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HATCHER GROUP LIMITED

亦辰集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8365)

DEED OF SETTLEMENT AND PROPOSED ISSUE OF SETTLEMENT SHARES UNDER GENERAL MANDATE

DEED OF SETTLEMENT

On 23 December 2022 (after trading hours), the Company entered into the Deed of Settlement with the Promissory Notes Holders, pursuant to which the Company has agreed to settle the Promissory Notes and all outstanding accrued interests thereon in the following manner:

- the Company shall issue 25,072,000 Settlement Shares at the Issue Price of HK\$0.70 per Settlement Share to the Promissory Note Holder (A); and
- the Company shall issue 25,072,000 Settlement Shares at the Issue Price of HK\$0.70 per Settlement Share to the Promissory Note Holder (B).

The Settlement Shares are to be issued under the General Mandate. The Issue Price of HK\$0.70 per Settlement Share represents:

- (i) a discount of approximately 14.6% to the closing price of HK\$0.82 per Share as quoted on the Stock Exchange on the date of this announcement; and
- (ii) a discount of approximately 14.0% to the average closing price of approximately HK\$0.81 per Share as quoted on the Stock Exchange from 19 December 2022 to 23 December 2022, both dates inclusive, being the last five consecutive trading days prior to the date of this announcement.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Deed of Settlement, 50,144,000 Settlement Shares represent:

- (i) approximately 6.95% of the existing issued share capital of the Company of 721,200,000 Shares as at the date of this announcement; and
- (ii) approximately 6.50% of the issued share capital of the Company as enlarged by the issue of the Settlement Shares.

The Shareholders and potential investors should be aware that the Deed of Settlement and the transactions contemplated thereunder are subject to the fulfilment of certain conditions, and therefore may or may not proceed.

BACKGROUND

On 1 November 2022, the Company issued (i) the Promissory Notes (A) to the Promissory Notes Holder (A) in the principal amount of HK\$19.0 million due in 24 months and carrying interest of 2.0% per annum; and (ii) the Promissory Notes (B) to the Promissory Notes Holder (B) in the principal amount of HK\$19 million due in 24 months and carrying interest of 2.0% per annum to settle the consideration of an acquisition.

As at the date of this announcement, after partial early repayment by the Company, the outstanding amount of (i) the Promissory Note (A) and the relevant interest payable are approximately HK\$17.6 million; and (ii) the Promissory Note (B) and the relevant interest payable are approximately HK\$17.6 million. The Company has been negotiating with the Promissory Notes Holders for settlement proposal in respect of the Promissory Notes and interests thereon and eventually the parties agreed on a settlement proposal upon the terms and conditions of the Deed of Settlement.

On 23 December 2022 (after trading hours), the Company entered into the Deed of Settlement with the Promissory Notes Holders, pursuant to which the Company has agreed to settle the Promissory Notes and all outstanding accrued interests thereon in the following manner:

- the Company shall issue 25,072,000 Settlement Shares at the Issue Price of HK\$0.70 per Settlement Share to the Promissory Note Holder (A); and
- the Company shall issue 25,072,000 Settlement Shares at the Issue Price of HK\$0.70 per Settlement Share to the Promissory Note Holder (B).

The Settlement Shares are to be issued under the General Mandate.

DEED OF SETTLEMENT

Date 23 December 2022 (after trading hours)

Parties (1) the Company; and
(2) the Promissory Notes Holders

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Promissory Notes Holders are independent third parties and not connected with, the Company and its connected persons as defined under the GEM Listing Rules.

Settlement of Promissory Notes

Pursuant to the Deed of Settlement, subject to satisfaction of the conditions and at Completion:

- (1) the Company shall duly issue and allot 25,072,000 Settlement Shares at the Issue Price of HK\$0.70 per Share to Promissory Notes Holder (A), and the aggregate Issue Price of the Settlement Shares in sum of approximately HK\$17.6 million shall be set off against the Promissory Notes (A) and all outstanding accrued interests of approximately HK\$17.6 million and no cash shall be payable by the Promissory Notes Holder (A) to the Company in respect of such aggregate Issue Price; and
- (2) the Company shall duly issue and allot 25,072,000 Settlement Shares at the Issue Price of HK\$0.70 per Share to Promissory Notes Holder (B), and the aggregate Issue Price of the Settlement Shares in sum of approximately HK\$17.6 million shall be set off against the Promissory Notes (B) and all outstanding accrued interests of approximately HK\$17.6 million and no cash shall be payable by the Promissory Notes Holder (B) to the Company in respect of such aggregate Issue Price.

