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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Hatcher Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries for the three months ended 31 December 2022. This announcement, containing the full text of the first quarterly report of the Company for the three months ended 31 December 2022 (the “**First Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany the preliminary announcement of first quarterly results. Printed version of the First Quarterly Report will be delivered to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.hatcher-group.com in due course.

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

Hong Kong, 14 February 2023

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

This announcement will remain on the “Latest Listed Company Information” page of the 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*

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the directors of Hatcher Group 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 of the Company (the “**Directors**”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report 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 report misleading.*

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

FINANCIAL HIGHLIGHTS (UNAUDITED)

- The Company and its subsidiaries (the “**Group**”) recorded a revenue of approximately HK\$20.3 million for the three months ended 31 December 2022, representing an increase of approximately 53.8% when compared with a revenue of approximately HK\$13.2 million for the three months ended 31 December 2021.
- The Group recorded a loss of approximately HK\$15.3 million for the three months ended 31 December 2022, compared with a loss of approximately HK\$1.5 million for the three months ended 31 December 2021. The increase in loss for the three months ended 31 December 2022 was mainly attributable to the combined effect of (i) an increase in revenue of approximately HK\$7.1 million; (ii) the recognition of a gain on disposal of discontinued operations of approximately HK\$5.6 million; and (iii) an increase in administrative expenses and other operating expenses of approximately HK\$30.7 million as compared with the three months ended 31 December 2021.
- The basic and diluted loss per share for the three months ended 31 December 2022 was approximately HK2.10 cents (2021: approximately HK0.27 cents).
- The board of Directors (the “**Board**”) did not recommend the payment of an interim dividend for the three months ended 31 December 2022 (2021: nil).

UNAUDITED CONDENSED CONSOLIDATED RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months ended 31 December 2022, together with the unaudited comparative figures for the three months ended 31 December 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 December 2022

| | | Three months ended | |
|---|-------------|---------------------------|-------------|
| | | 31 December | |
| | <i>Note</i> | 2022 | 2021 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Continuing operations | | | |
| Revenue | 3 | 20,161 | 12,874 |
| Other income | 4 | 3,684 | 211 |
| Administrative expenses and other operating expenses | | (43,681) | (12,750) |
| Finance costs | 5 | (502) | (971) |
| Loss before tax from continuing operations | 6 | (20,338) | (636) |
| Income tax expense | 7 | - | (112) |
| Loss for the period from continuing operations | | (20,338) | (748) |
| Discontinued operations | | | |
| Loss for the period from discontinued operations | | (610) | (716) |
| Gain on disposal of discontinued operations | | 5,618 | - |
| Profit (Loss) for the period from discontinued operations | 9 | 5,008 | (716) |
| Loss for the period | | (15,330) | (1,464) |
| Other comprehensive (loss) income | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Fair value (loss) gain on financial assets designated at fair value through other comprehensive income ("Designated FVOCI") | | (168) | 1,222 |
| Other comprehensive (loss) income for the period | | (168) | 1,222 |
| Total comprehensive loss for the period | | (15,498) | (242) |

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

For the three months ended 31 December 2022

| | | Three months ended | |
|--|------|---------------------------|-----------------------|
| | | 31 December | |
| | Note | 2022 | 2021 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| (Loss) Profit for the period attributable to: | | | |
| Owners of the Company | | (15,214) | (1,546) |
| Non-controlling interests | | (116) | 82 |
| | | <u>(15,330)</u> | <u>(1,464)</u> |
| Total comprehensive (loss) income for the period attributable to: | | | |
| Owners of the Company | | (15,382) | (324) |
| Non-controlling interests | | (116) | 82 |
| | | <u>(15,498)</u> | <u>(242)</u> |
| | | HK cents | HK cents |
| From continuing and discontinued operations | | | |
| Loss per share | | | |
| Basic and diluted | 8 | <u>(2.10)</u> | <u>(0.27)</u> |
| From continuing operations | | | |
| Loss per share | | | |
| Basic and diluted | 8 | <u>(2.79)</u> | <u>(0.14)</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 December 2022

