

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 2020

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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.*

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board (the “**Board**”) of Directors of the Company hereby presents the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Revenue	6	26,556	12,256
Cost of sales		<u>(24,986)</u>	<u>(8,472)</u>
Gross profit		1,570	3,784
Other income	7	2,557	2,131
Change in fair value of financial liabilities at fair value through profit or loss		1,792	9,835
Distribution costs		(3,470)	(6,590)
Administrative expenses		(35,308)	(39,253)
Impairment loss on goodwill		–	(4,139)
Finance costs	8	<u>(366)</u>	<u>–</u>
Loss before taxation		(33,225)	(34,232)
Income tax credit/(expenses)	9	<u>606</u>	<u>(229)</u>
Loss for the year	10	<u>(32,619)</u>	<u>(34,461)</u>
Loss for the year attributable to:			
Owners of the Company		(26,710)	(22,928)
Non-controlling interests		<u>(5,909)</u>	<u>(11,533)</u>
		<u>(32,619)</u>	<u>(34,461)</u>

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000 (Restated)
Other comprehensive income/(expense)			
<i>Items that may be reclassified subsequently to profit of loss</i>			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		<u>395</u>	<u>(1,538)</u>
Other comprehensive income/(expense) for the year		<u>395</u>	<u>(1,538)</u>
Total comprehensive expense for the year		<u><u>(32,224)</u></u>	<u><u>(35,999)</u></u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		<u>(27,571)</u>	<u>(25,191)</u>
Non-controlling interests		<u>(4,653)</u>	<u>(10,808)</u>
		<u><u>(32,224)</u></u>	<u><u>(35,999)</u></u>
Loss per share attributable to the owners of the Company			
Basic and diluted (HK cents)	12	<u><u>(1.97)</u></u>	<u><u>(1.69)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

		As at 31 March 2020 <i>HK\$'000</i>	As at 31 March 2019 <i>HK\$'000</i> (Restated)	As at 1 April 2018 <i>HK\$'000</i>
Non-current assets				
Plant and equipment		6,337	5,723	987
Right-of-use assets		6,440	–	–
Intangible assets		41	54	393
Goodwill		–	–	–
Prepayments of leasehold improvement		–	279	1,267
		<u>12,818</u>	<u>6,056</u>	<u>2,647</u>
Total non-current assets				
Current assets				
Inventories		–	–	–
Trade and other receivables	13	10,076	5,338	46,208
Contract assets		1,193	–	–
Financial assets at fair value through profit or loss		29,035	49,204	24,365
Restricted cash		–	735	42,063
Bank balances and cash		28,030	51,278	76,790
		<u>68,334</u>	106,555	189,426
Assets classified as held for sale	16	<u>8,125</u>	–	–
Total current assets		<u>76,459</u>	<u>106,555</u>	<u>189,426</u>
Current liabilities				
Trade and other payables	14	14,656	87,542	141,054
Lease liabilities		3,550	–	–
Contract liabilities		251	–	–
Financial liabilities at fair value through profit or loss	15	–	1,792	–
Income tax payable		21	494	522
		<u>18,478</u>	89,828	141,576
Liabilities associated with assets classified held for sale	16	<u>76,704</u>	–	–
Total current liabilities		<u>95,182</u>	<u>89,828</u>	<u>141,576</u>
Net current (liabilities)/assets		<u>(18,723)</u>	<u>16,727</u>	<u>47,850</u>
Total assets less current liabilities		<u>(5,905)</u>	<u>22,783</u>	<u>50,497</u>

	As at 31 March 2020 HK\$'000	As at 31 March 2019 HK\$'000 (Restated)	As at 1 April 2018 HK\$'000
Non-current liabilities			
Lease liabilities	<u>3,536</u>	<u>–</u>	<u>–</u>
Net (liabilities)/assets	<u><u>(9,441)</u></u>	<u><u>22,783</u></u>	<u><u>50,497</u></u>
Equity			
Share capital	135,625	135,625	135,625
Reserves	<u>(123,733)</u>	<u>(96,162)</u>	<u>(70,971)</u>
Equity attributable to owners of the Company	11,892	39,463	64,654
Non-controlling interests	<u>(21,333)</u>	<u>(16,680)</u>	<u>(14,157)</u>
Total (deficits)/equity	<u><u>(9,441)</u></u>	<u><u>22,783</u></u>	<u><u>50,497</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company					Non-controlling interests	Total (deficits)/ equity
	Share capital	Share premium	Translation reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019, as originally stated (audited)	135,625	99,935	(4,587)	(189,718)	41,255	(16,680)	24,575
Prior year adjustments (note 3)	-	-	-	(1,792)	(1,792)	-	(1,792)
At 1 April 2019, as stated	135,625	99,935	(4,587)	(191,510)	39,463	(16,680)	22,783
Loss for the year	-	-	-	(26,710)	(26,710)	(5,909)	(32,619)
Other comprehensive expense							
Exchange differences arising on translating of financial statements from functional currency to presentation currency	-	-	(861)	-	(861)	1,256	395
Total comprehensive expense for the year	-	-	(861)	(26,710)	(27,571)	(4,653)	(32,224)
At 31 March 2020	<u>135,625</u>	<u>99,935</u>	<u>(5,448)</u>	<u>(218,220)</u>	<u>11,892</u>	<u>(21,333)</u>	<u>(9,441)</u>
At 1 April 2018	135,625	99,935	(2,324)	(168,582)	64,654	(14,157)	50,497
Loss for the year (restated)	-	-	-	(22,928)	(22,928)	(11,533)	(34,461)
Other comprehensive expense							
Exchange differences arising on translating financial statements from functional currency to presentation currency	-	-	(2,263)	-	(2,263)	725	(1,538)
Total comprehensive expense for the year	-	-	(2,263)	(22,928)	(25,191)	(10,808)	(35,999)
Acquisition of subsidiaries (note 17)	-	-	-	-	-	8,285	8,285
At 31 March 2019 (restated)	<u>135,625</u>	<u>99,935</u>	<u>(4,587)</u>	<u>(191,510)</u>	<u>39,463</u>	<u>(16,680)</u>	<u>22,783</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

