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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 JUNE 2023

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 nine months ended 30 June 2023. This announcement, containing the full text of the third quarterly report of the Company for the nine months ended 30 June 2023 (the “**Third 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 the third quarterly results. Printed version of the Third 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 August 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.

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*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\$60.3 million for the nine months ended 30 June 2023, representing an increase of approximately 3.6% when compared with a revenue of approximately HK\$58.2 million for the nine months ended 30 June 2022.
- The Group recorded a loss of approximately HK\$15.4 million for the nine months ended 30 June 2023, compared with a loss of approximately HK\$78,000 for the nine months ended 30 June 2022. The increase in loss for the nine months ended 30 June 2023 was mainly attributable to the combined effect of (i) an increase in other income of approximately HK\$10.7 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\$35.7 million as compared with the nine months ended 30 June 2022.
- The basic and diluted loss per share for the nine months ended 30 June 2023 was approximately HK1.88 cents (2022: approximately HK0.02 cents).
- The board of Directors (the “**Board**”) did not recommend the payment of an interim dividend for the nine months ended 30 June 2023 (2022: nil).

UNAUDITED CONDENSED CONSOLIDATED RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 June 2023, together with the unaudited comparative figures for the three months and nine months ended 30 June 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 June 2023

	Note	Three months ended 30 June		Nine months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Continuing operations					
Revenue	3	20,761	27,879	60,189	57,482
Other income, net	4	7,501	1,318	12,098	1,296
Allowance for expected credit loss on trade receivables		-	(1)	-	(441)
Administrative expenses and other operating expenses		(22,049)	(23,276)	(91,400)	(53,451)
Finance costs	5	(356)	(419)	(1,218)	(2,045)
Profit (Loss) before tax from continuing operations	6	5,857	5,501	(20,331)	2,841
Income tax credit (expense)	7	574	(461)	(30)	(659)
Profit (Loss) for the period from continuing operations		6,431	5,040	(20,361)	2,182
Discontinued operations					
Loss for the period from discontinued operations	9	-	(682)	(610)	(2,260)
Gain on disposal of discontinued operations	9	-	-	5,618	-
(Loss) Profit for the period from discontinued operations		-	(682)	5,008	(2,260)
Profit (Loss) for the period		6,431	4,358	(15,353)	(78)

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

For the nine months ended 30 June 2023

	Note	Three months ended 30 June		Nine months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Other comprehensive income (loss)					
<i>Items that will not be reclassified to profit or loss</i>					
Fair value loss on financial assets designated at fair value through other comprehensive income ("Designated FVOCI")		(87)	(3,330)	(140)	(1,510)
Other comprehensive loss for the period		<u>(87)</u>	<u>(3,330)</u>	<u>(140)</u>	<u>(1,510)</u>
Total comprehensive income (loss) for the period		<u>6,344</u>	<u>1,028</u>	<u>(15,493)</u>	<u>(1,588)</u>
Profit (Loss) for the period attributable to:					
Owners of the Company		6,255	4,228	(15,209)	(117)
Non-controlling interests		<u>176</u>	<u>130</u>	<u>(144)</u>	<u>39</u>
		<u>6,431</u>	<u>4,358</u>	<u>(15,353)</u>	<u>(78)</u>
Total comprehensive income (loss) for the period attributable to:					
Owners of the Company		6,168	898	(15,349)	(1,627)
Non-controlling interests		<u>176</u>	<u>130</u>	<u>(144)</u>	<u>39</u>
		<u>6,344</u>	<u>1,028</u>	<u>(15,493)</u>	<u>(1,588)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
From continuing and discontinued operations					
Earnings (Loss) per share					
Basic	8	0.71	0.59	(1.88)	(0.02)
Diluted	8	<u>0.67</u>	<u>0.58</u>	<u>(1.88)</u>	<u>(0.02)</u>
From continuing operations					
Earnings (Loss) per share					
Basic	8	0.71	0.68	(2.50)	0.33
Diluted	8	<u>0.67</u>	<u>0.67</u>	<u>(2.50)</u>	<u>0.33</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 June 2023

