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HARBOUR EQUINE HOLDINGS LIMITED

維港育馬控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8377)

ANNOUNCEMENT OF QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2023

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

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

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

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

FINANCIAL HIGHLIGHTS

For the three months ended 31 March 2023, the unaudited operating results of the Company and its subsidiaries (collectively, the “**Group**”) were as follows:

- revenue recorded for the three months ended 31 March 2023 amounted to approximately HK\$13.6 million;
- loss after taxation for the three months ended 31 March 2023 amounted to approximately HK\$6.8 million; and
- basic and diluted loss per share of the Company for the three months ended 31 March 2023 was approximately HK1.67 cents.

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2023 together with the comparative unaudited figures for the corresponding period in 2022, which are presented in Hong Kong dollars (“**HK\$**”) as follows:

Unaudited Condensed Consolidated Statement of Profit or Loss

For the three months ended 31 March 2023

| | Notes | For the three months ended 31 March | |
|--|-------|--|---------------------------------|
| | | 2023 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) |
| Revenue | 3 | 13,608 | 15,935 |
| Cost of sales | | <u>(13,276)</u> | <u>(13,911)</u> |
| Gross profit | | 332 | 2,024 |
| Other income and gains | 4 | 523 | 1,234 |
| Selling and distribution expenses | | (1,009) | (1,373) |
| Administrative expenses | | (5,124) | (7,036) |
| Other expenses | | (535) | (521) |
| Finance costs | 5 | <u>(1,000)</u> | <u>(134)</u> |
| LOSS BEFORE TAX | 6 | (6,813) | (5,806) |
| Income tax credit | 7 | <u>—</u> | <u>—</u> |
| LOSS FOR THE PERIOD | | <u>(6,813)</u> | <u>(5,806)</u> |
| LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT | | <u>(6,813)</u> | <u>(5,806)</u> |
| LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT | 9 | | |
| Basic and diluted (expressed in HK cents per share) | | <u>(1.67)</u> | <u>(1.42)</u> |

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2023

| | For the three months ended | |
|---|----------------------------|-----------------------|
| | 31 March | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| LOSS FOR THE PERIOD | <u>(6,813)</u> | <u>(5,806)</u> |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Exchange differences on translation of foreign operations | <u>(960)</u> | <u>239</u> |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX | <u>(960)</u> | <u>239</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | <u>(7,773)</u> | <u>(5,567)</u> |
| ATTRIBUTABLE TO OWNERS OF THE PARENT | <u>(7,773)</u> | <u>(5,567)</u> |

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2023

| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserve HK\$'000 | Share option reserve HK\$'000 | Statutory surplus reserve HK\$'000 | Exchange fluctuation reserve HK\$'000 | Accumulated losses HK\$'000 | Total equity HK\$'000 |
|--|------------------------------|------------------------------|-------------------------------|--|---|--|-----------------------------------|-----------------------------|
| As at 1 January 2022 (audited) | 20,457 | 130,674 | (1,000) | 1,155 | 5,670 | 11,631 | (76,822) | 91,765 |
| Loss for the period | — | — | — | — | — | — | (5,806) | (5,806) |
| Other comprehensive income for the period: | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | — | 239 | — | 239 |
| Total comprehensive loss for the period | — | — | — | — | — | 239 | (5,806) | (5,567) |
| Recognition of equity settled share- based payment | — | — | — | 1,126 | — | — | — | 1,126 |
| As at 31 March 2022 (unaudited) | <u>20,457</u> | <u>130,674</u> | <u>(1,000)</u> | <u>2,281</u> | <u>5,670</u> | <u>11,870</u> | <u>(82,628)</u> | <u>87,324</u> |
| As at 1 January 2023 (audited) | 20,457 | 130,674 | (1,000) | 4,942 | 5,670 | 6,911 | (99,726) | 67,928 |
| Loss for the period | — | — | — | — | — | — | (6,813) | (6,813) |
| Other comprehensive loss for the period: | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | — | (960) | — | (960) |
| Total comprehensive loss for the period | — | — | — | — | — | (960) | (6,813) | (7,773) |
| Recognition of equity settled share- based payment | — | — | — | — | — | — | — | — |
| As at 31 March 2023 (unaudited) | <u>20,457</u> | <u>130,674</u> | <u>(1,000)</u> | <u>4,942</u> | <u>5,670</u> | <u>5,951</u> | <u>(106,539)</u> | <u>60,155</u> |

Notes to the Unaudited Condensed Consolidated Financial Statements

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. During the period, 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, and provision of advisory on securities, corporate financial advisory services and asset management services.