Quantum Thinking Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 8 May 2000 and its shares were listed on the GEM of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 24 July 2000.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Since June 2020, the address of the principal place of business of the Company has changed to Room 1403, 14/F, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong.

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

The Company is an investing holding company. Its major operating subsidiaries are mainly engaged in the provision of system development services and other value-added technical consultation services and trading of hardware products.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are Hong Kong dollars (“**HK\$**”) while that of the subsidiaries established in the People’s Republic of China (the “**PRC**”) are Renminbi (“**RMB**”). For the purpose of presenting the consolidated financial statements, the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

As at 31 March 2020, the Group had net current liabilities of approximately HK\$18,723,000 and net liabilities of approximately HK\$9,441,000 respectively. In addition, it incurred a net loss attributable to owners of the Company of approximately HK\$26,710,000 for the year ended 31 March 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next twelve months, after taking into consideration of the measures and arrangements made by the Group as detailed below:

- (i) Happy On Holdings Limited, the immediate and the ultimate holding company has agreed to provide continuous finance support to the Group to enable the Group to meet its obligations when they fall due for the foreseeable future;
- (ii) the directors of the Company have been endeavoring to improve the Group’s operating results and cash flows through various cost control measures;
- (iii) the Group is expected to generate adequate cash flows to maintain its operations;
- (iv) the directors of the Company have carried out a detailed review of the working capital forecast of the Group for the twelve months ending 31 March 2021, which took into account the projected future working capital of the Group; and

- (v) proposed disposal of 100% equity interests in China Mobile Payment Technology Group Company Limited (“**China Mobile Payment Technology**”) and its subsidiaries, Hua Strong Network Science and Technology Limited Company (“**Hua Strong**”)* 華天網絡科技有限公司 and Beijing Huaqin World Technology Limited Company (“**Beijing Huaqin**”), (collectively referred to as “**China Mobile Payment Technology Group**”).

As at 31 March 2020, the net current liabilities and net liabilities of China Mobile Payment Technology Group were approximately HK\$50,372,000 and HK\$50,339,000 respectively. The directors are of their opinion that after the disposal, the financial position of the China Mobile Payment Technology Group would not be consolidated in the Group’s consolidated financial statements and the financial position of the Group would then be improved.

The directors of the Company have prepared a cash flow forecast covering a period up to 31 March 2021 on the basis that the disposal of 100% shareholding of the China Mobile Payment Technology Group Company Limited would be successful, and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 31 March 2020. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

In light of the measures and arrangements implemented to date, the directors of the Company are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months after having taken into account of the Group’s projected cash flows, current financial resources and capital expenditure requirements with respect to the development of its business. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the directors of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group’s ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from its substantial shareholders.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. PRIOR YEAR ADJUSTMENTS

The effects of prior year adjustments on the Group's consolidated financial position as at 31 March 2019 and the results for the year ended 31 March 2019 are as follows:

The Group

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 March 2019			
	As originally stated HK\$'000	Prior year adjustments HK\$'000	Notes	As restated HK\$'000
Other income	9,619	(7,488)	(a)	2,131
Change in fair value of financial liabilities at fair value through profit or loss	–	9,835	(a)	9,835
Impairment loss on goodwill	–	(4,139)	(b)	(4,139)

Consolidated Statement of Financial Position

	As at 31 March 2019			
	As originally stated HK\$'000	Prior year adjustments HK\$'000	Notes	As restated HK\$'000
Non-current assets				
Goodwill	–	–	(a),(b)	–
Current liabilities				
Financial liabilities at fair value through profit or loss	–	1,792	(a)	1,792
Capital and reserve				
Reserves	(94,370)	(1,792)	(a)	(96,162)

Notes:

- (a) Adjustments to recognise the goodwill and financial liabilities at fair value through profit or loss arisen from the acquisition of Shenzhen Quantum Technology Information Co., Ltd.,* (“**Shenzhen Quantum**”) 深圳市量子科技訊息有限公司 and its subsidiary, Shenzhen CITIC Cyber Security Authentication Co., Ltd., (“**CITIC Cyber Security**”) (collectively referred to as “**Shenzhen Quantum Group**”) of approximately HK\$4,139,000 and HK\$11,627,000 respectively.

