HARBOUR EQUINE HOLDINGS LIMITED

維港育馬控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8377)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

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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.

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*This report, 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 report 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 report misleading.*

ANNUAL RESULTS

The board of Directors (the "**Board**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, which are presented in Hong Kong dollars ("**HK$**").

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	**2023** ***HK$'000***	2022 *HK$'000*
Revenue	*4*	**69,059**	76,274
Direct cost		**(72,359)**	(62,893)
Gross (loss) profit		**(3,300)**	13,381
Other gains and losses, net	*5*	**(8,984)**	2,023
Selling and distribution expenses		**(3,317)**	(5,170)
Administrative expenses		**(21,495)**	(29,450)
Impairment loss under expected credit loss model, net of reversal		**(3,662)**	(1,051)
Impairment losses of property, plant and equipment		**(799)**	—
Finance costs		**(5,010)**	(2,637)
Loss before tax		**(46,567)**	(22,904)
Income tax expense	*6*	**(258)**	—
Loss for the year	*7*	**(46,825)**	(22,904)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,715)**	(4,720)
Other comprehensive expense for the year, net of income tax		**(1,715)**	(4,720)
Total comprehensive expense for the year		**(48,540)**	(27,624)
ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(48,540)**	(27,624)
Loss per share			
Basic and diluted *(HK cents)*	*9*	**(11.44)**	(5.60)

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,544**	6,159
Investment properties		**4,300**	4,500
Right-of-use assets		**1,385**	951
Goodwill		**6,683**	6,683
Intangible assets		**3,788**	3,788
Biological assets		**5,864**	11,386
Financial asset at fair value through profit or loss ("**FVTPL**")		**5,226**	5,179
		31,790	38,646
CURRENT ASSETS			
Inventories		**5,780**	9,011
Biological assets		**9,550**	45,407
Trade receivables	*10*	**7,595**	16,002
Contract assets		**7,755**	2,559
Deposit and other receivables	*10*	**12,175**	21,145
Cash and cash equivalents		**4,123**	2,166
Tax recoverable		**561**	1,584
		47,539	97,874
CURRENT LIABILITIES			
Trade payables	*11*	**12,857**	23,354
Other payables and accruals	*11*	**9,399**	10,208
Borrowings	*12*	**33,445**	32,071
Lease liabilities		**1,046**	1,197
Tax payables		**1,323**	1,143
		58,070	67,973
NET CURRENT (LIABILITIES) ASSETS		**(10,531)**	29,901

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	2023	2022
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**21,259**	68,547
NON-CURRENT LIABILITIES		
Lease liabilities	**896**	—
Deferred tax liabilities	**677**	619
Retirement benefit obligations	**298**	—
	1,871	619
NET ASSETS	**19,388**	67,928
CAPITAL AND RESERVES		
Share capital	**20,457**	20,457
Reserves	**(1,069)**	47,471
TOTAL EQUITY	**19,388**	67,928

1. GENERAL INFORMATION

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

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the manufacture and selling of high performance sewing threads and broad categories of garment accessories, provision of interior design, interior decorating and furnishing services, trading of bloodstocks, 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 of the Company (the "**Directors**"), the ultimate holding company of the Group is Three Gates Investment Limited, which was incorporated in the British Virgin Islands ("**BVI**") with limited liability and is controlled by Mr. Wong Kwok Wai, Albert ("**Mr. Wong**").

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to Hong Kong Accounting Standards ("**HKAS**") 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

2.1 Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year has had no material impact on the Group's consolidated financial statements.

2.2 Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The application of the amendments in the current year has had no material impact on the consolidated financial statements.

2.3 Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "**Pillar Two legislation**"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2.4 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in the consolidated financial statements.

