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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 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.*

INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 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 STATEMENTS OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4	28,918	20,129	42,526	36,064
Cost of sales		<u>(31,723)</u>	<u>(17,486)</u>	<u>(44,999)</u>	<u>(31,397)</u>
Gross profit		(2,805)	2,643	(2,473)	4,667
Other income and gains	5	1,719	4,088	2,242	5,322
Selling and distribution expenses		(885)	(1,708)	(1,894)	(3,081)
Administrative expenses		(4,859)	(6,368)	(9,983)	(13,404)
Other expenses		(1,957)	(688)	(2,492)	(1,209)
Finance costs	6	<u>(920)</u>	<u>(149)</u>	<u>(1,920)</u>	<u>(283)</u>
LOSS BEFORE TAX	7	(9,707)	(2,182)	(16,520)	(7,988)
Income tax expense	8	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
LOSS FOR THE PERIOD		<u>(9,707)</u>	<u>(2,182)</u>	<u>(16,520)</u>	<u>(7,988)</u>
LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>(9,707)</u>	<u>(2,182)</u>	<u>(16,520)</u>	<u>(7,988)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10				
Basic and diluted (expressed in HK cents per share)		<u>(2.37)</u>	<u>0.53</u>	<u>(4.04)</u>	<u>1.95</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the three months ended 30 June		For the six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
LOSS FOR THE PERIOD	<u>(9,707)</u>	<u>(2,182)</u>	<u>(16,520)</u>	<u>(7,988)</u>
OTHER COMPREHENSIVE LOSS				
Exchange differences on translation of foreign operations	<u>(2,478)</u>	<u>(2,762)</u>	<u>(3,438)</u>	<u>(2,523)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(2,478)</u>	<u>(2,762)</u>	<u>(3,438)</u>	<u>(2,523)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(12,185)</u>	<u>(4,944)</u>	<u>(19,958)</u>	<u>(10,511)</u>
ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>(12,185)</u>	<u>(4,944)</u>	<u>(19,958)</u>	<u>(10,511)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	3,736	6,159
Investment property		4,500	4,500
Right-of-use assets		575	951
Financial assets at fair value through profit or loss		5,179	5,179
Biological assets	<i>12</i>	6,223	11,386
Goodwill		6,683	6,683
Intangible assets		3,788	3,788
		<hr/>	<hr/>
Total non-current assets		30,684	38,646
CURRENT ASSETS			
Inventories	<i>13</i>	6,637	9,011
Biological assets	<i>12</i>	24,234	45,407
Trade receivables	<i>14</i>	9,834	16,002
Contract assets		8,119	2,559
Prepayments, other receivables and other assets	<i>15</i>	20,688	21,145
Tax recoverable		247	1,584
Cash and cash equivalents		2,734	2,166
		<hr/>	<hr/>
Total current assets		72,493	97,874
CURRENT LIABILITIES			
Trade payables	<i>16</i>	12,330	23,354
Other payables and accruals	<i>17</i>	7,559	10,208
Borrowings	<i>18</i>	32,940	32,071
Lease liabilities		647	1,197
Deferred tax liability		619	619
Tax payable		1,112	1,143
		<hr/>	<hr/>
Total current liabilities		55,207	68,592