As disclosed in note 17, Shenzhen Quantum has entered into an investment agreement containing certain profit guarantee arrangement (the “**Profit Guarantee**”) with the non-controlling shareholder of CITIC Cyber Security before the acquisition of Shenzhen Quantum. At the end of each reporting periods, the directors of the Company prepared a cash flow forecast of CITIC Cyber Security and assessed the fair value of the financial liabilities arisen from the Profit Guarantee.

When the revised fair value of the financial liabilities were determined in current year, the directors of the Company concluded that net liabilities were assumed in associated with the acquisition of Shenzhen Quantum as at the date of acquisition. Accordingly, a goodwill and financial liabilities at fair value through profit or loss of approximately nil and HK\$1,792,000 was recognised as at 31 March 2019.

- (b) Adjustment to recognise the impairment loss on goodwill arisen from the acquisition of Shenzhen Quantum

As explained in sub-paragraph (a) above, a goodwill was arisen from the acquisition of Shenzhen Quantum. The directors of the Company became aware of the impairment loss at the date of acquisition so that the Group fully recognised the impairment loss of the goodwill arise from the acquisition of approximately HK\$4,139,000 during the year ended 31 March 2019.

4. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations (“Int(s)”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group’s accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 *Leases* introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 *Leases* retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019. Comparative information has not been restated and continued to be reported under HKAS 17 *Leases*.

On transition to HKFRS 16 *Leases*, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 *Leases* only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 *Leases* and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 *Leases* has been applied only to contracts entered into or changed on or after 1 April 2019.

The Group as lessee

On adoption of HKFRS 16 *Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.75%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment—the Group applied this approach to all leases. There is no impact on the opening balances of equity.

The following table summarises the impact of transition to HKFRS 16 *Leases* at 1 April 2019. Line items that were not affected by the adjustments have not been included.

	Carrying amount previously reported at 31 March 2019 HK\$’000	Impact on adoption of HKFRS 16 HK\$’000	Carrying amount as restated at 1 April 2019 HK\$’000
Right-of-use assets	–	9,112	9,112
Lease liabilities — current portion	–	(6,344)	(6,344)
Lease liabilities — non-current portion	–	(2,768)	(2,768)

Note: As at 1 April 2019, right-of-use assets were measured at an amount equal to the lease liabilities of approximately HK\$9,112,000.

4.2 Practical expedients applied

On the date of initial application of HKFRS 16 *Leases*, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 *Leases* and HK(IFRIC)-Int 4 *Determining whether an arrangement contains a lease*.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 *Leases* were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17 *Leases*. The total cash flows are unaffected. The adoption of HKFRS 16 *Leases* has not resulted in a significant change in presentation of cash flows within the consolidated statement of cash flows.

Differences between operating lease commitment as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 April 2019 are as follow:

	<i>HK\$'000</i>
Operating lease commitment disclosed as at 31 March 2019	9,992
Less: Short-term leases and other leases with remaining lease term ending on or before 31 March 2020	<u>(550)</u>
	9,442
Discounted using the incremental borrowing rate	<u>(330)</u>
	9,112
Lease liabilities recognised as at 1 April 2019	<u><u>9,112</u></u>
Current portion	6,344
Non-current portion	<u>2,768</u>
	<u><u>9,112</u></u>

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective date not yet been determined

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors of the Company anticipate that, the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Company Ordinance.

The consolidated financial statements have been prepared on historical cost basis, except for certain financial assets and financial liabilities that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from system development service, consultancy service, maintenance and other services and sales of hardware products. An analysis of the Group's revenue for the year is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
— Services		
• System development	11,815	8,420
• Consultancy	698	3,310
• Maintenance and others	123	278
— Sales of hardware	13,920	248
	26,556	12,256

Set out below is the disaggregation of the Group's revenue from contracts with customers within the scope of HKFRS 15:

	Services <i>HK\$'000</i>	Sales of hardware <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2020			
Timing of revenue recognition			
At a point in time	–	13,920	13,920
Over time	<u>12,636</u>	<u>–</u>	<u>12,636</u>
	<u><u>12,636</u></u>	<u><u>13,920</u></u>	<u><u>26,556</u></u>
	Services <i>HK\$'000</i>	Sales of hardware <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2019			
Timing of revenue recognition			
At a point in time	–	248	248
Over time	<u>12,008</u>	<u>–</u>	<u>12,008</u>
	<u><u>12,008</u></u>	<u><u>248</u></u>	<u><u>12,256</u></u>

Transaction price allocated to the remaining performance obligations

As at 31 March 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$9,634,000 (2019: HK\$1,098,000). The amount represents revenue expected to be recognised in the future from software development contracts. The Group will recognise this revenue as the service is completed, which is expected to occur within one to five years.