| | Attributable to owners of the Company | | | | | | | Total equity HK\$'000 | | |
|---|---------------------------------------|---------------------------------------|--|--|---|--|--------------------------------|--------------------------|-------------------|---------------------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 (Note i) | Capital reserve HK\$'000 (Note ii) | Exchange reserve HK\$'000 (Note iii) | Investment revaluation reserve (non-recycling) HK\$'000 (Note iv) | Convertible note reserve HK\$'000 (Note v) | Accumulated losses HK\$'000 | | Total HK\$'000 | Non-controlling interests HK\$'000 |
| At 1 October 2021 (audited) | 5,462 | 75,555 | 152 | 1,656 | (3,048) | - | (42,478) | 37,299 | - | 37,299 |
| (Loss) Profit for the period | - | - | - | - | - | - | (1,546) | (1,546) | 82 | (1,464) |
| Other comprehensive income (loss) for the period | - | - | - | - | 1,222 | - | - | 1,222 | - | 1,222 |
| <i>Items that will not be reclassified to profit or loss</i> | - | - | - | - | 1,222 | - | - | 1,222 | - | 1,222 |
| Fair value gain on Designated FVOCI | - | - | - | - | 1,222 | - | (1,546) | (324) | 82 | (242) |
| Total comprehensive income (loss) for the period | - | - | - | - | 1,222 | - | - | 1,222 | - | 1,222 |
| Total other comprehensive income for the period | - | - | - | - | 1,222 | - | - | 1,222 | - | 1,222 |
| Transactions with owners: | | | | | | | | | | |
| <i>Contributions and distributions</i> | | | | | | | | | | |
| Issue of share pursuant to acquisition of a subsidiary (Note 11) | 500 | 9,500 | - | - | - | - | - | 10,000 | - | 10,000 |
| Issue of convertible note (Note 11) | - | - | - | - | - | 5,296 | - | 5,296 | - | 5,296 |
| Issue of convertible note (Note 11) | 500 | 9,500 | - | - | - | 5,296 | - | 15,296 | - | 15,296 |
| Total transactions with owners for the period | 5,962 | 65,055 | 152 | 1,656 | (1,826) | 5,296 | (44,024) | 52,271 | 82 | 52,353 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the three months ended 31 December 2022

| | Attributable to owners of the Company | | | | | | | | Total equity HK\$'000 | | |
|---|---------------------------------------|---------------------------------------|--|--|--|--|---|--------------------------------|--------------------------|-------------------|---------------------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 (Note i) | Capital reserve HK\$'000 (Note ii) | Exchange reserve HK\$'000 (Note iii) | Investment revaluation reserve (non-recycling) HK\$'000 (Note iv) | Convertible note reserve HK\$'000 (Note v) | Share option reserve HK\$'000 (Note vi) | Accumulated losses HK\$'000 | | Total HK\$'000 | Non-controlling interests HK\$'000 |
| At 1 October 2022 (audited) | 7,212 | 114,003 | 152 | 1,656 | (4,957) | 1,889 | - | (50,715) | 69,840 | (501) | 69,339 |
| Loss for the period | - | - | - | - | - | - | - | (15,214) | (15,214) | (116) | (15,330) |
| Other comprehensive income (loss) for the period <i>Items that will not be reclassified to profit or loss</i> | - | - | - | - | 2 | - | - | (2) | - | - | - |
| Fair value change on Designated FVOCI reclassified to retained earnings upon disposal | - | - | - | - | (168) | - | - | - | (168) | - | (168) |
| Fair value loss on Designated FVOCI | - | - | - | - | (166) | - | - | (2) | (168) | - | (168) |
| Total other comprehensive loss for the period | - | - | - | - | (166) | - | - | (15,216) | (15,382) | (116) | (15,498) |
| Total comprehensive loss for the period | - | - | - | - | - | - | - | - | - | - | - |
| Transactions with owners: | | | | | | | | | | | |
| <i>Contributions and distributions</i> | | | | | | | | | | | |
| Conversion of convertible note (Note 11) | 250 | 12,082 | - | - | - | (1,889) | - | - | 10,443 | - | 10,443 |
| Recognition of equity-settled share-based payments (Note 10) | - | - | - | - | - | - | 23,032 | - | 23,032 | - | 23,032 |
| Derecognition of a subsidiary | - | - | (5,676) | - | - | - | - | - | (5,676) | - | (5,676) |
| Total transactions with owners for the period | 250 | 12,082 | (5,676) | - | - | (1,889) | 23,032 | - | 27,799 | - | 27,799 |
| At 31 December 2022 (unaudited) | 7,462 | 126,085 | (5,524) | 1,656 | (5,123) | - | 23,032 | (65,931) | 82,257 | (617) | 81,640 |

