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HARBOUR EQUINE HOLDINGS LIMITED

維港育馬控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8377)

ANNOUNCEMENT OF QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

FINANCIAL SUMMARY

For the nine months ended 30 September 2023, the unaudited operating results of the Company and its subsidiaries (collectively, the “**Group**”) were as follows:

- revenue recorded for the nine months ended 30 September 2023 amounted to approximately HK\$61.9 million;
- loss after taxation for the nine months ended 30 September 2023 amounted to approximately HK\$21.6 million; and
- basic and diluted loss per share of the Company for the nine months ended 30 September 2023 approximately HK5.28 cents.

THIRD QUARTERLY RESULTS

The board of directors of the Company (the “**Board**”) is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months and nine months ended 30 September 2023, together with the unaudited comparative figures for the corresponding period in 2022, which are presented in Hong Kong dollars (“**HK\$**”).

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 30 September 2023

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4	19,413	15,546	61,939	51,610
Cost of sales		<u>(18,477)</u>	<u>(14,751)</u>	<u>(63,476)</u>	<u>(46,148)</u>
Gross profit/(loss)		936	795	(1,537)	5,462
Other income and gains	5	782	1,622	3,024	6,944
Selling and distribution expenses		(615)	(1,242)	(2,509)	(4,323)
Administrative expenses		(5,712)	(8,115)	(15,695)	(21,519)
Other expenses		166	(628)	(2,326)	(1,837)
Finance costs	6	<u>(633)</u>	<u>(734)</u>	<u>(2,553)</u>	<u>(1,017)</u>
LOSS BEFORE TAX	7	(5,076)	(8,302)	(21,596)	(16,290)
Income tax expense	8	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LOSS FOR THE PERIOD		<u>(5,076)</u>	<u>(8,302)</u>	<u>(21,596)</u>	<u>(16,290)</u>
LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>(5,076)</u>	<u>(8,302)</u>	<u>(21,596)</u>	<u>(16,290)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10				
Basic and diluted (expressed in HK cents per Share)		<u>1.24</u>	<u>2.03</u>	<u>5.28</u>	<u>3.98</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2023

	For the three months ended 30 September		For the nine months ended 30 September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
LOSS FOR THE PERIOD	<u>(5,076)</u>	<u>(8,302)</u>	<u>(21,596)</u>	<u>(16,290)</u>
OTHER COMPREHENSIVE LOSS				
Exchange differences on translation of foreign operations	<u>(42)</u>	<u>(3,375)</u>	<u>(3,480)</u>	<u>(5,898)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(42)</u>	<u>(3,375)</u>	<u>(3,480)</u>	<u>(5,898)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(5,118)</u>	<u>(11,677)</u>	<u>(25,076)</u>	<u>(22,188)</u>
ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>(5,118)</u>	<u>(11,677)</u>	<u>(25,076)</u>	<u>(22,188)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Statutory surplus reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 January 2022 (audited)	20,457	130,674	(1,000)	5,670	1,155	11,631	(76,822)	91,765
Loss for the period	-	-	-	-	-	-	(16,290)	(16,290)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(5,898)	-	(5,898)
Total comprehensive loss for the period	-	-	-	-	-	(5,898)	(16,290)	(22,188)
Recognition of equity-settled share option expenses	-	-	-	-	3,787	-	-	3,787
As at 30 September 2022 (unaudited)	<u>20,457</u>	<u>130,674</u>	<u>(1,000)</u>	<u>5,670</u>	<u>4,942</u>	<u>5,733</u>	<u>(93,112)</u>	<u>73,364</u>
As at 1 January 2023 (audited)	20,457	130,674	(1,000)	5,670	4,942	6,911	(99,726)	67,928
Loss for the period	-	-	-	-	-	-	(21,596)	(21,596)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(3,480)	-	(3,480)
Total comprehensive loss for the period	-	-	-	-	-	(3,480)	(21,596)	(25,076)
As at 30 September 2023 (unaudited)	<u>20,457</u>	<u>130,674</u>	<u>(1,000)</u>	<u>5,670</u>	<u>4,942</u>	<u>3,431</u>	<u>(121,322)</u>	<u>42,852</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2023

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 18 August 2016. The registered office address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the manufacture and selling of sewing threads and broad categories of garment accessories, provision of interior design, interior decoration and furnishing services, provision of trading of bloodstock, stallion services and equine handling services and provision of advisory on securities, corporate finance and asset management services.

In the opinion of the Directors, the ultimate holding company of the Group is Three Gates Investment Limited, which was incorporated in the British Virgin Islands (“BVI”) with limited liability and is controlled by Mr. Wong Kwok Wai, Albert.