		As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
NET CURRENT ASSETS		<u>17,286</u>	<u>29,282</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>47,970</u>	<u>67,928</u>
Net assets		<u>47,970</u>	<u>67,928</u>
EQUITY			
Share capital	19	<u>20,457</u>	20,457
Reserves		<u>27,513</u>	<u>47,471</u>
Total equity		<u>47,970</u>	<u>67,928</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Statutory surplus reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 January 2022 (audited)	<u>20,457</u>	<u>130,674</u>	<u>(1,000)</u>	<u>5,670</u>	<u>1,155</u>	<u>11,631</u>	<u>(76,822)</u>	<u>91,765</u>
Loss for the period	-	-	-	-	-	-	(7,988)	(7,988)
Other comprehensive loss for the period:								
Exchange difference on translation of foreign operation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,523)</u>	<u>-</u>	<u>(2,523)</u>
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,523)</u>	<u>(7,988)</u>	<u>(10,511)</u>
Recognition of equity-settled share option expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,126</u>	<u>-</u>	<u>-</u>	<u>1,126</u>
As at 30 June 2022 (unaudited)	<u><u>20,457</u></u>	<u><u>130,674</u></u>	<u><u>(1,000)</u></u>	<u><u>5,670</u></u>	<u><u>2,281</u></u>	<u><u>9,108</u></u>	<u><u>(84,810)</u></u>	<u><u>82,380</u></u>
As at 1 January 2023 (audited)	<u>20,457</u>	<u>130,674</u>	<u>(1,000)</u>	<u>5,670</u>	<u>4,942</u>	<u>6,911</u>	<u>(99,726)</u>	<u>67,928</u>
Loss for the period	-	-	-	-	-	-	(16,520)	(16,520)
Other comprehensive loss for the period:								
Exchange difference on translation of foreign operation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,438)</u>	<u>-</u>	<u>(3,438)</u>
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,438)</u>	<u>(16,520)</u>	<u>(19,958)</u>
As at 30 June 2023 (unaudited)	<u><u>20,457</u></u>	<u><u>130,674</u></u>	<u><u>(1,000)</u></u>	<u><u>5,670</u></u>	<u><u>4,942</u></u>	<u><u>3,473</u></u>	<u><u>(116,246)</u></u>	<u><u>47,970</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(16,520)	(7,988)
Adjustments for:			
Finance costs	6	1,920	283
Bank interest income	5	(1)	–
Share option expenses	7	–	1,126
Depreciation of right-of-use assets	7	1,013	1,172
Depreciation of fixed assets	7	755	920
Loss on written-off of property, plant and equipment		1,519	–
Loss on disposal of items of property, plant and equipment	7	12	65
Fair value gain on biological assets	7	–	(2,795)
Loss on disposal of biological assets		578	–
		(10,724)	(7,217)
Decrease in inventories		2,374	3,495
Decrease/(increase) in trade receivables		6,168	(809)
Decrease/(increase) in prepayments, other receivables and other assets		457	(4,467)
(Increase)/decrease in contract assets		(5,560)	307
Decrease/(increase) in biological assets		25,758	(30,355)
(Decrease)/increase in trade payables		(11,024)	24,528
Decrease in other payables and accruals		(2,649)	(3,297)
Cash used in operations		4,800	(17,815)
Interest received		1	–
Interest paid		(1,920)	(283)
Tax refund/(paid)		1,306	(3,053)
Net cash flows used in operating activities		4,187	(21,151)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		137	–
Repayment of lease liabilities		(1,187)	(1,051)
Net cash flows used in investing activities		(1,050)	(1,051)

	For the six months ended 30 June	
<i>Notes</i>	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings	6,648	27,000
Repayments of borrowings	(5,779)	(114)
	<hr/>	<hr/>
Net cash flows generated from financing activities	869	26,886
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	4,006	4,684
Effect of foreign exchange rate changes, net	2,166	27,277
	(3,438)	(2,523)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,734	29,438
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 18 August 2016. The registered office address of the Company is Windward 3, Regatta Office Park, 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, provision of trading of bloodstock, stallion services and equine handling services and provision of advisory on securities, corporate finance and asset management services.

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

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Strat Tech Holdings Limited	BVI	US\$1	100%	–	Investment holding
Shen You (China) Limited	Hong Kong	HK\$10,000,000	100%	–	Investment holding
Tseyu International Trading Company Limited	Hong Kong	HK\$60,000,000	–	100%	Trading of sewing threads and broad categories of garment accessories
Newchamp Industries Limited	Hong Kong	HK\$30,000,000	–	100%	Trading of sewing threads
Clolab International Limited	Hong Kong	HK\$10,000	–	100%	Dormant
Cheerful Keen Limited	BVI	US\$1	–	100%	Trading of sewing threads and broad categories of garment accessories
Guangzhou Xinhua Thread Company Limited*	People's Republic of China (the "PRC")/ Mainland China	HK\$64,250,000	–	100%	Manufacture and trading of sewing threads and broad categories of garment accessories

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

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

2. BASIS OF PREPARATION

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION

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

The Group has four reportable segments as follows:

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

Information about reportable segment profit or loss:

	Three months ended 30 June 2023				Total HK\$'000 (unaudited)
	Manufacturing and selling HK\$'000 (unaudited)	Interior design and decoration HK\$'000 (unaudited)	Equine services HK\$'000 (unaudited)	Advisory on securities, corporate finance and asset management HK\$'000 (unaudited)	
Turnover					
Revenue from external customers	7,584	7,929	13,405	–	28,918
Result					
Segment profit/(loss)	(1,977)	680	(4,694)	(73)	(6,064)
Corporate and unallocated expenses					(3,643)
Loss before tax					<u>(9,707)</u>
	Three months ended 30 June 2022				
	Manufacturing and selling HK\$'000 (unaudited)	Interior design and decoration HK\$'000 (audited)	Equine services HK\$'000 (audited)	Advisory on securities, corporate finance and asset management HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Turnover					
Revenue from external customers	14,581	3,416	2,132	–	20,129
Result					
Segment profit/(loss)	286	(256)	1,358	–	1,388
Corporate and unallocated expenses					(3,570)
Loss before tax					<u>(2,182)</u>

	Six months ended 30 June 2023				
	Manufacturing and selling of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (unaudited)	Equine services <i>HK\$'000</i> (unaudited)	Advisory on securities, corporate finance and asset management <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Turnover					
Revenue from external customers	13,442	10,294	18,790	–	42,526
Result					
Segment profit/(loss)	(4,007)	1,172	(8,439)	(90)	(11,364)
Corporate and unallocated expenses					(5,156)
Loss before tax					<u>(16,520)</u>
	Six months ended 30 June 2022				
	Manufacturing and selling of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (unaudited)	Equine services <i>HK\$'000</i> (unaudited)	Advisory on securities, corporate finance and asset management <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Turnover					
Revenue from external customers	26,599	7,259	2,206	–	36,064
Result					
Segment loss	(2,133)	12	159	–	(1,962)
Corporate and unallocated expenses					(6,026)
Loss before tax					<u>(7,988)</u>

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

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Overseas				
PRC	4,942	7,317	9,023	12,969
Hong Kong	8,678	3,125	11,043	8,524
Overseas	15,298	9,687	22,460	14,571
	28,918	20,129	42,526	36,064

Information about reportable segment assets and liabilities:

	Manufacturing and selling of threads		Interior design and decoration		Equine services		Advisory on securities, corporate finance and asset management		Total	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
Assets										
Segment assets	29,891	38,395	27,849	25,212	32,201	61,035	4,101	4,117	94,042	128,759
Unallocated corporate assets									9,135	7,761
Consolidated total assets									103,177	136,520
Liabilities										
Segment liabilities	(13,914)	(10,267)	(10,259)	(8,783)	(28,159)	(41,773)	(6)	(631)	(52,338)	(61,454)
Unallocated corporate liabilities									(2,869)	(7,138)
Consolidated total liabilities									(55,207)	(68,592)

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other income and gains				
Bank interest income	1	–	1	–
Exchange gains (loss), net	1,230	273	1,241	766
Fair value gain on biological assets	–	2,795	–	2,795
Gross rental income	488	853	982	1,590
Other	–	167	18	171
	<u>1,719</u>	<u>4,088</u>	<u>2,242</u>	<u>5,322</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on lease liabilities	40	42	72	99
Interest on borrowings	880	107	1,848	184
	<u>920</u>	<u>149</u>	<u>1,920</u>	<u>283</u>

7. LOSS BEFORE TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cost of inventories sold	19,281	12,366	27,408	22,901
Depreciation of fixed assets	390	353	755	920
Depreciation of right-of-use assets	485	632	1,013	1,172
Lease payments not included in the measurement of lease liabilities	162	152	314	206
Employees' benefit expenses (excluding directors' remuneration)	3,701	5,777	7,697	10,898
Share options expenses	–	1,126	–	1,126
Net exchange loss/(gain)	(1,230)	(273)	(1,241)	(766)
Loss on disposal of fixed assets	12	65	12	65
Loss on written-off of fixed assets	1,519	–	1,519	–
Loss on disposal of biological assets	43	–	578	–