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

For the three months ended 31 December 2022

Notes:

- (i) Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the laws of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.
- (ii) Capital reserve of the Group represents the capital contribution from the controlling shareholder of certain subsidiaries now comprising the Group before completion of the Group reorganisation to rationalise the group structure for listing of the shares of the Company on GEM of the Stock Exchange.
- (iii) Exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.
- (iv) Investment revaluation reserve (non-recycling) comprises the accumulated net change in the fair value of Designated FVOCI that have been recognised in other comprehensive income, net of the amounts reclassified to retained earnings when those investments are disposed of.
- (v) Convertible note reserve represents the equity component of the convertible note issued by the Company.
- (vi) Share option reserve represents the fair value of the share options granted by the Company at the grant date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 December 2022

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability on 5 February 2016 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on GEM of the Stock Exchange by way of placing and public offering on 26 May 2017. The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is situated at 21/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of (i) corporate finance advisory services, (ii) placing and underwriting services, (iii) business consultancy services, (iv) asset management services, (v) environmental, social and governance ("**ESG**") advisory services, (vi) corporate secretarial services, (vii) accounting and taxation services, (viii) risk management and internal control advisory services, and (ix) human resources services in Hong Kong.

The condensed consolidated financial statements of the Group for the three months ended 31 December 2022 (the "**Condensed Consolidated Financial Statements**") are unaudited but have been reviewed by the audit committee of the Company. The Condensed Consolidated Financial Statements were approved and authorised for issue by the Directors on 14 February 2023.

The Condensed Consolidated Financial Statements are presented in Hong Kong dollars ("**HK\$**"), which is also the functional currency of the Group, except for the subsidiaries established in the People's Republic of China (the "**PRC**") and Canada whose functional currency is Renminbi and Canadian dollar ("**CAD**") respectively.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Condensed Consolidated Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the Condensed Consolidated Financial Statements are consistent with those adopted in preparing the annual financial statements of the Group for the year ended 30 September 2022, except for the new and revised HKFRSs issued by the HKICPA that are effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs has had no material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. At the date of authorisation of the Condensed Consolidated Financial Statements, the Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the current period.

3. REVENUE

An analysis of the Group's revenue for the periods is as follows:

| | Three months ended | |
|---|---------------------------|-------------|
| | 31 December | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| <u>Continuing operations</u> | | |
| Licensed business | | |
| <i>Revenue from contracts with customers within HKFRS 15</i> | | |
| Corporate finance advisory services | 5,120 | 3,477 |
| Asset management services | 23 | 50 |
| | 5,143 | 3,527 |
| Non-licensed business | | |
| <i>Revenue from contracts with customers within HKFRS 15</i> | | |
| Accounting and taxation services | 9,675 | 4,035 |
| Business consulting services | 1,829 | 2,585 |
| ESG advisory services | 1,670 | 1,344 |
| Risk management and internal control advisory services | 507 | 762 |
| Corporate secretarial services | 1,020 | 562 |
| Human resources services | 317 | 59 |
| | 15,018 | 9,347 |
| Total | 20,161 | 12,874 |
| <u>Discontinued operations</u> | | |
| Licensed business | | |
| <i>Revenue from contracts with customers within HKFRS 15</i> | | |
| Brokerage commission | 106 | 167 |
| Clearing, settlement and handling fee income | 2 | 6 |
| | 108 | 173 |
| <i>Interest revenue calculated using the effective interest method</i> | | |
| Interest income from cash and margin clients | 52 | 113 |
| Total (Note 9) | 160 | 286 |

4. OTHER INCOME

| | Three months ended | |
|---|---------------------------|-------------|
| | 31 December | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| <u>Continuing operations</u> | | |
| Gain on disposal of financial assets at fair value through profit or loss | 1,811 | – |
| Government subsidies (<i>Note</i>) | 715 | 167 |
| Interest income | 95 | 1 |
| Unrealised gain on financial assets at fair value through profit or loss | 888 | 9 |
| Others | 175 | 34 |
| | 3,684 | 211 |
| <u>Discontinued operations</u> (<i>Note 9</i>) | | |
| Government subsidies (<i>Note</i>) | 12 | – |
| | 3,696 | 211 |

Note:

During the periods, the Group recognised government subsidies of approximately HK\$727,000 (2021: approximately HK\$167,000) from subsidy schemes of Hong Kong SAR Government as below:

| | Three months ended | |
|---|---------------------------|-------------|
| | 31 December | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| <u>Continuing operations</u> | | |
| Employment Support Scheme | 675 | – |
| Financial Industry Recruitment Scheme for Tomorrow | – | 87 |
| Distance Business Funding Programme | – | 80 |
| Financial Industry Recruitment Scheme for Young Graduates | 40 | – |
| | 715 | 167 |
| <u>Discontinued operations</u> | | |
| Employment Support Scheme | 12 | – |
| | 727 | 167 |

5. FINANCE COSTS

| | Three months ended | |
|--|---------------------------|-------------|
| | 31 December | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| <u>Continuing operations</u> | | |
| Interest expenses on convertible note | 57 | 695 |
| Interest expenses on bank borrowings | 201 | 122 |
| Interest expenses on lease liabilities | 143 | 154 |
| Interest expenses on promissory notes | 101 | – |
| | <hr/> 502 | <hr/> 971 |
| <u>Discontinued operations</u> | | |
| Interest expenses on lease liabilities (<i>Note 9</i>) | 4 | 1 |
| | <hr/> 506 | <hr/> 972 |
| | <hr/> 506 | <hr/> 972 |

6. LOSS BEFORE TAX

This is stated after charging:

| | Three months ended | |
|--|---------------------------|-------------|
| | 31 December | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Staff costs (including directors' remuneration): | | |
| <u>Continuing operations</u> | | |
| Employee benefit expense | 14,644 | 7,596 |
| Contributions to defined contribution plans | 478 | 217 |
| Equity-settled share-based payment expenses | 23,032 | – |
| | 38,154 | 7,813 |
| <u>Discontinued operations</u> | | |
| Employee benefit expense | 400 | 573 |
| Contributions to defined contribution plans | 15 | 20 |
| | 415 | 593 |
| Total staff costs | 38,569 | 8,406 |
| <u>Continuing operations</u> | | |
| Auditor's remuneration | 215 | 163 |
| Amortisation | | |
| – Intangible assets (included in "Administrative expenses and other operating expenses") | 401 | – |
| Depreciation | | |
| – Plant and equipment | 655 | 319 |
| – Right-of-use assets | 1,038 | 1,707 |
| Professional fees | 1,932 | 898 |
| <u>Discontinued operations</u> | | |
| Auditor's remuneration | 25 | 25 |
| Depreciation | | |
| – Plant and equipment | – | 38 |
| – Right-of-use assets | 86 | 87 |
| Professional fees | 1 | 3 |

7. INCOME TAX EXPENSE

The Group's entities established in the Cayman Islands and the BVI are exempted from income tax.

For the three months ended 31 December 2022 and 2021, only one entity in the Group is subject to the two-tiered Hong Kong profits tax rates while the remaining entities in the Group will continue to be taxed at the rate of 16.5%.

For the three months ended 31 December 2022, Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes. For the three months ended 31 December 2021, Hong Kong Profits Tax has been provided on the Group's estimated assessable profits arising from Hong Kong.

For the three months ended 31 December 2022 and 2021, no Enterprise Income Tax has been provided for the Group's entities established in the PRC as the entities incurred a loss for taxation purpose.

For the three months ended 31 December 2022 and 2021, no Corporate Income Tax of Canada has been provided as the entity incurred a loss for taxation purpose.

| | Three months ended | |
|--|---------------------------|-------------|
| | 31 December | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| <u>Continuing operations</u> | | |
| Current tax | | |
| Hong Kong Profits Tax | — | 112 |
| | _____ | _____ |
| Income tax expense for continuing operations | — | 112 |
| | ===== | ===== |

9. DISCONTINUED OPERATIONS

On 23 December 2022, Company completed the disposal of 85% equity interest in its subsidiary, Wealth Link Securities Limited, at a consideration of HK\$14,000,000, representing the Group's securities brokerage and margin financing business. The results of discontinued operations for the three months ended 31 December 2022 and 2021 are analysed as follows:

| | | Three months ended | |
|--|-------------|---------------------------|--------------------|
| | | 31 December | |
| | <i>Note</i> | 2022 | 2021 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 3 | 160 | 286 |
| Other income, net | | 12 | – |
| Administrative expenses and other operating expenses | | (778) | (1,001) |
| Finance costs | 5 | (4) | (1) |
| Loss before tax | 6 | (610) | (716) |
| Income tax expense | | – | – |
| Loss for the period | | (610) | (716) |
| Gain on disposal of discontinued operations | | 5,618 | – |
| Profit (Loss) for the period from discontinued operations | | 5,008 | (716) |