As at the date of this announcement, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Strat Tech Holdings Limited	BVI	US\$1	100%	–	Investment holding
Shen You (China) Limited	Hong Kong	HK\$10,000,000	100%	–	Investment holding
Tseyu International Trading Company Limited	Hong Kong	HK\$60,000,000	–	100%	Trading of sewing threads and broad categories of garment accessories
Newchamp Industries Limited	Hong Kong	HK\$30,000,000	–	100%	Trading of sewing threads
Clolab International Limited	Hong Kong	HK\$10,000	–	100%	Dormant
Cheerful Keen Limited	BVI	US\$1	–	100%	Trading of sewing threads and broad categories of garment accessories
Guangzhou Xinhua Thread Company Limited*	People's Republic of China (the “PRC”)/ Mainland China	HK\$56,250,000	–	100%	Manufacture and trading of sewing threads and broad categories of garment accessories

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
申酉辰鑫企業（上海）有限公司*	PRC/Mainland China	HK\$5,000,000	–	100%	Investment holding
杭州新裕線業有限公司	PRC/Mainland China	RMB500,000	–	100%	Trading of sewing threads and broad categories of garment accessories
Diamond Motto Limited	BVI	US\$300	100%	–	Investment holding
LMP International Limited	Hong Kong	HK\$1	–	100%	Provision of interior design, fitting out and decoration services
Better Dynasty Limited	Hong Kong	HK\$10,000	100%	–	Investment holding
Harbour Equine Limited	Hong Kong	HK\$100	–	100%	Investment holding
Thrill Rank Company Limited	BVI	US\$100	100%	–	Investment holding
Harbour Equine Pty Ltd	Australia	AUS\$100	–	100%	Horse breeding
Harbour Stallion Pty Ltd	Australia	AUS\$100	–	100%	Horse breeding
Harbour Racing Limited	Hong Kong	HK\$100	100%	–	Horse breeding
Hua Yu Investment Management Limited	Hong Kong	HK\$1,750,000	100%	–	Provision of corporate financial advisory services and asset management services

* Registered as wholly-foreign-owned enterprises under PRC law.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and interpretations (hereinafter collectively referred to as the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Companies Ordinances.

The unaudited interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2022.

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with the consolidated financial statements of the Group for the year ended 31 December 2022.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

The Group identifies its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

The Group has four reportable segments as follows:

Manufacture and selling of threads	—	manufacture and selling of high performance sewing threads and broad categories of garment accessories
Interior design and decoration	—	provision of interior design, interior decoration and furnishing services
Equine services	—	provision of trading of bloodstocks, stallion services and equine handling services
Advisory on securities corporate finance and asset management	—	provision of advisory on securities, corporate financial advisory services and asset management services

Information about reportable segment profit or loss:

	Three months ended 30 September 2023				Total <i>HK\$'000</i> (unaudited)
	Manufacturing and selling of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (unaudited)	Equine services <i>HK\$'000</i> (unaudited)	Advisory on securities, corporate finance and asset management <i>HK\$'000</i> (unaudited)	
Turnover					
Revenue form external customers	4,295	2,706	12,412	–	19,413
Result					
Segment profit/(loss)	(2,008)	514	(795)	(40)	(2,329)
Corporate and unallocated expenses					(2,747)
Loss before tax					(5,076)
Income tax expense					–
Loss for the period					(5,076)

	Nine months ended 30 September 2023				Total <i>HK\$'000</i> (unaudited)
	Manufacturing and selling of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (unaudited)	Equine services <i>HK\$'000</i> (unaudited)	Advisory on securities, corporate finance and asset management <i>HK\$'000</i> (unaudited)	
Turnover					
Revenue form external customers	17,737	13,000	31,202	–	61,939
Result					
Segment profit/(loss)	(6,015)	1,686	(9,234)	(130)	(13,693)
Corporate and unallocated expenses					(7,903)
Loss before tax					(21,596)
Income tax expense					–
Loss for the period					(21,596)

Three months ended 30 September 2022

	Manufacturing and selling of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (unaudited)	Equine services <i>HK\$'000</i> (unaudited)	Advisory on securities, corporate finance and asset management <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Turnover					
Revenue form external customers	11,591	3,632	323	–	15,546
Result					
Segment profit/(loss)	272	9	(2,216)	–	(1,935)
Corporate and unallocated expenses					(6,367)
Loss before tax					(8,302)
Income tax expense					–
Loss for the period					(8,302)

Nine months ended 30 September 2022

	Manufacturing and selling of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (unaudited)	Equine services <i>HK\$'000</i> (unaudited)	Advisory on securities, corporate finance and asset management <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Turnover					
Revenue form external customers	38,190	10,891	2,529	–	51,610
Result					
Segment profit/(loss)	(1,861)	21	(2,057)	–	(3,897)
Corporate and unallocated expenses					(12,393)
Loss before tax					(16,290)
Income tax expense					–
Loss for the period					(16,290)

An analysis of revenue by geographic location, based on the location of customer and service provided, is set out below:

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC	1,170	5,281	10,193	18,250
Hong Kong	10,158	3,799	21,201	12,323
Overseas	8,085	6,466	30,545	21,037
	<u>19,413</u>	<u>15,546</u>	<u>61,939</u>	<u>51,610</u>

