



Narnia (Hong Kong) Group Company Limited

納尼亞(香港)集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8607)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023**

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*This announcement, for which the directors (the “**Directors**”) of Narnia (Hong Kong) Group Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”, “**we**”, “**our**” or “**us**”) 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.*

RESULTS HIGHLIGHTS

For the nine months ended 30 September 2023, the results highlights were as follows:

- Revenue decreased by 44.0% to approximately RMB153.9 million (2022: approximately RMB274.9 million).
- Gross profit decreased by 8.7% to approximately RMB17.8 million (2022: approximately RMB19.5 million).
- Gross profit margin was approximately 11.6% (2022: approximately 7.1%).
- Loss attributable to the equity holders of the Company for the nine months ended 30 September 2023 was approximately RMB0.8 million (2022: profit attributable to the equity holders of the Company was approximately RMB3.0 million).
- Basic losses per share was approximately RMB0.09 cents (2022: basic earnings per share was approximately RMB0.38 cents).
- The Board resolved not to recommend the payment of any interim dividend for the nine months ended 30 September 2023 (2022: nil).

UNAUDITED CONSOLIDATED THIRD QUARTERLY RESULTS OF 2023

The board (the “**Board**”) of Directors of Narnia (Hong Kong) Group Company Limited is pleased to announce the unaudited consolidated results of the Group for the nine months ended 30 September 2023 (the “**Reporting Period**”) and selected explanatory notes, together with the comparative figures of the corresponding period in 2022 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2023

	Note	Three months ended 30 September		Nine months ended 30 September	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	50,053	107,230	153,861	274,861
Cost of sales and services		(45,998)	(100,671)	(136,059)	(255,380)
Gross profit		4,055	6,559	17,802	19,481
Other income	6	359	1,291	1,705	3,300
Other gains and losses	7	(880)	756	(1,909)	1,749
Selling and distribution expenses		(733)	(953)	(2,092)	(2,875)
Administrative expenses		(1,830)	(2,508)	(7,210)	(8,235)
Research expenditure		(2,147)	(2,978)	(7,035)	(7,164)
Finance costs	8	(462)	(1,086)	(2,019)	(3,203)
(Loss)/profit before tax		(1,638)	1,081	(758)	3,053
Income tax credit/(expense)	9	4	73	(1)	(16)
(Loss)/profit for the period attributable to the equity holders of the Company		(1,634)	1,154	(759)	3,037
Other comprehensive income		–	–	–	–
Total comprehensive (loss)/income for the period attributable to the equity holders of the Company		(1,634)	1,154	(759)	3,037
(Losses)/earnings per share – Basic and diluted (RMB cents)	10	(0.20)	0.14	(0.09)	0.38

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	
At 1 January 2022	5,346	36,523	11,428	77,126	(669)	129,754
Profit and total comprehensive income for the period	—	—	—	—	3,037	3,037
At 30 September 2022	<u>5,346</u>	<u>36,523</u>	<u>11,428</u>	<u>77,126</u>	<u>2,368</u>	<u>132,791</u>
At 1 January 2023	5,346	36,523	11,624	76,930	(4,019)	126,404
Loss and total comprehensive loss for the period	—	—	—	—	(759)	(759)
Exchange difference arising from the translations of foreign operations	—	—	—	(1,783)	—	(1,783)
At 30 September 2023	<u>5,346</u>	<u>36,523</u>	<u>11,624</u>	<u>75,147</u>	<u>(4,778)</u>	<u>123,862</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2023

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 1 September 2017. The Company's immediate and ultimate parent is Spring Sea Star Investment Limited ("**Spring Sea**") and its ultimate controlling parties are Mr. Dai Shunhua ("**Mr. Dai**") and Ms. Song Xiaoying, the spouse of Mr. Dai ("**Ms. Song**") (collectively the "**Controlling Shareholders**"). Mr. Dai is the general manager of the Group and assumed the role of chief executive officer of the Company. The addresses of the Company's registered office is at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business in Hong Kong is at 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong. The Group is principally engaged in the manufacture and sale of fabric products and the provision of printing and dyeing services.

The immediate holding company of the Company is Spring Sea, an investment holding company incorporated in the British Virgin Islands (the "**BVI**") with limited liability on 14 June 2017, and was owned as to approximately 53.98% by Mr. Dai and approximately 46.02% by Ms. Song.

