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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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN STRAT TECH HOLDINGS LIMITED

THE DISPOSAL

The Board would like to announce that on 2 October 2024 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Share, representing the entire issued share capital in the Disposal Company for a total consideration of HK\$1 million.

As at the date of this announcement, the Disposal Company is wholly and beneficially owned by the Vendor. Upon Completion, the Disposal Company will cease to be a subsidiary of the Company and the financial information of the Disposal Group will cease to be consolidated into the consolidated financial statements of the Group.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Disposal is more than 25% but all of the percentage ratios are less than 75%, the entering into of the Sale and Purchase Agreement constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

In addition, as all of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the provision of financial assistance under the Promissory Note are less than 5%, the provision of financial assistance under the Promissory Note is therefore not subject to any disclosure requirements pursuant to Chapter 19 of the GEM Listing Rules.

None of the Directors has a material interest in the Disposal and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The voting in respect of the Disposal at the EGM will be conducted by way of poll. To the best knowledge of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of their associates has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and will be required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) other information as required under the GEM Listing Rules; and (iii) a notice of the EGM, is expected to be despatched to the Shareholders on or before 30 October 2024.

Completion is subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement and therefore the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

THE DISPOSAL

The Board would like to announce that on 2 October 2024 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Share, representing the entire issued share capital in the Disposal Company for a total consideration of HK\$1 million.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

Date: 2 October 2024

Parties: (i) the Purchaser; and
(ii) the Vendor.

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

Assets to be disposed of

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Share, representing the entire issued share capital in the Disposal Company.

As at the date of this announcement, the Disposal Company is wholly and beneficially owned by the Vendor.

Consideration

The Consideration for the sale and purchase of the Sale Share is HK\$1 million, which shall be paid and satisfied by the Purchaser in the following manner:

- (a) as to HK\$0.1 million shall be payable by the Purchaser to the Vendor on the Completion Date in cash by way of a cashier order issued by a licensed bank in Hong Kong drawn in favour of the Vendor (or its nominee) or in such manner as may be agreed by the parties thereto; and
- (b) as to HK\$0.9 million shall be satisfied by the Purchaser by way of issue of the Promissory Note to the Vendor at Completion.

The Promissory Note

The principal terms of the Promissory Note are as follows:

Issuer:	the Purchaser
Issue date:	Completion Date
Noteholder:	the Vendor
Principal amount:	HK\$0.9 million
Maturity:	payable in 9 equal monthly instalments
Interest:	5% per annum
Security:	a share charge over the entire issued share capital of the Disposal Company to be given by the Purchaser, as chargor, in favour of the Vendor, as chargee

Basis of the Consideration

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms, after taking into account, among others, (i) the net asset of the Disposal Group attributable to the Group as at 31 July 2024 of approximately HK\$0.9 million; (ii) the past performance of the Disposal Group; (iii) the future prospects of the Disposal Group; and (iv) other factors as set out in the section headed "Reasons for and benefits of the Disposal" in this announcement.

Conditions Precedent

Completion is conditional upon and subject to:

- (i) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect, including the passing by the Shareholders, at the EGM to be convened and held in accordance with the requirements of the GEM Listing Rules, of such resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;

- (ii) all necessary consents and/or approvals required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (iii) the representations and warranties given by the Vendor under the Sale and Purchase Agreement remaining true and accurate and not misleading in all material respects; and
- (iv) the representations and warranties given by the Purchaser under the Sale and Purchase Agreement is remaining true and accurate and not misleading in all material respects.

Save for condition (iii) above which may at any time be waived by the Purchaser in writing, and condition (iv) above which may at any time be waived by the Vendor in writing, all other conditions precedent set out above are incapable of being waived by the parties to the Sale and Purchase Agreement. If the conditions precedent under the Sale and Purchase Agreement have not been satisfied (or as the case may be, waived by the Purchaser or the Vendor) at or before 12:00 noon on 28 February 2025 (or such later time and date as may be agreed between the parties thereto), the Sale and Purchase Agreement shall cease and determine and thereafter, neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Completion