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the three months		For the nine months	
	ended 30 September		ended 30 September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	–	–	1	–
Exchange gains, net	300	499	1,541	1,265
Fair value gain/(loss) on biological assets	–	(43)	–	2,752
Gross rental income	482	914	1,464	2,504
Others	–	252	18	423
	<u>782</u>	<u>1,622</u>	<u>3,024</u>	<u>6,944</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the three months		For the nine months	
	ended 30 September		ended 30 September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on lease liabilities	34	50	106	149
Interest on bank loans and overdrafts	599	684	2,447	868
	<u>633</u>	<u>734</u>	<u>2,553</u>	<u>1,017</u>

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Cost of inventories sold	13,515	9,923	40,923	32,824
Depreciation of fixed assets	105	515	860	1,435
Depreciation of right-of-use assets	495	564	1,508	1,736
Lease payments not included in the measurement of lease liabilities	462	(121)	776	85
Employees' benefit expenses (excluding Directors' remuneration)	3,227	7,282	10,924	18,180
Net exchange gain	(301)	(499)	(1,542)	(1,265)
Loss on disposal of fixed assets	–	–	12	65
Loss on written-off of fixed assets	–	–	1,519	–
Loss on disposal of biological assets	–	–	577	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which subsidiaries of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2020/2021. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax at a rate of 25% on the taxable income.

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Current — Hong Kong and Mainland China	–	–	–	–
Deferred	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Tax expense	<u> </u>	<u> </u>	<u> </u>	<u> </u>

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2023.

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Loss attributable to owners of the parent (<i>HK\$'000</i>)	<u>5,076</u>	<u>8,302</u>	<u>21,596</u>	<u>16,290</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>409,141,860</u>	<u>409,141,860</u>	<u>409,141,860</u>	<u>409,141,860</u>
Basic and diluted loss per Share (<i>HK cents</i>)	<u>1.24</u>	<u>2.03</u>	<u>5.28</u>	<u>3.98</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and trading of sewing threads and board categories of garment accessories, provision of interior design, interior decoration services and furnishing services, and provision of trading of bloodstock, stallion services and equine handling services and provision of advisory on services, corporate finance and asset management services.

The Group currently manufactures polyester sewing threads, which are mainly used for garments. The major product of the Group is 100% spun polyester sewing threads. Other types of sewing threads are also offered, including textured polyester series, elastic filament sewing threads and weft yarn. The Group's customers are located in the People's Republic of China (the "PRC"), Hong Kong as well as overseas countries, including the United Arab Emirates ("UAE"), Mauritius and Switzerland. While the Group's customers in the PRC and Hong Kong are mainly garment manufacturers, its overseas customers are mainly wholesalers. The production facilities of the Group, where the sewing threads manufacturing process is conducted, are located in Liwan, Guangzhou (the "**Guangzhou Production Facilities**").

For the business line of interior design, fitting out and decoration services, the Group consider that there is a growing popularity of interior design, fitting-out and decoration in commercial, residential and public sectors in Hong Kong and the Greater Bay Area to seek individuality and style. Hence, the Group expected this line of business can diversify its existing business portfolio and to increase source of income.

Our equine service business continued to develop.

The past 12 months provided several lucrative trading results from our portfolio. We had previously secured shares in Extreme Choice in May 2021 for AU\$210,000. Having had the benefit of 2 years usage and mindful of his diminished fertility we elected to take them to market where both traded for double purchase price.

The mare Kinky Boom who was sold at the Inglis Chairman's Sale for AU\$400,000 to the bid of Lime Country, we had purchased her for AU\$320,000 two years ago. Unfortunately, she failed to conceive in her first season at stud but still maintained and in fact increased her value in that period. The good-looking mare Ridicule, who was sold in May for AU\$200,000 was another highlight at the Magic Millions National Sale along with a strong colt by Street Boss from the imported mare "Belveeta" who sold for AU\$90,000 to the bid of Sullivan Bloodstock.

An opportunity to trade privately was identified and capitalized when 2 foals, by Farnan and Deep Field respectively, were sold for AU\$145,000 and AU\$200,000. This is a low risk play given there is much less purchaser scrutiny from buyers given the age of the stock purchased. An early sale eliminates the risk of developmental issues for the seller, avoids sales commission due when sold through traditional markets and of course provides quick turnover and cashflow necessary for any business.

Meanwhile, we have also taken the opportunities to dispose of certain non performing and out of flavour stock in order to reduce our future upkeep and maintenance costs. A certain level of loss has been recorded as a result.

As the racing season here in Australia ended on July 2023, it gave us time to reflect on our past 12 months. From Group 1 success on the track to magic moments in the sales ring we have enjoyed and embraced the adulation of participation in the world's most vibrant equine economy. Strong partnerships have been forged with most of the leading Australian industry participants. We have worked tirelessly to develop not only our elite stock portfolio but more important to our growth has been the business relationships, reputation and identity of the Group.

The past quarter the management team looked to consolidate our portfolio as we seek to identify and eliminate underperforming stock which in turn positively impacts on day to day operational costs. The entire portfolio is reviewed weekly and assets are selected to be retained or disposed of. With the growing popularity of on-line sales here in Australia it has revolutionised turnover and makes trading a day to day possibility.