2.5 Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payment ("LSP") offsetting mechanism in Hong Kong

As disclosed in consoliated financial statements, the Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition,under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

The Group assessed that the cumulative catch-up adjustment in profit and loss for the service costs, interest expense and remeasurement effect from changes in actuarial assumptions and the corresponding adjustment to the LSP obligation for the year ended 31 December 2022 are immaterial. This change in accounting policy did not have material impact on the opening balance of equity at 1 January 2022, the cash flows and loss for the year ended 31 December 2022 and the consolidated financial position as at 31 December 2022.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement[3]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

As stated in the consolidated financial statements, the Group incurred loss for the year attributable to the owners of the Company of approximately HK$46,825,000 and had approximately HK$3,300,000 of gross loss for the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$10,531,000. As at the same date, the Group's other borrowings due within one year of approximately HK$33,445,000, while its cash and cash equivalents of approximately HK$4,123,000 only. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the Directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

(a) Mr. Leung King Yue, Alex, the director of the Company, agreed to provide a financial support of HK$10,000,000 at any time to meet in full the Group's financial obligation on or before 31 December 2024;

(b) The Group will continue to explore the interior design, fitting out and decoration services in the coming year as 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. The management expected that the business performance of the Group will improve in 2024;

(c) Subsequent to the end of the reporting period, the Group obtained the letter of intent of extension of the loans facilities from three lenders to extend the utilised loans facilities amounted to approximately HK$22,300,000 and the unused loans facilities amounted to approximately HK$13,200,000 for 1 year to 2025; and

(d) The Group is expected to record a gross profit for the year ending 31 December 2024.

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

The Directors are of the opinion that the Group will be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2023. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2023 on a going concern basis. The consolidated financial statements do not provide for further liabilities which might arise, and do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

4. SEGMENT INFORMATION

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

The Group now has four (2022: four) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group has four reportable segments under HKFRS 8 *Operating Segments* as follows:

Manufacture and selling of sewing threads

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

Interior design and decoration

— provision of interior design, interior decorating, furnishing services and sales of furnishings

Equine services

— provision of trading of bloodstocks, stallion services and equine handling services

Advising on securities, corporate finance and asset management

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

(a) Segment revenues and results

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

For the year ended 31 December 2023

	Manufacture and selling of sewing threads *HK$'000*	**Interior design and decoration** *HK$'000*	**Equine services** *HK$'000*	**Advising on securities, corporate finance and asset management** *HK$'000*	**Adjustment and eliminations** *HK$'000*	**Total** *HK$'000*
Reportable segment revenue from external customers	**21,196**	**16,450**	**31,413**	**—**	**—**	**69,059**
Inter-segment sales	**—**	**—**	**—**	**240**	**(240)**	**—**
Reportable segment profit (loss)	**(13,442)**	**1,104**	**(27,135)**	**72**	**—**	**(39,401)**
Corporated and unallocated expense						**(7,166)**
Group's loss before tax						**(46,567)**

For the year ended 31 December 2022

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

5. OTHER GAINS AND LOSSES, NET

	2023	2022
	HK$'000	*HK$'000*
Rental income	**691**	1,239
Fair value gains (losses) on financial assets at FVTPL, net	**45**	(62)
Fair value (losses) gains on investment properties	**(200)**	139
Financial guarantee fee from a related company	**54**	—
Exchange (loss) gain, net	**(390)**	1,437
Fair value loss on biological assets, net	**(9,505)**	(4,514)
Interest income	**152**	549
Insurance compensation	**465**	1,234
Government grants *(Note)*	**69**	483
(Loss) gain on disposal of biological assets	**(680)**	1,065
Others	**315**	453
	(8,984)	2,023

Note:

During the year ended 31 December 2023, the amount represented the subsidy received from government authorities in the PRC for encourage employment.

During the year ended 31 December 2022, the amount mainly represented the subsidy received from the Government of the Hong Kong Special Administrative Region for the Employment Support Scheme.

There was no unfulfilled condition and other contingency attached to the receipt of subsidy.

6. INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Current income tax	**200**	—
Deferred tax	**58**	—
Total income tax expenses	**258**	—

7. LOSS FOR THE YEAR

Loss for the year is arrived at after charging (crediting):

	2023	2022
	HK$'000	*HK$'000*
Auditor's remuneration	**1,022**	1,128
Cost of inventories sold		
— Manufacture and sewing of threads	**19,019**	42,768
— Interior decorating and furnishing services	**3,888**	826
— Sales of furnishings	**—**	1,463
Cost of bloodstocks sold	**30,979**	5,327
Written-down of inventories	**1,380**	—
Depreciation of property, plant and equipment	**1,176**	1,756
Depreciation of right-of-use assets	**1,348**	2,255
Lease payments not included in the measurement of lease liabilities	**1,650**	208
Loss (gain) on disposal of property, plant and equipment	**4**	(2)
Loss on written-off of property, plant and equipment	**175**	62

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2023	2022
	HK$'000	*HK$'000*
Losses		
Loss attributable to owners of the Company	**(46,825)**	(22,904)
Shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**409,141,860**	409,141,860
Basic and diluted loss per share *(HK cents) (Note)*	**(11.44)**	(5.60)

Note:

The computation of diluted loss per share for the year ended 31 December 2023 and 2022 does not assume the conversion of the Company's outstanding options since their assumed exercise would result in a decrease in loss per share from operations.

