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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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.*

ANNUAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021, which are presented in Hong Kong dollars (“**HK\$**”).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	76,274	73,365
Direct cost		(62,893)	(58,573)
Gross profit		13,381	14,792
Other gains, net	5	2,023	4,269
Selling and distribution expenses		(5,170)	(7,023)
Administrative expenses		(29,450)	(23,356)
Impairment loss on financial assets, net		(1,051)	(1,520)
Impairment loss on goodwill		—	(12,103)
Other expenses		—	(1,634)
Finance costs		(2,637)	(666)
Loss before tax		(22,904)	(27,241)
Income tax expense	6	—	—
Loss for the year	7	(22,904)	(27,241)
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(4,720)	1,504
Other comprehensive (expense) income for the year, net of income tax		(4,720)	1,504
Total comprehensive expense for the year		<u>(27,624)</u>	<u>(25,737)</u>
ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(27,624)</u>	<u>(25,737)</u>
Loss per share			
Basic and diluted (<i>HK cents</i>)	9	<u>(5.60)</u>	<u>(7.43)</u>

Consolidated Statement of Financial Position

At 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		6,159	7,814
Investment properties		4,500	4,361
Right-of-use assets		951	3,383
Goodwill		6,683	6,683
Intangible assets		3,788	—
Biological assets		11,386	7,059
Financial assets at fair value through profit or loss ("FVTPL")		5,179	5,253
		38,646	34,553
CURRENT ASSETS			
Inventories		9,011	14,050
Biological assets		45,407	10,512
Trade receivables	<i>10</i>	16,002	16,027
Contract assets		2,559	2,823
Deposit and other receivables	<i>10</i>	21,145	15,744
Cash and cash equivalents		2,166	27,277
Tax recoverable		1,584	—
		97,874	86,433
CURRENT LIABILITIES			
Trade payables	<i>11</i>	23,354	7,391
Other payables and accruals	<i>11</i>	10,208	11,175
Borrowings	<i>12</i>	32,071	5,809
Lease liabilities		1,197	2,818
Deferred tax liability		619	—
Tax payables		1,143	804
		68,592	27,997
NET CURRENT ASSETS		29,282	58,436
TOTAL ASSETS LESS CURRENT LIABILITIES		67,928	92,989
NON-CURRENT LIABILITY			
Lease liabilities		—	1,224
NET ASSETS		67,928	91,765
CAPITAL AND RESERVES			
Share capital		20,457	20,457
Reserves		47,471	71,308
TOTAL EQUITY		67,928	91,765

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

Harbour Equine Holdings Limited (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, P.O. 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, and provision of trading of bloodstock, stallion services and equine handling services. During the year, the Group acquired Hua Yu Investment Management Limited which was engaged in securities, advising on corporate finance and assets management by acquisition of subsidiary.

In the opinion of the directors of the Company (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 (“**Mr. Wong**”).

The functional currency of the Company is Hong Kong Dollars (“**HK\$**”), which is also the presentation currency of Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

Except as mentioned in the consolidated financial statement, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the Group's consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants (2022) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to HKFRSs mentioned in the consolidated financial statements, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

As stated in the consolidated financial statements, the Group reported a net loss attributable to the owners of the Company of approximately HK\$22,904,000 and had approximately HK\$36,995,000 net cash used in operating activities for the year ended 31 December 2022. As at 31 December 2022, the Group’s total borrowings amounted to approximately HK\$32,071,000, while its cash and cash equivalents amounted to approximately HK\$2,166,000 only. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the Directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

- (a) The Group will continue to explore the equine services in the coming year, for example, looking for other potential stallions and blood-mares. In 2023, after the border between Hong Kong and Australia was reopened, potential customers from the world could finally come to Hong Kong and Australia in person and trading of equine with the Group. The management expected that the business performance of the Group will improve in 2023.
- (b) A shareholder of the Group has agreed to increase the financial facilities from HK\$8,000,000 to HK\$15,000,000 facilities at any time to meet in full the Group’s financial obligation on or before 31 December 2023.

Through continuing the abovementioned business strategies, the Directors believe that the Group would be able to meet its financial obligations and fulfill its operational needs while obtaining additional financing resources in pursuing other businesses.

The Directors are of the opinion that the Group will be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2022. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2022 on a going concern basis. The consolidated financial statements do not provide for further liabilities which might arise, and do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

4. SEGMENT INFORMATION

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

During the year ended 31 December 2022, the Group commenced the business engaging in advising on securities, corporate finance and asset management along with the acquisition of Hua Yu Investment Management Limited they are considered as the new operating and reportable segments by the CODM.

During the year ended 31 December 2021, the Group commenced the business engaging in interior design and decoration service along with the acquisition of Diamond Motto Limited (“**DML**”) and its subsidiaries (“**DML Group**”), together with the equine services, they were considered as the new operating and reportable segments by the CODM in year 2021.