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	State capital HK\$'000	State 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		
At 1 October 2021 (audited)	5,462	75,555	152	1,656	(3,048)	-	(42,478)	37,299	37,299
Profit for the period	-	-	-	-	-	-	(117)	(117)	(78)
Other comprehensive income (loss) for the period	-	-	-	-	(1,510)	-	-	(1,510)	(1,510)
Items that will not be reclassified to profit or loss	-	-	-	-	(1,510)	-	-	(1,510)	(1,510)
Fair value loss on Designated FVOCI	-	-	-	-	(1,510)	-	(117)	(1,627)	(1,588)
Total other comprehensive loss for the period	-	-	-	-	(1,510)	-	(117)	(1,627)	(1,588)
Total comprehensive loss for the period	-	-	-	-	(1,510)	-	(117)	(1,627)	(1,588)
Transactions with owners:									
Contributions and distributions	500	7,560	-	-	-	11,335	-	19,395	19,395
Issue of share and convertible note pursuant to acquisition of a subsidiary (Note 11)	-	-	(373)	-	-	-	-	(373)	(373)
Derecognition of subsidiaries	1,250	31,807	-	-	-	(9,446)	-	23,611	23,611
Issue of shares pursuant to conversion of convertible note	1,760	39,357	(373)	-	-	1,889	-	42,623	42,623
Total transactions with owners for the period	7,212	114,912	(221)	1,656	(4,558)	1,889	(42,595)	78,295	78,334
At 30 June 2022 (unaudited)									

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine months ended 30 June 2023

	Attributable to owners of the Company										
	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	Total equity HK\$'000
At 1 October 2022 (audited)	7,212	114,603	152	1,656	(4,957)	1,889	-	(50,715)	69,940	(501)	69,339
Loss for the period	-	-	-	-	-	-	-	(15,209)	(15,209)	(144)	(15,353)
Other comprehensive income (loss) for the period <i>Items that will not be reclassified to profit or loss</i> Fair value loss on Designated FVOCI	-	-	-	-	(140)	-	-	-	(140)	-	(140)
Total other comprehensive loss for the period	-	-	-	-	(140)	-	-	-	(140)	-	(140)
Total comprehensive loss for the period	-	-	-	-	(140)	-	-	(15,209)	(15,349)	(144)	(15,493)
Transactions with owners:											
Contributions and distributions											
Conversion of convertible note (Note 11)	250	7,082	-	-	-	(1,889)	-	-	5,443	-	5,443
Recognition of equity-settled share-based payments (Note 10)	-	-	-	-	-	-	23,032	-	23,032	-	23,032
Issue of shares pursuant to settlement of promissory notes (Note vii)	501	34,599	-	-	-	-	-	-	35,100	-	35,100
Issue of shares pursuant to placing (Note viii)	570	38,760	-	-	-	-	-	-	39,330	-	39,330
Issue of shares pursuant to subscription agreement (Note ix)	386	34,390	-	-	-	-	-	-	34,776	-	34,776
Issue of shares pursuant to the share option scheme (Note v)	1	43	-	(263)	-	-	(24)	-	20	-	20
Acquisition of a subsidiary (Note 13)	-	-	-	-	-	-	-	-	(263)	-	(263)
Derecognition of a subsidiary	-	-	314	-	-	1,889	-	-	314	-	314
Total transactions with owners for the period	1,708	114,874	314	(263)	-	(1,889)	23,008	-	137,752	-	137,752
At 30 June 2023 (unaudited)	8,920	229,477	466	1,393	(5,097)	-	23,008	(65,924)	192,243	(645)	191,598

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONTINUED)***For the nine months ended 30 June 2023*

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.
- (vii) On 13 January 2023, the Company issued and allotted 50,144,000 shares at HK\$0.70 per share for settlement of the promissory notes and all outstanding accrued interests pursuant to a deed of settlement entered on 23 December 2022.
- (viii) On 10 February 2023, the Company issued and allotted 57,000,000 shares at HK\$0.69 per share pursuant to a placing agreement entered on 13 January 2023.
- (ix) On 13 April 2023, the Company issued and allotted 38,640,000 consideration shares at the issue price of HK\$0.90 per consideration share to RC365 Holding Plc pursuant to a subscription agreement entered on 13 February 2023.
- (x) On 21 June 2023, share options were exercised at subscription price of HK\$0.88 per ordinary share, resulting in the issue of 50,000 ordinary shares for proceeds of HK\$44,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 June 2023

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 nine months ended 30 June 2023 (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 August 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. 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