The earnings (loss) per share information of discontinued operations is as follows:

| | | Three months ended | |
|---|--|---------------------------|--------------------|
| | | 31 December | |
| | | 2022 | 2021 |
| | | '000 | '000 |
| | | (Unaudited) | (Unaudited) |
| Shares | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share | | 723,646 | 579,352 |
| Effect of dilutive potential ordinary shares – share options | | 969 | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share | | 724,615 | 579,352 |

| | Three months ended | |
|------------------------------------|---------------------------|-------------|
| | 31 December | |
| | 2022 | 2021 |
| | HK cents | HK cents |
| | (Unaudited) | (Unaudited) |
| Earnings (Loss) per share | | |
| for discontinued operations | | |
| Basic | 0.69 | (0.13) |
| Diluted | 0.69 | (0.13) |

10. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the share option scheme adopted by the Company on 4 May 2017 (the “**Share Option Scheme**”), 44,600,000 share options were granted to the Directors and employees of the Group on 30 December 2022. No share options were exercised, cancelled or lapsed during the three months ended 31 December 2022. As at 31 December 2022, there were 44,600,000 share options outstanding.

The estimated fair value of the share options granted on the grant date is approximately HK\$23,032,000, which was arrived at based on the valuation carried out by an independent qualified professional valuer not connected with the Group.

Equity-settled share-based payments amounted to approximately HK\$23,032,000 (2021: nil) were charged to administrative expenses and other operating expenses during the three months ended 31 December 2022.

11. CONVERTIBLE NOTE

On 1 November 2021, the Company issued 50,000,000 new shares at HK\$0.20 per share, and a convertible note with nominal value of HK\$30,000,000, carrying interest rate of 5% per annum, to LUCK ACHIEVE DEVELOPMENTS LIMITED (the “**Noteholder**”) as consideration for the acquisition of 100% equity interest in APEC GROUP INTERNATIONAL LIMITED. The convertible note will be matured on the second anniversary from the date of issue.

The Noteholder may convert the whole or part of the convertible note into shares of the Company at conversion price of HK\$0.2 per share, from the date of issue up to the maturity date. During the three months ended 31 December 2022, the convertible note with remaining principal amount of HK\$5,000,000 was converted into 25,000,000 shares of the Company.

12. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the three months ended 31 December 2022 (2021: nil).

13. BUSINESS COMBINATION

On 1 November 2022, the Company acquired the entire issued shares of Earning Joy Development Limited (“**Earning Joy**”) at a consideration of HK\$38,000,000, which was settled by the issue of promissory notes. Following the acquisition, Earning Joy has become a direct wholly-owned subsidiary of the Company. Earning Joy and its subsidiaries are principally engaged in the provision of accounting, taxation and business consultancy services in the PRC. The acquisition was made to enhance the Group’s strategy of becoming an integrated one-stop financial services provider. Up to the date of this report, the initial accounting for the above business combination was incomplete as the fair value assessment of goodwill and intangible assets, if any, of Earning Joy had not been finalised.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in (i) licensed business on the provision of corporate finance advisory services, placing and underwriting services and asset management services (“**Licensed Business**”); and (ii) non-licensed business on the provision of environmental, social and governance (“**ESG**”) 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 (“**Non-Licensed Business**”).

(i) Continuing Operations

Licensed Business

The Group’s Licensed Business is operated by its wholly-owned subsidiaries:

VBG Capital Limited (“VBG Capital”) A licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. The Group’s corporate finance advisory services include (i) acting as sponsor in IPO exercises, advising companies on compliance requirements and acting as compliance adviser to listed companies post-IPO; (ii) acting as financial adviser in transactions or compliance matters under the Rules Governing the Listing of Securities on the Stock Exchange, the GEM Listing Rules and/or the Codes on Takeovers and Mergers and Share Buy-backs; and (iii) acting as independent financial adviser to the independent board committees and independent shareholders of listed companies. Through VBG Capital, the Group acts as placing agent, lead manager and/or underwriter in primary and/or secondary market equity fundraising exercises of listed companies.