The Group now has four (2021: three) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group has four reportable segments under HKFRS 8 as follows:

Manufacture and selling of sewing threads

- manufacture and selling of high performance sewing threads and broad categories of garment accessories

Interior design and decoration

- provision of interior design, interior decorating and furnishing services

Equine services

- provision of trading of bloodstocks, stallion services and equine handling service

Advising on securities, corporate finance and asset management

- provision of advisory on securities, corporate financial advisory services and asset management services

(a) Segment revenues and results

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

For the year ended 31 December 2022

	Manufacture and selling of sewing threads <i>HK\$'000</i>	Interior design and decoration <i>HK\$'000</i>	Equine services <i>HK\$'000</i>	Advising on securities, corporate finance and asset management <i>HK\$'000</i>	Adjustment and eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue from external customers	50,972	17,600	7,702	—	—	76,274
Inter-segment sales	<u>—</u>	<u>—</u>	<u>—</u>	<u>40</u>	<u>(40)</u>	<u>—</u>
Reportable segment profit (loss)	<u>(3,273)</u>	<u>2,171</u>	<u>(9,758)</u>	<u>(15)</u>	<u>—</u>	<u>(10,875)</u>
Corporated and unallocated expense						<u>(12,029)</u>
Group's loss before tax						<u>(22,904)</u>

For the year ended 31 December 2021

	Manufacture and selling of sewing threads <i>HK\$'000</i>	Interior design and decoration <i>HK\$'000</i>	Equine services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue from external customers	<u>54,517</u>	<u>18,057</u>	<u>791</u>	<u>73,365</u>
Reportable segment profit (loss)	<u>(6,979)</u>	<u>1,999</u>	<u>(380)</u>	(5,360)
Corporated and unallocated expense				<u>(21,881)</u>
Group's loss before tax				<u>(27,241)</u>

(b) Segment assets and liabilities

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

For the year ended 31 December 2022

	Manufacture and selling of sewing threads <i>HK\$'000</i>	Interior design and decoration <i>HK\$'000</i>	Equine services <i>HK\$'000</i>	Advising on securities, corporate finance and asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	38,395	25,212	61,035	4,117	128,759
Corporated and unallocated assets					<u>7,761</u>
					<u><u>136,520</u></u>
Reportable segment liabilities	(10,267)	(8,783)	(41,773)	(631)	(61,454)
Corporated and unallocated liabilities					<u>(7,138)</u>
					<u><u>(68,592)</u></u>

For the year ended 31 December 2021

	Manufacture and selling of sewing threads <i>HK\$'000</i>	Interior design and decoration <i>HK\$'000</i>	Equine services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	42,482	26,709	21,457	90,648
Corporated and unallocated assets				<u>30,338</u>
				<u><u>120,986</u></u>
Reportable segment liabilities	(13,949)	(11,487)	(3,038)	(28,474)
Corporated and unallocated liabilities				<u>(747)</u>
				<u><u>(29,221)</u></u>

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

- all assets other than certain of the Group's property, plant and equipment, right-of-use assets, other receivables, financial assets at FVTPL and cash and cash equivalents are allocated to operating segments; and
- all liabilities other than certain of the Group's other payables and lease liabilities are allocated to operating segments.

(c) **Other segment information**

For the year ended 31 December 2022

Amounts included in the measure of segment profit or loss on segment assets:

	Manufacture and selling of sewing threads <i>HK\$'000</i>	Interior design and decoration <i>HK\$'000</i>	Equine services <i>HK\$'000</i>	Advising on securities, corporate finance and asset management <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profits or loss on segment assets:						
Addition to property, plant and equipment	206	256	—	—	—	462
Addition to biological assets	—	—	46,490	—	—	46,490
Depreciation of property, plant and equipment	1,002	565	—	—	189	1,756
Depreciation of right-of-use assets	1,505	368	—	—	382	2,255
Fair value gains (losses) on financial assets at FVTPL, net	86	—	(148)	—	—	(62)
Impairment loss recognised on trade and other receivables, net of reversal	<u>1,104</u>	<u>(54)</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>1,051</u>

Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:

	Manufacture and selling of sewing threads <i>HK\$'000</i>	Interior design and decoration <i>HK\$'000</i>	Equine services <i>HK\$'000</i>	Advising on securities, corporate finance and asset management <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Government grants	209	130	—	—	144	483
Interest income	549	—	—	—	—	549
Finance costs	133	357	2,116	—	31	2,637
Other gains (losses), net	<u>3,941</u>	<u>520</u>	<u>(2,581)</u>	<u>—</u>	<u>143</u>	<u>2,023</u>

For the year ended 31 December 2021

Amounts included in the measure of segment profit or loss on segment assets:

	Manufacture and selling of sewing threads <i>HK\$'000</i>	Interior design and decoration <i>HK\$'000</i>	Equine services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profits or loss on segment assets:					
Addition to property, plant and equipment	1,596	543	—	516	2,655
Addition to right-of-use assets	—	252	—	765	1,017
Addition to biological assets	—	—	15,230	—	15,230
Depreciation of property, plant and equipment	1,139	667	—	140	1,946
Depreciation of right-of-use assets	1,584	123	—	254	1,961
Fair value gains (losses) on financial assets at FVTPL, net	136	—	(90)	—	46
Impairment loss recognised on trade and other receivables, net of reversal	1,453	52	—	15	1,520
Loss on disposal of property, plant and equipment	<u>1,599</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,599</u>

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss on segment assets:

	Manufacture and selling of sewing threads <i>HK\$'000</i>	Interior design and decoration <i>HK\$'000</i>	Equine services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Addition to non-current assets					
— goodwill	—	18,786	—	—	18,786
Impairment on goodwill	—	12,103	—	—	12,103
Government grants	47	—	—	—	47
Interest income	158	—	—	—	158
Finance costs	255	381	—	30	666
Other gains (losses)	<u>3,312</u>	<u>71</u>	<u>1,147</u>	<u>(261)</u>	<u>4,269</u>

(d) Geographical information

The Group's operations are located in the PRC, Australia and Hong Kong. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets, excluding financial instruments and goodwill, is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PRC	25,756	30,938	2,666	4,974
Hong Kong	42,816	42,427	12,732	10,584
Australia	7,702	—	11,386	7,059
	<u>76,274</u>	<u>73,365</u>	<u>26,784</u>	<u>22,617</u>

(e) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A ¹	<u>17,099</u>	<u>15,401</u>

¹ Revenue from manufacture and selling of sewing threads service.

