



**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

**2024**  
**INTERIM REPORT**

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## CORPORATE INFORMATION

### Directors

#### Executive Directors

Mr. Dai Shunhua (*Chairman*)  
 Ms. Song Xiaoying  
 Mr. Yeung Yiu Wah Francis

#### Independent Non-executive Directors

Mr. Song Jun  
 Dr. Liu Bo  
 Mr. Yu Chung Leung

#### Audit Committee

Mr. Yu Chung Leung (*Chairman*)  
 Dr. Liu Bo  
 Mr. Song Jun

#### Nomination Committee

Dr. Liu Bo (*Chairman*)  
 Mr. Song Jun  
 Mr. Yu Chung Leung

#### Remuneration Committee

Mr. Song Jun (*Chairman*)  
 Dr. Liu Bo  
 Mr. Yu Chung Leung

#### Company Secretary

Mr. Chan Hon Wan (*HKICPA*)

#### Compliance Officer

Mr. Dai Shunhua

#### Authorised Representatives

Mr. Chan Hon Wan (*HKICPA*)  
 Mr. Dai Shunhua

#### Registered Office

Windward 3, Regatta Office Park  
 PO Box 1350  
 Grand Cayman KY1-1108  
 Cayman Islands

#### Headquarters and Principal Place of Business in PRC

Jiapu Economic Development Area  
 Changxing County  
 Huzhou City  
 Zhejiang Province  
 PRC

#### Company's Website

[www.narnia.hk](http://www.narnia.hk)

#### Principal Place of Business in Hong Kong

19th Floor, Three Exchange Square  
 8 Connaught Place, Central  
 Hong Kong

#### Principal Share Registrar and Transfer Office in the Cayman Islands

Ocorian Trust (Cayman) Limited  
 Windward 3, Regatta Office Park  
 PO Box 1350  
 Grand Cayman KY1-1108  
 Cayman Islands

#### Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
 17/F, Far East Finance Centre  
 16 Harcourt Road  
 Hong Kong

#### Legal Advisers

(as to Hong Kong law)  
 ONC Lawyers  
 19th Floor, Three Exchange Square  
 8 Connaught Place, Central  
 Hong Kong

#### Auditor

Crowe (HK) CPA Limited  
 9th Floor  
 Leighton Centre  
 77 Leighton Road  
 Causeway Bay  
 Hong Kong

#### Principal Bankers

Zhejiang Changxing Rural Commercial  
 Bank Company Limited  
 No. 1298 Mingzhu Road  
 Taihu Street  
 Changxing County  
 Zhejiang Province  
 PRC

Industrial and Commercial Bank of  
 China Limited  
 Changxing Branch  
 No. 218 Jinling Middle Road  
 Zhicheng Town  
 Changxing County  
 Zhejiang Province  
 PRC

#### Stock Code

8607

## RESULTS HIGHLIGHTS

For the six months ended 30 June 2024, the results highlights were as follows:

- Revenue decreased by 26.2% to approximately RMB76.6 million (2023: approximately RMB103.8 million).
- Gross profit decreased by 37.2% to approximately RMB8.6 million (2023: approximately RMB13.7 million).
- Gross profit margin was approximately 11.2% (2023: approximately 13.2%).
- Profit attributable to the equity holders of the Company for the six months ended 30 June 2024 increased by 11.1% to approximately RMB1.0 million (2023: approximately RMB0.9 million).
- Basic earnings per share increased by 9.1% to approximately RMB0.12 cents (2023: approximately RMB0.11 cents).
- The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: nil).

## UNAUDITED CONSOLIDATED INTERIM RESULTS OF 2024

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 six months ended 30 June 2024 (the “**Reporting Period**”) and the selected explanatory notes, together with the comparative unaudited figures of the corresponding period in 2023 as follows:

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

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	5	<b>76,556</b>	103,808
Cost of sales and services		<b>(67,995)</b>	(90,061)
Gross profit		<b>8,561</b>	13,747
Other income	6	<b>2,854</b>	1,346
Other gains and losses	7	<b>(505)</b>	(1,029)
Selling and distribution expenses		<b>(341)</b>	(1,359)
Administrative expenses		<b>(5,593)</b>	(5,380)
Research expenditure		<b>(3,026)</b>	(4,888)
Finance costs	8	<b>(979)</b>	(1,557)
Profit before income tax	9	<b>971</b>	880
Income tax expense	10	<b>(6)</b>	(5)
Profit for the period attributable to the equity holders of the Company		<b>965</b>	875
Other comprehensive income		<b>–</b>	–
Total comprehensive income for the period attributable to the equity holders of the Company		<b>965</b>	875
Earnings per share			
– Basic and diluted ( <i>RMB cents</i> )	11	<b>0.12</b>	0.11
Dividends	12	<b>–</b>	–