Information reported to the directors of the Company, being the chief operating decision maker (the “CODM”), for the purpose of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the CODM has been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- System development, consultancy, maintenance and other services; and
- Sales of hardware products.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2020

	Services <i>HK\$'000</i>	Sales of hardware <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>12,636</u>	<u>13,920</u>	<u>26,556</u>
Segment loss	<u>(8,737)</u>	<u>(3,376)</u>	<u>(12,113)</u>
Change in fair value of financial liabilities at fair value through profit or loss	1,792	–	1,792
Unallocated income			2,557
Unallocated corporate expenses			<u>(25,461)</u>
Loss before taxation			<u>(33,225)</u>

For the year ended 31 March 2019 (restated)

	Services <i>HK\$'000</i>	Sales of hardware <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>12,008</u>	<u>248</u>	<u>12,256</u>
Segment loss	<u>(13,118)</u>	<u>(1)</u>	<u>(13,119)</u>
Change in fair value of financial liabilities at fair value through profit or loss	9,835	–	9,835
Unallocated income			2,131
Unallocated corporate expenses			<u>(33,079)</u>
Loss before taxation			<u>(34,232)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss of each segment without allocation of central administration costs, directors' emoluments and other income. This is the measure reported to the directors of the Company with respect to the resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	As at 31 March 2020 HK\$'000	As at 31 March 2019 HK\$'000 (Restated)
Services	11,323	2,230
Sales of hardware	7,475	357
Total segment assets	18,798	2,587
Assets relating to disposal group	8,125	–
Corporate and other assets	62,354	110,024
Total assets	89,277	112,611

Segment liabilities

	As at 31 March 2020 HK\$'000	As at 31 March 2019 HK\$'000 (Restated)
Services	6,752	–
Sales of hardware	6,743	59,793
Total segment liabilities	13,495	59,793
Liabilities relating to disposal group	76,704	–
Corporate and other liabilities	8,519	30,035
Total liabilities	98,718	89,828

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segment, other than intangible assets, goodwill, prepayment of leasehold improvement, unallocated deposits, prepayments and other receivables, financial assets at fair value through profit or loss, restricted cash, bank balances and cash and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to operating segments, other than unallocated other payables and accruals, income tax payable, lease liabilities and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment liabilities.

Other segment information

For the year ended 31 March 2020

	Services HK\$'000	Sales of hardware HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (<i>Note</i>)	8,712	3,420	2,560	14,692
Depreciation and amortisation	3,527	1,394	2,818	7,739
Loss on written-off of plant and equipment	–	–	1,389	1,389
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	(138)	(138)
Finance costs	–	–	366	366
Income tax credit	–	–	(606)	(606)

For the year ended 31 March 2019 (restated)

	Services HK\$'000	Sales of hardware HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (<i>Note</i>)	360	–	4,192	4,552
Depreciation and amortisation	1,716	98	199	2,013
Loss allowance on trade receivables	61	1,623	–	1,684
Loss allowance on other receivables	–	–	831	831
Loss on written off of plant and equipment	–	–	452	452
Loss on written off of intangible assets	–	–	326	326
Impairment loss on goodwill	4,139	–	–	4,139
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	(323)	(323)
Income tax expense	–	–	229	229

Note: Non-current assets included plant and equipment, right-of-use assets and intangible assets for the year ended 31 March 2020 (2019: plant and equipment and intangible assets).

During the years ended 31 March 2020 and 2019, the Group's operations are mainly located in the PRC.

Substantially all of the Group's operation are in the PRC, no geographical information is presented.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Company A ¹	9,934	N/A ³
Company B ²	7,320	N/A ³
Company C ¹	3,374	N/A ³
Company D ²	N/A ³	5,396
Company E ²	N/A ³	3,310
Company F ²	N/A ³	2,436

¹ Revenue from sales of hardware segment.

² Revenue from services segment.

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Interest income from bank deposits	138	323
Investment income from financial assets designated as at FVTPL	1,076	1,532
Income from waived of lease repayment	488	–
Government grants (<i>note</i>)	281	–
Others	574	276

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

8. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on lease liabilities	366	–

9. INCOME TAX CREDIT/(EXPENSES)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
PRC Enterprises Income Tax (“EIT”)	–	(50)
Over (under)-provision in prior years:		
PRC EIT	<u>606</u>	<u>(179)</u>
	<u><u>606</u></u>	<u><u>(229)</u></u>

Notes:

- (a) No Hong Kong Profits Tax has been provided for the year ended 31 March 2020 and 2019 as the Company did not have any assessable profits subject to Hong Kong Profits Tax.
- (b) Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