	Three months ended 30 June		Nine months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Continuing operations				
Licensed business				
Revenue from contracts with customers within HKFRS 15				
Corporate finance advisory services	1,938	1,629	8,384	7,727
Placing and underwriting services	1,630	1,225	1,901	1,225
Asset management services	18	21	60	140
	<u>3,586</u>	<u>2,875</u>	<u>10,345</u>	<u>9,092</u>
Non-licensed business				
Revenue from contracts with customers within HKFRS 15				
Accounting and taxation services	9,696	10,657	27,734	22,550
Business consulting services	1,554	8,935	4,261	13,093
ESG advisory services	3,002	2,426	6,009	5,539
Risk management and internal control advisory services	1,384	2,048	6,942	4,351
Corporate secretarial services	1,110	866	3,649	2,479
Human resources services	429	72	1,249	378
	<u>17,175</u>	<u>25,004</u>	<u>49,844</u>	<u>48,390</u>
Total	<u>20,761</u>	<u>27,879</u>	<u>60,189</u>	<u>57,482</u>
Discontinued operations				
Licensed business				
Revenue from contracts with customers within HKFRS 15				
Brokerage commission	-	67	106	386
Clearing, settlement and handling fee income	-	7	2	9
	<u>-</u>	<u>74</u>	<u>108</u>	<u>395</u>
Interest revenue calculated using the effective interest method				
Interest income from cash and margin clients	-	75	52	288
Total (Note 9)	<u>-</u>	<u>149</u>	<u>160</u>	<u>683</u>

4. OTHER INCOME, NET

	Three months ended		Nine months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Continuing operations</u>				
Gain on disposal of financial assets				
at fair value through profit or loss	2,644	409	4,455	409
Government subsidies (Note)	50	446	802	726
Interest income	15	–	155	3
Unrealised gain on financial assets				
at fair value through profit or loss	2,521	700	4,808	717
Loss on disposal of plant and				
equipment	(1)	(411)	(1)	(411)
Others	2,272	174	1,879	(148)
	<u>7,501</u>	<u>1,318</u>	<u>12,098</u>	<u>1,296</u>
<u>Discontinued operations</u> (Note 9)				
Government subsidies (Note)	–	78	12	101
Others	–	3	–	3
	<u>–</u>	<u>81</u>	<u>12</u>	<u>104</u>

Note:

During the nine months ended 30 June 2023, the Group recognised government subsidies of approximately HK\$814,000 (2022: approximately HK\$827,000) from subsidy schemes of Hong Kong SAR Government as below:

	Nine months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<u>Continuing operations</u>		
Employment Support Scheme	675	340
Financial Industry Recruitment Scheme for Tomorrow	-	116
Financial Industry Recruitment Scheme for Young Graduates	97	160
Distance Business Funding Programme	-	80
Subsidy Scheme for Employment Agencies	-	30
The Work Orientation and Placement Scheme	30	-
	802	726
<u>Discontinued operations</u>		
Employment Support Scheme	12	48
Financial Industry Recruitment Scheme for Young Graduates	-	53
	12	101
	814	827

5. FINANCE COSTS

	Three months ended 30 June		Nine months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Continuing operations				
Interest expenses on convertible note	-	62	57	1,048
Interest expenses on bank borrowings	226	194	650	503
Interest expenses on lease liabilities	130	163	410	494
Interest expenses on promissory notes	-	-	101	-
	356	419	1,218	2,045
Discontinued operations				
Interest expenses on lease liabilities (Note 9)	-	4	4	6
	356	423	1,222	2,051

6. LOSS BEFORE TAX

This is stated after charging (crediting):

	Three months ended 30 June		Nine months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Staff costs (including directors' remuneration):				
Continuing operations				
Employee benefit expense	14,716	9,764	45,382	28,222
Contributions to defined contribution plans	591	346	1,567	886
Equity-settled share-based payment expenses	–	–	23,032	–
	<u>15,307</u>	<u>10,110</u>	<u>69,981</u>	<u>29,108</u>
Discontinued operations				
Employee benefit expense	–	495	400	1,774
Contributions to defined contribution plans	–	21	15	63
	<u>–</u>	<u>516</u>	<u>415</u>	<u>1,837</u>
Total staff costs	<u>15,307</u>	<u>10,626</u>	<u>70,396</u>	<u>30,945</u>
Continuing operations				
Auditor's remuneration	410	163	865	488
Amortisation				
– Intangible assets (included in "Administrative expenses and other operating expenses")	397	–	1,190	–
Depreciation				
– Plant and equipment	676	632	1,999	1,374
– Right-of-use assets	715	1,344	2,145	5,253
Exchange gain, net	(122)	(1)	(144)	(3)
Professional fees	760	1,970	7,035	4,738
	<u>760</u>	<u>1,970</u>	<u>7,035</u>	<u>4,738</u>
Discontinued operations				
Auditor's remuneration	–	25	25	75
Depreciation				
– Plant and equipment	–	38	–	114
– Right-of-use assets	–	86	86	260
Professional fees	–	–	1	4
	<u>–</u>	<u>–</u>	<u>1</u>	<u>4</u>