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Unaudited)
<b>Non-current assets</b>			
Property, plant and equipment	13	58,395	57,153
Investment properties	14	6,659	6,659
Intangible assets		1,102	834
Financial assets mandatorily measured at fair value through profit or loss ("FVTPL")	15	21,500	21,500
Deferred tax assets		1,854	423
		<b>89,510</b>	<b>86,569</b>
<b>Current assets</b>			
Inventories		27,484	18,812
Trade and other receivables	16	53,384	81,697
Amount due from ultimate parent company		–	19,775
Bills receivables		7,099	5,299
Restricted bank deposits		–	60
Bank balances and cash		12,844	7,381
		<b>100,811</b>	<b>133,024</b>
<b>Current liabilities</b>			
Trade and other payables	17	35,444	46,587
Contract liabilities		3,166	3,929
Bank and other borrowings		30,000	46,020
Tax payable		43	351
		<b>68,653</b>	<b>96,887</b>
<b>Net current assets</b>		<b>32,158</b>	<b>36,137</b>
<b>Total assets less current liabilities</b>		<b>121,668</b>	<b>122,706</b>

		<b>30 June 2024</b>	31 December 2023
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Unaudited)
<b>Non-current liabilities</b>			
Bank borrowings		<b>9,990</b>	9,980
Deferred tax liabilities		-	-
		<b>9,990</b>	9,980
<b>Net assets</b>			
		<b>111,678</b>	112,726
<b>Capital and reserves</b>			
Share capital	18	<b>5,346</b>	5,346
Reserves		<b>106,332</b>	107,380
<b>Total equity</b>		<b>111,678</b>	112,726



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Share capital	Share premium	Statutory reserve	Translation reserve	Other reserve	Retained profits/ (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	5,346	36,523	11,624	23	76,907	(4,019)	126,404
Profit and total comprehensive income for the period	-	-	-	-	-	875	875
Exchange difference arising from the translation of foreign operations	-	-	-	(1,783)	-	-	(1,783)
At 30 June 2023	5,346	36,523	11,624	(1,760)	76,907	(3,144)	125,496
At 1 January 2024	5,346	36,523	11,624	(1,379)	76,907	(16,295)	112,726
Profit and total comprehensive income for the period	-	-	-	-	-	965	965
Exchange difference arising from the translation of foreign operations	-	-	-	(2,013)	-	-	(2,013)
At 30 June 2024	5,346	36,523	11,624	(3,392)	76,907	(15,330)	111,678

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024

	Six months ended	
	30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	5,871	(6,529)
Net cash (used in)/generated from investing activities	(1,241)	9,257
Net cash generated from/(used in) financing activities	2,846	(1,497)
Net increase in cash and cash equivalents	7,476	1,231
Cash and cash equivalents at beginning of the period	7,381	9,326
Effect of foreign exchange rate changes, net	(2,013)	(1,783)
Cash and cash equivalents at end of the period	12,844	8,774

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 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 (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 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 interim financial information of the Group for the six months ended 30 June 2024 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 interim financial information are consistent with those adopted in the preparation of the Group's unaudited annual financial statements for the year ended 31 December 2023, except for the adoption of the new and revised IFRSs that have become effective for its accounting period beginning on 1 January 2024.

The adoption of the new and revised IFRSs has no significant effect on this unaudited condensed consolidated interim 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 interim 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.

## 2. Basis of Preparation of the Financial Information (continued)

The unaudited condensed consolidated interim 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 interim financial statements of the Group for the six months ended 30 June 2024 are consistent with those of the annual financial statements for the year ended 31 December 2023, 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 2024 do not have a material impact on the results and financial position of the Group.