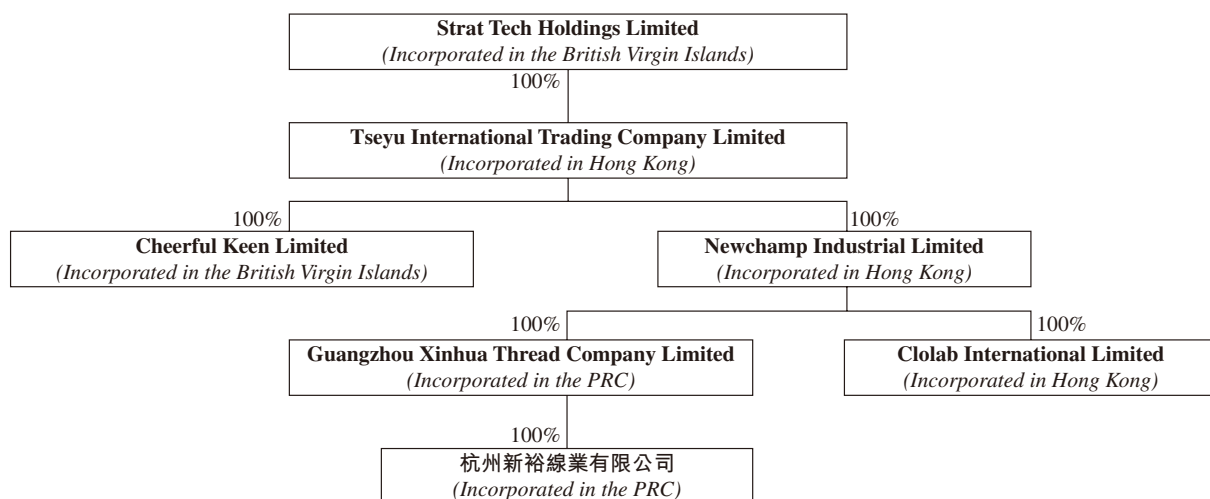
Completion shall take place on the date (the “**Completion Date**”) falling on the third Business Day after the fulfilment or waiver (as the case may be) of all the conditions precedent as set out in the Sale and Purchase Agreement, or such other date as the Vendor and the Purchaser may agree.

Upon Completion, the Disposal Company will cease to be a subsidiary of the Company and the financial information of the Disposal Group will cease to be consolidated into the consolidated financial statements of the Group.

INFORMATION ON THE DISPOSAL GROUP

The Disposal Company is a company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, the Disposal Company is wholly and beneficially owned by the Vendor.

The following diagram illustrates a simplified shareholding structure of the Disposal Company and its operating subsidiaries as at the date of this announcement.



The Disposal Group is principally engaged in the manufacture and sale of sewing threads and board categories of garment accessories (the “**Sewing Threads and Garment Business**”).

Financial information of the Disposal Group

Set out below is the financial information of the Disposal Group based on the audited consolidated financial statements of the Disposal Group for the two years ended 31 December 2023:

	For the year ended 31 December 2022	For the year ended 31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	50,121	21,196
Profit/(loss) before taxation	(28,936)	(13,290)
Profit/(loss) after taxation	(28,936)	(13,290)

The total assets, total liabilities and net assets of the Disposal Group as at 31 July 2024 according to its unaudited consolidated financial statements were approximately HK\$15.1 million, approximately HK\$14.2 million and approximately HK\$0.9 million respectively.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. The Purchaser is wholly and beneficially owned by Mr. Huang Kuo-jung, who is a merchant. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party as at the date of this announcement.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Disposal Company will cease to be a subsidiary of the Company. As such, the financial information of the Disposal Group will cease to be consolidated into the consolidated financial statements of the Group.

Assets and liabilities

Having taken into account the Consideration of HK\$1 million and the audited net assets value of the Disposal Group of approximately HK\$7.3 million as at 31 December 2023, it is estimated that upon Completion, the total assets, total liabilities and net assets of the Group will be decreased by approximately HK\$20.8 million, HK\$14.5 million and HK\$6.3 million, respectively.

Earnings

Subject to further audit procedures to be performed by the auditor of the Company, the Group is expected to record a loss from the Disposal of approximately HK\$6.3 million which is estimated based on the gross proceeds from the Disposal (before deducting relevant expenses and taxes) of HK\$1 million less the audited net assets of the Disposal Group attributable to the Group as at 31 December 2023 of approximately HK\$7.3 million. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to review and final audit by the auditor of the Company.

The net proceeds from the Disposal, after deducting the expenses directly attributable to the Disposal of approximately HK\$0.5 million and tax payable, if any, will amount to approximately HK\$0.5 million. It is intended that the net proceeds will be used for the general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in (i) the Sewing Threads and Garment Business; (ii) the provision of interior design, interior decoration and furnishing services; (iii) the trading of bloodstock and the provision of stallion services and equine handling services; and (iv) the provision of securities advisory services, corporate financial advisory services and asset management services.

As disclosed in the annual reports of the Company for the years ended 31 December 2021, 31 December 2022 and 31 December 2023, the Sewing Threads and Garment Business has been adversely affected by, among others, the outbreak of the novel coronavirus pandemic, the ongoing trade conflict between the PRC and the United States of America, and the gradual slowdown of the PRC economy. Amid the difficult operating environments, the Board has been closely monitoring the latest developments in the market and evaluating such impact on the financial position, cashflows and operating result of the Sewing Threads and Garment Business on a regular basis.

