



**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



2019
THIRD QUARTERLY REPORT

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This report, for which the directors (the “Directors”) of Namia (Hong Kong) Group Company Limited (the “Company”, together with its subsidiaries, the “Group”) 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. Wang Yongkang

Independent Non-executive Directors

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

Audit Committee Members

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

Nomination Committee Members

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

Remuneration Committee Members

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

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Headquarters and Principal Place of Business in PRC

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Changxing County
Huzhou City
Zhejiang Province
PRC

Company's Website

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Principal Place of Business in Hong Kong

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Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

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Legal Adviser

ONC Lawyers
19th Floor, Three Exchange Square
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Hong Kong

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
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Hong Kong

Compliance Adviser

Cinda International Capital Limited
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Hong Kong

Principal Bankers

Zhejiang Changxing Rural Commercial
Bank Company Limited
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Changxing County
Zhejiang Province
PRC

Industrial and Commercial Bank of
China Limited
Changxing Branch
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Changxing County
Zhejiang Province
PRC

Stock Code

8607

RESULTS HIGHLIGHTS

For the nine months ended 30 September 2019, the financial highlights were as follows:

- Revenue decreased by 1.9% to approximately RMB232.0 million (2018: approximately RMB236.4 million).
- Gross profit increased by 5.5% to approximately RMB50.3 million (2018: approximately RMB47.7 million).
- Gross profit margin was approximately 21.7% (2018: approximately 20.2%).
- Profit for the nine months ended 30 September 2019 attributable to owners of the Company decreased by 21.9% to approximately RMB26.0 million (2018: approximately RMB33.3 million).
- Basic earnings per share decreased by 38.8% to approximately RMB3.43 cents (2018: approximately RMB5.60 cents).
- The Board recommended the distribution of an interim dividend of HK2 cents per share for the nine months ended 30 September 2019 (2018: nil).

UNAUDITED CONSOLIDATED THIRD QUARTERLY RESULTS OF 2019

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 2019 (the “Reporting Period”) and selected explanatory notes, together with the comparative figures of the corresponding period in 2018 as follows:

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

For the nine months ended 30 September 2019

	Note	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	5	78,278	85,305	231,962	236,407
Cost of sales and services		(61,015)	(67,167)	(181,675)	(188,718)
Gross profit		17,263	18,138	50,287	47,689
Other income	6	671	4,769	25,927	19,495
Other gains and losses	7	(818)	(2,159)	(8,509)	15,761
Selling and distribution expenses		(711)	(299)	(1,858)	(1,684)
Administrative expenses		(3,105)	(2,915)	(8,596)	(10,036)
Research expenditure		(3,474)	(3,796)	(8,735)	(8,226)
Listing expenses		–	(1,332)	(5,864)	(8,655)
Other expenses		–	(555)	(6,937)	(6,990)
Share of result of an associate		–	–	–	724
Finance costs	8	(808)	(1,692)	(4,014)	(5,827)
Profit before tax	9	9,018	10,159	31,701	42,251
Income tax expense	10	(1,467)	(1,372)	(5,705)	(2,147)
Profit and total comprehensive income for the period		7,551	8,787	25,996	40,104
Profit and total comprehensive income for the period attributable to:					
– Owners of the Company		7,551	8,787	25,996	33,314
– Non-controlling interests		–	–	–	6,790
		7,551	8,787	25,996	40,104
Earnings per share					
– Basic (RMB cents)	11	0.94	1.48	3.43	5.60