10. TRADE AND OTHER RECEIVABLES

	Notes	**2023** **HK$'000**	2022 HK$'000
Trade receivables:			
Contract with customers		**8,019**	16,760
Less: Allowance for credit losses		**(424)**	(758)
	(a)	**7,595**	16,002
Other receivables:			
Other prepayments		**1,678**	2,808
Loan to a vendor	*(b)*	**1,400**	2,416
Deposits and other receivables		**19,291**	22,196
		22,369	27,420
Less: Allowance for credit losses		**(10,194)**	(6,275)
		12,175	21,145

Notes:

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

	2023 **HK$'000**	2022 HK$'000
Within 1 month	**1,644**	7,432
1 to 2 months	**1,086**	2,881
2 to 3 months	**1,742**	330
Over 3 months	**3,547**	6,117
	8,019	16,760
Less: Allowance for credit losses	**(424)**	(758)
	7,595	16,002

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$6,375,000 (2022: approximately HK$8,821,000) which are past due as at the reporting date.

Out of the past due balances, approximately HK$3,516,000 (2022: approximately HK$5,305,000) has been past due 90 days or more and is not considered as in default. The Directors are in the view that there have been no significant increase in credit risk nor default based on the historical record and creditworthiness of the debtors.

b) Loans to a vendor bear interest at rates 5.00% (2022: 5.00%) per annum, secured by certain machineries of the vendor and repayable in one year (2022: one year) with demand clause.

11. TRADE, OTHER PAYABLES AND ACCRUALS

	2023	2022
	HK$'000	*HK$'000*
Trade payables		
— from third parties *(Notes a & b)*	**12,857**	23,354
Other payables and accruals		
Contract liabilities	**4,171**	161
Other payables and accruals	**5,228**	8,602
Amounts due to directors *(Note c)*	**—**	1,445
Total other payables and accruals	**9,399**	10,208

Notes:

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**3,853**	3,691
1 to 2 months	**1,022**	1,334
2 to 3 months	**2,143**	883
Over 3 months	**5,839**	17,446
	12,857	23,354

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

b) At as 31 December 2022, included in trade payable is an amount of approximately HK$9,876,000 in relation to acquisition of biological assets. The credit period is 30 days. The past due payables bears interest of 10% per annum. This payable has been fully settled during the year ended 31 December 2023.

c) The amounts are unsecured, interest-free and repayable on demand.

12. BORROWINGS

	2023	2022
	HK$'000	*HK$'000*
Bank loans — unsecured	**1,973**	—
Bank loans — secured	**—**	807
Bank overdrafts — secured	**—**	4,972
Loan from shareholders — unsecured	**5,280**	15,500
Loan from a related company — unsecured	**5,046**	—
Other borrowings — secured	**21,146**	10,792
	33,445	32,071

	Bank loans and overdrafts		**Loan from shareholders and a related company and other borrowings**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The carrying amounts of the above borrowings are repayable*				
— Within one year	**1,973**	4,972	**31,472**	26,292
The carrying amounts of above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:				
— Within one year	**—**	202	**—**	—
— Within a period of more than one year but not exceeding two year	**—**	605	**—**	—
	—	807	**—**	—
Total borrowings shown under current liabilities	**1,973**	5,779	**31,472**	26,292

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2023.