8. INCOME TAX

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

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

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

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current — Hong Kong and Mainland China	—	—	—	—
Deferred	—	—	—	—
Tax (credit)/expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss attributable to owners of the parent (HK\$'000)	<u>(9,707)</u>	<u>(2,182)</u>	<u>(16,520)</u>	<u>(7,988)</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>409,141,860</u>	<u>409,141,860</u>	<u>409,141,860</u>	<u>409,141,860</u>
Basic and diluted loss per share (HK cents)	<u>(2.37)</u>	<u>(0.53)</u>	<u>(4.04)</u>	<u>(1.95)</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Total HK\$'000
Net carrying amount at 1 January 2023 (audited)	6,159
Written-off	(1,519)
Disposals	(149)
Charge for the period	(755)
	<hr/>
Net carrying amount at 30 June 2023 (unaudited)	<u>3,736</u>

12. BIOLOGICAL ASSETS

A subsidiary of the Group is holding quality stallions and provides horse breeding services in Australia, and another subsidiary of the Group is engaged in the rearing of breeding and trading of bloodstocks in Australia.

The quantity and value of stallions and bloodstocks in which the Group is interested at the end of the reporting period are shown below. For details thereof please refer in Schedule of Stallions & Bloodstocks.

	As at 30 June 2023		As at 31 December 2022	
	<i>No. of horse</i>	<i>HK\$'000</i> (unaudited)	<i>No. of horse</i>	<i>HK\$'000</i> (audited)
Broodmares	6	2,699	22	9,800
Stallions	7	6,223	10	35,607
Colts, fillies and racehorses	39	21,535	60	11,386
	<hr/>	<hr/>	<hr/>	<hr/>
Total bloodstocks	<u>52</u>	<u>30,457</u>	<u>92</u>	<u>56,793</u>

13. INVENTORIES

	As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Raw materials	593	1,728
Work in progress	832	1,040
Finished goods	5,212	6,243
	<u>6,637</u>	<u>9,011</u>

14. TRADE RECEIVABLES

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

	As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Within 1 month	3,720	7,432
1 to 2 months	1,288	2,881
2 to 3 months	1,055	330
Over 3 months	4,521	6,117
	<u>10,584</u>	16,760
Less: Allowance for credit losses	<u>(750)</u>	<u>(758)</u>
	<u><u>9,834</u></u>	<u><u>16,002</u></u>

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Other prepayments	3,502	2,808
Loans to a vendor	2,019	2,416
Deposits and other receivables	<u>21,115</u>	<u>22,196</u>
	26,636	27,420
Less: Allowance for credit losses	<u>(5,948)</u>	<u>(6,275)</u>
	<u>20,688</u>	<u>21,145</u>

16. TRADE PAYABLES

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

	As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Within 1 month	4,376	3,691
1 to 2 months	921	1,334
2 to 3 months	513	883
Over 3 months	<u>6,520</u>	<u>17,446</u>
	<u>12,330</u>	<u>23,354</u>

17. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Other payables and accruals	5,021	8,602
Contract liabilities	1,001	161
Amount due to directors	1,537	1,445
	<u>7,559</u>	<u>10,208</u>

18. BORROWINGS

	As at 30 June 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
Bank loans, secured	–	807
Bank overdrafts — secured	–	4,972
Loan from shareholders, unsecured	16,600	15,500
Other borrowings, secured	10,792	10,792
Loan from related parties, secured	5,548	–
	<u>32,940</u>	<u>32,071</u>

The bank loans and bank overdrafts are at floating interest rates that are market dependent and the carrying amounts approximate the fair values. The short term loans are at fixed interest rates. The range of interest rates are as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Bank loans, secured ⁽ⁱ⁾	P-1% to P-2.25%	P-1% to P-2.25%
Bank overdrafts, secured ⁽ⁱ⁾	P+1.75%	P+1.75%
Loan from shareholders, unsecured ⁽ⁱⁱ⁾	0% to 10%	0% to 10%
Other borrowings, secured	12% to 24%	12% to 24%
Loan from related party, secured	<u>interest free</u>	<u>–</u>

All the bank loans, bank overdrafts and short term loans were repayable on demand as at 30 June 2023 and 31 December 2022.

The ranges of effective interest rates on the Group's borrowings as at 30 June 2023 and 31 December 2022 ranged between 2.75% to 24% per annum.

As at the end of reporting period, the summary of assets pledged and guaranteed borrowings as of 30 June 2023 and 31 December 2022 are as follows:

- (i) Other borrowings are secured by:
 - (a) Personal guarantees provided by a director of the Company.
 - (b) All the assets of the Company.
- (ii) Loan from related party are secured by:
 - (a) A subsidiary of the Group's buildings with carry amount of HK\$3,246,603 and HK\$3,529,000 respectively as at 30 June 2023 and 31 December 2022.
 - (b) A subsidiary of the Group's investment property with carrying amount of approximately HK\$4,500,000 as at 30 June 2023 and 31 December 2022.