Taxes on income in the interim periods 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 this interim 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 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:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Sales of fabric products, recognised at a point in time	<b>7,271</b>	42,215
Revenue from printing and dyeing service, recognised over time	<b>69,285</b>	61,593
<b>Total</b>	<b>76,556</b>	103,808

## 5. Revenue (continued)

### 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 (2023: 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 (2023: 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

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Interest income	<b>20</b>	4
Net gain on sales of raw materials	<b>47</b>	–
Government subsidies ( <i>Note</i> )	<b>833</b>	625
Dividend received from financial asset mandatorily measured at FVTPL	<b>1,634</b>	–
Rental income	<b>48</b>	52
Others	<b>272</b>	665
Total	<b>2,854</b>	1,346

*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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Donation	(706)	–
Net loss on disposal of property, plant and equipment	–	(1,943)
Net loss on sales of raw materials	–	(126)
Net exchange gain	718	1,202
Others	(517)	(162)
Total	(505)	(1,029)

## 8. Finance Costs

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest on bank borrowings	960	1,539
Interest on lease liabilities	19	18
Total	979	1,557

## 9. Profit Before Income Tax

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Amortisation of intangible asset	115	91
Cost of inventories	53,036	70,248
Depreciation	5,087	7,482
Staff cost (including directors' emoluments)	4,915	9,756

## 10. Income Tax Expense

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	(6)	(5)
Deferred tax credit	-	-
Total	(6)	(5)

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 six months ended 30 June 2024 and 2023.

Provision for the PRC Enterprise Income Tax during the six months ended 30 June 2024 and 2023 was made based on the estimated assessable 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 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 Xinhu 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 2024, 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%.

\* English name is for identification purposes only.

#### 10. Income Tax Expense (continued)

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” 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 and therefore entitled to a preferential tax rate of 15% in 2024 (2023: 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.

The income tax expense for the six months ended 30 June 2024 can be reconciled to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Profit before income tax	<b>971</b>	880
Tax at PRC EIT rate of 25%	<b>(243)</b>	(220)
Tax effect of expense not deductible for tax purpose	<b>(187)</b>	(182)
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	<b>514</b>	503
Income taxed at concessionary rate	<b>315</b>	308
Tax effect of deductible of temporary difference	<b>(157)</b>	(155)
Tax effect of expenses not taxable for tax purpose	<b>(248)</b>	(259)
Income tax expense	<b>(6)</b>	(5)

\* English name is for identification purposes only.



## 11. Earnings Per Share

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

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Earnings:		
Profit for the period attributable to the equity holders of the Company for the purpose of basic earnings per Share (RMB'000)	<b>965</b>	875
Number of shares:		
Number of ordinary Shares for the purpose of basic earnings per share	<b>800,000,000</b>	800,000,000
Basic earnings per Share (RMB cents per Share)	<b>0.12</b>	0.11

The calculation of basic earnings per share is based on the profit for the period attributable to the equity holders of the Company of approximately RMB965,000 (2023: approximately RMB875,000) and the number of 800,000,000 ordinary shares (2023: 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.

## 12. Dividend

The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: nil).

## 13. Property, Plant and Equipment

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with a cost of approximately RMB977,000 (2023: approximately RMB1,186,000). Items of property, plant and equipment with a total carrying amount of approximately RMB2,218,000 (2023: approximately RMB13,207,000) were disposed of during the six months ended 30 June 2024.

## 14. Investment Properties

The Group's investment properties were not revalued as at 30 June 2024 by independent valuers. The Directors were aware of the possible change in the conditions of the property market. The Directors considered that the carrying amount of the Group's investment properties did not differ significantly from the fair values as at 31 December 2023 carried out by independent qualified professional valuers. Consequently, no change in fair value of investment properties has been recognized in the Reporting Period. During the Reporting Period, the Group neither acquired nor disposed any investment properties.

## 15. Financial Assets Mandatorily Measured at FVTPL

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Unaudited)
Non-current and mandatorily measured at FVTPL: Unlisted equity securities ( <i>note (i)</i> )	<b>21,500</b>	21,500
Current and measured at FVTPL: Listed equity securities ( <i>note (ii)</i> )	–	–
	<b>21,500</b>	21,500

### Notes:

- (i) The unlisted equity securities represent the investment in 7,565,794 shares, representing 1.07%, equity interest in Zhejiang Changxing Rural Commercial Bank Company Limited. The unlisted equity securities are measured at FVTPL.
- (ii) The listed equity investments were classified as fair value through profit or loss as they were held for trading. The fair values of listed equity investments under Level 1 are based on quoted market prices on The Shanghai Stock Exchange and The Shenzhen Stock Exchange.