The Company's shares (the "**Share(s)**") were listed on GEM of the Stock Exchange on 26 February 2019 (the "**Listing**").

These unaudited condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

This unaudited condensed consolidated financial information of the Group for the nine months ended 30 September 2022 has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). This financial information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules.

The basis of preparation and accounting policies adopted in preparing this unaudited condensed consolidated quarterly financial information are consistent with those adopted in the preparation of the Group's audited annual financial statements for the year ended 31 December 2022, except for the adoption of the new and revised IFRSs that have become effective for its accounting period beginning on 1 January 2023.

The adoption of the new and revised IFRSs has no significant effect on this unaudited condensed consolidated quarterly financial information. The Group has not early adopted the new and revised IFRSs that have been issued but are not yet effective for the current accounting period of the Group. The unaudited condensed consolidated quarterly financial information has been prepared on the historical cost basis except for those financial assets designated at fair value through profit or loss and equity instruments at fair value through other comprehensive income.

The unaudited condensed consolidated quarterly financial statements have not been audited by the Company's independent auditor but have been reviewed by the audit committee of the Company (the "**Audit Committee**") and were approved for issue by the Board.

3. ACCOUNTING POLICIES

The accounting policies applied for this unaudited condensed consolidated financial information of the Group for the nine months ended 30 September 2023 are consistent with those of the audited annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

The Directors anticipate that the adoption of the amendments to IFRSs effective for the financial year ending 31 December 2023 do not have a material impact on the results and financial position of the Group.

Taxes on income in the Reporting Period are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for the Reporting Period that could be expected to have a material impact on this Group.

4. SEGMENT INFORMATION

Information reported to the executive Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses on revenue from the sales of fabric products and service income from printing and dyeing service.

The management of the Group considers that the Group has one reportable operating segment. No operating segment information is presented other than the entity-wide disclosures. The Group's operations are in the People's Republic of China (the "PRC") and all its non-current assets excluding deferred tax assets are located in the PRC.

5. REVENUE

Revenue represents the amounts received and receivable from the sale of fabric products, service revenue from printing and dyeing, net of sales related taxes.

The following is an analysis of the Group's revenue from its major products and services:

	Nine months ended 30 September	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of fabric products, recognised at a point in time	62,662	168,568
Revenue from printing and dyeing service, recognised over time	91,199	106,293
Total	153,861	274,861

Sales of fabric products

The Group sells fabric products directly to customers. The Group offers different series of polyester fabrics to its customers, including but not limited to brushed fabric, imitation silk, sateen, polyester shirt fabric, pongee, imitation printed cotton, to meet the various demands of its customers.

Revenue is recognised at a point in time when the legal title of the finished goods is transferred, since only by that time the Group passes control of the fabric products to its customers. The normal credit term is 30 to 90 days (2022: 30 to 90 days) upon delivery of corresponding service.

Printing and dyeing service

Revenue relating to the printing and dyeing service is recognised over time throughout the processing period because the Group's performance enhances an asset that its customer controls as the asset is enhanced. The normal credit term is 30 to 90 days (2022: 30 to 90 days) upon the completion of services.

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied as the Group's contract period between payment and transfer of the associated service is less than one year.

6. OTHER INCOME

	Nine months ended	
	30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	7	9
Government subsidies (<i>Note</i>)	750	1,604
Dividend received from financial asset mandatorily measured at FVTPL	–	1,021
Rental income	205	609
Others	743	57
	<hr/>	<hr/>
Total	1,705	3,300

Note: The amount represents unconditional government subsidies received from local government in connection with the enterprise development support, innovation capabilities incentives and others.

7. OTHER GAINS AND LOSSES

	Nine months ended	
	30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net (loss)/gain on disposal of property, plant and equipment	(1,943)	741
Net (loss)/gain on sales of raw materials	(151)	354
Net exchange gain	983	1,412
Others	(798)	(758)
	<hr/>	<hr/>
Total	(1,909)	1,749

8. FINANCE COSTS

	Nine months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	<u>2,019</u>	<u>3,203</u>

9. INCOME TAX EXPENSE

	Nine months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax expense	(1)	(16)
Deferred tax charge	<u>-</u>	<u>-</u>
Total	<u>(1)</u>	<u>(16)</u>