The breeding and racing industry in Australia has shown a level of resilience against the macroeconomic environment in Australia, where the Reserve Bank of Australia has tightened monetary policy. Huge Prize money boosts for both New South Wales and Victoria has seen participation at an all time high. More and more international players are getting involved, racing is going from strength to strength and the reputation of the Australian galloper, particularly the sprinter is the envy of the world.

For the nine months ended 30 September 2023, the Group's recorded an unaudited revenue of approximately HK\$61.9 million, representing an increase of approximately 20.0% as compared with approximately HK\$51.6 million for the nine months ended 30 September 2022. The increase in revenue is mainly attributable to the revenue generated from the equine services. The Group recorded a gross loss of HK\$1.5 million for the nine months ended 30 September 2023. On the same period in preceding year, the Group recorded a gross profit of HK\$5.5 million, representing a decrease of HK\$7.0 million of gross profit.

The loss attributable to the owners of the parent increase to approximately HK\$21.6 million for the nine months ended 30 September 2023 from approximately HK\$16.3 million for the same period in 2022, representing an increase of approximately 32.6%. Such increase was primarily due to the significant loss increased by segment of equine services.

FINANCIAL REVIEW

Revenue

The revenue was generated from the segment of manufacturing and trading of threads product and interior design and decoration and equine services. The following table sets out a breakdown of the Group's revenue attributable to three segments of the Group of the nine months ended 30 September 2023 and 2022:

	Nine months ended 30 September				Rate of change %
	2023		2022		
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	
Manufacturing and selling of threads	17,737	28.6	38,190	74.0	-53.6
Interior design and decoration	13,000	21.0	10,891	21.1	19.4
Equine services	31,202	50.4	2,529	4.9	1,133.8
	<u>61,939</u>	<u>100.0</u>	<u>51,610</u>	<u>100.0</u>	<u>20.0</u>

Manufacturing and trading of threads

The revenue attributable to the manufacturing and trading of threads decreased to approximately HK\$17.7 million for the nine months ended 30 September 2023 from approximately HK\$38.2 million for the nine months ended 30 September 2022, representing a decrease of approximately 53.6%. The revenue decrease was mainly attributable to the decrease in sales in the oversea market for the nine months ended 30 September 2023.

Interior design and decoration

The revenue attributable to the interior design and decoration increased to approximately HK\$13.0 million for the nine months ended 30 September 2023 from approximately HK\$10.9 million for the nine months ended 30 September 2022, representing an increase of approximately 19.4%. The revenue increase was mainly due to some of the new project started during the period.

Equine services

The revenue attributable to the equine services increased to approximately HK\$31.2 million for the nine months ended 30 September 2023 from approximately HK\$2.5 million for the nine months ended 30 September 2022, representing an increase of approximately HK\$28.7 million. As the segment was still in initial stage on year 2022, therefore, the revenue increase significantly compared with the same period in the preceding year.

Cost of sales

The Group's cost of sales primarily consists of direct material costs, processing fees, direct labour costs and welfare and social insurance, agistment costs, bloodstock insurance direct cost of bloodstock. The following table sets out a breakdown of the Group's cost of sales attributable to three segments of the Group of the nine months ended 30 September 2023 and 2022:

	Nine months ended		Rate of change %
	30 September		
	2023	2022	
	HK\$'000	HK\$'000	
Manufacturing and selling of threads	15,674	32,824	-52.3
Interior design and decoration	9,208	7,901	16.5
Equine services	38,594	5,423	611.7
	<u>63,476</u>	<u>46,148</u>	<u>37.6</u>

Manufacturing and trading of threads

The cost of sales attributable to the manufacturing and selling of threads decrease to approximately HK\$15.7 million for the nine months ended 30 September 2023 from approximately HK\$32.8 million for the nine months ended 30 September 2022, representing a decrease of 52.3%. The cost of sales for the manufacturing and selling of threads decrease was in line with the decrease of the revenue of this segment.

Interior design and decoration

The cost of sales attributable to the interior design and decoration increase to approximately HK\$9.2 million for the nine months ended 30 September 2023 from approximately HK\$7.9 million for the nine months ended 30 September 2022 representing an increase of 16.5%. The cost of sales for the interior design and decoration increase is mainly due to more project started during the period and which was in line with the increase of the revenue of this segment.

Equine services

The cost of sales attributable to the equine services increase to approximately HK\$38.6 million for the nine months ended 30 September 2023 from approximately HK\$5.4 million for the nine months ended 30 September 2022 representing an increase of 611.7%. The increase of cost of sales for equine services is mainly due to the significant agistment cost generated from the bloodstock and the direct cost of bloodstock generated compared with the same period in preceding year.