5. OTHER GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Rental income	1,239	1,169
Fair value (loss) gain on financial assets at FVTPL, net	(62)	46
Fair value gains on investment properties	139	61
Exchange gain, net	1,437	1,292
Fair value (loss) gain on biological assets, net	(4,514)	969
Interest income	549	158
Insurance compensation	1,234	—
Government grants (<i>Note</i>)	483	47
Gain on sales of biological assets	1,065	—
Others	453	527
	<u>2,023</u>	<u>4,269</u>

Note:

The amount represented the subsidy received from the Government of the Hong Kong Special Administrative Region. There was no unfulfilled condition and other contingency attached to the receipt of subsidy.

6. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax	<u>—</u>	<u>—</u>

7. LOSS FOR THE YEAR

Loss for the year is arrived at after charging:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	1,128	1,111
Cost of inventories sold		
— Manufacture and sewing of threads	42,768	44,723
— Interior decorating and furnishing services	826	2,519
— Sales of furnishings	1,463	1,092
Cost of bloodstocks sold	5,327	780
Depreciation of property, plant and equipment	1,756	1,946
Depreciation of right-of-use assets	2,255	1,961
Lease payments not included in the measurement of lease liabilities	208	349
(Gain)/loss on disposal of property, plant and equipment	(2)	1,599
Loss on written off of property, plant and equipment	62	—
Employee benefit	18,572	19,263
Impairment loss recognised in respect of trade and other receivables	1,051	1,520
Impairment loss recognised in respect of goodwill	—	12,103
	<u> </u>	<u> </u>

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

9. LOSS PER SHARE

	2022 <i>HK'000</i>	2021 <i>HK'000</i>
Losses		
Total loss attributable to owners of the parent	<u>(22,904)</u>	<u>(27,241)</u>
Shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>409,141,860</u>	<u>366,825,000</u>
Basic and diluted loss per share (<i>HK cents</i>) (<i>Note</i>)	<u>(5.60)</u>	<u>(7.43)</u>

Note:

The diluted loss per share for the years ended 31 December 2022 and 2021 was the same as the basic loss per share as all the potential ordinary shares were anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables:			
Trade receivables		16,760	17,402
Less: Allowance for credit losses		<u>(758)</u>	<u>(1,375)</u>
	<i>(a)</i>	<u>16,002</u>	<u>16,027</u>
Other receivables:			
Other prepayments		2,808	2,240
Loans to a vendor	<i>(b)</i>	2,416	2,456
Deposits and other receivables		<u>22,196</u>	<u>15,655</u>
		27,420	20,351
Less: Allowance for credit losses		<u>(6,275)</u>	<u>(4,607)</u>
		<u>21,145</u>	<u>15,744</u>

Notes:

- a) The Group's trading terms with its customers are mainly on credit. The credit period is generally from one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. The Group had significant concentrations of credit risk as 20% (2021: 14%) of the trade receivables were derived from one (2021: one) customer as at 31 December 2022. The trade receivables from such customer were within the credit period. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables net of allowance of expected credit loss as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	7,432	6,299
1 to 2 months	2,881	4,937
2 to 3 months	330	493
Over 3 months	6,117	5,673
	<hr/>	<hr/>
	16,760	17,402
Less: Allowance for credit losses	(758)	(1,375)
	<hr/>	<hr/>
	16,002	16,027
	<hr/> <hr/>	<hr/> <hr/>

- b) Loans to a vendor bear interest at rates 5.00% (2021: 5.00%) per annum, secured by certain machineries of the vendor and repayable in one years (2021: one to two years) with demand clause.

11. TRADE, OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables		
— from third parties (<i>Notes a & b</i>)	<u>23,354</u>	<u>7,391</u>
Other payables and accruals		
Contract liabilities	161	3,287
Other payables and accruals	8,602	7,888
Amounts due to directors (<i>Note c</i>)	<u>1,445</u>	<u>—</u>
Total other payables and accruals	<u>10,208</u>	<u>11,175</u>

The other payables and accruals are unsecured, interest-free and repayable on an average term of three months.

Notes:

- a) An ageing analysis of the trade payables as at the end of each reporting period, based on the transaction date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	3,691	3,519
1 to 2 months	1,334	1,577
2 to 3 months	883	690
Over 3 months	<u>17,446</u>	<u>1,605</u>
	<u>23,354</u>	<u>7,391</u>

The credit period in purchase of goods is generally from one to three months.

- b) Included in trade payables is an amount of approximately HK\$9,876,000 (2021: Nil) in relation to acquisition of biological assets. The credit period is 30 days. The past due payables bears interest of 10% per annum.
- c) The amounts are unsecured, interest-free and repayable on demand.

