150	–	700	850
Reversal of impairment loss on				
— other receivables	(1,533)	–	–	(1,533)
— inventories	(1,403)	–	–	(1,403)
Loss on written off of property, plant and equipment	375	–	–	375

* Unallocated expenses mainly include operating lease charges in respect of rented premises and headquarter expenses and allowance expenses.

The segment assets and liabilities as at 31 March 2019 are as follows:

	Hardware ***HK$'000***	**Services** ***HK$'000***	**Total** ***HK$'000***
Segment assets	**357**	**2,230**	**2,587**
Unallocated assets*			**110,024**
Total assets			**112,611**
Segment liabilities	**59,793**	**–**	**59,793**
Unallocated liabilities*			**28,243**
Total liabilities			**88,036**

The segment assets and liabilities as at 31 March 2018 are as follows:

	Hardware *HK$'000*	Services *HK$'000*	Total *HK$'000*
Segment assets	1,759	6,788	8,547
Unallocated assets*			183,526
Total assets			192,073
Segment liabilities	101,731	10,185	111,916
Unallocated liabilities*			29,660
Total liabilities			141,576

* Unallocated assets mainly include certain property, plant and equipment, certain other receivables, financial assets designated at fair value through profit or loss, restricted cash, and cash and cash equivalents. Unallocated liabilities mainly include certain other payables and accruals and tax payable.

The revenue from external customers of the Group by geographical segments is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Revenue:		
PRC	**12,256**	17,258

Three (2018: Five) external customers contribute more than 10% revenue of the Group. Revenues of approximately HK$11,142,000 (2018: HK$17,146,000) are derived from these customers for the year ended 31 March 2019. These revenues are attributable to hardware segment and service segment.

As at 31 March 2019, accounts receivable from these external customers accounted for nil (2018: 78%) of the Group's total accounts receivable.

An analysis of the non-current assets of the Group by geographical segments is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Non-current assets:		
Hong Kong	**169**	638
PRC	**5,887**	2,009
	6,056	2,647

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time, details of the Group's timing of revenue recognition during the year ended 31 March 2019 were as follows:

	2019
	HK$'000
Timing of revenue recognition	
Over time	**11,811**
At a point of time	**445**
Revenue from external customers	**12,256**

Transaction price allocated to performance obligation that are unsatisfied as at 31 March 2019 amounted to HK$1,098,000 which are expected to be recognised within one to five years.

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest income on short-term bank deposits	**323**	153
Investment income from financial assets at fair value through profit or loss	**1,532**	1,739
Reversal of write-down of inventories	**–**	1,403
Reversal of impairment loss on other receivables	**–**	1,533
Gain on bargain purchase in respect of the acquisition of subsidiaries *(note 12)*	**7,488**	–
Others	**276**	459
	9,619	5,287

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**492**	414
Cost of inventories sold	**225**	1,806
Depreciation of property, plant and equipment	**2,000**	1,152
Amortisation of intangible assets	**13**	1
Employee benefit expense	**16,609**	8,430
Net foreign exchange (gain)/loss	**(138)**	509
Operating lease charges in respect of rental premises	**4,983**	370
Impairment loss on trade receivables	**1,684**	3,261
Impairment loss on other receivables	**831**	850
Reversal of write-down of inventories	**–**	(1,403)
Reversal of impairment loss on other receivables	**–**	(1,533)
Loss on written off of property, plant and equipment	**452**	375
Loss on written off of intangible assets	**326**	–
Gain on bargain purchase in respect of the acquisition of subsidiaries *(note 12)*	**(7,488)**	–

7. INCOME TAX EXPENSE/(CREDIT)

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

	2019	2018
	HK$'000	*HK$'000*
PRC enterprise income tax		
Current year	**50**	538
Under/(over)-provision in prior year	**179**	(969)
Income tax expense/(credit)	**229**	(431)

Reconciliation between income tax expense and accounting loss at the applicable tax rate is as follows:

	2019	2018
	HK$'000	*HK$'000*
Loss before income tax	**(32,440)**	(12,703)
Tax on loss before income tax, calculated at Hong Kong profits tax rate of 16.5% (2018: 16.5%)	**(5,352)**	(2,096)
Tax effect of non-deductible expenses	**2,531**	1,192
Tax effect of non-taxable income	**(1,872)**	(7)
Tax effect of unrecognised tax losses	**6,836**	2,130
Utilisation of previously unrecognised tax losses	**(116)**	(173)
Under/(over)-provision in prior years	**179**	(969)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,977)**	(508)
Income tax expense/(credit)	**229**	(431)

8. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: nil).