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Attributable to owners of the Company							Total RMB'000
	Paid-in/ share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	
At 1 January 2018	79,572	-	4,030	7,462	(25,625)	65,439	18,666	84,105
Adoption of IFRS 9	-	-	-	-	2,105	2,105	601	2,706
Adjusted balance at January 2018	79,572	-	4,030	7,462	(23,520)	67,544	19,267	86,811
Profit and total comprehensive income for the period	-	-	-	-	33,314	33,314	6,790	40,104
Equity transaction with non-controlling interests	-	-	-	-	-	-	(7,766)	(7,766)
Capital reduction of Huzhou Narnia	(27,233)	-	-	-	-	(27,233)	-	(27,233)
Capital contribution by the Controlling Shareholders	-	-	1,151	83,552	-	84,703	(18,291)	66,412
Effect arising from Group Reorganisation	(52,014)	-	-	(81,423)	25	(133,412)	-	(133,412)
At 30 September 2018	325	-	5,181	9,591	9,819	24,916	-	24,916
At 1 January 2019	325	-	7,105	76,116	14,022	97,568	-	97,568
Profit and total comprehensive income for the period	-	-	-	-	25,996	25,996	-	25,996
Issue of shares by capitalisation of share premium	3,682	(3,682)	-	-	-	-	-	-
Issue of new shares	1,339	66,903	-	-	-	68,242	-	68,242
Cost of issue new shares	-	(12,254)	-	-	-	(12,254)	-	(12,254)
Capitalisation of amounts due to related parties	-	-	-	792	-	792	-	792
At 30 September 2019	5,346	50,967	7,105	76,908	40,018	180,344	-	180,344

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

1. General Information

Narnia (Hong Kong) Group Company Limited 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 PO Box 1350, Clifton House, 75 Fort Street, 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 have been 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. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost except for certain financial instruments which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended 30 September 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of plants that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of RMB817,000 and right-of-use assets of RMB817,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 6.18%.

**At 1
January
2019**
RMB'000

Operating lease commitments disclosed as at 31 December 2018	1,290
Lease liabilities discounted at relevant incremental borrowing rates	1,100
Less: Recognition exemption – short-term leases	283
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	817
Lease liabilities as at 1 January 2019	817
Analysed as	
Current	301
Non-current	516
	817

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<i>Note</i>	Right-of-use assets <i>RMB'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		817
Reclassified from prepaid lease payments	(a)	6,776
		7,593
By class:		
Leasehold lands		6,776
Land and buildings		817
		7,593

- (a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB148,000 and RMB6,628,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

3. Basis of Preparation of the Financial Statements

The condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirement Chapter 18 of the GEM Listing Rules.

The basis of preparation and accounting policies adopted in preparing these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s audited annual financial statements for the year ended 31 December 2018, except for the adoption of the new and revised HKFRSs that have become effective for its accounting period beginning on 1 January 2019.

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

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

4. Segment Information

Information reported to the General Manager of the Group, 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:

	Nine months ended	
	30 September	
	2019	2018
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Sales of fabric products, recognised at a point in time	142,297	153,338
Service revenue from printing and dyeing, recognised over time	89,665	83,069
Total	231,962	236,407

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 (2018: 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 (2018: 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	215	13
Government subsidies (<i>Note</i>)	16,816	8,984
Sales of raw materials	7,312	9,037
Dividend received from financial asset mandatorily measured at FVTPL	1,097	1,059
Rental income	123	114
Others	364	288
Total	25,927	19,495

Note: The amount represents unconditional government subsidies received from local government in connection with successful listing on GEM of the Stock Exchange (RMB13.2 million), the enterprise development support (RMB2.3 million), innovation capabilities incentives (RMB0.1 million) and others.

7. Other Gains and Losses

	Nine months ended 30 September	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment	(8,857)	(2,990)
Loss on change in fair value of financial assets mandatorily measured at FVTPL	–	(3,153)
Gain on disposal of an associate	–	23,003
Net exchange gains/(losses)	449	(1,128)
(Recognition)/reversal of loss allowances on trade receivables	(84)	29
Reversal of loss allowances on other receivables	(17)	–
Total	(8,509)	15,761

8. Finance Costs

	Nine months ended 30 September	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	3,981	5,652
Interest on finance lease obligations	–	175
Interest on lease liabilities	33	–
Total	4,014	5,827

9. Profit Before Taxation

Profit before taxation is arrived at after charging:

	Nine months ended 30 September	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Amortisation of prepay lease payments	–	128
Amortisation of intangible asset	78	49
Cost of inventories	140,881	113,284
Depreciation	7,787	6,829
Staff cost (including directors' emoluments)	14,422	12,288

10. Income Tax Expense

	Nine months ended	
	30 September	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income ("EIT")	5,330	2,872
Deferred tax (credit)/charge	375	(725)
Total	5,705	2,147

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 2019 and 2018.