12. BORROWINGS

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans — secured	<i>(a)</i>	807	1,004
Bank overdrafts — secured	<i>(a)</i>	4,972	4,805
Loan from shareholders — unsecured	<i>(b)</i>	15,500	—
Other borrowings — secured	<i>(c)</i>	10,792	—
		<u>32,071</u>	<u>5,809</u>

(a) Bank loans and bank overdrafts

The bank loans and bank overdrafts are at floating interest rates that are market dependent and the carrying amounts approximate the fair values. The range of interest rates for the years ended 31 December 2022 and 31 December 2021 are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans, secured	P-1% to P-2.25%	P-1% to P-2.25%
Bank overdrafts, secured	<u>P+1.75%</u>	<u>P+1.75%</u>

All the interest-bearing bank borrowings were repayable on demand as at 31 December 2022 and 31 December 2021.

The ranges of effective interest rates on the Group's bank borrowings as at 31 December 2022 ranged between 2.75% to 7.38% per annum (2021: 2.75% to 6.75% per annum).

As at the end of reporting period, the summary of assets pledged and guaranteed borrowings are as follows:

The bank borrowings are secured by:

- (i) Personal guarantees provided by a director of a subsidiary;
- (ii) The Company's building with carrying amount of approximately HK\$3,529,000 (2021: HK\$3,674,000);

- (iii) The Company’s investment property with carrying amount of approximately HK\$4,500,000 (2021: HK\$4,361,000); and
- (iv) Charge of deposits made by a director of a subsidiary as determined by the bank from time to time.

(b) Loan from shareholders

The Group entered into two loan agreements with two shareholders respectively (“**Loan agreement A & B**”) as follows:

	Loan agreement A	Loan agreement B
Agreement date	13 May 2022	17 November 2022
Facilities — Maximum amount	HK\$12,000,000	HK\$8,000,000
Terms	1 year	1 year
Interest rate	Interest-free	10%
Amount of drawdown		
— 13 May 2022	HK\$12,000,000	—
— 17 November 2022	—	HK\$1,000,000
— 28 November 2022	—	HK\$1,000,000
— 20 December 2022	—	HK\$1,500,000
Outstanding balance as at 31 December 2022	HK\$12,000,000	HK\$3,500,000
Maximum outstanding balance during the year	HK\$12,000,000	HK\$3,500,000

All borrowings from shareholders are unsecured and denominated in HK\$.

(c) **Other borrowings**

The Group entered into two loan agreements with independent third parties (“**Loan agreement C & D**”) as follows:

	Loan agreement C	Loan agreement D
Agreement date	30 June 2022	13 September 2022
Facilities — Maximum amount	HK\$15,000,000	HK\$3,292,000
Terms	1 year	1 year
Interest rate	24%	10%
Amount of drawdown		
— 30 June 2022	HK\$15,000,000	—
— 13 September 2022	—	HK\$3,292,000
Outstanding balance as at 31 December 2022	HK\$7,500,000	HK\$3,292,000
Maximum outstanding balance during the year	HK\$15,000,000	HK\$3,292,000

The Loan agreement C is secured by all bloodstocks with carrying amount of approximately HK\$40,616,000 and Loan agreement D is secured by a stallion with carrying amount of HK\$3,992,000.

All borrowings are denominated in HK\$.

- (d) The management believe that the un-used facilities from Loan agreement B & C amounted to HK\$4,500,000 and HK\$7,500,000, respectively can be draw at any time in according to the terms of the agreements for supporting the Group’s operation.

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The Group is principally engaged in the manufacturing and trading of sewing threads and board categories of garment accessories, the provision of interior design, fitting out and decoration services and equine services business during the year. The business review are set out in the above Chairman's Statement.

Business Review

For the year ended 31 December 2022, the Group's revenue increases to approximately HK\$76.3 million, representing an increase of approximately 4.0%, as compared to revenue of approximately HK\$73.4 million for the year ended 31 December 2021. The Group's net loss decreases to approximately HK\$22.9 million for the year ended 31 December 2022 from approximately HK\$27.2 million for the year ended 31 December 2021, representing an increase of approximately 15.9%. Such decrease is primarily due to the one-off impairment loss of goodwill on the same period of the preceding year which offset by the increase of the operating expenses during the year.

The Group is principally engaged in the manufacturing and selling of sewing threads and board categories of garment accessories, provision of interior design, interior decoration and furnishing services, and provision of trading of bloodstock, stallion services and equine handling services. The principal activities also included securities, advising on corporate finance and assets management by acquisition of subsidiary.

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 but not limited to the Middle East and Mauritius. 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 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.

Moreover, from a remarkably short period in the highly competitive Australasian bloodstock market we have seen the Group emerge with an enviable footprint. Shareholders in one of the world's most elite sires in Extreme Choice, along with equity in 2 of the jurisdictions' hottest young sires Farnan and Pierata. Their stallion investment continued by securing significant exposure on Deep Field's recently retired G1 winner, Portland Sky, and the Group have supported this popular Widden based sire with some lovely mares from their portfolio. Further investment in the Victorian based stallion Grunt, owned and stood by Global Industry powerhouse Yu Long has been endorsed by his promising start to his stud career. Racing elite stallion prospects (and already both G1 winners) Jacquinet and Mo'unga, along with potential stallion prospects such as Williamsburg (dual G1 placed) Hellish, and the forgotten horse in the portfolio in Boyfriend, who is being aimed at the \$1M Arrowfield Sprint during the ATC Autumn Championship. With the prize money on offer in Australia there has never been a better time to participate and as ever we have one eye on developing our next stallion prospect.