9. LOSS PER SHARE

Basic loss per share for the year is calculated by dividing the loss attributable to owners of the Company of approximately HK$21,136,000 (2018: HK$8,519,000) by the weighted average number of 1,356,250,000 (2018: 1,356,250,000) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 March 2019 equals to the basic loss per share as the Group had no potential ordinary shares in issue.

Diluted loss per share for the year ended 31 March 2018 equals to the basic loss per share as the potential ordinary shares on exercise of warrants were not included in the calculation of diluted loss per share because they are anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**287**	8,154
Prepayments, deposits and other receivables	**5,051**	38,054
	5,338	46,208

The credit period granted by the Group to its customers generally ranged from 0 to 120 days (2018: 0 to 120 days). At the reporting date, the ageing analysis of the Group's trade receivables (net of provision for impaired receivables) based on invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0–30 days	**–**	6,110
31–60 days	**–**	–
61–90 days	**–**	–
91–180 days	**287**	–
181–365 days	**–**	–
Over 365 days	**–**	2,044
	287	8,154

The movement in the provision for impairment of trade receivables is as follows:

	2019 HK$'000	2018 HK$'000
Balance at the beginning of the year	**(6,124)**	(2,408)
Provision for the year	**(1,684)**	(3,261)
Exchange realignment	**393**	(455)
Balances at the end of the year	**(7,415)**	(6,124)

The Group has credit control procedures to minimise credit risk. Overdue balances are reviewed regularly by management. Customers' historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment were taken into account for the credit risk assessment.

As at 31 March 2019, HK$1,684,000 of provision for impairment was recognised in the consolidated statement of profit or loss and other comprehensive income (2018: HK$3,261,000). The Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

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. The Group did not hold any collateral as security or other credit enhancements over the trade and other receivables.

11. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**58,979**	111,046
Other payables and accruals	**28,563**	30,008
	87,542	141,054

At 31 March 2019 and 2018, all trade and other payables are short term and hence the carrying values of the Group's trade and other payables are considered to be a reasonable approximation of fair value.

The Group was granted by its suppliers credit periods ranging from 30-180 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**–**	4,225
Over 365 days	**58,979**	106,821
	58,979	111,046

12. ACQUISITION OF SUBSIDIARIES

On 4 July 2018, the Group acquired 100% equity interests in the Shenzhen Quantum Technology Information Co., Ltd. ("**Shenzhen Quantum**") together with its subsidiary Shenzhen CITIC Cyber Security Authentication Co., Ltd. ("**CITIC Cyber Security**") (70% equity interest held by Shenzhen Quantum) for a cash consideration of RMB3,500,000 (equivalent to approximately HK$4,139,000). CITIC Cyber Security is engaged in the technical development and software development of credible identity authentication services related products in the PRC.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

On 23 May 2018, a subsidiary of the Company, Shenzhen Anxin Certification System Co., Ltd. ("**Shenzhen Anxin**"), Shenzhen Quantum and the original shareholder of Shenzhen Quantum entered into a loan agreement of RMB3,500,000. Subsequently, Shenzhen Quantum failed to repay the loan upon expiry. Pursuant to the loan agreement, the original shareholder of Shenzhen Quantum transferred the entire equity interest in Shenzhen Quantum to Shenzhen Anxin as a deemed repayment of the loan and the consideration of the acquisition of Shenzhen Quantum and its subsidiary. The acquisition process was completed on 4 July 2018.

At the acquisition date, there is no material difference between the carrying amount and the fair value on the identifiable assets acquired based on the assessment performed by an independent valuer. The deemed consideration of RMB3,500,000 (equivalent to HK$4,139,000) was far below the fair value of the identifiable assets acquired, a gain on bargain purchase of HK$7,488,000 was recognized in profit or loss during the year ended 31 March 2019.