19. SHARE CAPITAL

Movements of the share capital of the Company during the reporting period are as follows:

	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
Authorised:		
1,000,000,000 Ordinary shares at HK\$0.05 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
409,141,860 ordinary shares at HK\$0.05 each	<u>20,457</u>	<u>20,457</u>

BUSINESS REVIEW

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

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

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

Our equine service business continued to develop.

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

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

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

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

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

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

For the six months ended 30 June 2023, the Group's recorded an unaudited revenue of approximately HK\$42.5 million, representing an increase of approximately 17.9% as compared with approximately HK\$36.1 million for the six months ended 30 June 2022. The increase in revenue is mainly attributable to the increase of the revenue generated from the equine services. The Group recorded a gross loss of HK\$2.5 million for the six months ended 30 June 2023. On the same period in preceding year, the Group recorded a gross profit of HK\$4.7 million, representing a decrease of HK\$7.2 million of gross profit.

The loss attributable to the owners of the parent increase to approximately HK\$16.5 million for the six months ended 30 June 2023 from approximately HK\$8.0 million for the same period in 2022, representing an increase of approximately 106.8%. Such increase was primarily due to the significant loss increased by segment of equine services.

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June				Rate of change %
	2023		2022		
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	
Manufacturing and trading of threads	13,442	31.6	26,599	73.8	-49.5
Interior design and decoration	10,294	24.2	7,259	20.1	41.8
Equine services	18,790	44.2	2,206	6.1	751.8
	<u>42,526</u>	<u>100.0</u>	<u>36,064</u>	<u>100.0</u>	<u>17.9</u>

Manufacturing and selling of threads

The revenue attributable to the manufacturing and selling of threads decreased to approximately HK\$13.4 million for the six months ended 30 June 2023 from approximately HK\$26.6 million for the six months ended 30 June 2022, representing a decrease of approximately 49.5%. The revenue decrease was mainly attributable to the decrease in sales in the oversea market for the six months ended 30 June 2023.

Interior design and decoration

The revenue attributable to the interior design and decoration increased to approximately HK\$10.3 million for the six months ended 30 June 2023 from approximately HK\$7.3 million for the six months ended 30 June 2022, representing an increase of approximately 41.8%. The revenue increase was mainly due to some of the new project started during the period. The management expected the revenue will further increase during the second half of the year.

Equine services

The revenue attributable to the equine services increased to approximately HK\$18.8 million for the six months ended 30 June 2023 from approximately HK\$2.2 million for the six months ended 30 June 2022, representing an increase of approximately HK\$16.6 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, welfare and social insurance, agistment costs, bloodstock insurance and direct cost of bloodstock. The following table sets out a breakdown of the Group's cost of sales attributable to three segments of the Group of the six months ended 30 June 2023 and 2022:

	Six months ended 30 June		Rate of
	2023	2022	change
	HK\$'000	HK\$'000	%
Manufacturing and trading of threads	11,663	22,901	-49.1%
Interior design and decoration	7,562	5,106	48.1%
Equine services	25,774	3,390	660.3%
	<u>44,999</u>	<u>31,397</u>	<u>43.3%</u>

Manufacturing and selling of threads

The cost of sales attributable to the manufacturing and selling of threads decreased to approximately HK\$11.7 million for the six months ended 30 June 2023 from approximately HK\$22.9 million for the six months ended 30 June 2022, representing a decrease of 49.1%. The cost of sales for the manufacturing and selling of threads decrease was in line with the decrease of the revenue of this segment.

Interior design and decoration

The cost of sales attributable to the interior design and decoration increased to approximately HK\$7.6 million for the six months ended 30 June 2023 from approximately HK\$5.1 million for the six months ended 30 June 2022 representing an increase of 48.1%. The cost of sales for the interior design and decoration increase is mainly due to more project started during the period and which was line in with the increase of the revenue of this segment.

Equine services

The cost of sales attributable to the equine services increased to approximately HK\$25.8 million for the six months ended 30 June 2023 from approximately HK\$3.4 million for the six months ended 30 June 2022, representing an increase of 660.3%. 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 and the direct cost of bloodstock generated compared with the same period in the preceding year.