The Group has established significant ties with some of the key stakeholders and leaders of the industry down under. Be it Coolmore, Newgate, Widden, Newhaven, Aquis or Segenhoe together with Inglis and Magic Millions, the strong business partnerships forged have ensured our reputation as long term and progressive Industry participants. As ever we will be active at the upcoming breeding stock sales to bolster our portfolio. The goal, as ever, is to identify commercially sound investor opportunities.

Financial Review

Revenue

The revenue was generated from the segment of manufacturing and trading of threads product, 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 year ended 31 December 2022 and 2021:

	Year ended 31 December				Rate of change %
	2022	2021	2022	2021	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	
Manufacturing and trading of threads	50,972	66.8	54,517	74.3	-6.5
Interior design and decoration	17,600	23.1	18,057	24.6	-2.5
Equine services	7,702	10.1	791	1.1	873.7
	<u>76,274</u>	<u>100.0</u>	<u>73,365</u>	<u>100.0</u>	<u>4.0</u>

Manufacturing and trading of threads

The revenue attributable to the manufacturing and trading of threads decreased to approximately HK\$51.0 million for the year ended 31 December 2022 from approximately HK\$54.5 million for the year ended 31 December 2021, representing a decrease of approximately 6.5%. The revenue decrease was mainly attributable to the decrease in sales in PRC market due to the outbreak of COVID-19 in Guangdong Province.

Interior design and decoration

The revenue attributable to the interior design and decoration decreased to approximately HK\$17.6 million for the year ended 31 December 2022 from approximately HK\$18.1 million for the year ended 31 December 2021, representing a decrease of approximately 2.5%. The revenue decrease was mainly due to the outbreak of COVID-19 in Hong Kong during the first half of year 2022 and therefore the progress of the project has been delayed during the year.

Equine Services

The revenue attributable to the equine services increased to approximately HK\$7.7 million for the year ended 31 December 2022 from approximately HK\$0.8 million for the year ended 31 December 2021, representing an increase of approximately 873.7%. The segment newly setup on year 2021, the Group expanded to provide a wide range of equine related business included but not limit to horse breeding services, stallion services and horse retirement services. Therefore, the revenue increase significantly during the year.

Cost of sales

The Group's cost of sales primarily consists of director material costs, processing fees, direct labour costs and welfare and social insurance. The following table sets out a breakdown of the Group's cost of sales attributable to three segments of the Group for the year ended 31 December 2022 and 2021:

	Year ended 31 December		Rate of change %
	2022 HK\$'000	2021 HK\$'000	
Manufacturing and trading of threads	42,768	46,756	-8.5
Interior design and decoration	11,418	10,564	8.1
Equine services	8,707	1,253	594.9
	<u>62,893</u>	<u>58,573</u>	<u>7.4</u>

Manufacturing and trading of threads

The cost of sales attributable to the manufacturing and trading of threads decrease to approximately HK\$42.8 million for the year ended 31 December 2022 from approximately HK\$46.8 million for the year ended 31 December 2021, representing an decrease of 8.5%. The cost of sales for the manufacturing and trading of threads increased is in line with the increase in sale for the year.

Interior design and decoration

The cost of sales attributable to the interior design and decoration increase to approximately HK\$11.4 million for the year ended 31 December 2022 from approximately HK\$10.6 million for the year ended 31 December 2021 representing a increase of 8.1%. The cost of sales for the interior design and decoration increased is mainly due to the outbreak of COVID-19 in Hong Kong during the first half of the year and therefore additional cost of the project has been created.

Equine services

The cost of sales attributable to the equine services increase to approximately HK\$8.7 million for the year ended 31 December 2022 from approximately HK\$1.3 million for the year ended 31 December 2021 representing an increase of 594.9%. The cost of sales for the equine services increased significantly is mainly due to the significant adjustment cost generated from the bloodstock during the year.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$13.4 million for the year ended 31 December 2022 from approximately HK\$14.8 million for the year 31 December 2021, representing a decrease of approximately 9.5%. The gross profit margin decrease to approximately 17.5% for the year ended 31 December 2022 from approximately 20.2% for the year ended 31 December 2021 was mainly because of the gross loss recorded by the segment of the equine services which diluted the gross profit margin of the Group.

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

The Group recorded other gain and other expenses, net of approximately HK\$2.0 million for the year ended 31 December 2022 as compared with other net losses and expenses of approximately HK\$2.6 million for the year ended 31 December 2021, representing a decrease of approximately 23.3%.

Selling and distribution expenses

Selling and distribution expenses mainly consist of staff costs and transportation expenses for the segment of manufacturing and trading of threads. Selling expenses decreased to approximately HK\$5.2 million for the year ended 31 December 2022 from approximately HK\$7.0 million for the year ended 31 December 2021, representing a decrease of approximately 26.4%. Such decrease was mainly due to the decrease in the staff cost and transportation expenses.

Administrative expenses

Administrative losses primarily consist of staff costs, Directors' remuneration and legal and professional fees. Administrative expenses increased to approximately HK\$29.5 million for the year ended 31 December 2022 from approximately HK\$23.4 million for the year ended 31 December 2021, representing an increase of approximately 26.1%. Such increase was mainly attributable to the increase in staff costs for the segment of equine services and recognition of share option expenses during the year.

Finance costs

The Group's finance costs increased to approximately HK\$2.6 million for the year ended 31 December 2022 from approximately HK\$0.7 million for the year ended 31 December 2021, representing an increase of approximately 295.9%. Such increase was mainly due to the new borrowings to support the development of the segment of equine services.