## 16. Trade and Other Receivables

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Unaudited)
Trade receivables	<b>18,873</b>	20,648
Less: loss allowance for trade receivables	<b>(2,138)</b>	(2,138)
	<b>16,735</b>	18,510
Prepayments	<b>34,292</b>	33,575
Value added tax recoverable	<b>578</b>	445
Other receivables		
– Consideration receivable	–	18,500
– Loan to a supplier	–	10,000
– Others	<b>2,587</b>	1,475
Less: loss allowance for other receivables	<b>(808)</b>	(808)
	<b>1,779</b>	29,167
Total	<b>53,384</b>	81,697

The Group allows a credit period ranging from 30 to 90 days (2023: 30 to 90 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowance of doubtful debts, presented based on the dates of goods sold or invoice date at the end of the Reporting Period, which approximated the respective revenue recognition dates:

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Unaudited)
Within 3 months	<b>11,329</b>	14,070
Over 3 months but within 6 months	<b>4,956</b>	4,029
Over 6 months but within 1 year	<b>268</b>	243
Over 1 year but within 2 years	<b>182</b>	168
Total	<b>16,735</b>	18,510

## 17. Trade and Other Payables

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Unaudited)
Trade payable	<b>10,542</b>	19,261
Other payables	<b>22,150</b>	24,369
Other tax payables	<b>675</b>	704
Payroll payable	<b>2,018</b>	2,187
Interest payable	<b>59</b>	66
Total	<b>35,444</b>	46,587

The average credit period on purchases of goods is ranging from 30 to 90 days (2023: 30 to 90 days) upon receipts of the relevant VAT invoices. The following is an aged analysis of trade and bills payable, presented based on the goods receipt date at the end of the Reporting Period:

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Unaudited)
Within 3 months	<b>6,851</b>	14,231
Over 3 months but within 6 months	<b>2,038</b>	2,985
Over 6 months but within 1 year	<b>1,653</b>	1,816
Over 1 year but within 2 years	<b>–</b>	229
Total	<b>10,542</b>	19,261

## 18. Share Capital

	Number of shares '000	Amount US\$'000	Amount equivalent to RMB'000
Authorised:			
Ordinary shares of US\$0.001 each			
At 1 January 2023, 31 December 2023 (audited),			
1 January 2024, 30 June 2024 (unaudited)	2,000,000	2,000	13,365
Issued and fully paid:			
Ordinary shares of US\$0.001 each			
At 1 January 2023, 31 December 2023 (audited),			
1 January 2024, 30 June 2024 (unaudited)	800,000	800	5,346

## 19. Financial Instruments

Categories of financial instruments:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Unaudited)
<b>Financial assets</b>		
Financial asset measured at FVTPL	21,500	21,500
Financial assets measured at amortised cost	66,156	74,893
Receivables at amortised cost	4,765	5,299
Total	92,421	101,692
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	59,842	70,402
Total	59,842	70,402

## 19. Financial Instruments (continued)

### *Financial risk management objectives and policies*

The major financial instruments include financial asset mandatorily measured at FVTPL, trade and other receivables, receivables at amortised cost, bank deposits, trade and other payables and bank borrowings.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### *Currency risk*

During the six months ended 30 June 2024, approximately 14.3% (2023: 15.9%) of the Group's sales and approximately 0.3% (2023: 0.4%) of the Group's purchase is denominated in currency other than the functional currency of the relevant group entities making the sale and purchase.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in currency other than the respective group entities' functional currencies at the end of each reporting period are as follows:

	Liabilities		Assets	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
US\$	-	-	58	-

The Group currently does not have a foreign currency hedging policy as the management of the Group considers that the foreign exchange risk exposure of the Group is minimal. The Group will consider hedging significant foreign currency exposure should the need arise.

### *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and finance lease obligations. The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on an on-going basis and will consider hedging interest rate risk should the need arises.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank balances. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

## 19. Financial Instruments (continued)

### *Credit risk*

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the unaudited condensed consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

In the opinion of the Directors of the Company, the risk of default in payment of the bills receivables is low because all bills receivables are issued and guaranteed by reputable PRC banks.

The credit risk on bank balances is limited because the counterparties are banks with good reputations.