Gross profit and gross profit margin

The Group recorded a gross loss of HK\$2.5 million for the six months ended 30 June 2023. On the same period 2022, the Group recorded a gross profit of HK\$4.7 million, which representing a decrease of HK\$7.2 million of gross profit compared with the same period in preceding year. The gross margin deteriorated to negative 5.8% for the six months ended 30 June 2023 from 12.9% for the six months ended 30 June 2022. The gross margin of the threads segment and the decoration segment is slightly decreased to 13.2% and 26.5% for the six months ended 30 June 2023 respectively from 13.9% and 29.7% for the six months ended 30 June 2022 respectively. However, the segment of the equine services recorded a gross loss of HK\$7.0 and a gross loss margin of 37.2% for the six months ended 30 June 2023 totally offset. The Australian economy is feeling the impact from repeated interest rate increase by the Reserve Bank of Australia. The management has seen price weakness in selected segments of the thoroughbreds market. As a result, decision has been made to disposed of certain bloodstock at loss in order to keep future operating expenses at a manageable level.

Other income and gains/(losses and expenses) net

The Group's record other loss and expenses, net of approximately HK\$0.3 million for the six months ended 30 June 2023. On the same period in the preceding year, the Group recorded other gain and income, net of approximately HK\$4.1 million. Such changed was mainly due to the fair value gain on the biological assets recorded for the six months ended recorded on 30 June 2022 and the loss on written-off of fixed assets during the period.

Selling and distribution expenses

Selling and distribution expenses mainly consist of staff costs of the sales department and transportation expenses. Selling and distribution expenses decreased to approximately HK\$1.9 million for the six months ended 30 June 2023 from approximately HK\$3.1 million for the six months ended 30 June 2022, representing a decrease of approximately 38.5%. The decrease in the Group's selling expenses was mainly attributable to the decrease in the staff cost and transportation cost for the six months ended 30 June 2023.

Administrative expenses

Administrative expenses primarily consist of staff costs, audit fee, directors' remuneration and legal and professional fees. Administrative expenses decreased to approximately HK\$10.0 million for the six months ended 30 June 2023 from approximately HK\$13.4 million for the six months ended 30 June 2022, representing a decrease of approximately 25.5%. 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\$16.5 million for the six months ended 30 June 2023, representing an increase of approximately 106.8% from approximately HK\$8.0 million for the corresponding period in the preceding year.

Total comprehensive loss attributable to owners of the parent

The total comprehensive loss attributable to owners of the parent was approximately HK\$20.0 million for the six months ended 30 June 2023. In comparison, for the corresponding period in 2022, a total comprehensive loss of approximately HK\$10.5 million was recorded. Such change was mainly due to the significant loss recorded by the equine segment compared with the same period of the preceding year and the combined effect of increase in the Group's loss for the six months ended 30 June 2023 mentioned above.

Basic and diluted loss per Share

The Company's basic and diluted loss per share for the six months ended 30 June 2023 was approximately HK4.04 cents (2022: HK1.95 cents), representing an increase of approximately HK2.09 cents, or approximately 107.2%, which was primarily due to the increase in loss for the six months ended 30 June 2023.

Interim dividend

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2023 (2022: Nil).

Liquidity and financial resources

For the six months ended 30 June 2023, 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 and financing activities.

The Group's cash and bank balances amounted to approximately HK\$2.7 million and approximately HK\$2.2 million as at 30 June 2023 and 31 December 2022, respectively. The functional currency of the Group is Hong Kong dollars. As at 30 June 2023, 15.8% of the Group's cash and bank balances were denominated in the functional currency (31 December 2022: 35.5%) and the remaining 84.2% (31 December 2022: 64.5%) in other currencies, mainly Renminbi and Australian Dollars.

As at 30 June 2023 and 31 December 2022, the Group had net current assets of approximately HK\$17.3 million and approximately HK\$29.3 million, respectively, which included trade receivables, prepayments, other receivables other assets, inventories, biological assets and cash and cash equivalents. The Group's current ratio decreased to approximately 1.3 as at 30 June 2023 from approximately 1.4 as at 31 December 2022 due to decrease of the biological assets.