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

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

| Name | Place of incorporation/ registration and operations | Nominal value of issued ordinary/ paid-up/registered share capital | Percentage of equity attributable to the Company | | Percentage of voting power held by the Company | | Principal activities |
|--|---|---|--|----------|--|----------|---|
| | | | Direct | Indirect | Direct | Indirect | |
| Strat Tech Holdings Limited | BVI | US\$1 | 100% | — | 100% | — | Investment holding |
| Shen You (China) Limited | Hong Kong | HK\$10,000,000 | 100% | — | 100% | — | Investment holding |
| Tseyu International Trading Company Limited | Hong Kong | HK\$60,000,000 | — | 100% | — | 100% | Trading of sewing threads and broad categories of garment accessories |
| Newchamp Industries Limited | Hong Kong | HK\$30,000,000 | — | 100% | — | 100% | Trading of sewing threads |
| Clolab International Limited | Hong Kong | HK\$10,000 | — | 100% | — | 100% | Fashion design and trading of garment accessories |

| Name | Place of incorporation/ registration and operations | Nominal value of issued ordinary/ paid-up/registered share capital | Percentage of equity attributable to the Company | | Percentage of voting power held by the Company | | Principal activities |
|---|--|---|--|----------|--|----------|--|
| | | | Direct | Indirect | Direct | Indirect | |
| Cheerful Keen Limited | BVI | US\$1 | — | 100% | — | 100% | Investment holding |
| Guangzhou Xinhua Thread Company Limited* | People's Republic of China (the "PRC")/ Mainland China | HK\$64,250,000 | — | 100% | — | 100% | Manufacture and selling of sewing threads and broad categories of garment accessories |
| 申酉辰鑫企業(上海)有限公司* | PRC/Mainland China | HK\$10,000,000 | — | 100% | — | 100% | Investment holding |
| 杭州新裕線業有限公司 | PRC/Mainland China | RMB500,000 | — | 100% | — | 100% | Selling of sewing threads and broad categories of garment accessories |
| Diamond Motto Limited | BVI | US\$300 | 100% | — | 100% | — | Investment holding |
| LMP International Limited | Hong Kong | HK\$1 | — | 100% | — | 100% | Provision of interior design, fitting out and decoration services |
| Better Dynasty Limited | Hong Kong | HK\$10,000 | 100% | — | 100% | — | Investment holding |
| Harbour Equine Limited | Hong Kong | HK\$100 | — | 100% | — | 100% | Investment holding |
| Harbour Equine Pty Ltd | Australia | AU\$100 | — | 100% | — | 100% | Horse breeding |
| Harbour Stallion Pty Ltd | Australia | AU\$100 | — | 100% | — | 100% | Horse breeding |
| Harbour Racing Limited | Hong Kong | HK\$100 | 100% | — | 100% | — | Equine management service |
| Thrill Bank Limited | BVI | US\$100 | 100% | — | 100% | — | Investment holding |
| Hua Yu Investment Management Limited | Hong Kong | HK\$1,750,000 | 100% | — | 100% | — | Provision of corporate financial advisory services and asset management services |

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

2. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out in the Group’s annual financial statement for the year ended 31 December 2022.

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2023 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

3. OPERATING SEGMENT INFORMATION

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

The Group has four reportable segments as follows:

| | | |
|--|---|--|
| Manufacture and selling of threads | — | manufacture and selling of high performance sewing threads and broad categories of garment accessories |
| Interior design and decoration | — | provision of interior design, interior decoration and finishing 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 |