As shown in the annual reports of the Company for the years ended 31 December 2022 and 31 December 2023, the revenue attributable to the Sewing Threads and Garment Business decreased from approximately HK\$54.5 million for the year ended 31 December 2021 to approximately HK\$21.2 million for the year ended 31 December 2023, representing a decrease of approximately 61.1%. Such decrease was mainly attributed to the drop in sales in both of the PRC and overseas markets due to the aforementioned unfavourable factors.

Although the management of the Group has been putting significant efforts into formulating business strategies for the Sewing Threads and Garment Business, including but not limited to enlarging its distribution channels, diversification strategy and cost control measures, the operating results of the Sewing Threads and Garment Business have been far from satisfactory. The persisting trade conflict between the PRC and the United States of America has been the contributing factor to the deteriorating performance of the Sewing Threads and Garment Business, where the revenue from this segment recorded its historical low of approximately HK\$21.2 million, with a segment loss of approximately HK\$13.4 million for the year ended 31 December 2023. The geopolitical tensions and soaring interest rates have impeded recovery of the PRC economy as a result of which the consumption in the PRC remained adversely affected. The Directors are of the view that all of the above unfavourable factors have an ongoing negative impact on the Sewing Threads and Garment Business and its future prospects.

Having made prudent assessments on the above and considering the unsatisfactory financial performance of the Disposal Group and the prevailing market conditions, the Board considers that the Disposal represents a good opportunity for the Group to divest and realise its investment in the Disposal Group. The Disposal would allow the Group to cut any further loss as may be arising from the Sewing Threads and Garment Business and to deploy and allocate its time and resources to other core segments which are profitable. The Company intends to use the net proceeds from the Disposal to strengthen the cashflow and general working capital of the Group. The Board considers that the Disposal will not have a material adverse effect on other core operations of the Group and that the financial position of the Group could be improved after Completion.

Having regard to the aforementioned, the Directors (including the independent non-executive Directors) believe that the terms of the Disposal (including the Consideration) are on normal commercial terms, fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Disposal is more than 25% but all of the percentage ratios are less than 75%, the entering into of the Sale and Purchase Agreement constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

In addition, as all of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the provision of financial assistance under the Promissory Note are less than 5%, the provision of financial assistance under the Promissory Note is therefore not subject to any disclosure requirements pursuant to Chapter 19 of the GEM Listing Rules.

None of the Directors has a material interest in the Disposal and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The voting in respect of the Disposal at the EGM will be conducted by way of poll. To the best knowledge of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of their associates has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and will be required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) other information as required under the GEM Listing Rules; and (iii) a notice of the EGM, is expected to be despatched to the Shareholders on or before 30 October 2024.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Harbour Equine Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (stock code: 8377)
“Completion”	completion of the Disposal
“Completion Date”	has the meaning ascribed thereto in the paragraph headed “Completion” under the section headed “The Sale and Purchase Agreement” in this announcement
“Consideration”	a sum of HK\$1 million, being the consideration for the Sale Share
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Share by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“Disposal Company”	Strat Tech Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by the Vendor as at the date of this announcement
“Disposal Group”	Disposal Company and its subsidiaries

“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and its ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected person(s) (as defined under the GEM Listing Rules) of the Company and is/are third party(ies) independent of the Company and its connected person(s) in accordance with the GEM Listing Rules
“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Promissory Note”	the 5% coupon promissory note to be issued by the Purchaser in favour of the Vendor in the aggregate principal amount of HK\$0.9 million for settling part of the Consideration
“Purchaser”	Trillion Mind Limited, a company incorporated in Hong Kong with limited liability, which is wholly and beneficially owned by Mr. Huang Kuo-jung as at the date of this announcement
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 2 October 2024 entered into between the Vendor and the Purchaser in respect of the Disposal

“Sale Share”	1 share of the Disposal Company, representing the entire issued share capital of the Disposal Company, which is beneficially owned by the Vendor as at the date of this announcement
“Share(s)”	share(s) of the Company of HK\$0.05 each
“Shareholder(s)”	holder(s) of issued Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 2 October 2024

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Wong Kwok Wai, Albert, Mr. Chan Yiu Tung, Enoch, Mr. Leung King Yue, Alex and Mr. Leung Tat Chi; one non-executive Director, namely Ms. Ho Wing Shan; and three independent non-executive Directors, namely, Mr. Chan Tsun Choi, Arnold, Mr. Chow Chin Hang, Joel and Mr. Tang Chun Hei.

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 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.