Provision for the EIT during the nine months ended 30 September 2019 and 2018 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 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") is 25%.

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 on 27 October 2014 and therefore entitled to a preferential tax rate of 15% from 1 January 2014 to 31 December 2016. The certificate was renewed on 13 November 2017 with an extension on preferential period of a term of further three years ending on 31 December 2019.

The income tax expense for the nine months ended 30 September 2019 can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Nine months ended	
	30 September	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	31,701	42,251
Tax at PRC EIT rate of 25%	7,925	10,563
Tax effect of expense not deductible for tax purpose	1,563	1,545
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	(593)	(1,542)
Income taxed at concessionary rate	(3,514)	(2,528)
Effect of share of results of an associate	–	(181)
Tax effect of deductible of temporary difference	598	–
Tax effect of expenses not taxable for tax purpose	(274)	(265)
Utilisation of deductible temporary difference previously not recognised	–	(5,445)
Income tax expense	5,705	2,147

11. Earnings Per Share

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

	Nine months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share (<i>RMB'000</i>)	25,996	33,314
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	757,818,182	594,379,340
Basic earnings per share (<i>RMB cents per share</i>)	3.43	5.60

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the reorganisation of the Group (the "Group Reorganisation") in preparation of the listing on GEM of the Stock Exchange (the "Listing"), the share sub-division of 1 share into 1,000 shares and the capitalisation issue of the shares of the Company had been effective on 1 January 2018.

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

12. Dividends

The Board recommended the distribution of an interim dividend of HK2 cents per share for the nine months ended 30 September 2019 (2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Reporting Period, the Group continued to focus on developing market promotion and applications of functional fabric products, selectively participating in relevant exhibitions and actively engaging with domestic and overseas customers to promote the Group's latest products. Meanwhile, the Group has increased promotional efforts for its new products. A primitive market has formed for eco-friendly functional fabric products, as domestic and overseas customers have started application with positive response. The Group will continue to focus on the development of domestic and overseas markets. During the Reporting Period, business volume for the domestic printing and dyeing and processing sectors have begun to reach scale.

The Group strongly values investment in research and development of new products. During the Reporting Period, the Group continued to collaborate with Zhejiang Sci-Tech University (浙江理工大學) to develop new products. It has established the Zhejiang Provincial Industrial Design Center (浙江省工業設計中心), the Zhejiang Provincial Enterprise Technology Center (浙江省企業技術中心) and the Zhejiang Postdoc Workstation (浙江省博士後工作站). It has been awarded the 2018 Provincial Manufacturing "Shuangchuang" Platform Pilot Demonstration Enterprise (2018年省級製造業「雙創」平台試點示範企業) and the inaugural batch of Huzhou's Four-starred Eco-friendly Factory (四星級綠色工廠).

Financial Review

Revenue

Our total revenue was approximately RMB232.0 million for the nine months ended 30 September 2019 (2018: approximately RMB236.4 million), representing a decrease of 1.9% as comparing the revenue of the Reporting Period with that of last year.

	Nine months ended 30 September			
	2019		2018	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Sales of fabric products, recognised at a point in time	142,297	61.3	153,338	64.9
Service revenue from printing and dyeing, recognised over time	89,665	38.7	83,069	35.1
Total	231,962	100.0	236,407	100.0

Revenue from the sales of fabrics decreased by approximately 7.2% from approximately RMB153.3 million for the nine months ended 30 September 2018 to approximately RMB142.3 million for the nine months ended 30 September 2019, reflecting the decrease of total volume of fabrics sold from approximately 31.9 million metres for the nine months ended 30 September 2018 to approximately 31.1 million metres for the nine months ended 30 September 2019.