### *Trade receivables*

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items on an individual basis for customer with credit-impaired balance and/or assessed collectively for remaining debtors, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast of conditions at the reporting date.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default.

The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group determines the ECL on these items by (i) assessed individually for certain debtors with credit-impaired balance and/or (ii) assessed collectively for remaining debtors based on historical credit loss experience on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the end of each reporting period.

## 19. Financial Instruments (continued)

### *Other receivables*

For other receivables, the Group has applied the general approach in IFRS 9 to measure the loss allowance approximate to such at 12m ECL, since we assessed there is no any significant increase in credit risk since initial recognition.

### *Bank balances and receivables at amortised cost*

The bank balances and receivables at amortised cost are determined to have low risk at the end of the Reporting Period. The credit risk on bank balances and receivables at amortised cost are limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

### *Liquidity risk*

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the Group's liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

In respect of the bank borrowings with carrying amount of approximately RMB40.0 million as at 30 June 2024, of which approximately RMB30.0 million will be matured in the coming next 12 months after 30 June 2024 in accordance with the repayment schedule of the respective agreements, the Directors of the Company are of the view that the Group would be able to renew the majority of these borrowings upon their maturity, based on the relationship and successful renewal history with the banks. Furthermore, as at 30 June 2024, the Group has available unutilised banking facilities amounted to approximately RMB17.0 million.

### *Fair value measurements of financial instruments*

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the Reporting Period, in terms of production equipment, the Group eliminated its high energy-consuming production equipment and instead opted for smart, digitalised, and energy efficient equipment by consolidating resources. Through technological research and artistic innovation, we also produced more quality products that aligned with market demands, to create a “Quality”, “Exquisite”, “Special”, and “Innovative” product portfolio. In terms of customers, we decided to abandon small customers with low profit margins and target quality customers with stable and long-term relationships, due to the impact of the war and other factors such as the recoverability of receivables. During the Reporting Period, with due consideration to policies and other factors, the Group consolidated its existing resources and made full use of its social resources, and achieved the following results:

- (1) Explore new marketing channels, quickly re-enter international markets, stay committed to our strategy of “expanding into foreign markets”, improve the relationship between domestic businesses, expand and attain a quality customer base, and optimise our supply chain to adopt a new supply chain system;
- (2) Continue to make technological advancements, minimise energy consumption while ensuring production efficiency, insist on prioritising quality, develop steadily, and explore new markets;
- (3) Optimise our labour structure, recruit talents, improve the efficiency of our departments, enhance communication among different departments, restructure and streamline staff, and strengthen the responsibility system within the workplace; and
- (4) Optimise the operations of Narnia according to the Group’s development progress, while taking into account multiple factors such as adjustments to the Company’s strategies and changes in the market.

## Financial Review

### Revenue

Our total revenue was approximately RMB76.6 million for the six months ended 30 June 2024 (2023: approximately RMB103.8 million), representing a decrease of 26.2% as compared to the six months ended 30 June 2023. The decrease in revenue was mainly due to the decrease in sales volume during the Reporting Period as compared to the six months ended 30 June 2023.

	Six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Sales of fabric products, recognised at a point in time	<b>7,271</b>	<b>9.5</b>	42,215	40.7
Revenue from printing and dyeing service, recognised over time	<b>69,285</b>	<b>90.5</b>	61,593	59.3
Total	<b>76,556</b>	<b>100.0</b>	103,808	100.0

Revenue from the sales of fabrics products decreased by approximately RMB34.9 million or 82.7% from approximately RMB42.2 million for the six months ended 30 June 2023 to approximately RMB7.3 million for the six months ended 30 June 2024, reflecting the decrease of total volume of fabrics sold from approximately 9.9 million metres for the six months ended 30 June 2023 to approximately 1.7 million metres for the six months ended 30 June 2024.

With a view to diversifying our source of revenue, we also provide printing and dyeing service in the PRC. The increase in revenue from the provision of printing and dyeing service of approximately RMB7.7 million or 12.5% from approximately RMB61.6 million for the six months ended 30 June 2023 to approximately RMB69.3 million for the six months ended 30 June 2024, was primarily attributable to the increase in sales orders for printing and dyeing service from our existing customers for 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 RMB90.1 million for the six months ended 30 June 2023 to approximately RMB68.0 million for the six months ended 30 June 2024, representing a decrease of approximately 24.5%. The decrease was mainly due to the decrease in production volume for the Reporting Period.