Gross profit and gross profit margin

The Group recorded a gross loss of HK\$1.5 million for the nine months ended 30 September 2023. On the same period 2022, the Group recorded a gross profit of HK\$5.5 million, which representing a decrease of HK\$7.0 million of gross profit compared with the same period in preceding year. The gross margin deteriorated to negative 2.5% for the nine months ended 30 September 2023 from 10.6% for the nine months ended 30 September 2022. The gross margin of the threads segment slightly decreased to 11.6% for the nine months ended 30 September 2023 from 14.1% for the nine months ended 30 September 2022 and the gross margin of the decoration segment is slightly increased to 29.2% for the nine months ended 30 September 2023 from 27.5% for the nine months ended 30 September 2022. However, the segment of the equine services recorded a gross loss of HK\$7.4 million and a gross loss margin of 23.7% for the nine months ended 30 September 2023 totally offset. The Australian economy is feeling the impact from repeated interest rate increase by the Reserve Bank of Australia. The management has seen price weakness in selected segments of the thoroughbreds market. As a result, decision has been made to disposed of certain bloodstock at loss in order to keep future operating expenses at a manageable level.

Other income and gains/(losses and expenses), net

The Group's record other gain and income, net of approximately HK\$0.7 million for the nine months ended 30 September 2023. On the same period in the preceding year, the Group recorded other gain and income, net of approximately HK\$5.1 million. Such changed was mainly due to the fair value gain on the biological assets recorded for the nine months ended recorded on 30 September 2022 and the loss on written-off of fixed assets during the period.

Selling and distribution expenses

Selling and distribution expenses mainly consist of staff costs of the sales department and transportation expenses. Selling and distribution expenses decreased to approximately HK\$2.5 million for the nine months ended 30 September 2023 from approximately HK\$4.3 million for the nine months ended 30 September 2022, representing a decrease of approximately 42.0%. The decrease in the Group's selling expenses was mainly attributable to the decrease in the staff cost and transportation for the nine months ended 30 September 2023.

Administrative expenses

Administrative expenses primarily consist of staff costs, audit fee, directors' remuneration and legal and professional fees. Administrative expenses decreased to approximately HK\$15.7 million for the nine months ended 30 September 2023 from approximately HK\$21.5 million for the nine months ended 30 September 2022, representing a decrease of approximately 27.1%. Such decrease was mainly attributable to the decrease in staff costs and the share option expenses recognised for same period of the preceding year.

Loss before income tax

As a result of the aforesaid, the Group recorded a loss before income tax of approximately HK\$21.6 million for the nine months ended 30 September 2023, representing an increase of approximately 32.6% from approximately HK\$16.3 million for the corresponding period in the preceding year.

Total comprehensive loss attributable to owners of the parent

The total comprehensive loss attributable to owners of the parent was approximately HK\$25.1 million for the nine months ended 30 September 2023. In comparison, for the corresponding period in 2022, a total comprehensive loss of approximately HK\$22.2 million was recorded. Such change was mainly due to the significant loss recorded by the equine segment compared with the same period of the preceding year and the combined effect of increase in the Group's loss for the nine months ended 30 September 2023 mentioned above.

Basic and diluted loss per Share

The Company's basic and diluted loss per share for the nine months ended 30 September 2023 was approximately HK5.28 cents (2022: HK3.98 cents), representing an increase of approximately HK1.30 cents, or approximately 24.6%, which was primarily due to the increase in loss for the nine months ended 30 September 2023.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2023.

CAPITAL STRUCTURE

During the nine months ended 30 September 2023, there was no change in the capital structure of the Group and the share capital of the Group only comprises ordinary shares of the Company (the "Shares").

As at 30 September 2023, the Company's issued share capital amounted to approximately HK\$20.5 million, divided by 409,141,860 Shares of HK\$0.05 each.

SIGNIFICANT INVESTMENTS

There were neither significant investment held as at 30 September 2023 nor material acquisitions during the nine months ended 30 September 2023.

There is no plan for material investment or capital assets as at 30 September 2023.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk when it enters into transactions which are not denominated in the Group's functional currency. Such exposure mainly relates to the distribution and sale of the Group's products and purchases of raw materials in the PRC and the revenue and cost generated from equine related services in Australia. The Group currently does not have a foreign currency hedging policy. Nevertheless, the Group's management will continue to closely the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 30 September 2023, the Group did not have material contingent liabilities (as at 30 September 2022: Nil).

FUTURE PROSPECTS

For the existing principal business of manufacturing and selling of sewing threads, the Group has experienced some difficulties owing to the outbreak of the coronavirus ("COVID-19") pandemic and uncertainties due to the ongoing trade conflict between the People's Republic of China (the "PRC") and the United States of America ("U.S.") as well as the gradual slowdown of the PRC economy. In coming year, although the tension of COVID-19 seemed to be abating, we expect that the trade conflict between the PRC and the US will still continue impacting our business. The Group will continue to pay close attention to the trade conflict to evaluate its impact on the financial position, cashflows and operating result of this business line.

For the business line of interior design, fitting out and decoration services, the Group consider that there is a growing popularity of interior design, fitting-out and decoration in commercial, residential and public sectors in Hong Kong and the Greater Bay Area to seek individuality and style. Hence, the Group expected this line of business can diversify its existing business portfolio and to increase source of income.