With a view to diversifying our source of revenue, we also provide printing and dyeing services in the PRC. The increase of approximately RMB6.6 million or 7.9% from approximately RMB83.1 million for the nine months ended 30 September 2018 to approximately RMB89.7 million for the nine months ended 30 September 2019, was primarily attributable to the slight increased sales orders for printing and dyeing services 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 RMB188.7 million for the nine months ended 30 September 2018 to approximately RMB181.7 million for the nine months ended 30 September 2019, representing a decrease of approximately 3.7%.

Gross profit and gross profit margin

Our gross profit was approximately RMB50.3 million for the nine months ended 30 September 2019 (2018: approximately RMB47.7 million). The gross profit margin of our sales of fabrics increased from approximately 13.2% for the nine months ended 30 September 2018 to approximately 13.5% for the nine months ended 30 September 2019.

For the nine months ended 30 September 2019, the gross profit margin of our processing, printing and dyeing service was approximately 33.9% (2018: approximately 33.6%).

Other income

Our other income was approximately RMB25.9 million for the nine months ended 30 September 2019 (2018: approximately RMB19.5 million). The increase of approximately RMB6.4 million for the nine months ended 30 September 2019 compared to that for the nine months ended 30 September 2018 was mainly due to the increase in government subsidies.

Government subsidies increased from approximately RMB9.0 million for the nine months ended 30 September 2018 to approximately RMB16.8 million for the Reporting Period. The amount represents unconditional government subsidies received from local government in connection with successful listing on GEM of the Stock Exchange (RMB13.2 million), the enterprise development support (RMB2.3 million), innovation capabilities incentives (RMB0.1 million) and others.

Other gains and losses

Our other losses was approximately RMB8.5 million for the nine months ended 30 September 2019 (2018: other gains of approximately RMB15.8 million). The decrease of approximately RMB24.3 million for the nine months ended 30 September 2019 compared to that for the nine months ended 30 September 2018 was mainly due to the gain on disposal of an associate for the nine months ended 30 September 2018 of approximately RMB23.0 million.

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 increased by approximately RMB0.2 million or approximately 10.3% from approximately RMB1.7 million for the nine months ended 30 September 2018 to approximately RMB1.9 million for the nine months ended 30 September 2019. The increase was mainly due to the increase in transportation cost.

Administrative expenses

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

Our administrative expenses decreased by approximately RMB1.4 million or approximately 14.3% from approximately RMB10.0 million for the nine months ended 30 September 2018 to approximately RMB8.6 million for the nine months ended 30 September 2019. The decrease was mainly due to the decrease in professional service fee.

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 RMB8.7 million for the nine months ended 30 September 2019 (2018: approximately RMB8.2 million). The expenditure comprised of (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 increase of approximately RMB0.5 million was mainly due to the increase in direct usage of different materials during the testing and analysing process and increase in staff costs resulting from an additional manpower devoted in our research and development projects.

Finance costs

For the nine months ended 30 September 2019, our finance costs amounted to approximately RMB4.0 million (2018: approximately RMB5.8 million). Our finance costs mainly comprised of the interest expense on our bank and other borrowings. The finance cost decreased by approximately RMB1.8 million or 31.0% as comparing to that of last year, mainly as a result of the reduction in total bank borrowings.

Income tax expense

Income tax expenses represent our total current and deferred tax expenses. The current taxes are 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 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% from 1 January 2017 to 31 December 2019.

Our Group's effective tax rate was approximately 18.0% for the nine months ended 30 September 2019 (2018: approximately 5.1%). The relatively low effective tax rate for the nine months ended 30 September 2018 was mainly due to the utilisation of deductible temporary difference previously not recognised of approximately RMB5.4 million. The details are set out in note 10 to the financial statements.