VBG Asset Management Limited A licensed corporation under the SFO to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities. The Group’s asset management services include providing advisory services for equity securities, fixed income securities, real estate securities, mutual funds and discretionary portfolio management services for professional clients.

Corporate finance advisory business continues to be the core business of the Group's Licensed Business. During the three months ended 31 December 2022 (the "**Period**"), corporate finance advisory business accounted for approximately 25.2% of the Group's total revenue. The Group's other Licensed Businesses, namely, (i) placing and underwriting services and (ii) asset management services, accounted for approximately nil% and 0.1% of its total revenue during the Period, respectively.

Non-Licensed Business

The Group's Non-Licensed Businesses and operations in respect of the provision of business consulting services, ESG advisory services, corporate secretarial services, accounting and taxation services, risk management and internal control advisory services, and human resources services are principally carried out under its wholly-owned subsidiaries in Hong Kong, APEC GROUP INTERNATIONAL LIMITED and VBG Asia Limited; and its wholly-owned subsidiary in Canada, Baron Global Financial Canada Ltd. During the Period, business consulting services accounted for approximately 9.0% of the Group's total revenue. The Group's other Non-Licensed Business, namely, (i) accounting and taxation services, (ii) corporate secretarial services, (iii) ESG advisory services, (iv) human resources services and (v) risk management and internal control advisory services, accounted for approximately 47.6%, 5.0%, 8.2%, 1.6% and 2.5% of its total revenue during the Period, respectively.

(ii) Discontinued Operations

Licensed Business

The Group's Licensed Business classified as discontinued operations represents the securities brokerage and margin financing business operated by Wealth Link Securities Limited ("**Wealth Link Securities**"), a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, and accounted for approximately 0.8% of the Group's total revenue during the Period. On 13 September 2021, the Company as seller entered into an agreement for the disposal of 85% equity interest in Wealth Link Securities (the "**Disposal**"). Completion of the Disposal took place on 23 December 2022. Immediately after completion of the Disposal, the Company holds a 15% equity interest in Wealth Link Securities, Wealth Link Securities ceases to be a subsidiary of the Company and that the financial result, assets and liabilities of Wealth Link Securities will no longer be consolidated into the accounts of the Group.

FINANCIAL REVIEW (CONTINUING AND DISCONTINUED OPERATIONS)

Revenue

The Group's revenue was derived from two principal businesses, namely, Licensed Business and Non-Licensed Business.

For the Period, the Group recorded an increase in total revenue by approximately 53.8% to approximately HK\$20.3 million (2021: approximately HK\$13.2 million). The increase in revenue was mainly due to the increase in revenue generated from (i) corporate finance advisory services under Licensed Business; and (ii) accounting and taxation services under Non-Licensed Business.

Details of changes in the revenue derived from Licensed Business and Non-Licensed Business are analysed below.

Licensed Business

The revenue from Licensed Business increased by approximately HK\$1.5 million or 39.5% to approximately HK\$5.3 million for the Period (2021: approximately HK\$3.8 million). The increase in revenue was mainly due to an increase in revenue from corporate finance advisory services of approximately HK\$1.6 million during the Period.

The increase in revenue from corporate finance advisory services was primarily attributable to a combined effect of (i) a decrease in revenue generated from acting as sponsor of approximately HK\$1.1 million; and (ii) an increase in revenue generated from acting as financial adviser and as independent financial adviser of approximately HK\$2.7 million for the Period.

Non-Licensed Business

The revenue from Non-Licensed Business increased by approximately HK\$5.7 million or 61.3% to approximately HK\$15.0 million for the Period (2021: approximately HK\$9.3 million). Such increase was mainly due to an increase in revenue generated from accounting and taxation services as a result of an increase in fees charged to recurring customers.

Other income

The Group's other income increased by approximately 16.5 times, from approximately HK\$211,000 for the three months ended 31 December 2021 to approximately HK\$3.7 million for the Period, mainly resulting from (i) the recognition of gain on disposal of financial assets at fair value through profit or loss of approximately HK\$1.8 million; (ii) an increase in unrealised gain on financial assets at fair value through profit or loss of approximately HK\$0.9 million; and (iii) an increase in government subsidies of approximately HK\$0.6 million during the Period.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses mainly comprised staff costs and related expenses, depreciation of right-of-use assets and professional fees.