10. LOSS FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Directors’ and chief executive’s emoluments	1,686	1,810
Salaries, wages, allowances and other benefits	14,476	13,792
Contributions to retirement benefits scheme (excluding directors’, chief executive’s and supervisors’ emoluments)	<u>780</u>	<u>1,007</u>
Total staff costs	<u>16,942</u>	<u>16,609</u>
Auditor’s remuneration	795	492
Depreciation of plant and equipment	2,977	2,000
Depreciation of right-of-use assets	4,749	–
Amortisation of intangible assets	13	13
Loss allowance on trade receivables	–	1,684
Loss allowance on other receivables	–	831
Loss on written-off of plant and equipment	1,389	452
Loss on written-off of intangible assets	–	326
Impairment loss on goodwill	–	4,139
Amount of inventories recognised as an expense	13,137	225
Operating lease charges in respect of rented premises	323	4,983
Net exchange loss (gain)	<u><u>193</u></u>	<u><u>(138)</u></u>

11. DIVIDENDS

No dividend was paid or proposed during the years ended 31 March 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)
Loss		
Loss for the purpose of basic and diluted loss per share	<u>(26,710)</u>	<u>(22,928)</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000 shares)	<u>1,356,250</u>	<u>1,356,250</u>

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2020 and 2019.

13. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Receivables at amortised cost comprise:		
— Trade receivables	7,854	7,702
Less: loss allowance for trade receivables	<u>—</u>	<u>(7,415)</u>
	7,854	287
Deposits	533	1,165
Prepayments	815	1,948
Other receivables (<i>notes i</i>)	<u>874</u>	<u>6,144</u>
	10,076	9,544
Less: loss allowance for other receivables (<i>note i</i>)	<u>—</u>	<u>(4,206)</u>
	<u>10,076</u>	<u>5,338</u>

As at 31 March 2020, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK\$7,854,000 (2019: HK\$7,702,000).

As at 31 March 2020, a gross amount of approximately HK\$6,934,000, with allowance of approximately HK\$6,934,000, included in trade receivables were reclassified as assets held for sale (note 16).

The Group normally allows a credit period of not more than 120 days to its customers, although an extension of the credit period is not uncommon for customers who have a long term relationship with the Group. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

The following is an aged analysis of trade receivables, net of loss allowance for trade receivables, presented based on the invoice date, which approximates revenue recognition date at the end of each reporting period.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	7,161	–
91 to 180 days	693	287
	<u>7,854</u>	<u>287</u>

Note:

- (i) As at 31 March 2020, a carrying amount of approximately HK\$4,581,000, net of allowance of approximately HK\$3,278,000, included in other receivables were reclassified as assets held for sale (note 16).

14. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	7,167	58,979
Accruals	1,716	1,470
Other tax payable	75	903
Other payables (<i>note i</i>)	5,698	26,190
	<u>14,656</u>	<u>87,542</u>

As at 31 March 2020, a carrying amount of approximately HK\$54,355,000 included in trade payables was reclassified as liabilities associated with assets held for sale (note 16).

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	5,974	–
31 to 90 days	1,193	–
Over 91 days	–	58,979
	<u>7,167</u>	<u>58,979</u>

The average credit period granted by its suppliers ranging from 30 to 120 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

Note:

- (i) As at 31 March 2020, a carrying amount of approximately HK\$22,349,000 included in other payables was reclassified as liabilities associated with assets held for sale (note 16).

15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financial liabilities arising in relation to the provision of the Profit Guarantee	<u>–</u>	<u>1,792</u>

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During the year ended 31 March 2020, the directors of the Company resolved to dispose of the entire equity interest in China Mobile Payment Technology Group. Negotiations with several interested parties have subsequently taken place. The assets and liabilities attributable to the group, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the group classified as held for sale are as follows:

	2020 <i>HK\$'000</i>
Plant and equipment	33
Trade and other receivables	1,303
Financial assets at fair value through profit or loss	6,559
Bank balances and cash	<u>230</u>
Total assets classified as held for sale	<u>8,125</u>
Trade and other payables (<i>notes i, ii and iii</i>)	<u>76,704</u>
Total liabilities classified as held for sale	<u>76,704</u>

Notes:

- (i) Included in the amount of other payables as at 31 March 2020, approximately of HK\$194,000 (2019: HK\$194,000) represented the amount due to Mr. Chan Foo Wing, the ultimate beneficial owner of the Company. The amount is unsecured, interest-free and repayment on demand.
- (ii) Included in the amount of other payables as at 31 March 2020, approximately of HK\$10,932,000 (2019: HK\$11,693,000) represented the amount due to an independent third party, 北京瑞智恒達網絡科技有限公司. The amount is unsecured, interest-free and repayment on demand.
- (iii) Included in the amount of other payables as at 31 March 2020, approximately of HK\$2,353,000 (2019: HK\$2,295,000) represented the amount payable to several former employees of Beijing Huaqin due to the litigations in respect of the termination of employment.