For equine service, we launch into the new breeding season in Australia on August 2023, we are eagerly awaiting the first foals for exciting freshman sire Portland Sky, which we owned 25%. Portland Sky retired last year to the iconic Widden Stud in the Hunter Valley last year, the impressive G1 winning son of HK sire sensation Deep field was well patronised by leading Australia breeders at his introductory fee of AU\$25,000 plus GST. Over 100 live foals expected in his first crop and given his herculean sire has been retired from stud duties a huge opportunity presents itself to Portland Sky to fill the void.

Last years' Golden Rose G1 winner, Jacquinet, part owned by us, will embark on his stud career at Widden Stud this spring at a fee of AU\$30,000 plus GST and will be supported by all the leading breeders in Australia. He has a powerful ownership group behind him and will be afforded every opportunity of success in the breeding barn. Interesting to note the last 10 winners of the race have retired to stallion careers in the Hunter Valley.

Other stallion interests for the Group include Denman, Star Witness and All Too Hard all of whom have a distinct HK flavour. We have ensured our exposure to stallions here in Australia afford progeny an opportunity to campaign internationally should their performance merit export.

Within our breeding stock we are particularly excited to see the progeny of multiple black type performer Sylpheed who carries a pregnancy to Wooton Basset. The internationally renowned sire was acquired by global powerhouse "Coolmore" and has established himself as a "go-to" stallion in both hemispheres. With foals to come by the likes of Portland Sky, Wooton Basset, Magnus and All Too Hard its little wonder we have a spring in our step this time of year.

Our dual G1 winner "Mo'unga" is due to commence his Spring campaign in the G1 Winx Stakes as we look to increase his already impressive racing record prior to retiring to Newhaven Park Stud in Aug 2024. Hopes are high that he can return to Moonee Valley for the Cox Plate in mid-October where he will possibly take on the Hong Kong trained Romantic Warrior. Then intention with Mo'unga at this stage is to contest the HK mile on international day in mid-December.

Williamsburg is another Group winning stallion prospect in the Group's ownership. We hope the 4 year olds can add an illustrious G1 to his race performance. Interesting to note his dam Fenway was at her best over 2000m and this colt only needs to recapture his best form to cement his stallion future on a premier stallion roster.

Piercing Arrow, an AU\$1 million yearling purchase, in partnership with the likes of Newgate and Yarraman was an eye catching trial performer on 1st of August as he embarks on a Golden Rose G1 campaign. A most impressive 2 years old winner on debut, he is a leading candidate to join the likes of Jacquinot, The Autumn Sun and Zoustar as previous winners of the Golden Rose at stud. Also heading in that direction is Snitzel colt, Kotaishi, raced in partnership with Ciaron Maher Racing who has been turning heads at the trials and looks a definite horse to follow.

Transtlantic is another Snitzel colt with G1 aspirations, with the Tony Gollan trained colt. His dam Gust of Wind incidentally, was the last horse to defeat the mighty Winx when the pair met as 3 year olds. Also, in the Gollan stable is Exceed Speed, an exciting Exceed and Excel colt who is really coming to hand nicely and will be aimed at the 3 years old sprint series where we hope he can live up to the lofty stable opinion and possibly become another future stallion prospect for the Group. Fellow unraced 3 years old Rock'n'Reign, a son of evergreen Coolmore barn stalwart Fastnet Rock, has been a little slower to come to hand but he is trained out of the powerful Annabel Neasham stable and she is effusive in her praise of the progressive colt.

Hellish, Port Lockroy, Godzilla and Going Nuclear are 4 more colts with promise who will be given every opportunity to attain G1 glory. Zouwaler and Raikoke are another 2 colts yet to debut. Both trained by the astute Price/Kent stable and Zouwaler in particular has been talked of as another possible spring star for the Group.

Immortal Island who was a promising 2nd on debut will appear in the later part of the Spring for the powerful Annabel Neasham stable and this gorgeous son of champion sire I Am Invincible, who we own with Ananda Krisnan's Kia Ora Stud and Sheikh Mohammed Bin Khalifa AI Muktoutm can make his presence felt at the backend of the spring carnival and hopefully take that form into the Autumn where any number of stallions making races are on his radar.

Continuing to expand our footprint in the Hong Kong racing we will see the likes of Mansell, Jardines Lookout, On the Lash all race in the principality as graduates of our Group. Each yearling purchase by the Group is carefully selected on type and more importantly passing the rigorous veterinary examination required by the Hong Kong Jockey Club.

The Hong Kong Trade market has been especially lucrative for the company and hard work has been rewarded in creating a niche customer base, together with recent success for the Harbour Racing brand we feel there are significant growth opportunities for the company. The success of Hong Kong champion “Romantic Warrior” in one of Australia’s biggest races along with the co-mingling of gambling into a combined world pool has further shone the Hong Kong spotlight on Australia racing and breeding. With the Spring carnival racing in full swing down under it is the time when the world of racing looks at Australia with envy, large fields, huge prizemoney and massive raceday attendance makes the carnival so special. The International participation not only in the Melbourne Cup is at an all time high which further enhances the reputation worldwide.