Profit and other total comprehensive income for the period attributable to owners of the Company

As a result of the foregoing, our profit and other total comprehensive income for the period attributable to owners of the Company decreased by approximately 21.9% from approximately RMB33.3 million for the nine months ended 30 September 2018 to approximately RMB26.0 million for the nine months ended 30 September 2019. Excluding the expenses incurred in connection with the Listing of approximately RMB5.9 million, profit would be approximately RMB31.9 million for the nine months ended 30 September 2019.

Dividends

The Board recommended the distribution of an interim dividend of HK2 cents per share for the nine months ended 30 September 2019 (2018: nil).

Future Outlook

In 2019, market competition will be even more intense and will feature more challenges and uncertainties. Facing a new landscape, the Group will remain steadfast in being market-oriented, united and industrious; building risk awareness, with innovative mindset and solidarity, in order to take the Company's business to the next level.

The Group's general work approach is: centered on profit, driven by innovation, oriented towards the market, and led by sales, increasing its ability to rapidly respond to the market. To this end, the Group will develop and execute the following strategies:

- (1) Greater expansion of the Group's textiles and printing and dyeing capacity, further meeting market demand for textiles and printing and dyeing products, increasing the company's sources of profit;
- (2) The Group will further increase research and development on eco-friendly functional fabrics, developing markets with new products, raising product market share, and improving product gross margins; and
- (3) Moving further towards an energy-saving and environmentally friendly orientation, increasing elimination of high consumption, low efficiency production facilities, introducing new facilities with lower consumption and higher production efficiency.

Human Resources and Training

As at 30 September 2019, the Group had a total of 383 employees, total staff cost for the Reporting Period amounted to approximately RMB14.4 million (2018: approximately RMB12.3 million). The Group releases an annual sales guideline at the beginning of each year, formulates the sales strategies and sets out the sales targets of different sales areas after discussing with sales representatives. At the end of each year, the Group makes performance appraisal for sales personnel based on the review results and the achievement of sales target.

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

OTHER INFORMATION

Corporate Reorganisation

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 1 September 2017. Pursuant to the Group Reorganisation for the Listing of the Company's shares (the "Shares") on GEM of the Stock Exchange, the Company has become the holding company of our Group for the purpose of the Listing and holds the entire interests of five subsidiaries, namely, Autumn Sky Star Investment Limited, Hengye Development Limited (恒燁發展有限公司), Huzhou Narnia, Narnia International (Hong Kong) Limited and Changxing Seashore.

On 26 February 2019, the Shares of the Company became listed on GEM of the Stock Exchange, pursuant to which 200,000,000 Shares were issued by the Company at the offer price of HK\$0.40 per share. Number of total issued Shares of the Company was increased to 800,000,000 Shares upon completion of the Listing.

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.

Dividends

To extend the Company's gratitude for the support of the Shareholders, the Board has recommended the distribution of an interim dividend for the nine months ended 30 September 2019 of HK2 cents per share to Shareholders whose names appear on the register of members of the Company on Monday, 18 November 2019, amounting to approximately HK\$16,00,000. The above-mentioned interim dividend is expected to be paid on or before Tuesday, 31 December 2019.

Closure of the Register of Member

To qualify for the proposed interim dividends

The register of members of the Company will be closed from Thursday, 14 November 2019 to Monday, 18 November 2019 (both days inclusive) during which period no transfer of shares will be registered. To be qualified for receiving the proposed interim dividends, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 13 November 2019.

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 2019, 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 (Note 2 and 3)	Interest in controlled corporation (Note 2)	Spring Sea	472,848,000 (L)	59.11%
	Interest of spouse/ interest held jointly with another person (Note 3)			
Ms. Song Xiaoying (Note 2 and 3)	Interest in controlled corporation (Note 2)	Spring Sea	472,848,000 (L)	59.11%
	Interest of spouse/ interest held jointly with another person (Note 3)			

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.
3. Ms. Song is the spouse of Mr. Dai. Under the SFO, Ms. Song is deemed to be interested in the same number of Shares in which Mr. Dai is interested. In addition, by virtue of the Acting in Concert Undertaking dated 11 August 2018, Mr. Dai and Ms. Song are persons acting in concert and each of them is deemed to be interested in the Shares in which each other is interested.