17. ACQUISITION OF SUBSIDIARIES

On 23 May 2018, a subsidiary of the Company, 深圳市安信認證系統有限公司 Shenzhen Anxin Certification System Co., Ltd.* (“**Shenzhen Anxin**”), Shenzhen Quantum and the former shareholder of Shenzhen Quantum entered into a loan agreement of RMB3,500,000 (equivalent to approximately HK\$4,139,000). Subsequently, Shenzhen Quantum failed to repay the loan upon expiry. Pursuant to the loan agreement, the former 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.

On 4 July 2018, the Group acquired 100% equity interests in the Shenzhen Quantum and its subsidiary, CITIC Cyber Security, (collectively referred to as “**Shenzhen Quantum Group**”) for a cash consideration of RMB3,500,000 (equivalent to approximately HK\$4,139,000). This acquisition has been accounted for using the acquisition method. The principal activities of Shenzhen Quantum Group is engaged in the technical development and software development of credible identity authentication services related products in the PRC. Shenzhen Quantum was acquired so as to continue the expansion of the Group’s system development services business.

Consideration transferred

HK\$’000

Deemed cash consideration arisen from the waive of the amount due from Shenzhen Quantum	4,139
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No acquisition-related costs have been recognised as an expense for the year ended 31 March 2019 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:

	HK\$’000 (restated)
Plant and equipment	2,730
Deposits and other receivables	1,833
Financial assets at FVTPL	948
Cash and cash equivalents	33,381
Other payables	(7,118)
Amount due to a group subsidiary	(11,862)
Financial liabilities at fair value through profit or loss	(11,627)
	<u>8,285</u>

* For identification purpose only.

Goodwill arising on acquisition

	<i>HK\$'000</i> (restated)
Consideration transferred	4,139
Plus: non-controlling interests (30% in CITIC Cyber Security)	8,285
Less: net assets acquired	<u>(8,285)</u>
Goodwill arising on acquisition	<u><u>4,139</u></u>

The non-controlling interests in the Shenzhen Quantum Group recognised at the acquisition date was measured at their proportionate share of net assets acquired and amounted to approximately HK\$8,285,000.

Net cash inflow on acquisition of Shenzhen Quantum Group

	<i>HK\$'000</i>
Deemed cash consideration paid	(4,139)
Cash and cash equivalent balances acquired	<u>33,381</u>
	<u><u>29,242</u></u>

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:

$$\text{Compensation amount} = (\text{Guaranteed Net Profit for the year} - \text{actual net profit for the year}) \times 30\% \times 10$$

- (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 three 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 three 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 have been set out in the Company’s announcement dated 12 October 2018.

Included in net loss attributable to the owners of the Group for the year ended 31 March 2019 was approximately HK\$12,285,000 attributable to the additional business generated by Shenzhen Quantum Group. Revenue for the year ended 31 March 2019 included approximately HK\$201,000 generated from Shenzhen Quantum Group.

Had the acquisitions of the Shenzhen Quantum Group been completed on 1 April 2018, total revenue of the Group for the year ended 31 March 2019 would have been increased by approximately HK\$201,000, and loss for the year ended 31 March 2019 would have increased by approximately HK\$16,806,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is it intended to be a projection of future results.

Goodwill arose in the acquisitions of the Shenzhen Quantum Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Shenzhen Quantum Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Sino-United States trade war and the novel coronavirus pneumonia outbreak combined to wreak havoc on the economy of the People's Republic of China (the “**PRC**” or “**China**”), whose slowdown in 2019 deteriorated into contraction in the first quarter of 2020. While the worsening economy had already caused the Chinese government departments and businesses to cut budgets including those on solutions for online/offline payment, the United States' sanction against a leading Chinese telecommunication equipment and consumer electronics company has put up obstacles to information technology solution providers starting information technology projects for their clients.

To cope with the difficult operating environment, Quantum Thinking Limited (the “**Company**”, which together with its subsidiaries, is referred to as the “**Group**”) has been pursuing a two-pronged approach to business development: on the one hand, it has actively diversified its business to broaden its income stream; on the other hand, it has tried to capitalize on the retrenchment measures of both the businesses and government departments in China by developing a platform and software for reduction of both operating cost and electric energy consumption through its mainstay business of developing systems and solutions for online/offline digital payment.

Since the financial year ended 31 March 2019 (the “**Previous Period**”), the Group has diversified into and expanded the business of internet electronic identity authentication through the acquisition of a majority 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**”). Such business also fits in with the Company's mainstay business of developing systems and solutions for online/offline digital payment because internet electronic identity authentication can help prevent the leakage of personal data in online transactions and payment.

In June of 2019, the Company's 70%-held CITIC Cyber Security signed an agreement with a Shenzhen branch of a PRC-based bank to jointly promote each other's respective services, namely CITIC Cyber Security's internet electronic identity authentication and the bank's financial services. Under that agreement, eCitizen (“**e 公民**” in Chinese), which is CITIC Cyber Security's proprietary mobile phone SIM (“**subscriber identification module**”) card-based system for electronic identity authentication, will be applied to the bank's financial services. The system will enable its digital identity holders to safely log in, sign digitally and have their personal data protected in online transactions. In the same month, CITIC Cyber Security also reached an agreement with a Shenzhen-based certificate authority to cooperate in combining eCitizen SIM card and digital certificates and in applying the two combined technologies to such fields as electronic signature. 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 also diversified into during the financial year ended 31 March 2020 (the “**Reporting Period**”) included subleasing co-working spaces of an office building in Shenzhen to mainly financial technology start-ups; the supply of electrical and electronic components, namely inductors and master control chips; the research on and development of an application for an online learning platform, financial software and related information technology system and solution, and information systems for housing; and the supply and installation of surveillance cameras as part of a security system.