OPINION

In our opinion, the consolidated financial statements give true and fair value of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw of attention to Note 3.1 to the consolidated financial statements, the Group incurred loss for the year attributable to the owners of the Company of approximately HK$46,825,000 and had of approximately HK$3,300,000 gross loss for the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$10,531,000. As at the same date, the Group's other borrowings due within one year of approximately HK$33,445,000, while its cash and cash equivalents approximately of HK$4,123,000 only. These conditions, along with other matters as set forth in Note 3.1 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The aforesaid "Note 3.1 to the consolidated financial statements" in the extract of the independent auditor's report is disclosed in Note 3 to this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2023, the Group's revenue decreases to approximately HK$69.1 million, representing a decrease of approximately 9.5%, as compared to revenue of approximately HK$76.3 million for the year ended 31 December 2022. The Group's net loss increases to approximately HK$46.8 million for the year ended 31 December 2023 from approximately HK$22.9 million for the year ended 31 December 2022, representing an increase of approximately 104.3%. Such increase is primarily due to the significant loss increased by segment of equine services and the segment of manufacturing and trading of threads.

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, provision of trading of bloodstock, stallion services and equine handling services, and provision of securities, advising on corporate finance and assets 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 considers 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 expects this line of business can diversify its existing business portfolio and to increase source of income.

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

On the other hand, 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$182,000. 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.

The management team looked to consolidate our portfolio as we seek to identify and eliminate underperforming stock which in turn positively impacts on day to day operational costs. The entire portfolio is reviewed weekly and assets are selected to be retained or disposed.

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.

Financial Review

Revenue

The revenue was generated from the segment of manufacturing and trading of threads product, interior design and decoration, and equine services. The following table sets out a breakdown of the Group's revenue attributable to three segments of the Group of the year ended 31 December 2023 and 2022:

	Year ended 31 December				Rate of
	2023		2022		change
		% of total		*% of total*	
	HK$'000	***revenue***	*HK$'000*	*revenue*	*%*
Manufacturing and trading of threads	**21,196**	**30.7**	50,972	66.8	-58.4
Interior design and decoration	**16,450**	**23.8**	17,600	23.1	-6.5
Equine services	**31,413**	**45.5**	7,702	10.1	+307.9
	69,059	**100.0**	76,274	100.0	-9.5

Manufacturing and trading of threads

The revenue attributable to the manufacturing and trading of threads decreased to approximately HK$21.2 million for the year ended 31 December 2023 from approximately HK$51.0 million for the year ended 31 December 2022, representing a decrease of approximately 58.4%. The revenue decrease was mainly attributable to the decrease in sales both the oversea market and local PRC market. The keen competition of thread industry was deteriorating the profit margin of PRC local market, therefore, the group slowed down the local PRC market during the second half of 2023 and will focus for the oversea market afterward.

Interior design and decoration

The revenue attributable to the interior design and decoration decreased to approximately HK$16.5 million for the year ended 31 December 2023 from approximately HK$17.6 million for the year ended 31 December 2022, representing a decrease of approximately 6.5%. The revenue decrease is mainly due to the group mainly focus on the higher profit margin customer under the existing resources during the year. The Group will release more resources to expand this segment on 2024.

Equine Services

The revenue attributable to the equine services increased to approximately HK$31.4 million for the year ended 31 December 2023 from approximately HK$7.7 million for the year ended 31 December 2022, representing an increase of approximately 307.9%. The revenue increase is mainly due to the management seen price weakness in selected segments of the thoroughbreds market. As a result, decision has been made to accelerate to disposal of certain bloodstock to keep future operating expenses at a management level.

Cost of sales

The Group's cost of sales primarily consists of director 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 for the year ended 31 December 2023 and 2022:

	Year ended 31 December		Rate of
	2023	2022	change
	HK$'000	*HK$'000*	*%*
Manufacturing and trading of threads	**19,019**	42,768	-55.5
Interior design and decoration	**12,237**	11,418	-7.2
Equine services	**41,103**	8,707	372.1
	72,359	62,893	15.1

Manufacturing and trading of threads

The cost of sales attributable to the manufacturing and trading of threads decrease to approximately HK$19.0 million for the year ended 31 December 2023 from approximately HK$42.8 million for the year ended 31 December 2022, representing a decrease of 55.5%. The cost of sales for the manufacturing and trading of threads decreased was in line with the decrease in sale for the year.

Interior design and decoration

The cost of sales attributable to the interior design and decoration increase to approximately HK$12.2 million for the year ended 31 December 2023 from approximately HK$11.4 million for the year ended 31 December 2022 representing an increase of 7.2%. The cost of sales for the interior design and decoration increased is mainly due to increase of the direct material cost for the year.