7. INCOME TAX (CREDIT)/EXPENSE

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

For the nine months ended 30 June 2023 and 2022, 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 nine months ended 30 June 2023, no Hong Kong Profits Tax has been provided as the Group incurred a loss for taxation purpose. For the nine months ended 30 June 2022, Hong Kong Profits Tax has been provided on the Group's estimated assessable profits arising from Hong Kong.

For the nine months ended 30 June 2023, the Group's entities established in the PRC is subject to Enterprise Income Tax at a statutory rate of 25%. For the nine months ended 30 June 2022, 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 nine months ended 30 June 2023 and 2022, no Corporate Income Tax of Canada has been provided as the entity incurred a loss for taxation purpose.

	Three months ended 30 June		Nine months ended 30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Current tax				
Hong Kong Profits Tax	-	461	-	659
PRC Enterprise Income Tax	(574)	-	30	-
Canada Corporate Income Tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income tax (credit) expense for continuing operations	<u>(574)</u>	<u>461</u>	<u>30</u>	<u>659</u>

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on profit/(loss) attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the periods as follows:

	Three months ended 30 June		Nine months ended 30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(Loss)				
Profit/(Loss) for the period for the purpose of basic earnings/(loss) per share				
– Continuing operations	6,255	4,910	(20,217)	2,143
– Discontinued operations	–	(682)	5,008	(2,260)
	6,255	4,228	(15,209)	(117)
Effect of dilutive potential ordinary shares: Interest on convertible note (net of income tax)	–	52	–	–
	6,255	4,280	(15,209)	(117)
	886,894	721,200	810,264	643,819
Effect of dilutive potential ordinary shares: Convertible note	–	25,000	–	–
Effect of dilutive potential ordinary shares: Share options	44,435	–	–	–
	931,329	746,200	810,264	643,819

Diluted loss per share is same as basic loss per share for the nine months ended 30 June 2023 as the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in the basic loss per share.

Diluted loss per share is same as basic loss per share for the nine months ended 30 June 2022 as the convertible note outstanding at the end of the reporting period had an anti-dilutive effect on the basic loss per share.

9. DISCONTINUED OPERATIONS

On 23 December 2022, Company completed the disposal of 85% equity interest in its subsidiary, Wealth Link Securities Limited ("**Wealth Link Securities**"), at a consideration of HK\$14,000,000 (the "**Consideration**"), representing the Group's securities brokerage and margin financing business. 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.

As at the date of this report, the remaining balance of the Consideration, being HK\$3,500,000, remains unpaid by the Purchaser. As the Company has taken the necessary actions to recover the outstanding Consideration from the Purchaser, the Directors expect that the Purchaser will settle the amount in due course.

The results of discontinued operations for the three months and nine months ended 30 June 2023 are analysed as follows:

	Three months ended 30 June		Nine months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue (Note 3)	-	149	160	683
Other income, net (Note 4)	-	81	12	104
Administrative expenses and other operating expenses	-	(908)	(778)	(3,041)
Finance costs (Note 5)	-	(4)	(4)	(6)
	<hr/>	<hr/>	<hr/>	<hr/>
Loss before tax	-	(682)	(610)	(2,260)
Income tax expense	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Loss for the period	-	(682)	(610)	(2,260)
Gain on disposal of discontinued operations	-	-	5,618	-
	<hr/>	<hr/>	<hr/>	<hr/>
(Loss) Profit for the period from discontinued operations	-	(682)	5,008	(2,260)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Three months ended 30 June		Nine months ended 30 June	
2023	2022	2023	2022
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Shares

Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share

886,894	721,200	810,263	643,819
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Effect of dilutive potential ordinary shares – share options

44,435	–	29,897	–
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Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share

931,329	721,200	840,160	643,819
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Three months ended 30 June		Nine months ended 30 June	
2023	2022	2023	2022
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