In the meantime, the Company’s mainstay business of developing systems and solutions for online/offline digital payment also used its expertise to develop and provide a platform and software for reduction of both the operating cost and electric energy consumption for a leading PRC-based telecommunications firm. It has been negotiating with the latter about the project and expects to pilot that platform at two of the provincial branches of that telecommunication company in year 2020.

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

The Company’s wholly-owned subsidiary Guangzhou YBDS IT Co., Ltd. (廣州韻博信息科技有限公司) (“**Guangzhou YBDS**”) finished the construction of the fifth phase of the unified payment system and platform of a Shenzhen-based subsidiary of a leading telecommunications company during the Reporting Period. The system and platform enable mobile wallet users to make mobile payment such as those of phone bills and to redeem consumption points and gift cards. Guangzhou YBDS also undertook renewed contracts to develop a unified payment platform for that Shenzhen-based subsidiary of the leading telecommunications company and to provide repairing and maintenance services for that unified payment platform for years 2018 and 2019. During the Reporting Period, the work under the renewed contract on developing a unified payment platform was completed, and 83% of the work under the renewed contract on providing repairing and maintenance services for that unified payment platform was accomplished. In October 2019, Guangzhou YBDS won a tender for a contract to develop and maintain a unified payment platform of the Shenzhen-based subsidiary of that leading telecommunications company for years 2019 to 2021. It signed the contract in December 2019. During the Reporting Period, Guangzhou YBDS accomplished 40% of the work under the contract on developing a unified payment platform. Guangzhou YBDS intends to replicate the unified payment system and platform and then sell them to other units and/or subsidiaries of that leading telecommunications company in 31 provinces in the PRC.

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

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

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

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

4. Business of office rental which is bundled with information technology services and office administration services in Shenzhen

CITIC Cyber Security started a business of subleasing co-working spaces of an office building in Shenzhen to mainly financial technology start-ups. The office rental is bundled with its information technology services and some office administration services. During the Reporting Period, it subleased some co-working spaces to twelve companies.

5. Research on and development of application for online learning platform, financial software and related information technology system and solution, and information systems for housing

During the Reporting Period, the Group signed a contract to research on and develop an application for an online learning platform, financial software and related information technology system and solution, and information systems for housing on behalf of an information technology solution provider for the period from 15 October 2019 to 14 October 2020. The information systems for housing include those for a user’s application management, property management and leasing management.

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

During the Reporting period, Shenzhen YBDS signed a contract to supply, install and test surveillance cameras as part of a security system on behalf of a company that develops and trades in security alarms, security cameras and home surveillance equipment, and other electronic products.

7. Development and implementation of a platform for electronically signing, managing and auditing contracts

In January 2020, CITIC Cyber Security signed a contract to develop and implement on behalf of a PRC-based bank a platform for signing, managing and auditing contracts electronically. During the Reporting Period, 69% of the work was accomplished.

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

The prospect of business is expected to remain clouded by the possible escalation of the Sino-United States trade war in which the United States may threaten to step up its sanctions against a leading Chinese telecommunication equipment and consumer electronics company. This can have a very serious impact on the information technology sector. Moreover, the economy of China and the rest of the world is also expected to be dampened by the novel coronavirus pneumonia epidemic. It is against this background that the Company will take a very prudent approach to business development. Specifically, it will only undertake projects that call for little input but can yield large output. It will also adopt a two-pronged approach to business. Firstly, its mainstay business of developing systems and solutions for online/offline digital payment will capitalize on the retrenchment of government departments and businesses by developing and providing a platform and software for reduction of both the operating cost and electric energy consumption. For instance, Shenzhen YBDS is negotiating with a leading PRC-based telecommunications firm and expects to pilot such platform and software at two of that telecommunications firms' provincial branches in year 2020.

Secondly, the Group has already diversified its business to broaden the source of its income, and it will continue to foster the development of its diverse businesses. For instance, the Group made progress in its business of internet electronic identity authentication during the Reporting Period by signing agreements respectively with a bank and a certificate authority to promote its proprietary mobile phone SIM card-based system for electronic identity authentication. In January 2020, the Group signed a contract to develop and implement on behalf of another PRC-based bank a platform for electronically signing, managing and auditing contracts. It also signed a contract in March 2020 to supply information technology equipment to that bank to enable that platform.

It will also continue to develop other businesses into which it has diversified, namely the business of subleasing co-working spaces of an office building to mainly financial technology start-ups; the supply of electrical and electronic components; the research on and development of an application for an online learning platform, financial software and related information technology system and solution, and information systems for housing; and the supply and installation of surveillance cameras as part of a security system.