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

Information about reportable and operating segment profit or loss:

| | Three months ended 31 March 2023 | | | | Total HK\$'000 (unaudited) |
|---------------------------------|---|---|---|--|----------------------------------|
| | Manufacturing and selling of threads HK\$'000 (unaudited) | Interior design and decoration HK\$'000 (unaudited) | Equine services HK\$'000 (unaudited) | Advising on securities, corporate finance and asset management HK\$'000 (unaudited) | |
| Turnover | | | | | |
| Revenue from external customers | <u>5,858</u> | <u>2,365</u> | <u>5,385</u> | <u>—</u> | <u>13,608</u> |
| Result | | | | | |
| Segment profit/(loss) | (2,030) | 492 | (3,745) | (17) | (5,300) |
| Unallocated corporate expenses | | | | | (1,513) |
| Loss before tax | | | | | (6,813) |
| Income tax expense | | | | | — |
| Loss for the period | | | | | <u><u>(6,813)</u></u> |

Three months ended 31 March 2022

| | Manufacturing and selling of threads <i>HK\$'000</i> (unaudited) | Interior design and decoration <i>HK\$'000</i> (unaudited) | Equine services <i>HK\$'000</i> (unaudited) | Advising on securities, corporate finance and asset management <i>HK\$'000</i> (unaudited) | Total <i>HK\$'000</i> (unaudited) |
|------------------------------------|--|---|--|--|---|
| Turnover | | | | | |
| Revenue form external customers | 12,018 | 3,843 | 74 | — | 15,935 |
| Result | | | | | |
| Segment profit/(loss) | (2,419) | 268 | (1,199) | — | (3,350) |
| Unallocated corporate expenses | | | | | (2,456) |
| Loss before tax | | | | | (5,806) |
| Income tax expense | | | | | — |
| Loss for the period | | | | | <u><u>(5,806)</u></u> |

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

| | Three months ended | |
|-----------|---------------------------|-----------------|
| | 31 March | |
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| PRC | 4,081 | 5,652 |
| Overseas | 7,162 | 4,884 |
| Hong Kong | 2,365 | 5,399 |
| | <u>13,608</u> | <u>15,935</u> |

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

| | Three months ended | |
|---------------------|---------------------------|-----------------|
| | 31 March | |
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Exchange gains, net | 11 | 493 |
| Gross rental income | 494 | 737 |
| Others | 18 | 4 |
| | <u>523</u> | <u>1,234</u> |

5. FINANCE COSTS

An analysis of finance costs is as follows:

| | For the three months ended 31 March | |
|---------------------------------------|--|-------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Interest on bank loans and overdrafts | 968 | 77 |
| Interest on lease liabilities | 32 | 57 |
| | <u>1,000</u> | <u>134</u> |

6. LOSS BEFORE TAX

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

| | For the three months ended 31 March | |
|--|--|--------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Cost of inventories sold | 8,127 | 10,535 |
| Depreciation of fixed assets | 365 | 567 |
| Depreciation of right-of-use assets | 528 | 540 |
| Lease payments not included in the measurement of lease liabilities | 152 | 54 |
| Auditor's remuneration | 46 | — |
| Employees' benefit expenses (excluding Directors' remuneration) | 3,996 | 5,121 |
| Net exchange gain | <u>(11)</u> | <u>(493)</u> |

7. INCOME TAX

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

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

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

Companies incorporated in Australia are subjected to Australian income tax at the rate of 25%.

No provision for corporate tax has been made for the Group's operation in Australia as such operation incurred loss for taxation purpose for the three months ended 31 March 2022.

| | For the three months ended | |
|---|-----------------------------------|--------------------|
| | 31 March | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Current — Hong Kong and Mainland China | — | — |
| Deferred | — | — |
| Tax credit | — | — |

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2023.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

| | For the three months ended 31 March | |
|--|--|---------------------|
| | 2023 (unaudited) | 2022 (unaudited) |
| Loss attributable to owners of the parent (<i>HK\$'000</i>) | <u>6,813</u> | <u>5,806</u> |
| Weighted average number of ordinary shares for the purpose of basic loss per share | <u>409,141,860</u> | <u>409,141,860</u> |
| Basic and diluted loss per Share (<i>HK cents</i>) | <u>1.67</u> | <u>1.42</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 equine related services business, and provision on advisory on securities and corporate finance and asset management.

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

Moreover, from a remarkably short period in the highly competitive Australasian bloodstock market we have seen the Group emerge with an enviable footprint. The shareholder's stallion investment continued by securing significant exposure on Deep Field's recently retired G1 winner, Portland Sky, and the Group has 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) and Hellish, 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.