Loss before income tax

As a result of the aforesaid, the Group recorded a loss before income tax of approximately HK\$22.9 million for the year ended 31 December 2022 from approximately HK\$27.2 million for the year ended 31 December 2021, representing a decrease of approximately 15.9%.

Income tax expense

No income tax expense was recorded both for the year ended 31 December 2022 and 31 December 2021.

Total comprehensive expenses attributable to the owners of the parent

The total comprehensive expenses attributable to the owners of the parent increased to approximately HK\$27.6 million for the year ended 31 December 2022 from approximately HK\$25.7 million for the year ended 31 December 2021, representing an increase of approximately 7.3%. Such increase was mainly due to the combined effect of the decrease in the Group's loss for the year ended 31 December 2022 due to the reasons mentioned above and the decrease in exchange differences on translation of foreign operations.

Basic and diluted loss per share

The Company's basic and diluted loss per share for the year ended 31 December 2022 was approximately HK5.60 cents (2021: HK7.43 cents), representing a decrease of approximately 24.6%, which was mainly due to the decrease in loss attributable to the owners of the parent.

Final dividend

The board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

Liquidity and Financial Resources

For the year ended 31 December 2022, the Group's operations were primarily financed through its operating and financing activities. The Directors believe that in the long term, the Group's operations will continue to be funded by a combination of cash generated from the Group's operating activities and financing activities.

The Group's cash and bank balances amounted to approximately HK\$2.2 million and approximately HK\$27.3 million as at 31 December 2022 and 2021, respectively. The functional currency of the Group is the Hong Kong dollar. As at 31 December 2022, 35.5% of the Group's cash and bank balances were denominated in the Group's functional currency (31 December 2021: 94.9%) and the remaining 64.5% (31 December 2021: 5.1%) in other currencies, mainly the Renminbi and Australian Dollars.

As at 31 December 2022 and 2021, the Group had net current assets of approximately HK\$29.3 million and approximately HK\$58.4 million, respectively, which included trade receivables, contract assets, deposit and other receivables, inventories, biological assets, tax recoverable and cash and cash equivalents. The Group's current ratio decreased from approximately 3.1 as at 31 December 2021 to approximately 1.4 as at 31 December 2022.

Gearing Ratio

The Group's gearing ratio is calculated based on net debt (including borrowings, trade payables, other payables and accruals, and lease liabilities, less cash and cash equivalents) divided by the total equity plus net debt at the respective reporting date. The gearing ratio is approximately 48.8% and approximately 1.2% as at 31 December 2022 and 2021, respectively. The decrease of the gearing ratio was mainly attributable to the loss incurred and the new borrowing generated during the year.

Capital Commitments

As at 31 December 2022, the Group did not have any capital commitments (as at 31 December 2021: nil).

Capital Structure

During the year ended 31 December 2022, 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 31 December 2022, 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 31 December 2022 nor material acquisitions during the year ended 31 December 2022.

Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies

For the year ended 31 December 2022, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Future Plans for Material Investments and Capital Assets

There is no plan for material investment or capital assets as at 31 December 2022.

Contingent Liabilities

As at 31 December 2022, the Group did not have material contingent liabilities (as at 31 December 2021: Nil).

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients and credit review of the Group's loan portfolio. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

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 acquisition of broodmares and stallions and the equine services income in Australia. The Group currently does not have a foreign currency hedging policy. Yet, the Group's management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Pledge Of Assets

As at 31 December 2022 and 31 December 2021, the Group's assets were pledged to lenders to secure certain borrowings granted to the Group. For details thereof please refer in Note 12 of this announcement.

Employees and Remuneration Policies

As at 31 December 2022, the Group employed a total of 141 employees (as at 31 December 2021: 161), of whom 120 were located in the PRC and 21 were located in Hong Kong. The Group's staff costs mainly comprised wages and salaries, social insurance, housing provident fund and severance payments. For the two years ended 31 December 2022, the Group's total staff costs (excluding Directors' emoluments) amounted to approximately HK\$18.6 million and HK\$19.3 million, respectively. The Group offers remuneration packages comprising basic salaries, discretionary bonuses and allowances to its management and office staff. For the workers at the Guangzhou Production Facilities, the Group offers them salaries above the minimum wage, promotion opportunities and budgets for social events.

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and

its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately.

Pursuant to the relevant labour laws, rules and regulations in the PRC, the Group participates in defined contribution retirement benefit scheme (the “**Retirement Benefit Scheme**”) organised by the relevant local government authorities in the PRC whereby the Group is required to make contributions to the Retirement Benefit Scheme at a certain rate of the standard wages determined by the relevant authorities in the PRC during the year. Contributions to the Retirement Benefit Scheme vest immediately.

There was no forfeited contribution under the MPF Scheme and Retirement Benefit Scheme which may be used by the Group to reduce the contribution payable in the future years.