### **Gross profit and gross profit margin**

Our gross profit was approximately RMB8.6 million for the six months ended 30 June 2024 (2023: approximately RMB13.7 million). The Group's gross profit margin decreased from approximately 13.2% for the six months ended 30 June 2023 to approximately 11.2% for the six months ended 30 June 2024. The decrease in gross profit margin was mainly due to the change in sales mix and the fact that the average cost of the raw materials and energy for the Reporting Period were higher than those in the prior year, which led to a relatively higher cost of sales and services for the six months ended 30 June 2024.

### **Other income**

Our other income was approximately RMB2.9 million for the six months ended 30 June 2024 (2023: approximately RMB1.3 million). The increase of approximately RMB1.6 million for the six months ended 30 June 2024 compared to that for the six months ended 30 June 2023 was mainly due to the increase in government subsidies and dividend income received from financial asset mandatorily measured at FVTPL of approximately RMB1.6 million.

Government subsidies increased from approximately RMB0.6 million for the six months ended 30 June 2023 to approximately RMB0.8 million for the Reporting Period.

### **Other gains and losses**

Our other losses was approximately RMB0.5 million for the six months ended 30 June 2024 (2023: other losses of approximately RMB1.0 million). The decrease of approximately RMB0.5 million for the six months ended 30 June 2024 compared to that for the six months ended 30 June 2023 was mainly due to the fact that there was a net loss on disposal of property plant and equipment of approximately RMB1.9 million for the six months ended 30 June 2023, and there was no such loss for the Reporting Period.

### **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 RMB1.1 million or approximately 78.6% from approximately RMB1.4 million for the six months ended 30 June 2023 to approximately RMB0.3 million for the six months ended 30 June 2024. The decrease was mainly due to the decrease in delivery cost and exhibition expenses.

### **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 increased by approximately RMB0.2 million or approximately 3.7% from approximately RMB5.4 million for the six months ended 30 June 2023 to approximately RMB5.6 million for the six months ended 30 June 2024. The increase was mainly due to the increase in professional fees.

### **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 RMB3.0 million for the six months ended 30 June 2024 (2023: approximately RMB4.9 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 in research expenditure of approximately RMB1.9 million for the Reporting Period as compared to the six months ended 30 June 2023 was mainly due to the decrease in direct usage of different materials during the testing and analysing process.

### **Finance costs**

For the six months ended 30 June 2024, our finance costs amounted to approximately RMB1.0 million (2023: approximately RMB1.6 million). Our finance costs mainly comprised the interest expense on our bank and other borrowings. The finance cost decreased by approximately RMB0.6 million or 37.5% as comparing to that of the same period last year, mainly as a result of the decrease in bank borrowings and reduction in bank interest rate.

### **Income tax expense**

Income tax expense represents our total current and deferred tax expense. The income 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 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 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 2024 (2023: 15%).

The income tax expense for the six months ended 30 June 2024 was approximately RMB0.01 million (2023: approximately RMB0.01 million). The details are set out in Note 10 to the financial statements.

### ***Profit and other total comprehensive income for the period attributable to the equity holders of the Company***

As a result of the foregoing, our profit and other total comprehensive income for the period attributable to the equity holders of the Company for the six months ended 30 June 2024 was approximately RMB1.0 million (2023: approximately RMB0.9 million).

### ***Dividend***

The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: nil).

### ***Liquidity and capital resources***

Our Group's liquidity and working capital requirements primarily relate to our operating costs and capital expenditures on property, plant and equipment. During the Reporting Period, we have funded our liquidity and working capital requirements through a combination of shareholders' equity, cash generated from operations, bank borrowings. Going forward, we expect to fund our working capital, capital expenditures, and other liquidity requirements with a combination of sources, including but not limited to cash generated from our operations, banking facilities, as well as other external equity and debt financing. Taking into account the cash flow generated from operations and the long and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this report.

As at 30 June 2024, our Group had bank balances and cash amounting to approximately RMB12.8 million (31 December 2023: approximately RMB7.4 million).

\* English name is for identification purposes only.

### **Cash Flow**

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal due on its indebtedness and providing funds for capital expenditures and growth of the Group's operations.