No provision for Hong Kong Profits Tax was made in the consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax during the nine months ended 30 September 2023 and 2022. Provision for the PRC Enterprise Income Tax during the nine months ended 30 September 2023 and 2022 was made based on the estimated taxable profits calculated in accordance with income tax laws, and regulations applicable to the subsidiaries operated in the PRC. Under the Law of the PRC Enterprise Income Tax (the “EIT Law”) and the Implementation Regulations of the EIT Law, the statutory income tax rate for PRC entities is 25%, therefore, the tax rate of Changxing Seashore Industrial Co., Ltd.* (長興濱里實業有限公司) (“Changxing Seashore”) and Zhejiang Xiuhu Supply Chain Co., Ltd* (浙江鑫湖供應鏈有限公司) is 25%.

Huzhou Lituo Import and Export Co., Ltd* (湖州利拓進出口有限公司) is recognised as a small profit enterprise in 2023, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20%. And the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20%.

Huzhou Narnia Industry Co., Ltd. (湖州納尼亞實業有限公司) (“Huzhou Narnia”) is recognised as “High and New Technology Enterprise” (高新技術企業) which is jointly verified by Zhejiang Science and Technology Department, Zhejiang Finance Department, the State Taxation Bureau of Zhejiang Province and Local Taxation Bureau of Zhejiang Province. Huzhou Narnia is subject to a preferential tax rate of 15% in 2023 (2022: 15%).

Under the EIT Law and Implementation Regulations of the EIT Law, Huzhou Narnia is allowed for 75% additional tax deduction for qualified research and development costs.

* English name is for identification purpose only.

The income tax expense for the nine months ended 30 September 2023 can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Nine months ended	
	30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit before tax	(758)	3,053
Tax at PRC EIT rate of 25%	190	(763)
Tax effect of expense not deductible for tax purpose	(286)	(298)
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	269	739
Income taxed at concessionary rate	410	542
Tax effect of deductible temporary difference	(291)	(97)
Tax effect of income not taxable for tax purpose	(293)	(139)
Income tax expense	(1)	(16)

10. (LOSSES)/EARNINGS PER SHARE

The calculation of basic (losses)/earnings per Share attributable to the equity holders of the Company is based on the following data:

	Nine months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
(Losses)/earnings:		
(Loss)/profit for the period attributable to the equity holders of the Company for the purpose of basic (losses)/earnings per Share (RMB'000)	(759)	3,037
Number of Shares:		
Number of ordinary Shares for the purpose of basic (losses)/earnings per Share	800,000,000	800,000,000
Basic (losses)/earnings per Share (RMB cents per Share)	(0.09)	0.38

The calculation of basic losses per share is based on the loss for the period attributable to the equity holders of the Company of approximately RMB759,000 (2022: profit of approximately RMB3,037,000) and the number of 800,000,000 ordinary shares (2022: 800,000,000) in issue during the Reporting Period.

No diluted earnings per Share was presented as there were no potential ordinary Shares in issue throughout the both periods.

11. DIVIDENDS

The Board resolved not to recommend the payment of any dividend for the nine months ended 30 September 2023 (2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Reporting Period, the Group continued to support the Government's green low carbon and circular development vision, and has implemented a comprehensive upgrade and overhaul which strictly followed rectification standards for printing and dyeing enterprises, and was among the first to pass rectification inspection for printing and dyeing enterprises in Changxing county. The Group comprehensively improved general environmental governance in areas such as enterprise environmental protection, fire safety and emergency response, and also achieved energy conservation and emissions reduction, significantly promoting healthy, green and sustainable development of our enterprise.

Faced with an everchanging macro-environment and market conditions, the Group maintained a market-oriented approach and further invested in technological innovation for product research and development, in order to develop new technologies, techniques and products. The Group continued to optimise product structure to satisfy diverse market and customer needs.

During the past years, the Group comprehensively optimised operations, accelerated industrial transformation upgrading, and continued to carry out synergistic and innovative developments across the industrial chain to maximise resource integration. In addition, based on current industry requirements, the Group actively responded to the government's policy in relation to the phasing out of water injectors on account of the core principles of green manufacturing, energy saving and carbon reduction, and digital production, and adjusted the strategic plans of Changxing Seashore in a scientific manner.