(Loss) Earnings per share for discontinued operations

Basic	–	(0.09)	0.62	(0.35)
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Diluted	–	(0.09)	0.60	(0.35)
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The following summarises the gain on disposal of discontinued operations:

	HK\$'000 (Unaudited)
Consideration	<u>14,000</u>
Recognised amounts of identifiable assets and liabilities	
Right-of-use assets	458
Other assets	500
Trade and other receivables	3,140
Bank balances – client accounts	41,109
Bank balances – general accounts and cash	6,425
Trade and other payables	(41,308)
Lease liabilities	<u>(463)</u>
Total identifiable net assets	<u>9,861</u>
85% of net assets disposed of	<u>8,382</u>
Gain on disposal of discontinued operations	<u>5,618</u>
Net cash outflow on disposal of discontinued operations:	
	HK\$'000 (Unaudited)
Bank balances – general accounts and cash	<u>(6,425)</u>

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. As at 30 June 2023, there were 44,435,000 share options outstanding.

Details of movements in the Company’s share options for the nine months ended 30 June 2023 are as follows:

	Number of share options
Outstanding as at 1 October 2022	–
Granted during the period	44,600,000
Exercised during the period	(50,000)
Cancelled during the period	(115,000)
Lapsed during the period	–
	<hr/>
Outstanding as at 30 June 2023	<u>44,435,000</u>

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.

During the nine months ended 30 June 2023, equity-settled share-based payment expenses of approximately HK\$23,032,000 (2022: nil) for the Share Option Scheme were recognised in profit or loss with a corresponding credit in share option reserve.

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. In 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 nine months ended 30 June 2023 (2022: 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.

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 nine months ended 30 June 2023 (the "**Period**"), corporate finance advisory business accounted for approximately 13.9% 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 3.1% 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 ("**VBG Asia**"); and its wholly-owned subsidiary in Canada, Baron Global Financial Canada Ltd. During the Period, business consulting services accounted for approximately 7.0% 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 46.0%, 6.0%, 10.0%, 2.1% and 11.5% 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 0.3% 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.

Placing of new shares under general mandate

On 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 pursuant to the terms and conditions of the placing agreement. The placing shares were issued and allotted pursuant to the general mandate granted to the Directors at the Company’s annual general meeting held on 25 February 2022. The reasons for issuing the placing shares was that, in light of the prevailing financial conditions of the Group, the Directors consider that the Placing to be a suitable financial option as compared to other means of financing as it enables the Group to raise capital in an efficient manner without increasing interest burden on the Group, strengthen the financial position of the Company and represents a good opportunity to broaden the shareholders’ base and capital base of the Company.

The gross proceeds and net proceeds from the Placing amounted to approximately HK\$39.3 million and HK\$37.4 million respectively and the net issue price was approximately HK\$0.66. 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.

For details of the Placing, please refer to the announcements of the Company dated 13 January 2023, 20 January 2023 and 10 February 2023.

Subscription of new shares of RC365 Holding Plc involving issue of consideration shares by the Company (the “RC365 Subscription”)

Reference is made to the announcement of the Company dated 14 February 2023 (the “**Announcement**”) in relation to the RC365 Subscription. Capitalized terms used in this sub-section shall have the same meanings as those defined in the Announcement. On 13 February 2023, the Company as subscriber entered into a subscription agreement with RC365 Holding Plc (a company listed on the London Stock Exchange, symbol: RCGH.L) (“**RC365**”) as issuer, pursuant to which the Company has conditionally agreed to subscribe for, and RC365 has conditionally agreed to issue and allot, an aggregate of 18,000,000 RC365 Subscription Shares at the RC365 Subscription Price of GBP0.20 (equivalent to approximately HK\$1.93) per RC365 Subscription Share for a total consideration of GBP3,600,000 (equivalent to approximately HK\$34,800,000). The Consideration shall be settled by the Company by way of the issue and allotment of an aggregate of 38,640,000 Consideration Shares at the issue price of HK\$0.90 per Consideration Share to RC365 upon completion of the RC365 Subscription. The entering into of the subscription agreement will allow the Company and RC365 to form a strategic alliance with a shareholding stake in each other and will allow the Group and RC365 to share its experience and expertise in their respective industry.