The remuneration committee of the Company is responsible for reviewing and determining the remuneration packages of the Directors and senior management members with reference to the salaries paid by comparable companies, time commitment and responsibilities, employment conditions elsewhere in the Group and the desirability of performance-based remuneration. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. The existing share option scheme of the Company (the “**Share Option Scheme**”) was adopted by the Company at the extraordinary general meeting of the Company held on 8 February 2023 and the previous share option scheme of the Company adopted on 24 November 2017 (the “**Old Share Option Scheme**”) was terminated on the same date. Under the Old Share Option Scheme and the Share Option Scheme the Company may grant options to, among others, any employees (full-time or part-time) or Directors with a view to rewarding them for their contributions to the Group, giving incentive to them for optimising their performance and efficiency and attracting as well as retaining those whose future contributions are important to the long-term growth and profitability of the Group. Since the adoption of the Share Option Scheme and up to the date of this announcement, no share options have been granted pursuant to the Share Option Scheme. Details of share granted under the Old Share Option Scheme are set out in the header of “OTHER INFORMATION” of this announcement.

Major and 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 during the year 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.

Compliance with Laws and Regulations

Save for the matter in relation to the above paragraph of “Major and Connected Transactions” and the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has in all material respects complied with all relevant laws, rules and regulations that have a significant impact on the Group and its operations in Hong Kong and the PRC.

Environmental Policies and Performance

In order to better integrate the concept of social responsibility into the Group's strategy and decision-making and to further guide the Group to develop a socially responsible practice, the Group has established an environmental, social and governance ("ESG") report preparation team. While preparing the report, the Group strives to incorporate the notion of sustainable development into its daily operations.

Meanwhile, the Group has established a systematic stakeholder communication channel with the aim to facilitate positive interactions with the Group's stakeholders, actively respond to relevant litigation issues and promote quality, effective and sustainable growth. Throughout the year ended 31 December 2022, the Group has maintained its business integrity and dedication to environmental protection, while continuously striving to improve quality management and employee care.

For further information in relation to the Group's ESG practices, please refer to the Group's separate ESG report, which is published on the websites of the Stock Exchange and the Company.

Relationship with Stakeholders

Employees are considered to be one of the most important factors that contribute to the productivity of the Group. Employees of the Group are mainly provided with on-the-job training as well as remuneration packages and allowances.

The Group also communicates closely with its customers to obtain valuable feedback and provides them with information about the Group's products and trends in the sewing threads market. The Group has maintained business relationships with its five largest customers for a period ranging from approximately five to twenty years, respectively. Likewise, the Group has also established stable relationships with its suppliers. As such, the Directors believe that the Group has developed a trustworthy and reliable reputation as well as a strong partnership with its customers and suppliers.

Use of Proceeds

Use of proceeds of the Company's Initial Public Offering

As disclosed in the Prospectus, the net proceeds from the Share Offer were approximately HK\$40.7 million, after deducting commission and expenses borne by the Company in connection with the Share Offer (the "Net Proceeds"). On 5 July 2022, the Company announced the further change in use of proceeds from the Share Offer. For details thereof please refer to the announcement of the Company dated 5 July 2022 headed "Change in Use of Proceeds". The unutilised net proceeds which amounts to approximately HK\$8.7

million for the acquisition of machineries, the Board has resolved to change the allocation of the amount of the unutilised net proceeds, such that approximately HK\$6.09 million and HK\$2.61 million of the unutilised net proceeds will be applied towards the working capital and other general corporate purposes of the Group respectively instead.

As at 31 December 2022, the Net Proceeds had been applied and utilised as follows:

	Unutilised Net Proceeds as at 5 July 2022 <i>HK\$ Million</i>	Utilised during the period 5 July 2022 to 31 December 2022 <i>HK\$ Million</i>	Unutilised as at 31 December 2022 <i>HK\$ Million</i>
Working capital	6.09	6.09	—
Other general corporate purposes	2.61	2.61	—
	<u>8.70</u>	<u>8.70</u>	<u>—</u>

Use of net proceeds of the subscription and placing of the new shares on July 2021

On 29 June 2021, the Company entered into the subscription agreements with two subscribers, pursuant to which the subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 3,300,000 and 3,400,000 new Shares for two subscribers at the subscription price of HK\$0.60 per subscription share. Also, the placing agent and the Company entered into the placing agreement, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 47,000,000 placing shares at the placing price of HK\$0.60 per placing share to not less than six placees who and whose beneficial owners shall be Independent of the Company. The subscriptions and placing of the new shares has been completed on 22 July 2021. Details of the subscription and placing of the new shares are set out in the announcements of the Company dated 29 June 2021, 8 July 2021 and 22 July 2021.

As at 31 December 2022, the net proceeds of the subscription and placing of the new shares on July 2021 had been utilised as follows:

	Actual net proceeds allocated <i>HK\$ Million</i>	Utilised during the year 2021 <i>HK\$ Million</i>	Unutilised as at 31 December 2021 <i>HK\$ Million</i>	Utilised during the year 2022 <i>HK\$ Million</i>	Unutilised as at 31 December 2022 <i>HK\$ Million</i>
General working capital of the Group	6.2	6.2	—	—	—
Development Horse breeding business	5.7	4.0	1.7	1.7	—
Development of existing business and/or acquisition of and/or investment in business(es) which leverage on the competitive advantage of the Group	19.3	3.5	15.8	15.8	—
	<u>31.2</u>	<u>13.7</u>	<u>17.5</u>	<u>17.5</u>	<u>—</u>

Future Plans and 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 and the COVID-19 will still continue impacting our business. The Group will continue to pay close attention to the trade conflict and COVID-19 and 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 the new line of business can diversify its existing business portfolio and to increase source of income.