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 as at 30 June 2023 and 31 December 2022 was approximately 51.4% and 48.8%, respectively. The Group believes that the cash at banks provide adequate liquidity to satisfy the Group's funding requirements.

Commitments

As at 30 June 2023, the Group did not have any capital commitments (as at 31 December 2022: Nil).

CAPITAL STRUCTURE

During the six months ended 30 June 2023, there was no change in the capital structure of the Group and the share capital of the Group only comprises ordinary shares of the Company (the “**Shares**”).

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

Significant investments

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

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

Material acquisitions or disposals of subsidiaries and affiliated companies

For the six months ended 30 June 2023, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Contingent liabilities

As at 30 June 2023, the Group did not have material contingent liabilities (as at 31 December 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 and disposal of broodmares and stallions and the equine services income in Australia. The Group currently does not have a foreign currency hedging policy. Nevertheless, the Group’s management will continue to closely the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Pledge of assets

As at 30 June 2023 and 31 December 2022, the Group's assets were pledged to lenders to secure certain borrowings granted to the Group. For details thereof please refer in Note 18 to the consolidated financial statements.

Employees and remuneration policies

As at 30 June 2023, the Group employed a total of 135 employees (2022: 154), of whom 115 were located in the PRC and 20 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 six months ended 30 June 2023 and 2022, the Group's total staff costs (excluding Directors' emoluments) amounted to approximately HK\$7.7 million and HK\$10.9 million, respectively. The Group offers remuneration packages comprising basic salaries, discretionary bonuses and allowances to its management and office staffs. For the workers at the Guangzhou Production Facilities, the Group offers them with 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.

FUTURE PROSPECTS

For the 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 this line of business can diversify its existing business portfolio and to increase source of income.

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

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

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

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

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

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

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

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

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

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

Bear Story, our Irish import will run in the G2 PB Lawrence Stakes on 19 August 2023 en route to the Caulfield Cup (AU\$5 million in Prize money), he is already qualified for the races, but we will look to reap the rewards of the lucrative prizemoney available over the Melbourne Spring Carnival. He is raced with several prominent Victorian Racing identities and exemplifies our expanding partnership network.

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

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

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

As at 30 June 2023, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in the Shares and Underlying Shares

(a) Ordinary shares of the Company

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

(b) Share options of the Company

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

Notes:

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, 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.
3. During the period, no share options mentioned above were cancelled.

Except as disclosed above, as at 30 June 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 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 30 June 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:

- As at the date of this announcement, the Company's issued ordinary share capital was HK\$20,457,093 divided into 409,141,860 Shares of HK\$0.05 each.
- Three Gates Investment 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 30 June 2023, the Directors are not aware of any interests and short positions owned by any other parties, other than a Director or the chief executive of the Company who held interests or short positions in the shares and the underlying shares of the Company which were required to be recorded under the provision of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN COMPETING BUSINESSES

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

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to rule 17.50A(1) of the GEM Listing Rules, there are no changes in the information of Directors subsequent to the date of the Company's 2022 annual report.

CORPORATE GOVERNANCE PRACTICES

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

The corporate governance code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules has been adopted by the Board. Nevertheless, the Directors of the Company 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 as set out in Appendix 15 to the GEM Listing Rules, the Board is of the view that the Company has complied with the code provisions of the CG code for the period from the Listing Date up to the date of this announcement (the "**Relevant Period**").

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 during the Relevant Period.

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 since the Listing Date and up to the date of this announcement.

SHARE OPTION SCHEME

The Company has adopted a new share option scheme ("**Share Option Scheme**") on 8 February 2023 and the previous share option scheme of the Company adopted on 24 November 2017 was terminated on the same date. More information of Share Option Scheme can be referred in the section headed "Summary of Principal Terms of The New Share Option Scheme" in the Company's Circulars dated 12 January 2023.

Movements of share options under the both share option scheme held by the Directors can be referred in the section headed "Share Options of the Company" in page 37 of this announcement.

CONNECTED TRANSACTIONS

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

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

Loan agreement between Mr. Wong and Guangzhou Xinhua

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

Save as disclosed above, there are no other transactions for the six months ended 30 June 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 THE REPORTING PERIOD

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

AUDIT COMMITTEE

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

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Sung Alfred Lee Ming (the chairman of the Audit Committee), 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 six months ended 30 June 2023.

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

Hong Kong, 11 August 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.