The Group's administrative expenses and other operating expenses increased by approximately HK\$30.7 million, or approximately 222.5%, from approximately HK\$13.8 million for the three months ended 31 December 2021 to approximately HK\$44.5 million for the Period. Such increase was mainly attributable to an increase in staff costs of approximately of HK\$30.2 million as a result of (i) the recognition of equity-settled share-based payment expenses of approximately HK\$23.0 million in relation to the grant of share options by the Company under the Share Option Scheme during the Period; and (ii) the general pay rise and the increase of headcount of the Group during the Period as compared with the three months ended 31 December 2021.

Finance costs

The Group's finance costs decreased to approximately HK\$506,000 for the Period from approximately HK\$972,000 for the three months ended 31 December 2021, mainly resulting from a decrease in interest expenses on convertible note as a result of a decrease in the principal amount of convertible note as compared to the three months ended 31 December 2021.

Gain on disposal of discontinued operations

As a result of completion of the Disposal, the Company recognized a gain on disposal of discontinued operations of approximately HK\$5.6 million during the Period (2021: nil).

Loss for the period

As a result of foregoing, the Group recorded a loss of approximately HK\$15.3 million for the Period as compared to a loss of approximately HK\$1.5 million for the three months ended 31 December 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Except that have been disclosed in notes 9 and 13 to the Condensed Consolidated Financial Statements, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Period.

PROSPECTS

With an expected better business environment in 2023 relative to 2022, the Group will continue to seek business opportunities for our Licensed Business and Non-Licensed Business. Apart from the acquisition of Earning Joy, the Company and the Board have been actively exploring new business opportunities in order to bring a higher return for the shareholders of the Company, in particular acquisition targets with its business focus in the Greater Bay Area due to the recent relaxed quarantine measures in the PRC and the opportunities arising from the Greater Bay Area.

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

As at 31 December 2022, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long position in the shares of the Company

| Name of Directors | Capacity/Nature | Number of shares held | Number of underlying shares held pursuant to share options (Note 3) | Total number of shares and underlying shares held | Approximate percentage of the issued share capital of the Company (Note 4) |
|---|--|-------------------------|--|---|--|
| Mr. Li Man Keung Edwin ("Mr. Li") | Interests of controlled corporation/Beneficial owner | 116,870,000 (Note 1) | 5,000,000 | 121,870,000 | 16.33% |
| Mr. Yeung Chun Yue David ("Mr. Yeung") | Interests of controlled corporation | 33,000,000 (Note 2) | - | 33,000,000 | 4.42% |

Notes:

- These 116,870,000 shares include 113,730,000 shares held by Tanner Enterprises Group Limited ("**Tanner Enterprises**"), a company incorporated in the British Virgin Islands (the "**BVI**") and wholly owned by Mr. Li. Therefore, Mr. Li is deemed to be interested in all the shares held by Tanner Enterprises for the purpose of the SFO. In addition, Mr. Li beneficially owns 3,140,000 shares.

- (2) These 33,000,000 shares are held by GREAT WIN GLOBAL LIMITED (“**Great Win**”), a company incorporated in the BVI and wholly owned by Mr. Yeung. Therefore, Mr. Yeung is deemed to be interested in all the shares held by Great Win for the purpose of the SFO.
- (3) These share options were granted by the Company on 30 December 2022 under the Share Option Scheme.
- (4) The approximate percentage of shareholdings is based on 746,200,000 shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executives of the Company and/or any of their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed “**DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**” above and “**SHARE OPTION SCHEME**” below, neither the Company nor any of its subsidiaries or associated corporations was, a party to any arrangement to enable the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations at any time during the Period.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2022, the following parties (not being the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares or underlying shares of the Company

| Name of substantial shareholders | Nature of interests | Number of shares held | Number of underlying shares held | Total number of shares and underlying shares held | Approximate percentage of the issued share capital of the Company (Note 4) |
|--|--|-----------------------|----------------------------------|---|--|
| Ms. Wan Ho Yan Letty ("Ms. Wan") | Interests of controlled corporation/Beneficial owner | 143,305,000 | - | 143,305,000 (Note 1) | 19.20% |
| Jayden Wealth Limited ("Jayden Wealth") | Beneficial owner | 143,100,000 | - | 143,100,000 (Note 1) | 19.18% |
| Tanner Enterprises | Beneficial owner | 113,730,000 | - | 113,730,000 (Note 2) | 15.24% |
| Mr. Li Chun Fung | Interests of controlled corporation/Beneficial owner | 55,000,000 | - | 55,000,000 (Note 3) | 7.37% |