The Group is committed to maintaining a high standard of corporate governance to the greatest extent as far as practicable, with an emphasis on principles of integrity, transparency, accountability, and fairness. The Board believes that good corporate governance is crucial to the success of the Group and the creation of Shareholders' value. While striving to maintain a high standard of corporate governance, the Board is also committed to creating value and maximizing returns for our Shareholders. The Board will continue to review and improve the quality of corporate governance practices with reference to local and international standards. The Group also welcomes any feedback suggestions from the Shareholders, which help to raise the Group's transparency.

Financial Review

Revenue

Our total revenue was approximately RMB153.9 million for the nine months ended 30 September 2023 (2022: approximately RMB274.9 million), representing a decrease of approximately RMB121.0 million or 44.0% as compared to the nine months ended 30 September 2022. The decrease in revenue was mainly due to the decrease in sales volume during the Reporting Period as compared to the nine months ended 30 September 2022.

	Nine months ended 30 September			
	2023		2022	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Sales of fabric products, recognised at a point in time	62,662	40.7	168,568	61.3
Service revenue from printing and dyeing, recognised over time	91,199	59.3	106,293	38.7
Total	153,861	100.0	274,861	100.0

Revenue from the sales of fabrics decreased by approximately RMB105.9 million or 62.8% from approximately RMB168.6 million for the nine months ended 30 September 2022 to approximately RMB62.7 million for the nine months ended 30 September 2023 with total volume of fabrics sold at approximately 10.9 million metres for the nine months ended 30 September 2023 as compared to approximately 24.2 million metres for the nine months ended 30 September 2022.

Revenue from printing and dyeing services decreased by approximately RMB15.1 million or 14.2% from approximately RMB106.3 million for the nine months ended 30 September 2022 to approximately RMB91.2 million for the nine months ended 30 September 2023 which was primarily attributable to the decreased sales orders for printing and dyeing services from our customers during the Reporting Period.

Cost of sales and services

Cost of sales and services primarily comprises (i) raw materials and other inventory costs, (ii) utility costs, (iii) direct labour costs; and (iv) depreciation. The cost of sales and services decreased from approximately RMB255.4 million for the nine months ended 30 September 2022 to approximately RMB136.1 million for the nine months ended 30 September 2023, representing a decrease of approximately RMB119.3 million or 46.7%. The decrease in cost of sales and services was mainly due to the decrease in the total production volume as well as the decrease in the average cost of the raw materials and energy for the Reporting Period.

Gross profit and gross profit margin

Our gross profit was approximately RMB17.8 million for the nine months ended 30 September 2023 (2022: approximately RMB19.5 million). The Group's gross profit margin increased from approximately 7.1% for the nine months ended 30 September 2022 to approximately 11.6% for the nine months ended 30 September 2023. The increase in gross profit margin was mainly due to the fact that the average cost of the raw materials and energy for the Reporting Period were lower than those in the prior year, which led to a relatively lower cost of sales and services for the nine months ended 30 September 2023.

Other income

Our other income was approximately RMB1.7 million for the nine months ended 30 September 2023 (2022: approximately RMB3.3 million). The decrease of approximately RMB1.6 million for the nine months ended 30 September 2023 compared to that for the nine months ended 30 September 2022 was mainly due to the decrease in government subsidies and dividend received from financial asset mandatorily measured at FVTPL.

Other gains and losses

Our other losses was approximately RMB1.9 million for the nine months ended 30 September 2023 (2022: other gains of approximately RMB1.7 million). The details are set out in Note 7 to the unaudited condensed consolidated financial statements.

Selling and distribution expenses

Our selling and distribution expenses principally comprise (i) transportation expenses charged by logistics companies for delivery of our products from warehouse to our customers' designated point; (ii) packaging expenses; (iii) exhibition expenses; and (iv) export fees. Our selling and distribution expenses decreased by approximately RMB0.8 million or 27.6% from approximately RMB2.9 million for the nine months ended 30 September 2022 to approximately RMB2.1 million for the nine months ended 30 September 2023. The decrease was mainly due to the decrease in transportation cost.

Administrative expenses

Our administrative expenses primarily consist of (i) staff costs; (ii) professional service fee; (iii) entertainment expenses; (iv) depreciation of property, plant and equipment and amortisation of intangible assets; and (v) travelling expenses.

Our administrative expenses decreased by approximately RMB1.0 million or 12.2% from approximately RMB8.2 million for the nine months ended 30 September 2022 to approximately RMB7.2 million for the nine months ended 30 September 2023. The decrease was mainly due to the decrease in staff costs.