In less than 8 weeks the beginning of the Magic Millions yearling sales on the Gold Coast will set the trend for the breeding market. This sale has been the litmus test for the industry and each year more and more International investors are participating, particularly at the top end, which fuels a supply an emend effect for high quality well bred racing stock.

The breeding and racing industry in Australia has shown a level of resilience against the macroeconomic conditions in Australia, where the Reserve Bank of Australia has tightened monetary policy. Huge Prize money boosts for both New South Wales and Victoria has seen participation at an all time high. More and more international players are getting involved, racing is going from strength to strength and the reputation of the Australian galloper, particularly the sprinter is the envy of the world.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 30 September 2023, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”), which were required (a) to be 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 they were taken or deemed to have under such provisions of the SFO); (b) recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in the Shares and Underlying Shares

(a) Ordinary shares of the Company

Name of Director	Nature of interest/holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Mr. Wong Kwok Wai, Albert	Interest of a controlled corporation	120,000,000 (L) (Notes 2)	29.33%
Mr. Leung King Yue, Alex	Beneficial interest	10,100,000 (L)	2.47%
Mr. Ma Pok Man Josiah	Beneficial interest	8,800,000 (L)	2.15%

(b) *Share options of the Company*

Name of category of participant	Date of grant of share option	Exercisable period	Exercise price HK\$	Number of underlying shares in respect of which share option were granted				
				Outstanding at 1 January 2023	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2023
Directors								
Mr. Ma Pok Man, Josiah	13 May 2021	13 May 2021– 12 May 2024	0.57	3,500,000	—	—	—	3,500,000
Mr. Ma Pok Man, Josiah	31 August 2022	31 August 2022– 30 August 2025	0.59	4,000,000	—	—	—	4,000,000
Mr. Shane McGrath	3 January 2022	3 January 2022– 2 January 2025	0.492	4,091,418	—	—	—	4,091,418
Mr. Leung King Yue, Alex	31 August 2022	31 August 2022– 30 August 2025	0.59	4,000,000	—	—	—	4,000,000
Other eligible participants								
Nil				—	—	—	—	—
				<u>15,591,418</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,591,418</u>

Notes:

- As at the date of this announcement, the Company's issued ordinary share capital was HK\$20,457,093 divided into 409,141,860 Shares of HK\$0.05 each.
- Three Gates Investment Limited ("**Three Gates Investment**"), a company incorporated in the BVI on 15 August 2016, is wholly and beneficially owned by Mr. Wong Kwok Wai, Albert ("**Mr. Wong**"), who is the chairman and an executive Director of the Company. Therefore, Mr. Wong is deemed to be interested in 120,000,000 Shares held by Three Gates Investment by virtue of the SFO.
- During the period, no share options mentioned above were cancelled.

Except as disclosed above, as at 30 September 2023, none of the Directors or the chief executive of the Company had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Exchange according to rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

To the best knowledge of the Directors, as at 30 September 2023, the following persons or corporations (other than the Directors and the chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would 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 under section 336 of the SFO were as follows:

Long position in the Shares and Underlying Shares

Name of Substantial Shareholder	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Three Gates Investment	Beneficial owner	120,000,000 (Notes 2, 3)	29.33%
Gold-Face Finance Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Upbest Credit and Mortgage Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Good Foundation Company Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Upbest Strategic Company Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Upbest Financial Holdings Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%

Name of Substantial Shareholder	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Upbest Group Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Fung Wing Cheung, Tony	Beneficial owner	40,800,000	9.97%

Notes:

1. As at the date of this announcement, the Company's issued ordinary share capital was HK\$20,457,093 divided into 409,141,860 Shares of HK\$0.05 each.
2. Three Gates Investment is wholly and beneficially owned by Mr. Wong, who is the chairman and an executive Director of the Company. Therefore, Mr. Wong is deemed to be interested in 120,000,000 Shares held by Three Gates Investment by virtue of his 100% shareholding interest in Three Gates Investment.
3. 80,000,000 Shares held by Three Gates Investment have been charged in favour of Gold-Face Finance Limited ("**Gold-Face**") as security for a loan granted in favour of Mr. Wong Kwok Wai, Albert, the chairman, chief executive officer, executive director and controlling shareholder of the Company.
4. As Gold-Face is wholly-owned by Upbest Credit and Mortgage Limited, which in turn is wholly-owned by Upbest Strategic Company Limited and Good Foundation Company Limited in equal parts, which in turn are both wholly-owned by Upbest Financial Holdings Limited, which in turn is wholly-owned by Upbest Group Limited, Upbest Credit and Mortgage Limited, Upbest Strategic Company Limited, Good Foundation Company Limited, Upbest Financial Holdings Limited and Upbest Group Limited are all deemed to be interested in the security interest in the 80,000,000 Shares charged in favour of Gold-Face by virtue of the SFO.