The following table summarises the consideration paid for the acquisitions, the aggregate amounts of provisional fair value of the assets acquired and liabilities assumed at the acquisition date.

	As at 4 July 2018 *HK$'000*
Property, plant and equipment, net	2,730
Deposits and other receivables	1,833
Financial assets designated at air value through profit or loss	948
Cash and cash equivalents	33,381
Other payables	(7,118)
Amount due to a group subsidiary	(11,862)
Total identifiable net assets	19,912
Less: non-controlling interests	(8,285)
Identifiable net assets acquired	11,627
Cash consideration	(4,139)
Gain on bargain purchase	7,488
Cash paid on acquisition	(4,139)
Cash and cash equivalents acquired	33,381
Cash inflow on acquisition of subsidiaries	29,242

Before the acquisition, Shenzhen Quantum has entered into an investment agreement containing certain profit guarantee arrangement with the non-controlling shareholder of CITIC Cyber Security:

(1) In the event that the net profit attributable to the shareholders of CITIC Cyber Security (after deducting non-recurring profit and loss) for the year ending 31 December 2019, 31 December 2020 and 31 December 2021 is less than RMB800,000, RMB40,000,000 and RMB85,000,000 (the "**Guaranteed Net Profit**"), respectively, Shenzhen Quantum shall compensate CITIC Technology in accordance with the following formula:

Compensation amount = (Guaranteed Net Profit for the year – actual net profit for the year) x 30% x 10

(2) In the event that the average net profit attributable to the shareholders of CITIC Cyber Security (after deducting non-recurring profit and loss) for the 3 years ending 31 December 2021 is less than RMB40,000,000, the aggregate net profit attributable to the shareholders of CITIC Cyber Security (after deducting non-recurring profit and loss) for the 3 years ending 31 December 2021 is less than RMB120,000,000, there is material default, or serious illegal business has been undertaken by CITIC Cyber Security, CITIC Technology may request Shenzhen Quantum to acquire the equity interest in CITIC Cyber Security held by CITIC Technology in accordance with the terms and conditions of such investment agreement.

Details of the investment agreement has been set out in the Company's announcement dated 12 October 2018. The Directors of the Company considers the fair value of the liability arising from the profit guarantee as at the acquisition date and at 31 March 2019 were insignificant by reference to a cash flow forecast prepared by the Directors.

During the period from the acquisition date to 31 March 2019, Shenzhen Quantum and CITIC Cyber Security have contributed a total revenue of HK$201,000 and a net loss attributable to the owners of the Group of HK$12,285,000.

If the acquisition had occurred on 1 April 2018, the consolidated revenue and a net loss attributable to the owners of the Group for the year ended 31 March 2019 would have been HK$201,000 and HK$16,806,000 respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition has been completed on 1 April 2018 and could not serve as a basis for the forecast of future operation result.

EXTRACT OF THE AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual financial statements for the year ended 31 March 2019:

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As disclosed in note 26 to the consolidated financial statements of annual report, the Group acquired the entire interests in a subsidiary, Shenzhen Quantum Technology Information Co., Ltd. ("**Shenzhen Quantum**") during the year ended 31 March 2019. Shenzhen Quantum has a non-wholly owned subsidiary, CITIC Cyber Security Authentication Co., Ltd. ("**CITIC Cyber Security**"). Before the acquisition, Shenzhen Quantum has entered into an investment agreement containing certain profit guarantee arrangement with the non-controlling shareholder of CITIC Cyber Security. The Directors of the Company have prepared a cash flow forecast of CITIC Cyber Security and concluded that the fair value of the liability arising from profit guarantee as at acquisition date and 31 March 2019 are insignificant and hence no liability has been provided as at acquisition date and 31 March 2019. We were unable to obtain sufficient appropriate audit evidence to evaluate the reasonableness of the assumptions adopted by the Directors of the Company in estimating the expected timing and amounts of future cash flows generated by CITIC Cyber Security. Therefore, we are unable to reach a conclusion as to whether the liability arising from profit guarantee as at the acquisition date and at 31 March 2019 and the resulting bargain purchase gain of HK$7,488,000 for the year ended 31 March 2019 have been appropriately stated in the consolidated financial statements. Any increase in the liability arising from profit guarantee would affect the net assets of the Group as at 31 March 2019 and could also affect the Group's loss for the year then ended. There were no other alternative audit procedures that we could perform to satisfy ourselves as to the fair value of the liability arising from profit guarantee and the resulting bargain purchase gain. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Quantum Thinking Limited (the "**Company**", which together with its subsidiaries, is referred to as the "**Group**") already prepared itself for the decline in turnover caused by the reduced budgets of government departments and businesses for solutions for online/offline payment because it had diversified into the business of internet electronic identity authentication. Such business also fits in with the Company's mainstay business of developing systems and solutions for online/offline digital payments because internet electronic identity authentication can help prevent the leakage of personal data in online shopping and payment. As an important move in that direction, the Group acquired a 70% equity stake in Shenzhen CITIC Cyber Security Authentication Co., Ltd.（深圳市中信網安認證有限公司）("**CITIC Cyber Security**") during the financial year ended 31 March 2019 (the "**Reporting Period**"). CITIC Cyber Security has been preparing to provide both the government departments and private sector with a solution for internet electronic identity authentication. Through such projects, the Company will be able to capitalize on the state policy on building up the infrastructure for such industries as information technology and telecommunications and to offset part of the decline in the revenue from its principal business of developing systems and solutions for online/offline digital payments.

During the Reporting Period, CITIC Cyber Security won a contract to develop software for centralized maintenance and management of daily records of operations for the Shenzhen branch of a leading bank in the People's Republic of China (the "**PRC**" or "**China**"). It also developed the artificial intelligence-enabled elementary English language education pack ("**AI-enabled elementary English language education pack**") ("AI啟蒙英語教育大禮包" in Chinese) and produced the pack on a trial basis.

Meanwhile, 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**") succeeded in renewing annual contracts to develop a unified payment platform of a Shenzhen-based subsidiary of a leading telecommunications company and to provide repair and maintenance services for that unified payment platform in December 2018. Guangzhou YBDS also continued to provide another company with consultancy on installing and operating a security and protection system at some compressor stations in certain sections of a leading PRC-based petroleum company's network of pipelines for transmission of natural gas from western to eastern and southern China.

The Company's another wholly-owned subsidiary, Shenzhen YBDS IT Co., Ltd.（深圳市韻博信息科技有限公司）("**Shenzhen YBDS**"), is negotiating with a leading PRC-based telecommunications firm about the development and provision of a platform and software for reduction of both the operating cost and electric energy consumption for the latter. This is aimed at capitalizing on the trend of retrenchment by both the government departments and businesses in China.

In addition to the progress in its mainstay business, the Group also started a business of supplying Bluetooth chips to a company in Shenzhen.

1. **Development and construction of unified payment system and platform, and the provision of Product Business Operation Support Systems ("PBOSS") solution of the Internet of Things ("IoT") for monitoring and managing such system and platform**

   Guangzhou YBDS undertook the construction of the fifth phase of the unified payment platform of a Shenzhen-based subsidiary of a leading telecommunications company during the Reporting Period. The system and platform enable mobile wallet users to make mobile payments such as those of phone bills and to redeem consumption points and gift cards. During the Reporting Period, the fourth phase of the project was finished and 90% of the fifth phase was completed. Guangzhou YBDS also provided repair and maintenance services for such system and the work was almost completed. In addition, Guangzhou YBDS provided PBOSS, which was the solution of the IoT for monitoring and managing such system and platform, and the second phase of the work was completed during the Reporting Period.

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

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

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

3. **Development of software for a comprehensive payment platform of a leading property developer in the PRC**

   Shenzhen YBDS was developing software for the first phase of the construction of a comprehensive payment platform of a leading property developer in the PRC for the latter's commercial properties and e-commerce. The platform will enable the club members or users of the property developer's commercial properties to digitise consumption points, gift cards, coupons and other membership services so as to create a delightful experience of faster, smoother shopping. During the Reporting Period, the project was finished.