For the three months ended 31 March 2023, the Group's recorded an unaudited revenue of approximately HK\$13.6 million, representing a decrease of approximately 14.6% as compared with approximately HK\$15.9 million for the three months ended 31 March 2022. The decrease in revenue is mainly attributable to the decrease of the revenue for the manufacturing and selling of threads segment. The gross profit margin decrease to approximately 2.4% for the three months ended 31 March 2023 from approximately 12.7% for the same period in the preceding year.

The loss attributable to the owners of the parent increase to approximately HK\$6.8 million for the three months ended 31 March 2023 from approximately HK\$5.8 million for the same period in 2022, representing an increase of approximately 17.3%. Such increase was primarily due to the increase of loss for the segment of equine services.

FINANCIAL REVIEW

Revenue

The revenue was mainly generated from the segment of manufacturing and selling of threads product and interior design and decoration and equine services. The following table sets out a breakdown of the Group's revenue attributable to three business segments of the Group of the three months ended 31 March 2022 and 2023.

| | Three months ended 31 March | | | | Rate of change % |
|--------------------------------------|-----------------------------|--------------------|---------------|--------------------|---------------------|
| | 2023 | | 2022 | | |
| | HK\$'000 | % of total revenue | HK\$'000 | % of total revenue | |
| Manufacturing and selling of threads | 5,858 | 43.0 | 12,018 | 75.4 | -51.3 |
| Interior design and decoration | 2,365 | 17.4 | 3,843 | 24.1 | -38.5 |
| Equine services | 5,385 | 39.6 | 74 | 0.5 | 7,177.0 |
| | <u>13,608</u> | <u>100.0</u> | <u>15,935</u> | <u>100.0</u> | <u>-14.6</u> |

Manufacturing and selling of threads

The revenue attributable to the manufacturing and trading of threads slightly decreased to approximately HK\$5.9 million for the three months ended 31 March 2023 from approximately HK\$12.0 million for the three months ended 31 March 2022, representing a decrease of approximately 51.3%. The revenue decrease was mainly attributable to the decrease in sales in the overseas market for the three months ended 31 March 2023.

Interior design and decoration

The revenue attributable to the interior design and decoration decreased to approximately HK\$2.4 million for the three months ended 31 March 2023 from approximately HK\$3.8 million for the three months ended 31 March 2022, representing a decrease of approximately 38.5%. The revenue decrease was mainly due to the progress of some project was delayed and some of project on the final stage of planning. Therefore, the management expected that the revenue will rebound on the second half of the year.

Equine services

The revenue attributable to the equine services increased to approximately HK\$5.4 million for the three months ended 31 March 2023 from approximately HK\$74,000 for the three months ended 31 March 2022, representing an increase of approximately HK\$5.3 million. As the segment was still in initial stage on year 2022, therefore, the revenue increase significantly compared with the same period in the preceding year.

Cost of sales

The Group's cost of sales primarily consists of direct material costs, processing fees, direct labour costs and welfare and social insurance for the segment of manufacturing and selling threads and the segment of interior design and decoration. On the other hand, the cost of sales for the segment of equine services is mainly consists of the agistment expenses and insurance cost. The following table sets out a breakdown of the Group's cost of sales attributable to three business segments of the Group of the three months ended 31 March 2022 and 2023.

| | Three months ended 31 March | | |
|---|------------------------------------|----------------------|-----------------------|
| | 2023 | 2022 | Rate of change |
| | HK\$'000 | HK\$'000 | % |
| Manufacturing and selling of threads | 5,271 | 10,535 | -50.0% |
| Interior design and decoration | 1,137 | 2,613 | -56.5% |
| Equine services | 6,868 | 763 | 800.1% |
| | <u>13,276</u> | <u>13,911</u> | <u>-4.6%</u> |

Manufacturing and selling of threads

The cost of sales attributable to the manufacturing and trading of threads decrease to approximately HK\$5.3 million for the three months ended 31 March 2023 from approximately HK\$10.5 million for the three months ended 31 March 2022, representing a decrease of 50.0%. The cost of sales for the manufacturing and trading of threads decrease is in line with the decrease of the revenue of this segment.

Interior design and decoration

The cost of sales attributable to the interior design and decoration decrease to approximately HK\$1.1 million for the three months ended 31 March 2023 from approximately HK\$2.6 million for the three months ended 31 March 2022 representing a decrease of 56.5%. The cost of sales for the interior design and decoration decrease is mainly due to the revenue decrease during the period.