Research expenditure

Our Group has been focusing on research and development of efficient and environmental-friendly technology for textile printing and dyeing. We carry out our research and development projects at the Group's laboratory in our Huzhou Production Facilities. Our research expenditure was approximately RMB7.0 million for the nine months ended 30 September 2023 (2022: approximately RMB7.2 million). The expenditure comprised (i) the costs of our staff involving in our research and development projects, (ii) the direct usage of raw materials for pilot-run of production and testing purpose, and (iii) the depreciation of the research and development machinery and equipment. The decrease of approximately RMB0.2 million was mainly due to the decrease in direct usage of different materials during the testing and analysing process.

Finance costs

For the nine months ended 30 September 2023, our finance costs amounted to approximately RMB2.0 million (2022: approximately RMB3.2 million). Our finance costs mainly comprised the interest expenses on our bank and other borrowings. The finance cost decreased by approximately RMB1.2 million or 37.5% as compared to that of last year, mainly as a result of the decrease in bank borrowings.

Income tax expense

Income tax expense represents our total current and deferred tax expense. The current tax is calculated based on taxable profits at the applicable tax rates for the relevant years or periods. Deferred tax is recognised based on temporary differences mainly arising from fair value changes on financial assets mandatorily measured at fair value through profit or loss ("FVTPL") and allowance for bad and doubtful debts.

No provision for Hong Kong profits tax was made during the Reporting Period as our Group had no assessable profit subject to Hong Kong profits tax during the Reporting Period.

Under the EIT Law and the Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Huzhou Narnia is recognised as a High and New Technology Enterprise (高新技術企業) and therefore entitled to a preferential tax rate of 15% in 2023 (2022: 15%).

The income tax expense for the nine months ended 30 September 2023 was approximately RMB0.001 million, when compared to that of approximately RMB0.016 million for the nine months ended 30 September 2022. The details are set out in Note 9 to the unaudited condensed consolidated financial statements.

Loss and other total comprehensive loss for the period attributable to the equity holders of the Company

As a result of the foregoing, our loss and other total comprehensive loss for the period attributable to the equity holders of the Company for the nine months ended 30 September 2023 was approximately RMB0.8 million, while there was a profit of approximately RMB3.0 million for the nine months ended 30 September 2022.

Dividends

The Board resolved not to recommend the payment of any dividend for the nine months ended 30 September 2023 (2022: nil).

Future Outlook

Looking ahead, despite the presence of challenges and uncertainties hampering China's economic growth, the market is set to recover with the end of the pandemic. The Group remains optimistic about business prospects and resumption of economic growth. Stability and robust growth are key for the economy in 2023. The Group will focus on our development strategies as we strive to maintain our position as leaders amidst keen competition.

The Group will continue to optimise our R&D system, promote sustained research and technology R&D, strengthen our market-oriented innovative capability, and further explore R&D of new products, in order to satisfy the needs of our customers for new functional fabrics which integrate environmentally friendly elements, and in turn enlarge our customer base. The Group will closely monitor the rapidly changing market developments, build stronger R&D teams both in China and overseas, optimise product structure, introduce innovative technologies, enhance product quality, and build a brand management system, in order to maintain our competitive edge as industry leader.

To stimulate new development, the Group will continue to build new models and expand business and supply chain platform scale. There are no hiring quotas and the Group has formulated an Employee Referral Incentive Scheme to encourage our entire staff to contribute and help us find talents who could work for us. The Group will seek to change our marketing model, explore new ideas and expand the industry chain to develop new product sales models, such as integration of live streaming on platforms such as Tiktok and Taobao. Through a diverse range of channels, the Group could gradually raise our market share and expand market size. The Group will optimize horizontal expansion of our supply chain, enhance our business system in China and overseas, deepen international exchanges, develop strategic partnerships and enrich innovation resources, and actively explore new opportunities, partnerships and projects.

The Group will seek more environmentally friendly production methods by improving on labour, environment and technology aspects. We will actively implement low carbon and circular development policies in fulfilling our mission of ecological and environmental protection development, as we contribute our own efforts to promote green development of the industry. Since its listing, the Group has been diversifying its investments to expand its business scope and improve its profitability. We believe that only by continuously accelerating the transformation and upgrading of our business, can we adapt to the pace of reform and transition from a planned economy to a market economy. In 2023, the Group will strive to maintain its resilience, adjust its strategic goals, reduce its assets, and actively demonstrate its vitality. At the same time, the Group will start to diversify its existing business, conduct research and develop new projects with more advanced technologies, and forge ahead in Narnia's new chapter of quality sustainable development.