Equine services

The cost of sales attributable to the equine services increase to approximately HK$41.1 million for the year ended 31 December 2023 from approximately HK$8.7 million for the year ended 31 December 2022 representing an increase of 372.1%. The increase of cost of sales for equine services is mainly due to the significant agistment cost generated from the bloodstock and the direct cost of bloodstock generated compared with the preceding year.

Gross (loss) profit and gross (loss) profit margin

The Group recorded a gross loss of HK$3.3 million for the year ended 31 December 2023 as compared with the a gross profit HK$13.4 million for the year ended 31 December 2022, which representing a decrease of HK$16.7 million of gross profit compared with the last year. The gross margin deteriorated to negative 4.8% for the year end 31 December 2023 from 17.5% for the year ended 31 December 2022. The gross profit margin of the threads segment decreased to 10.3% for the year ended 31 December 2023 from 16.1% for the year ended 31 December 2022 and the gross profit margin for the decoration segment is decreased to 25.6% for the year ended 31 December 2023 from 35.1% for the year ended 31 December 2022. However, the segment of the equine services recorded a gross loss of HK$9.7 million and a gross loss margin of 30.9% for the year ended 31 December 2023 totally offset the gross profit of another two segments. The Australian economy is feeling the impact from repeated interest rate increase by the Reserve Bank of Australia. The management seen price weakness in selected segments of the thoroughbreds market. As a result, decision has been made to disposal of certain bloodstock at loss in order to keep future operating expenses at a management level.

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

The Group's record other losses and expenses, net of approximately HK$9.0 million for the year ended 31 December 2023 as compared with other income and gain, net of approximately HK$2.0 million for the year ended 31 December 2022. Such change was main due to the significant increase of fair value loss on the biological and decrease of the exchange gain compared with last year.

Selling and distribution expenses

Selling and distribution expenses mainly consist of staff costs and transportation expenses for the segment of manufacturing and trading of threads. Selling expenses decreased to approximately HK$3.3 million for the year ended 31 December 2023 from approximately HK$5.2 million for the year ended 31 December 2022, representing a decrease of approximately 35.8%. Such decrease was mainly due to the decrease in the staff cost and transportation expenses.

Administrative expenses

Administrative expenses primarily consist of staff costs, Directors' remuneration and legal and professional fees. Administrative expenses decreased to approximately HK$21.5 million for the year ended 31 December 2023 from approximately HK$29.5 million for the year ended 31 December 2022, representing a decrease of approximately 27.0%. Such decrease was mainly attributable to the decrease in staff costs and the share option expenses recognised on the preceding years.

Finance costs

The Group's finance costs increased to approximately HK$5.0 million for the year ended 31 December 2023 from approximately HK$2.6 million for the year ended 31 December 2022, representing an increase of approximately 90.0%. Such increase was mainly due to the new borrowings to support the segment of equine services.

Loss before income tax

As a result of the aforesaid, the Group recorded a loss before income tax of approximately HK$46.6 million for the year ended 31 December 2023 from approximately HK$22.9 million for the year ended 31 December 2022, representing an increase of approximately 103.1%.

Income tax expense

The Group recorded income tax expenses of HK$0.3 million for the year ended 31 December 2023. There was no income tax expenses record for the year ended 31 December 2022. The income tax expenses is generated from the decoration segment and the tax loss for decoration segment is fully utilised during the year.

Total comprehensive expenses attributable to the owners of the parent

The total comprehensive expenses attributable to the owners of the parent increased to approximately HK$48.5 million for the year ended 31 December 2023 from approximately HK$27.6 million for the year ended 31 December 2022, representing an increase of approximately 75.7%. Such increase was mainly due to the significant loss recorded by the equine segment and manufacturing and trading of threads segments compare with the preceding year.

Basic and diluted loss per share

The Company's basic and diluted loss per share for the year ended 31 December 2023 was approximately HK11.44 cents (2022: HK5.60 cents), representing an increase of approximately 104.3%, which was mainly due to the increase in loss attributable to the owners of the parent.

Final dividend

The board did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

Liquidity and Financial Resources

For the year ended 31 December 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 activities and financing activities.

The Group's cash and bank balances amounted to approximately HK$4.1 million and approximately HK$2.2 million as at 31 December 2023 and 2022, respectively. The functional currency of the Group is the Hong Kong dollar. As at 31 December 2023, 93.4% of the Group's cash and bank balances were denominated in the Group's functional currency (31 December 2022: 35.5%) and the remaining 6.6% (31 December 2022: 64.5%) in other currencies, mainly the Renminbi and Australian Dollars.