4. **Provision of technical support for and localization of an automatic system for vending and checking tickets of an intercity railway in Shandong province**

   The Company, through its indirect subsidiary, Hua Strong Network Science and Technology Limited Company (華天網絡科技有限公司), was cooperating with a software development and system integration company in providing technical support for and localising an automatic system for vending and checking tickets of an intercity railway in Shandong province, the PRC. Approximately 50% of the project had been completed during the Reporting Period and the contract ceased because the intercity railway company curtailed the budget for that project.

5. **Development of software for centralized maintenance and management of daily records of operations for the Shenzhen branch of a leading bank in the PRC**

   CITIC Cyber Security won a contract to develop software for centralized maintenance and management of daily records of operations for the Shenzhen branch of a leading bank in the PRC.

6. **Provision of consultancy on installing and operating a security and protection system at some compressor stations in a network of pipelines for transmission of natural gas**

   Guangzhou YBDS also continued to provide another company with consultancy on installing and operating a security and protection system at some compressor stations in certain sections of a leading PRC-based petroleum company's network of pipelines for transmission of natural gas from western to eastern and southern China. The system protects the pipelines against damage and gas theft.

FUTURE PROSPECT AND PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

Retrenchment by the Chinese government departments and businesses, especially state-owned enterprises, is expected to last for the next two to three years as China is faced with the prospect of a prolonged trade war with the United States and decelerating economic growth. However, companies that can help businesses cut costs and raise efficiency will be able to take advantage of the trend of retrenchment. Those that have the capability of developing solutions for internet electronic identity authentication will be able to capitalize on the Chinese government's endeavours to build the new type of infrastructure for such industries as information technology and telecommunications. The Group will apply its expertise to help businesses reduce operating cost and electric energy consumption and to assist them in preventing the leakage of personal data and theft of personal identity in online transactions and payments.

The Group will continue to cooperate with various types of businesses in pursuing the strategy of constructing an ecosystem of online/offline digital payments in which comprehensive, online shopping platforms are connected to digital payment systems for public utilities with a technology for unified communications. Meanwhile, it will further develop its business of internet electronic identity authentication which fits in with its overall business strategy.

To capitalize on the businesses' moves to cut expenditure and raise efficiency, the Company, through its wholly-owned subsidiary, Shenzhen YBDS, is negotiating with a leading PRC-based telecommunications firm about the development and provision of a platform and software for reduction of both the operating cost and electric energy consumption for the latter.

The Group's acquisition of a majority stake in CITIC Cyber Security in July of 2018 also began to contribute to the Group's revenue as CITIC Cyber Security won a contract in the third quarter ended 31 December 2018 of the Reporting Period to develop software for centralized maintenance and management of daily records of operations for the Shenzhen branch of a leading bank in the PRC. CITIC Cyber Security has also developed the artificial intelligence-enabled elementary English language education pack in China and has produced it on a trial basis.

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

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

The Group will continue to seek opportunities to cooperate with both the private and public sectors in developing China's market for online/offline payment and internet electronic identity authentication.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

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

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

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

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

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

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY

The Group has entered into two loan agreements as lender on 1 July 2017 (the "**1st Loan Agreement**") and 24 April 2018 (the "**2nd Loan Agreement**", together with the 1st Loan Agreement, the "**Loan Agreements**"), respectively, amongst others, the details of the Loan Agreements which each of them constituted discloseable transactions for the Company under Chapter 19 of the Rules (the "**GEM Listing Rules**") Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") are as follows:

On 1 July 2017, an indirect non wholly-owned subsidiary of the Company ("**Subsidiary A**"), as lender, entered into the 1st Loan Agreement with, Shenzhen Quantum, as borrower, and an independent third party ("**Company A**"), as paying agent of Subsidiary A, in relation to a loan of RMB16,944,500 for a term of 21 months (from 1 July 2017 to 31 March 2019) at an annual interest rate of 1% (the "**1st Loan**"). Shenzhen Quantum shall repay the 1st Loan in full in one lump sum together with the interest accrued thereon upon due date.