The Settlement Shares are to be issued under the General Mandate.

Conditions

Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Settlement Shares and such approval has not been revoked prior to Completion; and
- (ii) the necessary consents and approvals in relation to the Deed of Settlement and the transactions contemplated thereunder having been obtained.

If the conditions are not fulfilled on or before 5:00 p.m. on 31 January 2023, the Deed of Settlement shall thereupon terminate. On termination of the Deed of Settlement, the parties shall have no further claims against each other under the Deed of Settlement for costs, damages, compensation or otherwise, save in respect of the antecedent breaches and claims and the deed of Promissory Notes shall continue to be in full force and effect and the Promissory Notes and all outstanding interests thereon shall be recoverable by the Promissory Notes Holders against the Company pursuant to the terms of the deed of Promissory Notes.

Settlement Shares

The Issue Price of HK\$0.70 per Settlement Share represents:

- (i) a discount of approximately 14.6% to the closing price of HK\$0.82 per Share as quoted on the Stock Exchange on the date of this announcement; and
- (ii) a discount of approximately 14.0% to the average closing price of approximately HK\$0.81 per Share as quoted on the Stock Exchange from 19 December 2022 to 23 December 2022, both dates inclusive, being the last five consecutive trading days prior to the date of this announcement.

The Issue Price was determined between the Company and the Promissory Notes Holders with reference to the latest market price of the Shares. The Directors are of the view that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. The Directors are of the view that the Issue Price is fair and reasonable.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Deed of Settlement, 50,144,000 Settlement Shares represent:

- (i) approximately 6.95% of the existing issued share capital of the Company of 721,200,000 Shares as at the date of this announcement; and
- (ii) approximately 6.50% of the issued share capital of the Company as enlarged by the issue of the Settlement Shares.

The aggregate nominal value of the Settlement Shares is HK\$501,440.

The Settlement Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue thereof.

General mandate to issue the Settlement Shares

The Settlement Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 21 December 2021. Pursuant to the General Mandate, the total number of new Shares that the Directors are authorized to allot and issue is 119,240,000 new Shares. Up to the date of this announcement, no new Shares have been issued under the General Mandate and the Settlement Shares will utilize up to approximately 6.95% of the General Mandate. The issue of the Settlement Shares will not be subject to the approval of the Shareholders.

Application for Listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Settlement Shares.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon completion of the issue and allotment of the Settlement Shares are set out below, assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Deed of Settlement:

Controlling Shareholder, Substantial Shareholders and Directors	As at the date of this announcement		Immediately after completion of the Deed of Settlement	
	Number of Shares	Approx.% of shareholding	Number of Shares	Approx.% of shareholding
Jayden Wealth Limited (<i>Note 1</i>)	143,100,000	19.83%	143,100,000	18.55%
Mr. Li Man Keung Edwin	3,140,000	0.44%	3,140,000	0.41%
Tanner Enterprises Group Limited (<i>Note 2</i>)	113,730,000	15.77%	113,730,000	14.75%
Mr. Li Chun Fung	55,000,000	7.63%	55,000,000	7.13%
Great Win Global Limited (<i>Note 3</i>)	33,000,000	4.58%	33,000,000	4.28%
Luck Achieve Development Limited (<i>Note 4</i>)	25,000,000	3.47%	25,000,000	3.24%
Subscribers				
Promissory Note Holder (A)	1,480,000	0.20%	26,552,000	3.44%
Promissory Note Holder (B)	7,710,000	1.07%	32,782,000	4.25%
Other public Shareholders	<u>339,040,000</u>	<u>47.01%</u>	<u>339,040,000</u>	<u>43.95%</u>
Total	<u>721,200,000</u>	<u>100.00%</u>	<u>771,344,000</u>	<u>100.00%</u>

- (1) 143,100,000 Shares are held by Jayden Wealth Limited which is wholly owned by Ms. Wan Ho Yan Letty. Ms. Wan Ho Yan Letty also directly holds 205,000 Shares. The aggregate Shares beneficially owned by Ms. Wan Ho Yan Letty is 143,305,000 Shares.
- (2) 113,730,000 Shares are held by Tanner Enterprises Group Limited which is wholly owned by Mr. Li Man Keung Edwin, an executive Director. Mr. Li Man Keung Edwin also directly holds 3,140,000 Shares. The aggregate Shares beneficially owned by Mr. Li Man Keung Edwin is 116,870,000 Shares.
- (3) 33,000,000 Shares are held by Great Win Global Limited which is wholly owned by Mr. Yeung Chun Yue David, an executive Director.
- (4) 25,000,000 Shares are held by Luck Achieve Development Limited which is owned as 60% by Mr. Li Chun Fung, 20% by Mr. Li Man Keung Edwin, an executive Director and 20% by Mr. Li Man Chun. Mr. Li Chun Fung also directly holds 55,000,000 Shares and Mr. Li Man Keung Edwin also directly holds 3,140,000 Shares.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE TWELVE MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The Company has not conducted any fund raising activities in the past 12 months before the date of this announcement.