Except as disclosed above, as at 30 September 2023, the Directors are not aware of any interests and short positions owned by any other parties, other than a Director or the chief executive of the Company who held interests or short positions in the shares and the underlying shares of the Company which were required to be recorded under the provision of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESSES

For the nine months ended 30 September 2023 and up to the date of this announcement, none of the Directors, controlling shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules), engaged in any businesses that competes or may compete with the business of the Group, or had any other conflict of interest with the Group.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to rule 17.50A(1) of the GEM Listing Rules, the changes in the information of Directors subsequent to the date of the Company's 2022 annual report are as follows:

Directors	Changes in position held with the Company
Mr. Chow Chin Hang, Joel	Mr. Chow terminated to serve as a portfolio manager at Bowen Capital Limited since September 2023.

Save as disclosed above, there are no other matters required to be disclosed pursuant to rule 17.50A(1) of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Board believes that cultivating and maintaining a culture focused on good corporate governance is essential to effect strong business growth and continue the efficient management of the Company. The Directors are of the view that strong corporate governance practices can safeguard the interests of and ensure accountability to the shareholders of the Company (the "**Shareholders**") as a whole.

The corporate governance code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules has been adopted by the Board. Nevertheless, the Directors are committed to regularly reviewing its corporate governance practices to ensure conformity with the standard set out in the CG Code, as well as meeting the rising expectation of the Shareholders and other stakeholders of the Company.

Except for the deviation from code provision A.2.1 of the CG Code, the Board is of the view that the Company has complied with the code provisions of the CG code for the nine months ended 30 September 2023.

Mr. Wong Kwok Wai, Albert is the chairman of the Board and the chief executive officer of the Company and has been involved in the daily operations management of the Group since 2008. The Directors believe that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Mr. Wong will ensure strong and consistent leadership, facilitate the Group's business strategies and boost the effectiveness of its operation. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company when such role splitting is beneficial to the Group as a whole.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the standard of dealings regarding securities transactions by the Directors equivalent to the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Directors have all confirmed, having been made specific enquiry by the Company, that they have complied with the required standard of dealings and the required standard concerning securities transactions by the Directors for the nine months ended 30 September 2023.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the nine months ended 30 September 2023.

CONNECTED TRANSACTIONS

Shareholder's loan agreement between Mr. Wong and Tseyu International

On 31 March 2020, Mr. Wong Kwok Wai, Albert, a controlling shareholder of the Company and an executive Director ("**Mr. Wong**"), and Tseyu International Trading Company Limited ("**Tseyu International**"), a wholly-owned subsidiary of the Company, entered into a shareholder's loan agreement in respect of the shareholder's loans provided by Mr. Wong to Tseyu International. The shareholder's loans, amounting to HK\$19,171,000, are interest-free, unsecured and repayable in cash on demand. As the shareholder's loans were provided on normal commercial terms or better and were not secured by the assets of the Group, the shareholder's loans are fully exempt under Chapter 20 of the GEM Listing Rules. Details of the shareholder's loan agreement are set out in the circular dated 16 February 2021.

Loan agreement between Mr. Wong and Guangzhou Xinhua

On 31 March 2020, Mr. Wong and Guangzhou Xinhua Thread Company (廣州新華線業有限公司) (“**Guangzhou Xinhua**”), a wholly-owned subsidiary of the Company, entered into a loan agreement in relation to the intra-group current accounts balance in a sum of RMB16,760,277 (equivalent to HK\$18,603,907) due from Mr. Wong to Guangzhou Xinhua. It was agreed that, among other things, interest shall be payable by Mr. Wong to Guangzhou Xinhua to be accrued at a rate of 2% per annum on the outstanding current accounts balance from the date of the loan agreement and the current accounts balance shall be repaid by Mr. Wong within three years from the date of the loan agreement. Such loan agreement has been approved by the independent shareholders based on Chapter 20 of the GEM Listing Rules. Details of the loan agreement are set out in the circular dated 16 February 2021 and announcements of the Company dated 8 March 2021.

Save as disclosed above, there are no other transactions for the nine months ended 30 September 2023 under the definition of connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules. The Company confirms that it has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

EVENTS AFTER REPORTING DATE

There are no material subsequent events undertaken by the Group after 30 September 2023 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established pursuant to rules 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee is mainly responsible for reviewing financial information, monitoring the Company’s financial reporting system and internal control procedures and maintaining the relationship with the Company’s auditors.

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Sung Alfred Lee Ming (chairman), Mr. Chan Tsun Choi, Arnold and Mr. Chow Chin Hang, Joel. No member of the current Audit Committee is a member of the previous independent auditor of the Company. The Audit Committee has reviewed this announcement as well as the unaudited third quarterly results of the Group for the nine months ended 30 September 2023.

By order of the Board
Harbour Equine Holdings Limited
Mr. Wong Kwok Wai, Albert
*Chairman, chief executive officer and
executive Director*

Hong Kong, 10 November 2023

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Wong Kwok Wai, Albert, Mr. Chan Yiu Tung, Enoch, Mr. Leung King Yue, Alex, Mr. Ma Pok Man Josiah and Mr. Shane McGrath; and three independent non-executive Directors, namely, Mr. Sung Alfred Lee Ming, Mr. Chan Tsun Choi, Arnold and Mr. Chow Chin Hang, Joel.

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 website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its publication and on the website of the Company at www.harbourequine.com.