As at 31 December 2023, the Group has net current liabilities of approximately HK$10.5 as compared with net current assets of approximately HK$29.9 million compared as at 31 December 2022. The current assets included trade receivables, contract assets, deposit and other receivables, inventories, biological assets, tax recoverable and cash and cash equivalents. The Group's current ratio decreased from approximately 1.4 as at 31 December 2022 to approximately 0.8 as at 31 December 2023.

Gearing Ratio

The Group's gearing ratio is calculated based on net debt (including borrowings, trade payables, other payables and accruals, lease liabilities and retirement benefit obligation, less cash and cash equivalents) divided by the total equity plus net debt at the respective reporting date. The gearing ratio is approximately 73.5% and approximately 48.8% as at 31 December 2023 and 2022, respectively. The increase of the gearing ratio was mainly attributable to the loss incurred and the new borrowing generated during the year.

Capital Commitments

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

Capital Structure

During the year ended 31 December 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 December 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 31 December 2023 nor material acquisitions during the year ended 31 December 2023.

Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies

For the year ended 31 December 2023, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Future Plans for Material Investments and Capital Assets

There is no plan for material investment or capital assets as at 31 December 2023.

Contingent Liabilities

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

Treasury Policies

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

Foreign Exchange Exposure

The Group is exposed to foreign currency risk when it enters into transactions which are not denominated in the Group's functional currency. Such exposure mainly relates to the distribution and sale of the Group's products and purchases of raw materials in the PRC and the acquisition and disposal of broodmares and stallions and the equine services income in Australia. The Group currently does not have a foreign currency hedging policy. Yet, the Group's management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Pledge of Assets

As at 31 December 2023 and 31 December 2022, the Group's assets were pledged to lenders to secure certain borrowings granted to the Group. The details of the pledged assets as following:

1) The Company's building with carrying amount of approximately HK$3,384,000 (2022: HK$3,529,000);

2) The Company's investment properties with carrying amount of approximately HK$4,300,000 (2022: HK$4,500,000); and

3) The Company's bloodstocks and stallion with carrying amount of approximately HK$7,550,000 (2022: HK$40,616,000) and HK$3,990,000 (2022: HK$3,992,000) respectively.

Employees and Remuneration Policies

As at 31 December 2023, the Group employed a total of 123 employees (as at 31 December 2022: 141), of whom 105 were located in the PRC and 18 were located in Hong Kong. The Group's staff costs mainly comprised wages and salaries, social insurance, housing provident fund and severance payments. For the two years ended 31 December 2023, the Group's total staff costs (excluding Directors' emoluments) amounted to approximately HK$14.2 million and HK$18.6 million, respectively. The Group offers remuneration packages comprising basic salaries, discretionary bonuses and allowances to its management and office staff. For the workers at the Guangzhou Production Facilities, the Group offers them salaries above the minimum wage, promotion opportunities and budgets for social events.

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately.

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

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

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

Compliance With Laws and Regulations

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has in all material respects complied with all relevant laws, rules and regulations that have a significant impact on the Group and its operations in Hong Kong, PRC and Australia.

Environmental Policies and Performance

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

Meanwhile, the Group has established a systematic stakeholder communication channel with the aim to facilitate positive interactions with the Group's stakeholders, actively respond to relevant litigation issues and promote quality, effective and sustainable growth. Throughout the year ended 31 December 2023, the Group has maintained its business integrity and dedication to environmental protection, while continuously striving to improve quality management and employee care.

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

Relationship with Stakeholders

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

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

Future Plans and Prospects

For the existing principal business of manufacturing and selling of sewing threads, the Group has experienced some difficulties 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, we expect that the trade conflict between the PRC and the US and high interest rate environment will still continue impacting our business. The Group will continue to pay close attention to the trade conflict and high interest rate environment and to evaluate its impact on the financial position, cashflows and operating result of this business line.

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

For the equine services segment, the management approach the most exciting period for Autumn racing we are excited to have our 3 years old Group 3 winner Raikoke heading to Sydney for the A$1M Arrowfield sprint on day 2 of the Sydney Championships. The headline race for the 3 years old which goes a long way to deciding Champion 3 years old. Raikoke, who was purchased at the Inglis Premier sale, will be a live chance to be partnered by regular jockey Ben Melham.