Following our successful Listing on GEM of the Stock Exchange on 26 February 2019, we benefited from a strong capital platform which will be conducive to taking our business to the next level. We are positive about the market outlook and our outstanding capability and competitive edge, which will enable us to capitalise growth opportunities ahead.

Human Resources and Training

As at 30 September 2023, the Group had a total of 385 employees, total staff cost for the Reporting Period amounted to approximately RMB14.9 million (2022: approximately RMB16.3 million). The Group releases an annual sales guideline at the beginning of each year, formulates the sales strategies and sets out the sales targets of different sales areas after discussing with sales representatives. At the end of each year, the Group makes performance appraisal for sales personnel based on the review results and the achievement of sales target.

During the Reporting Period, the Group adhered to the "human-oriented" management concept to have its staff closely involved in the development of the Group and provided them with skills training. The Group formulates workflow and service specifications for its employees, conducts periodic performance review on its employees, and makes adjustments to their salaries and bonuses accordingly based on individual performance, qualifications, experience, skills and the contributions made to the Group.

OTHER INFORMATION

Principal Activities

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of fabrics and the provision of printing and dyeing services.

Disclosure of Interests

(a) *Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations*

As at 30 September 2023, the interests and short positions held by 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 (the “SFO”)), which were required (i) 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 (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

(i) *Interest in the shares in the Company*

Name of Director	Capacity/nature of interest	Relevant company	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Dai Shunhua	Interest in controlled corporation (Note 2)	Spring Sea	472,848,000 (L)	59.11%
Ms. Song Xiaoying	Interest in controlled corporation (Note 2)	Spring Sea	472,848,000 (L)	59.11%
Mr. Yeung Yiu Wah Francis	Beneficial owner	–	110,000,000 (L)	13.75%

Notes:

1. The letter (L) denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. Spring Sea Star Investment Limited (“**Spring Sea**”) was the registered owner of 472,848,000 Shares, representing approximately 59.11% of the issued share capital of the Company. Spring Sea is owned as to approximately 53.98% by Mr. Dai Shunhua (“**Mr. Dai**”) and approximately 46.02% by Ms. Song Xiaoying (“**Ms. Song**”). Under the SFO, Mr. Dai and Ms. Song are deemed to be interested in the same number of Shares held by Spring Sea.

(ii) *Interests in the shares of the associated corporations of the Company*

Name of Director	Name of associated corporation	Capacity/ nature of interest	Number of shares held	Percentage of shareholding
Mr. Dai Shunhua	Spring Sea	Beneficial owner	26,991	53.98%
Ms. Song Xiaoying	Spring Sea	Beneficial owner	23,009	46.02%

As at 30 September 2023, save as disclosed above, none of the Directors or chief executive of the Company had any 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 (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at 30 September 2023, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) *Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company*

As at 30 September 2023, so far as was known to the Directors, the interests or short positions held by the following persons (other than the Directors) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Interests in the Shares

Person/corporation	Capacity/ nature of interest	Number of shares in the Company held (Note 1)	Approximate percentage of the Company's total issued share capital
Spring Sea	Beneficial owner (Note 2)	472,848,000 (L)	59.11%
Chong Yuet Lan	Beneficial owner	121,602,000 (L)	15.20%

Notes:

1. The letter (L) denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in the Shares.
2. Spring Sea was the registered owner of 472,848,000 Shares, representing approximately 59.11% of the issued share capital of the Company. Spring Sea is owned as to approximately 53.98% by Mr. Dai and approximately 46.02% by Ms. Song. Under the SFO, Mr. Dai and Ms. Song are deemed to be interested in the same number of Shares held by Spring Sea.

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 30 September 2023, no person (other than the Directors) had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.

Compliance with Relevant Laws and Regulations

During the Reporting Period, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

Contingent Liabilities, Legal and Potential Proceedings

As at 30 September 2023, the Group did not have any material contingent liabilities, on-going legal proceedings or potential proceedings threatened to be brought against the Group.