Equine Services

The cost of sales attributable to the equine services increased to approximately HK\$6.9 million for the three months ended 31 March 2023 from approximately HK\$0.8 million for the three months ended 31 March 2022, representing an increase of 800.1%. The cost of sales for the equine services increased significantly is mainly due to the significantly agistment cost and insurance cost generated from the bloodstock compared with the same period in the preceding year.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$0.3 million for the three months ended 31 March 2023 from approximately HK\$2.0 million for the three months ended 31 March 2022, representing a decrease of approximately 83.6%. The decrease in gross profit was mainly attributable to the gross loss recorded for the segment of the equine services which offset the gross profit for the segment of manufacturing and selling threads and the segment of interior design and decoration. The gross profit margin decreased to approximately 2.4% for the three months ended 31 March 2023 from approximately 12.7% for the three months ended 31 March 2022 was mainly attributable to the gross loss recorded for the segment of the equine services.

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

The Group recorded other net losses and other expenses, net of approximately HK\$12,000 for the three months ended 31 March 2023 as compared with other income and gains, net of approximately HK\$0.7 million for the three months ended 31 March 2022. Such fluctuation was mainly attributable to the decrease of the gross rental income and exchange gain compared with same period in the preceding year.

Selling and distribution expenses

Selling and distribution expenses mainly consist of staff costs of the sales department and transportation expenses. Selling and distribution expenses decreased to approximately HK\$1.0 million for the three months ended 31 March 2023 from approximately HK\$1.4 million for the three months ended 31 March 2022, representing a decrease of approximately 26.5%. The decrease in the Group's selling and distribution expenses was mainly attributable to the decrease of staff costs and transportation cost.

Administrative expenses

Administrative expenses primarily consist of staff costs, Directors' remuneration and legal and professional fees. Administrative expenses decreased to approximately HK\$5.1 million for the three months ended 31 March 2023 from approximately HK\$7.0 million for the three months ended 31 March 2022, representing a decrease of approximately 27.2%. Such decrease was mainly attributable to the decrease in staff costs and the share options expenses recognised for the same period of the preceding year.

Loss before income tax

As a result of the aforesaid, the Group recorded a loss before income tax of approximately HK\$6.8 million for the three months ended 31 March 2023, representing an increase of approximately 17.3% from approximately HK\$5.8 million for the same period of the preceding year.

Total comprehensive loss attributable to the owners of the parent

The total comprehensive loss attributable to owners of the parent was approximately HK\$7.8 million for the three months ended 31 March 2023. In comparison, for the corresponding period in 2022, a total comprehensive loss of approximately HK\$5.6 million was recorded. Such change was mainly due to the combined effect in the Group's loss for the three months ended 31 March 2023 mentioned above.

Basic and diluted loss per Share

The Company's basic and diluted loss per Share for the three months ended 31 March 2023 was approximately HK1.67 cents (2022: HK1.42 cents), representing an increase of approximately HK0.25 cents, or approximately 17.6%, which was primarily due to the increase in loss for the three months ended 31 March 2023.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2023.

CAPITAL STRUCTURE

During the three months ended 31 March 2023, there was no change in the capital structure of the Group and the share capital of the Group only comprises ordinary shares of the Company (the "Shares").

As at 31 March 2023, the Company's issued share capital amounted to approximately HK\$20.5 million, divided by 409,141,860 Shares of HK\$0.05 each.

SIGNIFICANT INVESTMENTS

As at 31 March 2023, the Group did not hold any significant investments (as at 31 March 2022: Nil).

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.

CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have material contingent liabilities (as at 31 March 2022: Nil).

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 will still continue impacting our business. The Group will continue to pay close attention to the trade conflict 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 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. The shareholder’s stallion investment continued by securing significant exposure on Deep Field’s recently retired G1 winner, Portland Sky, and the Group has 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) and Hellish, 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.

