



**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

THIRD QUARTERLY REPORT

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*This report, 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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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

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 nine months ended 30 September 2024, the results highlights were as follows:

- Revenue decreased by 25.3% to approximately RMB115.0 million (2023: approximately RMB153.9 million).
- Gross profit decreased by 42.7% to approximately RMB10.2 million (2023: approximately RMB17.8 million).
- Gross profit margin was approximately 8.9% (2023: approximately 11.6%).
- Loss attributable to the equity holders of the Company for the nine months ended 30 September 2024 was approximately RMB2.6 million (2023: approximately RMB0.8 million).
- Basic losses per share was approximately RMB0.33 cents (2023: approximately RMB0.09 cents).
- The Board resolved not to recommend the payment of any interim dividend for the nine months ended 30 September 2024 (2023: nil).

UNAUDITED CONSOLIDATED THIRD QUARTERLY 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 nine months ended 30 September 2024 (the “**Reporting Period**”) and selected explanatory notes, together with the comparative figures of the corresponding period in 2023 as follows:

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

For the nine months ended 30 September 2024

	Note	Three months ended 30 September		Nine months ended 30 September	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	5	38,394	50,053	114,950	153,861
Cost of sales and services		(36,753)	(45,998)	(104,748)	(136,059)
Gross profit		1,641	4,055	10,202	17,802
Other income	6	782	359	3,589	1,705
Other gains and losses	7	(993)	(880)	(1,451)	(1,909)
Selling and distribution expenses		(17)	(733)	(358)	(2,092)
Administrative expenses		(3,420)	(1,830)	(9,013)	(7,210)
Research expenditure		(1,611)	(2,147)	(4,637)	(7,035)
Finance costs	8	(320)	(462)	(1,299)	(2,019)
Loss before tax		(3,938)	(1,638)	(2,967)	(758)
Income tax credit/(expense)	9	376	4	370	(1)
Loss for the period attributable to the equity holders of the Company		(3,562)	(1,634)	(2,597)	(759)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period attributable to the equity holders of the Company		(3,562)	(1,634)	(2,597)	(759)
Losses per share					
– Basic and diluted (RMB cents)	10	(0.45)	(0.20)	(0.33)	(0.09)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2024

	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 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	5,346	36,523	11,624	75,147	(4,778)	123,862
At 1 January 2024	5,346	36,523	11,624	75,528	(16,295)	112,726
Loss and total comprehensive loss for the period	-	-	-	-	(2,597)	(2,597)
At 30 September 2024	5,346	36,523	11,624	75,528	(18,892)	110,129

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 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 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 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 2024 are consistent with those of the audited 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 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of fabric products, recognised at a point in time	11,078	62,662
Revenue from printing and dyeing service, recognised over time	103,872	91,199
Total	114,950	153,861

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

	Nine months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	23	7
Government subsidies (<i>Note</i>)	850	750
Dividend received from financial asset mandatorily measured at FVTPL	1,634	–
Rental income	48	205
Others	1,034	743
Total	3,589	1,705

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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net loss on disposal of property, plant and equipment	–	(1,943)
Net gain/(loss) on sales of raw materials	48	(151)
Net exchange gain	84	983
Others	(1,583)	(798)
Total	(1,451)	(1,909)

8. Finance Costs

	Nine months ended 30 September	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	1,299	2,019

9. Income Tax Credit/(Expense)

	Nine months ended 30 September	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax credit/(expense)	370	(1)
Deferred tax charge	–	–
Total	370	(1)

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 2024 and 2023. Provision for the PRC Enterprise Income Tax during the nine months ended 30 September 2024 and 2023 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%.

* English name is for identification purpose only.

9. Income Tax Credit/(Expense) (continued)

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%.

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 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 credit for the nine months ended 30 September 2024 can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive loss as follows:

	Nine months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss before tax	(2,967)	(758)
Tax at PRC EIT rate of 25%	742	190
Tax effect of expense not deductible for tax purpose	(318)	(286)
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	175	269
Income taxed at concessionary rate	453	410
Tax effect of deductible temporary difference	(395)	(291)
Tax effect of income not taxable for tax purpose	(287)	(293)
Income tax credit/(expense)	370	(1)

* English name is for identification purpose only.

10. Losses Per Share

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

	Nine months ended	
	30 September	
	2024	2023
	(Unaudited)	(Unaudited)
Losses:		
Loss for the period attributable to the equity holders of the Company for the purpose of basic losses per Share <i>(RMB'000)</i>	(2,597)	(759)
Number of Shares:		
Number of ordinary Shares for the purpose of basic losses per Share	800,000,000	800,000,000
Basic losses per Share <i>(RMB cents per Share)</i>	(0.33)	(0.09)

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 RMB2,597,000 (2023: loss of approximately RMB759,000) 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.

11. Dividends

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

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, 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 RMB115.0 million for the nine months ended 30 September 2024 (2023: approximately RMB153.9 million), representing a decrease of approximately RMB38.9 million or 25.3% as compared to the nine months ended 30 September 2023. 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 2023.