With a view to promote the possible strategic business cooperation between the Group and RC365’s businesses, on 13 February 2023, the Company and RC365 entered into a non-legally binding memorandum of understanding (the “**Cooperation MOU**”) for the strategic cooperation in the development of potential fintech-based solutions. The parties to the Cooperation MOU agreed to utilise their respective resources, expertise and experience to explore possible cooperation with each other, and it is intended that such cooperation will consist of the potential commercial development of smart algorithm technology in the provision of intuitive investment recommendations for the asset management sector, subject to the terms and conditions of formal agreement(s) to be entered into. With consideration of the expanding capabilities of the existing data collection platform made available by RC365, the Directors believe that the cooperation will enable the Group to complement and enhance its capacity in serving current clients and attracting new clients from different industries. The Directors also consider that the mutual reliance will allow the Group and RC365 to utilise their respective edges to develop its business cooperation and maximize returns for the respective shareholders of the Company and RC365.

Completion of the RC365 Subscription took place on 13 April 2023. For details of the RC365 Subscription and the Cooperation MOU, please refer to the announcements of the Company dated 14 February 2023 and 17 April 2023.

Memorandum of understanding on cooperation (the “MOU”) with Smart Auto Australia Limited (“Smart Auto”)

On 22 March 2023, VBG Asia, a wholly-owned subsidiary of the Company, entered into the MOU with Smart Auto, a company listed on the National Stock Exchange of Australia and principally engages in the provision of (i) conventional bus rental and management services; (ii) bus body advertisement; (iii) vehicles and passenger service license trading services; (iv) distributorship of coaches and electric vehicle products; and (v) bus trading services. Pursuant to the MOU, the Company and Smart Auto intend to collaborate jointly in the form of (i) Smart Auto and VBG Asia become business partners and VBG Asia shall support Smart Auto and advise on proposed cross border merger and acquisition activities to be conducted by Smart Auto (the **“Proposed Transaction”**); (ii) VBG Asia shall assist Smart Auto in identifying suitable target(s) for the Proposed Transaction; (iii) VBG Asia shall assist Smart Auto in fund raising activities in the secondary market to raise expansion capital of approximately HK\$15,000,000 on a best effort basis; and (iv) by pooling of relevant resources of VBG Asia and Smart Auto, to establish other cooperative model(s) which aims to maximize each party’s benefits. The MOU shall be valid for a period of one year from 22 March 2023.

Details of the MOU were disclosed in the announcement of the Company dated 22 March 2023.

Letter of intent (the “LOI”) and proposed cooperation with Cloudnifier Corporation Limited (“Cloudnifier”)

On 4 April 2023, the Company entered into the LOI with Cloudnifier in relation to the research, development and distribution of big data platform and other integrated solutions for financial institutions.

Pursuant to the LOI, the Company and Cloudnifier have indicated their interests in a collaboration in (i) the research and development of big data platform and other integrated solutions for financial institutions with the purpose of smoothening compliance and regulatory reporting procedures with the utilization of the expertise possessed by Cloudnifier in areas of technology advancements of artificial intelligence, blockchain, computer technology, and the Group’s expertise in the financial market (the **“New Solutions”**); and (ii) the utilization of the existing clientele and financial institutions network of the Group, whereas the Group shall offer Cloudnifier possible distribution services of Cloudnifier’s existing and future products while acquiring commission fees in return.

The consideration of engaging Cloudnifier for the research and development of the New Solutions shall be settled by way of issuing shares of the Company to Cloudnifier. The consideration shall be determined and confirmed upon signing formal agreement(s) in the future.

The proposed collaboration and transactions contemplated under the LOI, if materialized, may constitute notifiable transactions for the Company under the GEM Listing Rules. In this regard, the Company will comply with the applicable requirements under the GEM Listing Rules as and when required.

For details of the LOI, please refer to the announcement of the Company dated 4 April 2023.

Memorandum of understanding on cooperation in relation to artificial intelligence (“AI”) development (the “AI Development MOU”)

On 1 June 2023, the Company entered into the AI Development MOU, which is non-legally binding, with Regal Crown Technology Limited (“**Regal Crown**”), a wholly-owned subsidiary of RC365. Pursuant to the AI Development MOU, the Company and Regal Crown intend to collaborate with each other so as to bring the possible implementation of AI solutions and other intelligent prediction algorithm models into the development and optimization of Regal Crown’s proprietary applications, including applications with provision of digital wealth management solutions. The Company and Regal Crown will be committed to harness full potential of the AI initiative by allowing implementation of automated workflow in its proprietary applications, as well as integration of new features including blockchain technology and virtual banking facilities. With consideration of the expanding capabilities of the proprietary applications made available by Regal Crown, the Directors believe that the further entering into of the AI Development MOU following the Cooperation MOU and the possible implementations thereunder will allow the Group to realise potential investment gains from Regal Crown when full commercialisation of its proprietary applications take place. The Directors are of the view that such cooperation will bring additional returns to the Group, which is in the interest of the Company and its shareholders as a whole. The AI Development MOU shall be valid for 24 months from the date of the AI Development MOU.