Moreover, from a remarkably short period in the highly competitive Australasian bloodstock market we has seen the Group emerge with an enviable footprint. Shareholders in one of the worlds most elite sires in Extreme Choice, along with equity in 2 of the jurisdictions hottest young sires Farnan and Pierata. Their stallion investment continued by securing significant exposure on Deep Field’s recently retired G1 winner, Portland Sky, and the Group have supported this popular Widden based sire with some lovely mares from their portfolio. Further investment in the Victorian based stallion Grunt, owned and stood by Global

Industry powerhouse Yu Long has been endorsed by his promising start to his stud career. Racing elite stallion prospects (and already both G1 winners) Jacquinot and Mo'unga, along with potential stallion prospects such as Williamsburg (dual G1 placed) Hellish, and the forgotten horse in the portfolio in Boyfriend, who is being aimed at the \$1M Arrowfield Sprint during the ATC Autumn Championship. With the prize money on offer in Australia there has never been a better time to participate and as ever we have one eye on developing our next stallion prospect.

The Group has established significant ties with some of the key stakeholders and leaders of the industry down under. Be it Coolmore, Newgate, Widden, Newhaven, Aquis or Segenhoe together with Inglis and Magic Millions, the strong business partnerships forged have ensured our reputation as long term and progressive Industry participants. As ever we will be active at the upcoming breeding stock sales to bolster our portfolio. The goal, as ever, is to identify commercially sound investor opportunities.

With prize money, industry participation and market trends at an all time high in the Australian bloodstock industry we are purposely positioned to benefit from this lucrative market boom.

The Directors would continue to review the existing businesses of the Group from time to time with a view to improving the business operation and financial position of the Group. The Board considers that it is beneficial for the Group to seek suitable investment opportunities with a view to increasing the value of the Group and maximising returns to the Shareholders.

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 31 December 2022, 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 (a) required 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); or (b) required to be recorded in the register required to be kept under section 352 of the SFO; or (c) as otherwise 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 owner	10,100,000 (L)	2.47%
Mr. Ma Pok Man, Josiah	Beneficial owner	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 2022	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2022
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>3,500,000</u>	<u>12,091,418</u>	<u>—</u>	<u>—</u>	<u>15,591,418</u>

Notes:

- As at the date of this annual report, 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 British Virgin Islands 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 31 December 2022, 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 Stock 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 31 December 2022, 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%
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 annual report, 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 31 December 2022, 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 provisions 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.

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 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, details of which are set out headed “Chairman and Chief Executive Officer” under the corporate governance report on the Annual Report, the Board is of the view that the Company has complied with the code provisions for the year ended 31 December 2022.

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 during the year ended 31 December 2022.

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 during the year ended 31 December 2022 and up to the date of this announcement.

Directors' and Controlling Shareholders' Interests in Competing Businesses

The Directors and the controlling shareholders of the Company have confirmed that for the year ended 31 December 2022 and up to the date of this announcement, none of the Directors, controlling Shareholders or any of their respective close associates (as defined in the GEM Listing Rules) engaged in any businesses that compete or may compete with the business of the Group, or had any other conflict of interest with the Group.

On 24 November 2017, each of Mr. Wong Kwok Wai, Albert and Three Gates Investment, being the controlling Shareholders, entered into a non-competition undertaking in favour of the Company, details of which were set out in the section headed "Relationship with our Controlling Shareholders — Non-competition Undertaking" in the Prospectus. Such undertakings have been fully complied with and enforced during the year ended 31 December 2022 and up to the date of this announcement.

The Board confirms that as at the date of this announcement, no other matters are required to be brought to the attention of the Shareholders and the potential investors.

Further, the independent non-executive Directors confirm that they have reviewed the enforcement of such undertakings and conclude that there are no outstanding issues regarding the undertakings that need to be raised with the Shareholders and the Company.

Events after the year ended 31 December 2022

On 8 February 2023, the Company resolved to adopt the new share option scheme and the termination of the existing share option scheme. For details, please refer to the circular of the Company dated 12 January 2023.

Subsequent to the reporting period, the shareholder under Loan agreement B set out in note 12 in this announcement has agreed to provide financial support to the Group, including: i) not to demand for repayment of the loan to the Group on or before 31 December 2023; and ii) to increase the maximum amount of the facility from HK\$8,000,000 to HK\$15,000,000.

There are no material subsequent events undertaken by the Group after 31 December 2022 and up to the date of this announcement excepted mentioned above.

Sufficiency of Public Float

The Directors confirm that during the year ended 31 December 2022 and up to the date of this announcement, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the minimum public float as required under the GEM Listing Rules.

Audit Committee

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 (the 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 consolidated results of the Group for the year ended 31 December 2022.

Publication of Information on the Website of the Stock Exchange

This announcement will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.harbourequine.com). The annual report for the year ended 31 December 2022 containing all the information required by the GEM Listing Rules will be published on the respective websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

Scope of Work of Independent Auditor

The figures in respect of the Group's results for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's independent auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Group's independent auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by the Group's independent auditors on this preliminary announcement of results.

Annual General Meeting and Closure of the Register of Members

The forthcoming annual general meeting (the “AGM”) of the Company will be held by way of electronic means of Friday, 5 May 2023. For the purpose of determining Shareholders’ entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 2 May 2023 to Friday, 5 May 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfer of Shares accompanied by the relevant share certificates and transfer documents must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Friday, 28 April 2023.

By order of the Board
HARBOUR EQUINE HOLDINGS LIMITED
Wong Kwok Wai, Albert
*Chairman, chief executive officer
and executive Director*

Hong Kong, 28 March 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 Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.harbourequine.com.