	Nine months ended 30 September			
	2024		2023	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Sales of fabric products, recognised at a point in time	11,078	9.6	62,662	40.7
Service revenue from printing and dyeing, recognised over time	103,872	90.4	91,199	59.3
Total	114,950	100.0	153,861	100.0

Revenue from the sales of fabrics decreased by approximately RMB51.6 million or 82.3% from approximately RMB62.7 million for the nine months ended 30 September 2023 to approximately RMB11.1 million for the nine months ended 30 September 2024 with total volume of fabrics sold at approximately 1.9 million metres for the nine months ended 30 September 2024 as compared to approximately 10.9 million metres for the nine months ended 30 September 2023.

Revenue from printing and dyeing services increased by approximately RMB12.7 million or 13.9% from approximately RMB91.2 million for the nine months ended 30 September 2023 to approximately RMB103.9 million for the nine months ended 30 September 2024 which was primarily attributable to the increased 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 RMB136.1 million for the nine months ended 30 September 2023 to approximately RMB104.7 million for the nine months ended 30 September 2024, representing a decrease of approximately RMB31.4 million or 23.1%. The decrease in cost of sales and services was mainly due to the decrease in the total production volume for the Reporting Period.

Gross profit and gross profit margin

Our gross profit was approximately RMB10.2 million for the nine months ended 30 September 2024 (2023: approximately RMB17.8 million). The Group's gross profit margin decreased from approximately 11.6% for the nine months ended 30 September 2023 to approximately 8.9% for the nine months ended 30 September 2024. The decrease 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 higher than those in the prior year, which led to a relatively higher cost of sales and services for the nine months ended 30 September 2024.

Other income

Our other income was approximately RMB3.6 million for the nine months ended 30 September 2024 (2023: approximately RMB1.7 million). The increase of approximately RMB1.9 million for the nine months ended 30 September 2024 compared to that for the nine months ended 30 September 2023 was mainly due to the increase in government subsidies and dividend received from financial asset mandatorily measured at FVTPL.

Other gains and losses

Our other losses was approximately RMB1.5 million for the nine months ended 30 September 2024 (2023: approximately RMB1.9 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 RMB1.7 million or 81.0% from approximately RMB2.1 million for the nine months ended 30 September 2023 to approximately RMB0.4 million for the nine months ended 30 September 2024. 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 increased by approximately RMB1.8 million or 25.0% from approximately RMB7.2 million for the nine months ended 30 September 2023 to approximately RMB9.0 million for the nine months ended 30 September 2024. The increase was mainly due to the increase in legal and professional fee for the resumption of trading in the Company's shares.

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 RMB4.6 million for the nine months ended 30 September 2024 (2023: approximately RMB7.0 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 RMB2.4 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 2024, our finance costs amounted to approximately RMB1.3 million (2023: approximately RMB2.0 million). Our finance costs mainly comprised the interest expenses on our bank and other borrowings. The finance cost decreased by approximately RMB0.7 million or 35.0% as compared to that of last year, mainly as a result of the decrease in bank borrowings.

Income tax credit/(expense)

Income tax credit represents our total current and deferred tax credit. The current tax is calculated based on taxable losses 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 2024 (2023: 15%).

The income tax credit for the nine months ended 30 September 2024 was approximately RMB0.4 million, when compared to that of income tax expense approximately RMB0.001 million for the nine months ended 30 September 2023. 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 2024 was approximately RMB2.6 million, while there was a loss of approximately RMB0.8 million for the nine months ended 30 September 2023.

Dividends

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

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.

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 2024, the Group had a total of 81 employees, total staff cost for the Reporting Period amounted to approximately RMB5.3 million (2023: approximately RMB14.9 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 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	422,558,000 (L)	52.82%
Ms. Song Xiaoying	Interest in controlled corporation (Note 2)	Spring Sea	422,558,000 (L)	52.82%
Mr. Yeung Yiu Wah Francis	Beneficial owner	–	10,000,000 (L)	1.25%

Notes:

- The letter (L) denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- Spring Sea Star Investment Limited (“**Spring Sea**”) was the registered owner of 422,558,000 Shares, representing approximately 52.82% 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 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 September 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 September 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

Person/corporation	Capacity/ nature of interest	Number of shares in the Company held <i>(Note 1)</i>	Approximate percentage of the Company's total issued share capital
Spring Sea	Beneficial owner <i>(Note 2)</i>	422,558,000 (L)	52.82%
Chong Yuet Lan	Beneficial owner	121,602,000 (L)	15.20%

Notes:

- The letter (L) denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in the Shares.
- Spring Sea was the registered owner of 422,558,000 Shares, representing approximately 52.82% 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 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 September 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 nine months ended 30 September 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 nine months ended 30 September 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 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 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 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 2024, 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 <i>(RMB million)</i>	Revised use of the net proceeds as disclosed in the Announcement <i>(RMB million)</i>	Actual utilised amount during the nine months ended 30 September 2024 <i>(RMB million)</i>	Actual utilised amount as at 30 September 2024 <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
Total	37.9	37.9	–	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 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 nine months ended 30 September 2024 and up to the date of this report.

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 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 quarterly report of the Company for the nine months ended 30 September 2024 and agreed with the accounting treatments adopted by the Company, and was of the opinion that the preparation of the financial statements in this quarterly 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.

Events After the Reporting Period

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

* English name is for identification purpose only.

Disclosure of Information

The quarterly report for the nine months ended 30 September 2024 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 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.