For details of the AI Development MOU, please refer to the announcement of the Company dated 1 June 2023.

Collaboration agreement with Regal Crown for the development of the RC3.0 App Project (the “Collaboration Agreement”)

On 23 June 2023, APEC Business Services Limited (“**APEC Business**”), a wholly-owned subsidiary of the Company, entered into the Collaboration Agreement with Regal Crown, pursuant to which Regal Crown has agreed to develop and upgrade its RC2.0 App (a mobile application providing users with personal wealth management solutions) to RC3.0 App (the “**RC3.0 App Project**”) and that APEC Business has agreed to pay a sum (the “**Sum**”) of HK\$15 million to Regal Crown to finance the development of the RC3.0 App Project.

The Collaboration Agreement shall be valid from the date of execution and shall continue for a term of 15 years commencing from the date of launch of the RC3.0 App, and shall be automatically renewed for successive terms of one year each unless otherwise terminated sooner in accordance with the terms of the Collaboration Agreement.

Pursuant to the Collaboration Agreement, the Sum was paid by APEC Business on the date of the Collaboration Agreement, and Regal Crown shall grant to APEC Business the exclusive and irrevocable right to share the benefit and receive on a 50:50 basis any income and revenue generated from the use of the RC3.0 App.

The target customers of the RC3.0 App are intended to be financial institutions and multi system operator (“**MSO**”) subscribers. As the RC3.0 App offers virtual banking facilities, enterprise resource planning function and blockchain features, it allows financial institutions and MSO to enable their end users to participate in its settlement application services for online and offline transactions. In return, the financial institutions and MSO pay a one-time initial joining fee and a monthly subscription fee to Regal Crown, which will be deemed as income and revenue generated from the use of the RC3.0 App.

The development and upgrade of the RC3.0 App is expected to be completed on or before 30 June 2024 and it is anticipated that the commencement of income and revenue generation from the RC3.0 App will be immediately following its launch, which is expected to be on or before 30 September 2024.

For details of the Collaboration Agreement, please refer to the announcements of the Company dated 23 June 2023 and 18 July 2023.

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 3.6% to approximately HK\$60.3 million (2022: approximately HK\$58.2 million). The increase in revenue was mainly due to the increase in revenue generated from accounting and taxation services, and risk management and internal control advisory services, which was partly offset by the decrease in revenue generated from business consulting 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\$730,000 or 7.1% to approximately HK\$10.5 million for the Period (2022: approximately HK\$9.8 million). The increase in revenue was mainly due to the combined effect of (i) an increase in revenue from corporate finance advisory services of approximately HK\$657,000; (ii) an increase in revenue from placing and underwriting services of approximately HK\$676,000 and (iii) a decrease in revenue from the discontinued operations of approximately HK\$523,000 during the Period.

The increase in revenue from corporate finance advisory services was primarily attributable to the combined effect of (i) an increase in revenue generated from acting as financial adviser and as independent financial adviser of approximately HK\$2.4 million; and (ii) a decrease in revenue generated from acting as sponsor of approximately HK\$1.7 million for the Period.

Non-Licensed Business

The revenue from Non-Licensed Business increased by approximately HK\$1.5 million or 2.9% to approximately HK\$49.8 million for the Period (2022: approximately HK\$48.4 million). Such increase was mainly due to the combined effect of (i) an increase in revenue generated from accounting and taxation services as a result of an increase in fees charged to recurring customers; and (ii) a decrease in revenue generated from business consulting services primarily attributable to the absence of a non-recurring introduction fee income during the Period.

Other income, net

The Group's other income increased by approximately 7.6 times, from approximately HK\$1.4 million for the nine months ended 30 June 2022 to approximately HK\$12.1 million for the Period, mainly resulting from (i) an increase in gain on disposal of financial assets at fair value through profit or loss of approximately HK\$4.0 million; and (ii) an increase in unrealised gain on financial assets at fair value through profit or loss of approximately HK\$4.1 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\$35.7 million, or approximately 63.2%, from approximately HK\$56.5 million for the nine months ended 30 June 2022 to approximately HK\$92.2 million for the Period. Such increase was mainly attributable to an increase in staff costs of approximately of HK\$39.5 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, the increase in bonuses paid and the increase of headcount of the Group during the Period as compared with the nine months ended 30 June 2022.