Moreover, 3 years old colt Transatlantic, was most impressive winning over 1500m last start and will target the G2 Queensland Guineas. Queensland's champion trainer affirmed his strong opinion of this colt by Snitzel post race saying "he has taken a little time but he is a serious colt who will play a leading role throughout the Queensland carnival. If successful, given his pedigree, one would think a career in the stallion barn beckons.

For the stallion, Jacquinot, who we retired to the famous Widden stud in the Hunter Valley, was most popular amongst the key Australian breeders and will have a first crop of over 130 goals hit the ground come Springtime (Aug onwards). His fellow barn mate Portland Sky, himself the only Group 1 winning sire at stud by HK favourite Deep Field, will see his first weanlings hit the sales ring in May. A favourable market reception will further enhance his stallion prospects.

We have a number of exciting breeding prospects heading to the sales highlighted by the smashing Wooton Basset colt x Slypheed at the Inglis weanling sales. Sylpheed herself will also grace the sales ring when offered by Segenhoe Stud with an exciting early service to the aforementioned Portland Sky.

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 and disposal opportunities with a view to increasing the value of the Group and maximising returns to the Shareholders.

OTHER INFORMATION

Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of The Company and Any Associated Corporation

As at 31 December 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 under such provisions of the SFO); or (b) required to be recorded in the register required to be kept under section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the Shares and underlying Shares

(a) Ordinary shares of the Company

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

(b) Share options of the Company

Name of category of participant	Date of grant of share option	Exercisable period	Exercise price *HK$*	Number of underlying shares in respect of which share option were granted: Outstanding at 1 January 2023	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 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	–	–	–	–	–	–	–	–
				15,391,148	–	–	–	15,591,418

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.

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

Except as disclosed above, as at 31 December 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 31 December 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.

Except as disclosed above, as at 31 December 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 provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Corporate Governance Practices

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

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

Except for the deviation from code provision A.2.1 of the CG Code, details of which are set out in the section headed "Chairman and Chief Executive Officer" in this corporate governance report on the Annual Report, the Board is of the view that the Company has complied with the code provisions for the year ended 31 December 2023.

Model Code for Directors' Securities Transactions

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

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 connected transaction during the year ended 31 December 2023 which is required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group during the year ended 31 December 2023, which constitute fully exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules are set out in the annual report of note 39 to the consolidated financial statements.

Directors' and Controlling Shareholders' Interests in Competing Businesses

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

On 24 November 2017, each of Mr. Wong Kwok Wai, Albert and Three Gates Investment, being the controlling Shareholders, entered into a non-competition undertaking in favour of the Company, details of which were set out in the section headed "Relationship with our Controlling Shareholders — Non-competition Undertaking" in the Prospectus. Such undertakings have been fully complied with and enforced during the year ended 31 December 2023 and up to the date of this announcement.

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

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

Events after the year ended 31 December 2023

Subsequent to the end of the reporting period, the Group obtained the letter of intent of extension of the loans facilities from three lenders to extend the utilised loans facilities amounted to approximately HK$22,300,000 and the unused loans facilities amounted to approximately HK$13,200,000 for 1 year to 2025.

Sufficiency of Public Float

The Directors confirm that during the year ended 31 December 2023 and up to the date of this announcement, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the minimum public float as required under the GEM Listing Rules.

Audit Committee

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

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Sung Alfred Lee Ming (the chairman), Mr. Chan Tsun Choi, Arnold and Mr. Chow Chin Hang, Joel. No member of the current Audit Committee is a member of the previous independent auditor of the Company. The Audit Committee has reviewed this annual report as well as the consolidated results of the Group for the year ended 31 December 2023.

Publication of Information on the Website of the Stock Exchange

This announcement will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.harbourequine.com). The annual report for the year ended 31 December 2023 containing all the information required by the GEM Listing Rules will be published on the respective websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

Scope of Work of Independent Auditor

The figures in respect of the Group's results for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's independent auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Group's independent auditors in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Asian Alliance (HK) CPA Limited on the preliminary announcement.

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

Hong Kong, 28 March 2024

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

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

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