Public Float

According to the information disclosed publicly and as far as the Directors are aware, during the nine months ended 30 September 2023 and up to the date of this announcement, at least 25% of the issued shares of the Company was held by public shareholders as required under the GEM Listing Rules.

Purchase, Sale or Redemption of the Company's Listed Securities

During the nine months ended 30 September 2023 and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Island which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Share Option Scheme

On 29 January 2019, the Company conditionally adopted a share option scheme (the “**Share Option Scheme**”), which became effective on 26 February 2019 (the “**Effective Date**”). Under the Share Option Scheme, the Board may, at their absolute discretion, at any time within a period of ten years commencing from the Effective Date offer to grant to any eligible persons, including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for Shares.

No share option has been granted by the Company under the Share Option Scheme since its adoption and during the nine months ended 30 September 2023.

Connected Transaction

During the Reporting Period, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this announcement pursuant to the GEM Listing Rules.

Directors’ and Controlling Shareholders’ Interest in Competing Business

During the Reporting Period, none of the Directors or controlling shareholders’ or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group and any other conflicts of interests with the Group.

Disposal of Shares of Zhejiang Changxing Rural Commercial Bank Company Limited

On 21 December 2022, Huzhou Narnia, an indirectly wholly-owned subsidiary of the Company has entered into the share transfer agreement with Changxing Hengli Small Loan Company Limited* (“**Changxing Hengli**”) (長興恒力小額貸款有限公司) pursuant to which Huzhou Narnia has agreed to sell, and Changxing Hengli has agreed to purchase, the sales shares for a cash consideration of RMB21,500,000. The sale shares (7,565,794 shares) represent approximately 1.07% of the issued share capital of Zhejiang Changxing Rural Commercial Bank as at the date of the share transfer agreement. Please refer to the announcement of the Company dated 21 December 2022 for further details.

Appointment of Executive Director

Mr. Yeung Yiu Wah Francis (楊耀華) has been appointed as an executive Director of the Company with effect from 18 January 2023. Please refer to the announcement of the Company dated 18 January 2023 for further details.

Lapse of the Memorandum of Understanding in relation to a Potential Investment

On 9 February 2023, the Group entered into a non-legally binding memorandum of understanding (the “**MOU**”) with Zixuan Culture Company Limited (the “**Target Company**”), such that the Group plans to initially invest not more than US\$10 million into the Target Company, which is principally engaged in, among others, businesses related to general health and biological sciences. The directors consider the Target Company and its ultimate beneficial owner(s) are independent third party(ies). Details of the MOU are set out in the Company’s announcement dated 9 February 2023.

As disclosed in the announcement of the Company dated 21 August 2023 (the “**Announcement**”), the exclusivity period has lapsed and no formal agreement is entered into between the parties since the parties therein failed to agree on the terms in the formal agreement. Therefore, the potential investment did not materialise. Please refer to the Announcement for further details.

Expansion of Business

As disclosed in the Announcement, the Group has decided to incorporate a new subsidiary to be led by an executive Director, Mr. Yeung Yiu Wah Francis, for the development of great health business, *inter alia*, the commercialization, manufacture and distribution of biotech and healthcare products and the provision of healthcare services. As the first step, the Group has secured the distributorship of Wong To Yick Wood Lock Medicated Oil (黃道益活絡油) in China market. Wong To Yick is a renowned brand name in Hong Kong and China specialised in medicated oil mainly for pains of muscles and muscle sprain. In 2023, Wong To Yick Wood Lock Medicated Oil has successfully been accredited as an approved drug and is registered under the National Medical Product Administration (國家藥物管理局) of the People’s Republic of China. Please refer to the Announcement for further details.

Disposal of Entire Equity Interest in Changxing Binli Industrial Co., Ltd.*

On 19 June 2023, Narnia International (Hong Kong) Limited (“**Narnia International**”), an indirect wholly-owned subsidiary of the Company, and Changxing Shengjia Yanglv Fishery Aquatic Products Co., Ltd.* (“**Changxing Shengjia Yanglv**”) (長興盛家漾旅漁水產品有限公司) entered into the share transfer agreement, pursuant to which, Narnia International agreed to sell, and Changxing Shengjia Yanglv agreed to acquire the sale shares at a consideration of RMB37,800,000. The sale shares represent the entire issued share capital of Changxing Binli Industrial Co., Ltd.* (長興濱里實業有限公司). Please refer to the announcements of the Company dated 19 June 2023 and 6 July 2023, respectively, for further details.