(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 2019, 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 2019, 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 2019, so far as was known to the Directors, the interests or short positions held by the following persons (other than the Directors) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Interests in the Shares

Person/corporation	Capacity/ nature of interest	Number of shares in the Company held (Note 1)	Approximate percentage of the Company's total issued share capital
Spring Sea (Note 2)	Beneficial owner	472,848,000 (L)	59.11%
Summer Land Star Investment Limited	Beneficial owner	103,787,000 (L)	12.97%
Wang Yun (Note 3)	Interest in controlled corporation	103,787,000 (L)	12.97%

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.
3. Ms. Wang Yun was interested in approximately 73.55% of the issued share capital of Summer Land Star Investment Limited ("Summer Land"). Therefore, Ms. Wang Yun was deemed to be interested in the same number of shares held by Summer Land.

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 30 September 2019, 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 2019, 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 2019 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 2019 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.

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.

A deed of non-competition was entered into by the controlling shareholders in favour of the Company (for itself and as trustee for its subsidiaries) on 12 February 2019, details of which are set out in the prospectus of the Company dated 13 February 2019 (the "Prospectus").

Interest of Compliance Adviser

As notified by Cinda International Capital Limited ("Cinda"), the Company's compliance adviser, neither Cinda nor any of its directors or employees or close associates had any interest in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities) during the Reporting Period pursuant to Rule 6A.32 of the GEM Listing Rules.

Use of Proceeds from the Listing

The shares of the Company were listed on GEM of the Stock Exchange on 26 February 2019. Net proceeds from the placing of the shares were approximately RMB37.9 million (equivalent to approximately HK\$44.7 million), after deduction of the underwriting commission and relevant expenses. As at 30 September 2019, the Group had used net proceeds of approximately RMB16.4 million.

Following table illustrates the status of the use of net proceeds according to the section headed “Future Plans and Use of Proceeds” in the Prospectus as at 30 September 2019:

	Planned use of proceeds as disclosed in the Prospectus up to 30 September 2019	Actual utilised amount as at 30 September 2019	Unutilised amount as at 30 September 2019
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Construction of new weaving factory	2.8	–	2.8
Renovation of the existing weaving factory	4.1	4.1	–
Acquisition of machinery, equipment and ancillary facilities for weaving	3.6	3.6	–
Acquisition of machinery, equipment and ancillary facilities for printing and dyeing	5.9	4.2	1.7
Enhancement of environmental protection infrastructure	1.8	0.7	1.1
General working capital	3.8	3.8	–
Total	22.0	16.4	5.6

Despite the difference in the time of application of the proceeds, the Company intends to continue to apply the net proceeds in accordance with the section headed “Future Plans and Use of Proceeds” in the Prospectus.

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 2019 and up to the date of this report, the Company has complied with the code provisions under the CG Code, other than code provisions A.2.1 of the CG Code.

According to code provision A.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 2019 and up to the date of this report.

Review by 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 C.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 quarterly 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 2019 with the management of the Group and agreed with the accounting treatments adopted by the Company.

Financial Asset Mandatorily Measured at FVTPL

As disclosed in the 2018 annual report of the Company, the buyer of the financial asset mandatorily measured at FVTPL paid part of the consideration in January 2019 in accordance with the sale and purchase agreement. The transaction is subject to the completion of business registration of change at the State Administration for Market Regulation. The transaction has not been completed as at the date of this report.

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 quarterly report for the nine months ended 30 September 2019 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, 28 October 2019

As at the date of this report, the executive Directors are Mr. Dai Shunhua, Ms. Song Xiaoying and Mr. Wang Yongkang, and the independent non-executive Directors are Dr. Liu Bo, Mr. Song Jun and Mr. Yu Chung Leung.