Notes:

- Jayden Wealth is a company incorporated in the BVI and wholly owned by Ms. Wan. Under the SFO, Ms. Wan is deemed to be interested in all the shares held by Jayden Wealth. In addition, Ms. Wan beneficially owns 205,000 shares.
- Tanner Enterprises is a company incorporated in the BVI and wholly owned by Mr. Li, an executive Director. Under the SFO, Mr. Li is deemed to be interested in all the shares held by Tanner Enterprises.
- These 55,000,000 shares include 25,000,000 shares held by LUCK ACHIEVE DEVELOPMENTS LIMITED ("**Luck Achieve**"), a company incorporated in the BVI and wholly owned by Mr. Li Chun Fung. Therefore, Mr. Li Chun Fung is deemed to be interested in all the shares held by Luck Achieve for the purpose of the SFO. In addition, Mr. Li Chun Fung beneficially owns 30,000,000 shares.
- The approximate percentage of shareholdings is based on 746,200,000 shares in issue as at 31 December 2022.

Save as disclosed above, the Directors were not aware of any other persons, other than the Directors or chief executives of the Company who held any interests or short positions in the shares and/or underlying shares of the Company as at 31 December 2022 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company had adopted a share option scheme (the “**Share Option Scheme**”) by the resolutions in writing of the sole shareholder of the Company passed on 4 May 2017. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption.

On 30 December 2022, an aggregate of 44,600,000 share options were granted to the Directors and employees of the Group. No share options were exercised, cancelled or lapsed during the Period (2021: nil). As at 31 December 2022, there were 44,600,000 (2021: nil) outstanding share options in aggregate, which have been vested and are issuable for 44,600,000 ordinary shares of the Company under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Reference is made to the announcement of the Company dated 27 December 2022 in respect of the proposed issue of settlement shares by the Company under general mandate.

On 23 December 2022, the Company entered into a deed of settlement with the promissory notes holders, Mr. Liang Zihao and Mr. Tse Chi Ming, pursuant to which the Company has agreed to settle the promissory notes and all outstanding accrued interests thereon by issuing 25,072,000 settlement shares at the issue price of HK\$0.70 per settlement share to each of the promissory notes holders. On 13 January 2023, the Company issued and allotted an aggregate of 50,144,000 shares to the promissory notes holders.

Save as disclosed above and under the section headed “**EVENTS AFTER THE REPORTING PERIOD**” below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Period and up to the date of this report.

COMPETING INTERESTS

As at 31 December 2022, none of the Directors, substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or has or may have any other conflict of interests with the Group during the Period.

CORPORATE GOVERNANCE

The Company has not engaged in any activities falling under the continuing disclosure requirements pursuant to Rules 17.22 and 17.24 of the GEM Listing Rules.

During the Period and up to the date of this report, the Board has reviewed the Group's corporate governance practices and is satisfied that the Group has complied with the code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 15 to the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 13 January 2023, the Company as issuer and VBG Capital as placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 57,000,000 placing shares, to not less than six placees who and whose ultimate beneficial owner are independent third parties at a price of HK\$0.69 per placing share (the "**Placing**").

Completion of the Placing took place on 10 February 2023. A total of 57,000,000 placing shares have been successfully placed to not less than six placees at placing price of HK\$0.69 per placing share. The net proceeds from the Placing, after deduction of placing commission and other related expenses, amounted to approximately HK\$37.4 million. The Company intends to use the net proceeds for the setup of and the investment to be acquired by the investment fund, and for general working capital of the Group.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision D.3.3 of Part 2 of the Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ho Lik Kwan Luke, as the chairman of the Audit Committee, Mr. William Robert Majcher and Mr. Lau Pak Kin Patric. The primary duty of the Audit Committee is to review and supervise the Company's financial reporting process, the risk management and internal control systems of the Group and the monitoring of continuing connected transactions.

Pursuant to code provision D.3.3 of Part 2 of the Code, the Audit Committee together with the management of the Company have reviewed the financial reporting matters including the review of the unaudited condensed consolidated results of the Group for the Period and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

BOARD OF DIRECTORS

As at the date of this report, 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

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

Hong Kong, 14 February 2023