* For identification purpose only

Use of Net Proceeds from the Listing and Actual Utilised Amount

The Shares of the Company were listed on GEM of the Stock Exchange on 26 February 2019. Net proceeds from the Share Offer (as defined in the prospectus of the Company dated 13 February 2019 (the “**Prospectus**”)) were approximately RMB37.9 million (equivalent to approximately HK\$44.7 million), after deduction of the underwriting commission and relevant expenses. As disclosed in the announcement of the Company dated 29 April 2020 (the “**Announcement**”), there had been a change in use of the net proceeds from the Listing. Please refer to the Announcement for further details. As at 30 September 2023, the Group had utilised approximately RMB37.9 million of the net proceeds, details of which are set out in the table below:

	Planned use of the net proceeds as disclosed in the Prospectus (RMB million)	Revised use of the net proceeds as disclosed in the Announcement (RMB million)	Actual utilised amount during the nine months ended 30 September 2023 (RMB million)	Actual utilised amount as at 30 September 2023 (RMB million)
Construction of new weaving factory	8.5	–	–	–
Renovation of the existing weaving factory	5.2	5.2	–	5.2
Acquisition of machinery, equipment and ancillary facilities for weaving	10.4	10.4	–	10.4
Acquisition of machinery, equipment and ancillary facilities for printing and dyeing	4.6	4.6	2.1	4.6
Enhancement of environmental protection infrastructure	5.4	5.4	–	5.4
General working capital	3.8	3.8	–	3.8
Purchase of meltblown fabrics production lines	–	8.5	–	8.5
Total	37.9	37.9	2.1	37.9

Corporate Governance Practice

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules, and adopted various measures to enhance the internal control system, the Directors’ continuous professional development and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the nine months ended 30 September 2023 and up to the date of this announcement, the Company has complied with the code provisions under the CG Code, other than code provisions C.2.1 of the CG Code.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Dai Shunhua is the Chairman of the Board and the chief executive officer. The Board is in the opinion that having Mr. Dai to carry out both roles can bring about strong and consistent leadership for the Group, and can be more effective in planning and implementing long-term business strategies. The Board also considers that since members of the Board include competent and independent non-executive Directors, this structure will not impair the balance of power and authority between the Board and its management in the business of the Group. The Board is in the opinion that the structure described above will be beneficial to the Company and its business.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities transactions by Directors of listed Issuers on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM listing Rules (the “**Model Code**”) as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the nine months ended 30 September 2023 and up to the date of this announcement.

Review by Audit Committee

The Company established an Audit Committee with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C.3.3 of the Corporate Governance Code pursuant to a resolution of our Directors passed on 29 January 2019. The primary duties of the Audit Committee are, among others, to make recommendation to our Board on the appointment, reappointment and removal of external auditor, monitor integrity of our financial statements, review significant financial reporting judgements contained in them, oversee our financial reporting, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by our Board.

At present, our Audit Committee comprises Mr. Yu Chung Leung, Mr. Song Jun and Dr. Liu Bo, all being our independent non-executive Directors. Mr. Yu Chung Leung, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

The financial information in this announcement has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited financial statements, this results announcement and the quarterly report of the Company for the nine months ended 30 September 2023 and agreed with the accounting treatments adopted by the Company, and was of the opinion that the preparation of the financial statements in this results announcement complies with the applicable accounting standards and the requirements under the GEM Listing Rules and adequate disclosures have been made.

Events After the Reporting Period

There is no material event after the Reporting Period as at the date of this announcement.

Disclosure of Information

The quarterly report for the nine months ended 30 September 2023 will be dispatched to shareholders of the Company and published on the Company's website at www.narnia.hk and the website of the Stock Exchange at www.hkexnews.hk in due course.

By order of the Board
Narnia (Hong Kong) Group Company Limited
Mr. Dai Shunhua
Chairman of the Board

Zhejiang, PRC, 14 November 2023

As at the date of this announcement, the executive Directors are Mr. Dai Shunhua, Ms. Song Xiaoying and Mr. Yeung Yiu Wah Francis, and the independent non-executive Directors are Dr. Liu Bo, Mr. Song Jun and Mr. Yu Chung Leung.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com and the Stock Exchange's website at www.hkexnews.hk for at least 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.narnia.hk.