During the Reporting Period, the Group's cash and cash equivalents increased by approximately RMB5.4 million, which mainly comprised the net cash generated from operating activities with the amount of approximately RMB5.8 million, net cash used in investing activities with the amount of approximately RMB1.2 million, and net cash generated from financing activities with the amount of approximately RMB2.8 million and the foreign exchange loss of approximately RMB2.0 million. The cash flow details of the Group are set out in page 9 under "Unaudited Condensed Consolidated Cash Flow Statement" in this report.

### **Capital Structure**

The capital of the Company comprises only ordinary Shares. Details of the Company's share capital are set out in Note 18 to the unaudited condensed consolidated financial statements. During the Reporting Period, there was no change in the capital structure of the Company.

### **Indebtedness**

The total indebtedness of the Group as at 30 June 2024 was approximately RMB40.0 million (31 December 2023: approximately RMB56.0 million). During the Reporting Period, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

### **Gearing ratio**

The gearing ratio of the Group as at 30 June 2024 was approximately 24.3% (as at 31 December 2023: approximately 43.1%), which represents total interest-bearing bank and other borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant period/year and multiplied by 100%.

### **Pledge of assets**

As at 30 June 2024, the Group had pledged certain buildings, fixtures and facilities, land use right and time deposits with aggregate carrying amount of approximately RMB28.0 million (31 December 2023: approximately RMB32.4 million).

### **Capital expenditures**

The capital expenditures of the Group primarily included purchases of plant and equipment, construction in progress. The Group's capital expenditures amounted to approximately RMB1.0 million for the six months ended 30 June 2024 (2023: approximately RMB1.2 million).

### Foreign exchange risk

The major business of the Group has used RMB and US\$ as the functional and operational currencies. The Group faces foreign exchange risk arising from RMB and US\$. The Group has no major risks in changes for other currency exchange. However, the Group had not entered into any hedging instrument or contract or other financial instrument for hedging purpose during the Reporting Period.

### Significant Investments Held

#### Financial assets mandatorily measured at FVTPL

As at 30 June 2024, the Group had the following financial assets mandatorily measured at FVTPL:

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Unaudited)
Unlisted equity securities	<b>21,500</b>	21,500
Listed equity securities	-	-
	<b>21,500</b>	21,500

The unlisted equity securities represent the investment in 7,565,794 shares in Zhejiang Changxing Rural Commercial Bank Company Limited\* (浙江長興農村商業銀行股份有限公司), a joint-stock company incorporated in the PRC with limited liability which engages in banking business in the PRC.

### Investment properties

As at 30 June 2024, the Group's investment properties had a carrying value of approximately RMB6.7 million (31 December 2023: approximately RMB6.7 million). As at 30 June 2024 and 31 December 2023, the Group's investment properties were pledged to secure certain bank borrowings of the Group.

Save as disclosed above and the investments in the subsidiaries and associates by the Company, the Group did not hold any significant investments during the Reporting Period.

### Future Plan for Material Investments and Capital Assets

Save as those disclosed in the prospectus of the Company dated 13 February 2019 (the "Prospectus") and in this report, the Group currently has no other plan for material investments and capital assets.

\* English name is for identification purposes only.

## Material Acquisition and Disposal by the Group of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not make any material acquisition and disposal of subsidiaries, associates and joint ventures.

## Going Concern

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the Group's unaudited condensed consolidated financial statements were prepared on a going concern basis.

## Future Outlook

Looking ahead, 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 2024, 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.

### Human Resources and Training

As at 30 June 2024, the Group had a total of 221 employees, total staff cost for the Reporting Period amounted to approximately RMB7.3 million (2023: approximately RMB9.8 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 June 2024, 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**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/ nature of interest</b>	<b>Number of shares held</b>	<b>Percentage of shareholding</b>
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 June 2024, 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 June 2024, 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 June 2024, 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**

<b>Person/corporation</b>	<b>Capacity/ nature of interest</b>	<b>Number of shares in the Company held (Note 1)</b>	<b>Approximate percentage of the Company's total issued share capital</b>
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 June 2024, 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 June 2024, 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 six months ended 30 June 2024 and up to the date of this report, 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 six months ended 30 June 2024 and up to the date of this report, 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 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 six months ended 30 June 2024.