REASONS FOR AND BENEFITS OF THE DEED OF SETTLEMENT

The Group is principally engaged in the provision of (i) licensed business on corporate finance advisory services, placing and underwriting services, asset management services and securities brokerage and margin financing; and (ii) non-licensed business on environmental, social and governance advisory services, business consultancy services, corporate secretarial services, accounting and taxation services, risk management and internal control advisory services and human resources services in Hong Kong.

As at the date of this announcement, after partial early repayment by the Company, the outstanding amount of (i) the Promissory Note (A) and the relevant interest payable are approximately HK\$17.6 million; and (ii) the Promissory Note (B) and the relevant interest payable are approximately HK\$17.6 million. The Company has been negotiating with the Promissory Notes Holders for settlement proposal in respect of the Promissory Notes and interests thereon and eventually the parties agreed on a settlement proposal upon the terms and conditions of the Deed of Settlement.

Pursuant to the annual results announcement for the year ended 30 September 2022 published by the Company on 19 December 2022, the Company, as at 30 September 2022, had net current assets of approximately HK\$10,844,000. After reviewing the financial position of the Company, the Board would like to maintain sufficient resource for existing businesses of the Company. Based on the existing asset and liability situation, the Company negotiated with the Promissory Notes Holders regarding the settlement proposal which is a solution for the Group to reduce its liability without cash outflow.

The Directors consider that the Deed of Settlement and the transactions contemplated thereunder are able to (i) relieve the Group from the upcoming repayment obligation of the Promissory Notes and reduce the burdensome interest expenses incurred; (ii) improve the financial position of the Group; and (iii) enlarge the Company's shareholders' base. Therefore, the Directors are of the view that the Deed of Settlement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Shareholders and potential investors should be aware that the Deed of Settlement and the transactions contemplated thereunder are subject to the fulfilment of certain conditions, and therefore may or may not proceed.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or a public holiday) on which banks are open for business in Hong Kong
“Company”	Hatcher Group Limited (Stock code: 8365), a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	the completion of the Deed of Settlement
“connected person”	has the meaning set out in the GEM Listing Rules
“Deed of Settlement”	deed of settlement executed by the Company and the Promissory Notes Holders on 23 December 2022 in relation to the settlement of the Promissory Notes and interests thereon upon the terms thereunder
“Director(s)”	the director(s) of the Company
“GEM Listing Committee”	the GEM Listing Committee of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 25 February 2022 to allot or otherwise deal with up to 119,240,000 new Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Price”	HK\$0.70 per Settlement Share
“Promissory Notes”	Collectively, the Promissory Notes (A) and the Promissory Notes (B)
“Promissory Notes (A)”	2-year promissory notes of HK\$19.0 million, issued by the Company, carrying interest of 2.0% per annum to Promissory Notes Holder (A)
“Promissory Notes (B)”	2-year promissory notes of HK\$19.0 million, issued by the Company, carrying interest of 2.0% per annum to Promissory Notes Holder (B)
“Promissory Notes Holders”	Collectively, the Promissory Notes Holder (A) and the Promissory Notes Holder (B)
“Promissory Notes Holder (A)”	Mr. Liang Zihao, holder of the Promissory Notes (A)
“Promissory Notes Holder (B)”	Ms. Tse Chi Ming, holder of the Promissory Notes (B)
“Settlement Shares”	50,144,000 new Shares to be issued and allotted by the Company at the issue Price of HK\$0.70 pursuant to the terms and conditions of the Deed of Settlement
“Shareholder(s)”	holders(s) of the Shares
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

By Order of the Board
Hatcher Group Limited
Hui Ringo Wing Kun
Executive Director

Hong Kong, 27 December 2022

As at the date of this announcement, the Directors are:

Executive Directors:

Mr. Li Man Keung Edwin (*Executive Chairman*)

Mr. Hui Ringo Wing Kun

Mr. Yeung Chun Yue David (*Vice Chairman*)

Independent Non-executive Directors:

Mr. William Robert Majcher

Mr. Ho Lik Kwan Luke

Mr. Lau Pak Kin Patric

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

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its publication and will be published on the Company’s website at www.hatcher-group.com.

* *for identification purpose only*