On 24 April 2018, an indirect wholly-owned subsidiary of the Company ("**Subsidiary B**"), as lender, entered into the 2nd Loan Agreement with Shenzhen Quantum, as borrower, and an independent third party holding the entire issued share capital of Shenzhen Quantum before the Acquisition (to be defined thereafter), as chargor (the "**Chargor**"), in relation to a loan of RMB3,500,000 for a term of 1 month (from 24 April 2018 to 23 May 2018) at an annual interest rate of 4.36% secured by the share charge dated 24 April 2018 executed by the Chargor and Subsidiary B (the "**2nd Loan**", together with the 1st Loan, the "**Loans**"), pursuant to which the Chargor charged in favour of Subsidiary B over her equity interest in Shenzhen Quantum (representing its entire issued share capital). Shenzhen Quantum failed to repay the 2nd Loan upon expiry. For the further details of the 2nd Loan, please refer to "Acquisition of 100% interests in Shenzhen Quantum" in this section and the announcement of the Company dated 12 October 2018.

The Loan Agreements also constituted advance to an entity under Rules 17.15 and 17.16 of the GEM Listing Rules. For details of the Loan Agreements, please refer to the announcement of the Company dated 12 October 2018.

ACQUISITION OF 100% INTERESTS IN SHENZHEN QUANTUM

On 23 May 2018, Subsidiary B, Shenzhen Quantum and the Chargor entered into a supplemental agreement to the 2nd Loan Agreement, pursuant to which the Chargor agreed to transfer the entire equity interest in Shenzhen Quantum to Subsidiary B for a consideration of RMB3,500,000 in the event that Shenzhen Quantum fails to perform its obligations under the 2nd Loan Agreement upon the expiry of the 2nd Loan. Shenzhen Quantum failed to repay the 2nd Loan upon expiry, and therefore Subsidiary B effected the acquisition which was completed on 4 July 2018 (the "**Acquisition**"). For details of the Acquisition, please refer to the announcement of the Company dated 12 October 2018.

Shenzhen Quantum is a company established in the PRC in June 2017 which focuses on investment in the development of software and the platform of services. It holds 70% of the equity interest in CITIC Cyber Security. CITIC Cyber Security is a joint venture company established in the PRC where CITIC Technology Co., Ltd.*（中信技術公司）, a subsidiary of CITIC Group Corporation, is its shareholder. CITIC Cyber Security focuses on technical development and software development of credible identity authentication services related products in the PRC.

Pursuant to the investment agreement entered into between, among others, Shenzhen Quantum, CITIC Technology and CITIC Cyber Security in September 2017, Shenzhen Quantum shall compensate CITIC Technology in the event that CITIC Cyber Security cannot fulfill the guaranteed net profit requirement for each of the year 2019, 2020 and 2021. In addition, in the event that CITIC Cyber Security cannot fulfill a guaranteed average and aggregate net profit attribution for the 3 years ending 31 December 2021, or there is material default, or serious illegal business undertaken by CITIC Cyber Security, CITIC Technology may request Shenzhen Quantum to acquire the equity interest in CITIC Cyber Security held by CITIC Technology. For details, please refer to the announcement dated 12 October 2018.

Provision of system integration services and other value-added technical consultation services and hardware-related business are core businesses of the Group. The Group's acquisition of a majority stake in CITIC Cyber Security in July of 2018 also began to contribute to the Group's revenue as CITIC Cyber Security won a contract in the third quarter ended 31 December 2018 of the Reporting Period to develop software for centralised maintenance and management of daily records of operations for the Shenzhen branch of a leading bank in the PRC.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a revenue of approximately HK$12,256,000, representing a decrease of approximately 29% when compared with that in the financial year ended 31 March 2018 (the "**Previous Period**") operations of approximately HK$17,258,000.

Loss attributable to owners of the Company for the Reporting Period was approximately HK$21,136,000 compared with loss attributable to owners of the Company of approximately HK$8,519,000 for the Previous Period.

SEGMENTAL INFORMATION

Business segments

During the Reporting Period, when compared with the Previous Period, revenue generated from hardware sales decreased by approximately 93%, while revenue from services decreased by approximately 13%.