Meanwhile, the Group will press ahead with its strategy of constructing an ecosystem of online/offline digital payment by cooperating with various types of businesses. In that ecosystem, comprehensive online shopping platforms are connected to digital payment systems for public utilities with a technology for unified communications.

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.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a revenue of approximately HK\$26,556,000, representing an increase of approximately 117% when compared with that in the Previous Period of approximately HK\$12,256,000.

Loss attributable to owners of the Company for the Reporting Period was approximately HK\$26,710,000 compared with loss attributable to owners of the Company of approximately HK\$22,928,000 (restated) for the Previous Period.

SEGMENTAL INFORMATION

Business segments

During the Reporting Period, when compared with the Previous Period, revenue generated from hardware sales increased by approximately 5,513%, while revenue from services increased by approximately 5%.

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 2020, the shareholders' funds of the Group amounted to approximately HK\$11,892,000. Current assets were approximately HK\$76,459,000, mainly comprising cash and cash equivalents of approximately HK\$28,030,000 and trade and other receivables of approximately HK\$10,076,000. Current liabilities mainly comprised trade and other payables of approximately HK\$14,656,000. The net liability value per share was approximately HK\$0.007. 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 0.8:1 (as at 31 March 2019 (restated): 1.19:1).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

During 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 2020, the Group had operating lease commitments in respect of rented premises and equipment of approximately HK\$0 (31 March 2019: HK\$9,992,000). As at 31 March 2020 and 2019, the Group had no significant capital commitment.

CONTINGENT LIABILITIES

At the end of the Reporting Period, contingent liabilities not provided for in the consolidated financial statements are as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued interests on late settlement of litigation claims	<u>6,253</u>	<u>2,974</u>

As of 1 April 2018, a subsidiary of the Company, Beijing Huaqin World Technology Limited Company ("**Beijing Huaqin**") was involved in material litigation that a supplier of Beijing Huaqin filed a litigation with Shanghai Municipal Intermediate People's Court No. 1 (the "**Court**") against Beijing Huaqin for compensation on default in payment due to the disagreement of the goods' quantity delivered. On 31 May 2018, the Court ordered Beijing Huaqin to repay the alleged amount involved in the litigation in respect of the default payment for the supply of goods. As at 31 March 2020, an amount of approximately RMB49,721,000 (equivalent to approximately HK\$54,355,000) was recorded in liabilities associated with assets classified held for sale (note 16) (2019: trade payables with the penalty cost of approximately RMB50,286,000 (equivalent to approximately HK\$58,800,000)). The relevant penalty cost of approximately RMB2,417,000 (equivalent to approximately HK\$2,827,000) was included in administrative expenses for the year ended 31 March 2019.

During the Reporting Period, the Group has not yet fully settled the alleged amounts. As at 31 March 2020, the amount of accrued interests on delay settlement of the remaining alleged amount was approximately RMB5,720,000 (equivalent to approximately HK\$6,253,000) (2019: RMB2,543,000 (equivalent to approximately HK\$2,974,000)).

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2020 and 2019, the Group had no charges on the Group's assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 45 employees (including 5 Directors) (31 March 2019: 75 employees (including 5 Directors)). The total remuneration paid to employees, including Directors, for the Reporting Period was approximately HK\$16,942,000 (Previous Period: HK\$16,609,000). 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 investment.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions (the "**Code Provisions**") in the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 15 to the GEM Listing Rules. The Company has complied with the Code Provisions set out in the Code throughout the Reporting Period except for the deviations from Code Provisions A.1.8 and A.2.1 of the Code as explained as follows:

Code Provision A.1.8

Code Provision A.1.8 stipulates that the Company should arrange appropriate insurance cover in respect of legal 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 separate.

The executive Directors, namely, Mr. Wang Xiaoqi and Mr. Ho Yeung focus 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.

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 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 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 Reporting Period, 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 Reporting Period 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 Reporting Period.

SCOPE OF WORK OF PRISM CPA 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, Prism CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by Prism CPA 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 Prism CPA Limited on this preliminary announcement.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT PREPARED BY THE INDEPENDENT AUDITOR

The Group would like to provide an extract from the independent auditor's report prepared by PRISM CPA Limited (the independent auditor) on the Group's annual financial statements for the year ended 31 March 2020 as set out below: "Material Uncertainty Relating to Going Concern. We draw attention to note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As at 31 March 2020, the Group had net current liabilities and net liabilities of approximately HK\$18,723,000 and HK\$9,441,000 respectively. In addition, it incurred a net loss attributable to owners of the Company of approximately HK\$26,710,000 for the year ended 31 March 2020. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors, having considered the measures being taken by the Group as disclosed in note 2 to the consolidated financial statements, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter."

By order of the Board
Quantum Thinking Limited
Wang Xiaoqi
Director

Hong Kong, 12 June 2020

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>.