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 March 2023, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”), which were (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 taken 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) (Note 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\$ | Outstanding at 1 January 2023 | Number of underlying shares in respect of which share option were granted | | | Outstanding at 31 March 2023 |
|------------------------------------|-------------------------------|-----------------------------------|------------------------|-------------------------------|---|-----------------------------|--------------------------|------------------------------|
| | | | | | Granted during the period | Exercised during the period | Lapsed during the period | |
| Directors | | | | | | | | |
| Mr. Ma Pok Man, Josiah | 13 May 2021 | 13 May 2021– 12 May 2024 | 0.57 | 3,500,000 | — | — | — | 3,500,000 |
| Mr. Ma Pok Man, Josiah | 31 August 2022 | 31 August 2022– 30 August 2025 | 0.59 | 4,000,000 | — | — | — | 4,000,000 |
| Mr. Shane McGrath | 3 January 2022 | 3 January 2022– 2 January 2025 | 0.492 | 4,091,418 | — | — | — | 4,091,418 |
| Mr. Leung King Yue, Alex | 31 August 2022 | 31 August 2022– 30 August 2025 | 0.59 | 4,000,000 | — | — | — | 4,000,000 |
| Other eligible participants | | | | | | | | |
| Nil | — | — | — | — | — | — | — | — |
| | | | | <u>15,591,418</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>15,591,418</u> |

Notes:

1. As at the date of this announcement, the Company's issued ordinary share capital was HK\$20,457,093 divided into 409,141,860 Shares of HK\$0.05 each.
2. Three Gates Investment 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.

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

Save as disclosed above, as at 31 March 2023, none of the Directors or the chief executive of the Company had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Exchange according to rules 5.46 to 5.67 of the GEM Listing Rules.

To the best knowledge of the Directors, as at 31 March 2023, the following persons or corporations (other than the Directors and the chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in the Shares and Underlying Shares

| Name of Substantial Shareholder | Nature of interest/ Holding capacity | Number of ordinary shares held | Percentage of issued share capital of the Company (Note 1) |
|---------------------------------------|--|--------------------------------------|---|
| Three Gates Investment | Beneficial owner | 120,000,000 (Notes 2, 3) | 29.33% |
| Gold-Face Finance Limited | Person having a security interest in Shares | 80,000,000 (Notes 3, 4) | 19.55% |
| Upbest Credit and Mortgage Limited | Person having a security interest in Shares | 80,000,000 (Notes 3, 4) | 19.55% |
| Good Foundation Company Limited | Person having a security interest in Shares | 80,000,000 (Notes 3, 4) | 19.55% |
| Upbest Strategic Company Limited | Person having a security interest in Shares | 80,000,000 (Notes 3, 4) | 19.55% |
| Upbest Financial Holdings Limited | Person having a security interest in Shares | 80,000,000 (Notes 3, 4) | 19.55% |
| Upbest Group Limited | Person having a security interest in Shares | 80,000,000 (Notes 3, 4) | 19.55% |
| Fung Wing Cheung, Tony | Beneficial owner | 40,800,000 | 9.97% |

Notes:

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

Save as disclosed above, as at 31 March 2023, the Directors are not aware of any interests and short positions owned by 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 disclosed 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.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESSES

The Directors and the controlling shareholders of the Company have confirmed that for the three months ended 31 March 2023 and up to the date of this announcement, none of the Directors, controlling shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules), engaged in any business that competes or may compete with the business of the Group, or had any other conflict of interest with the Group.

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, the Board is of the view that the Company has complied with the code provisions of the CG code for the three months ended 31 March 2023.

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

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the standard of dealings regarding securities transactions by the Directors equivalent to the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Directors have all confirmed, having been made specific enquiry by the Company, that they have complied with the required standard of dealings and the required standard concerning securities transactions by the Directors for the three months ended 31 March 2023.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the three months ended 31 March 2023.

CONNECTED TRANSACTION

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

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

Loan agreement between Mr. Wong and Guangzhou Xinhua

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

Save as disclosed above, there are no other transactions for the three months ended 31 March 2023 under the definition of connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules. The Company confirms that it has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

EVENTS AFTER REPORTING DATE

There are no material subsequent events undertaken by the Group after 31 March 2023 and up to the date of this announcement.

AUDIT COMMITTEES

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

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Sung Alfred Lee Ming (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 unaudited first quarterly results of the Group for the three months ended 31 March 2023.

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

Hong Kong, 12 May 2023

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

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

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its publication on the website of the Company at www.harbourequine.com.