Geographical segments

The provision of system development services and other value-added technical consultation services and hardware-related business mainly caters for the PRC market. Revenue from the Hong Kong segment represented nil of the total revenue (Previous Period: nil).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2019, the shareholders' funds of the Group amounted to approximately HK$41,255,000. Current assets were approximately HK$106,555,000, mainly comprising cash and cash equivalents of approximately HK$51,278,000 and trade and other receivables of approximately HK$5,338,000. Current liabilities mainly comprised trade and other payables of approximately HK$87,542,000. The net asset value per share was approximately HK$0.018. The Group's gearing ratio, expressed as a percentage of bank borrowings and long-term debts over total equity, was nil. The liquidity ratio of the Group, determined as a ratio of current assets over current liabilities, was 1.21:1 (as at 31 March 2018: 1.34:1).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

For the Reporting Period, the Group was only exposed to limited currency exchange rate fluctuation risks as virtually all of the Group's monetary assets and liabilities were denominated in Hong Kong dollars as it conducts its business transactions principally in this currency. The currency exchange rate risk of the Group is therefore considered to be immaterial, and the Group did not engage in any hedging activity.

COMMITMENTS

As at 31 March 2019, the Group had operating lease commitments in respect of rented premises and equipment of approximately HK$9,992,000 (2018: HK$182,000). The large increase in the operating lease commitments was because of the enlarged office area as a result of the acquisition of CITIC Cyber Security. As at 31 March 2019 and 2018, the Group had no significant capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2019 and 2018, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2019 and 2018, the Group had no charges on the Group's assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had 75 employees (including 5 Directors) (2018: 52 employees (including 5 Directors)). The total remuneration paid to employees, including Directors, for the Reporting Period was approximately HK$16,609,000 (2018: HK$8,430,000). Remuneration is determined by reference to market terms and the performance, qualification and experience of each individual employee. Annual year-end double pay is paid based on each individual employee's performance as 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

SIGNIFICANT INVESTMENTS

For the Reporting Period, save as disclosed in the "Future prospect and plans for material investments or acquisition of capital assets" section above, the Group had no significant investments.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions ("**Code Provisions**") set out in the Corporate Governance Code (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, A.2.1 and C.2 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 action against its directors.

During the Reporting Period, the Board considered that under the current situations of close management of the Group and business scale, 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 and Mr. Ho Yeung 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.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the Code.

The Board conducted reviews of the system of internal controls of the Group to ensure an effective and adequate internal controls system is in place. The Board also convened meetings to discuss financial, operational and risk management controls.

Code Provision C.2

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 independent consultants 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.

However, the announcements in relation to the Loans and the Acquisition were not timely published. For details of the Loans and the Acquisition, please refer to "Provision of financial assistance and advance to an entity" and "Acquisition of 100% interests in Shenzhen Quantum" in this announcement and the announcement of the Company dated 12 October 2018. The Company will review and revise its internal control policies and procedures in order to prevent the occurrence of similar non-compliance of the GEM Listing Rules in the future.

The management of the Company will take measures to prevent similar incident from occurring in the future by taking active steps to comply with the disclosure requirements from time to time.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established in May 2000, and the Company had adopted a revised specific terms of reference as of 11 November 2016 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules.

Currently, the Audit Committee comprises Mr. Tse Yee Hin, Tony, Mr. Lau Chor Ki and Mr. Wong Kin Kee, all of whom are independent non-executive Directors. Mr. Tse Yee Hin, Tony is the current chairman of the Audit Committee.

The primary duties of the Audit Committee are to review the Group's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to the GEM Listing Rules, internal and audit control, and cash flow forecast.

The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 March 2019, the risk management and the internal control system of the Group.

During the Reporting Period, the Group's unaudited quarterly and half-yearly results and audited annual results for the year ended 31 March 2019 have been reviewed by the Audit Committee and it is of the view that such financial statements have been prepared in compliance with the applicable accounting standards and that adequate disclosures have been made.

The Board and the Audit Committee considered the internal control and risk management mechanism of the Group to be operating effectively for the year ended 31 March 2019.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the preliminary announcement of the Group's results for the Reporting Period have been agreed by the Company's auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by Grant Thornton Hong Kong Limited in this respect was limited and did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on this preliminary announcement.

By Order of the Board
Quantum Thinking Limited
Wang Xiaoqi
Director

Hong Kong, 14 June 2019

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

This announcement, for which the Directors of the Company 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 of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at 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.