Finance costs

The Group's finance costs decreased to approximately HK\$1.2 million for the Period from approximately HK\$2.1 million for the nine months ended 30 June 2022, mainly resulting from a decrease in interest expenses on convertible note as a result of a decrease in the outstanding principal amount of convertible note as compared to the nine months ended 30 June 2022.

Gain on disposal of discontinued operations

As a result of completion of the Disposal, the Company recognised a gain on disposal of discontinued operations of approximately HK\$5.6 million during the Period (2022: nil).

Loss for the period

As a result of foregoing, the Group recorded a loss of approximately HK\$15.4 million for the Period as compared to a loss of approximately HK\$78,000 for the nine months ended 30 June 2022.

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 and the entering into of the Collaboration Agreement, 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 30 June 2023, 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 (the "Shares") or underlying shares of the Company

Name of Directors	Capacity/ Nature of interest	Number of Shares held	Number of underlying Shares held pursuant to share options (Note 4)	Total number of Shares and underlying Shares held	Approximate percentage of the issued share capital of the Company (Note 5)
Mr. Li Man Keung Edwin ("Mr. Li")	Interests of controlled corporation/ Beneficial owner	159,970,000 (Note 1)	5,000,000	164,970,000	18.49%
Mr. Hui Ringo Wing Kun ("Mr. Hui")	Interests of controlled corporation/ Beneficial owner	17,500,000 (Note 2)	5,000,000	22,500,000	2.52%
Mr. Yeung Chun Yue David ("Mr. Yeung")	Interests of controlled corporation/ Beneficial owner	33,000,000 (Note 3)	5,000,000	38,000,000	4.26%
Mr. William Robert Majcher	Beneficial owner	–	200,000	200,000	0.02%
Mr. Ho Lik Kwan Luke	Beneficial owner	–	200,000	200,000	0.02%
Mr. Lau Pak Kin Patric	Beneficial owner	–	200,000	200,000	0.02%

Notes:

- (1) These 159,970,000 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 46,240,000 Shares.
- (2) These 17,500,000 Shares are held by Bright Music Limited ("**Bright Music**"), a company incorporated in the BVI and wholly owned by Mr. Hui. Therefore, Mr. Hui is deemed to be interested in all the Shares held by Bright Music for the purpose of the SFO.
- (3) 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.
- (4) These share options were granted by the Company to the Directors on 30 December 2022 under the Share Option Scheme.
- (5) The approximate percentage of shareholdings is based on 892,034,000 Shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, 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' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2023, 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 shareholder	Capacity	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 2)
Tanner Enterprises	Beneficial owner	113,730,000	-	113,730,000 (Note 1)	12.75%

Notes:

- (1) 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.
- (2) The approximate percentage of shareholdings is based on 892,034,000 Shares in issue as at 30 June 2023.

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 30 June 2023 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 pursuant to the Share Option Scheme. The number of share options exercised and cancelled during the Period was 50,000 (2022: nil) and 115,000 (2022: nil) respectively. No share options were lapsed during the Period (2022: nil). As at 30 June 2023, there were 44,435,000 (2022: nil) outstanding share options in aggregate, which have been vested and are issuable for 44,435,000 Shares 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 the Placing, the RC365 Subscription and the issue of settlement shares as disclosed above, 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.

USE OF PROCEEDS

The following table sets forth the status of net proceeds from the Placing:

Intended use of net proceeds	Net	Net	Net	Expected time frame for remaining unused net proceeds
	proceeds allocated	proceeds utilised up to 30 June 2023	proceeds unutilised as at 30 June 2023	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Capital commitment and reserve for the investment fund for suitable cooperation, acquisition, or investment opportunities	22.0	22.0	–	Not applicable
General working capital	15.4	15.4	–	Not applicable
	37.4	37.4	–	
	37.4	37.4	–	

COMPETING INTERESTS

As at 30 June 2023, 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

Save as disclosed above, no material subsequent event has occurred in relation to the Company or the Group after 30 June 2023 and up to the date of approval of this report.

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 August 2023