### 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 report 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.

### 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) 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 June 2024, the Group had utilised approximately RMB37.9 million of the net proceeds, details of which are set out in the table below:

	<b>Planned use of the net proceeds as disclosed in the Prospectus</b> <i>(RMB million)</i>	<b>Revised use of the net proceeds as disclosed in the Announcement</b> <i>(RMB million)</i>	<b>Actual utilised amount during the six months ended 30 June 2024</b> <i>(RMB million)</i>	<b>Actual utilised amount as at 30 June 2024</b> <i>(RMB million)</i>
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	–	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
<b>Total</b>	<b>37.9</b>	<b>37.9</b>	<b>–</b>	<b>37.9</b>

## 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 six months ended 30 June 2024 and up to the date of this report, 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 six months ended 30 June 2023 and up to the date of this report.



### Audit Committee

We established an Audit Committee with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph D.3.3 of the Corporate Governance Code pursuant to a resolution of our Directors passed on 29 January 2019. The primary duties of our 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 of 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 report has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited financial statements, the results announcement and this interim report of the Company for the six months ended 30 June 2024 with the management of the Group and agreed with the accounting treatments adopted by the Company, and was of the opinion that the preparation of the financial statements in this interim report complies with the applicable accounting standards and the requirements under the GEM Listing Rules and adequate disclosures have been made.

### Delay in publication of annual results for the year ended 31 December 2023 and Suspension of trading

As disclosed in the announcement of the Company dated 26 March 2024 and 1 April 2024, Moore CPA Limited, the ex-auditors of the Company, in its letter to the Board and the audit committee of the Board dated 25 March 2024, has outlined, among other things, key unresolved audit matters. As additional time is required to complete the audit works of the Group on the annual results for the year ended 31 December 2023 (the “**2023 Annual Results**”), the Company was not able to publish the 2023 Annual Results to the Shareholders by 31 March 2024. Delay in publication of the 2023 Audited Annual Results will constitute non-compliance of Rules 18.49 of the GEM Listing Rules.

Pursuant to Rule 17.49A of the GEM Listing Rules, the Stock Exchange will normally require suspension of trading in an issuer's securities if an issuer does not publish its financial information in accordance with the GEM Listing Rules. The suspension will normally remain in force until the issuer publishes an announcement containing the requisite financial information.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 09:00 a.m. on Tuesday, 2 April 2024, and will remain suspended until further notice. Please refer to the announcement of the Company dated 26 March 2024 and 1 April 2024 for further details.

### Termination of discloseable transaction in respect of disposal of shares of Zhejiang Changxing Rural Commercial Bank Company Limited\* (浙江長興農村商業銀行股份有限公司)

As disclosed in the announcement of the Company dated 5 April 2024, on 28 March 2024, Changxing Rural Commercial Bank issued a letter to the Vendor, an indirectly wholly-owned subsidiary of the Company, among other things, informing that the Purchaser is not eligible to be registered as a shareholder of Changxing Rural Commercial Bank due to relevant rules and regulations of the National Financial Regulatory Administration\* (國家金融監督管理總局). As a result, the Vendor remains a registered shareholder of Changxing Rural Commercial Bank, holding 7,565,794 shares in Changxing Rural Commercial Bank, though the Purchaser had fully paid the Consideration to the Vendor by August 2023.

The Board considers that the termination of the Share Disposal does not have any material adverse impact on the business operation and financial position of the Company. Please refer to the announcement of the Company dated 5 April 2024 for further details.

### Change of auditor

As disclosed in the announcement of the Company dated 28 June 2024 and 12 July 2024, Moore CPA Limited has tendered its resignation as the auditor of the Company with effect from 28 June 2024 (the "**Resignation**"). With the recommendation of the Audit Committee, the Board has resolved to appoint Crowe (HK) CPA Limited ("**Crowe**") as the new auditor of the Company to fill the casual vacancy following the Resignation. Crowe has completed its internal clearance procedures and has been appointed as the new auditor of the Company with effect from 12 July 2024 and will hold office until the conclusion of the next annual general meeting of the Company. Please refer to the announcement of the Company dated 28 June 2024 and 12 July 2024 for further details.

\* English name is for identification purposes only.

### Events After the Reporting Period

There is no material events after the Reporting Period as at the date of this report.

### Disclosure of Information

The interim report for the six months ended 30 June 2024 will be dispatched to shareholders of the Company and published on the Company's website at [www.narnia.hk](http://www.narnia.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://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, 15 August 2024

*As at the date of this report, 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.*