



**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

**2020**  
FIRST QUARTERLY REPORT

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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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.*

## CORPORATE INFORMATION

### Directors

#### Executive Directors

Mr. Dai Shunhua (*Chairman*)  
Ms. Song Xiaoying  
Mr. Wang Yongkang

#### Independent Non-executive Directors

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

#### 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

PO Box 1350, Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

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

Jiapu Economic Development Area  
Changxing County  
Huzhou City  
Zhejiang Province  
PRC

#### Company's Website

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

#### Principal Place of Business in Hong Kong

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

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

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

#### Legal Adviser

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

#### Auditor

KPMG  
*Certified Public Accountants*  
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance  
8th Floor, Prince's Building  
10 Chater Road, Central  
Hong Kong

#### Compliance Adviser

Cinda International Capital Limited  
45th Floor, COSCO Tower  
183 Queen's Road Central  
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 three months ended 31 March 2020, the results highlights were as follows:

- Revenue decreased by 33.0% to approximately RMB52.8 million (2019: approximately RMB78.8 million).
- Gross profit decreased by 64.6% to approximately RMB5.6 million (2019: approximately RMB15.8 million).
- Gross profit margin was approximately 10.6% (2019: approximately 20.0%).
- Loss attributable to the equity holders of the Company for the three months ended 31 March 2020 was approximately RMB2.3 million (2019: profit attributable to the equity holders of the Company was approximately RMB14.0 million).
- Basic losses per share was approximately RMB0.29 cents (2019: basic earnings per share was approximately RMB2.08 cents).
- The Board resolved not to recommend payment of any dividends for the three months ended 31 March 2020 (2019: nil).

## UNAUDITED CONSOLIDATED FIRST QUARTERLY RESULTS OF 2020

The board (the “Board”) of Directors of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2020 (the “Reporting Period”) and selected explanatory notes, together with the comparative figures of the corresponding period in 2019 as follows:

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

For the three months ended 31 March 2020

		<b>Three months ended</b>	
		<b>31 March</b>	
	<i>Note</i>	<b>2020</b>	2019
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
Revenue	3	<b>52,796</b>	78,789
Cost of sales and services		<b>(47,208)</b>	(63,018)
Gross profit		<b>5,588</b>	15,771
Other income	5	<b>1,895</b>	14,174
Other gains and losses	6	<b>(3,185)</b>	(256)
Selling and distribution expenses		<b>(474)</b>	(439)
Administrative expenses		<b>(3,113)</b>	(3,013)
Research expenditure		<b>(1,726)</b>	(2,389)
Listing expenses		<b>–</b>	(5,864)
Other expenses		<b>(60)</b>	(100)
Finance costs	7	<b>(1,188)</b>	(1,591)
(Loss)/profit before income tax		<b>(2,263)</b>	16,293
Income tax expense	8	<b>(73)</b>	(2,272)
(Loss)/profit for the period attributable to the equity holders of the Company		<b>(2,336)</b>	14,021
Other comprehensive income		<b>–</b>	–
Total comprehensive (loss)/profit for the period attributable to the equity holders of the Company		<b>(2,336)</b>	14,021
(Losses)/earnings per share			
– Basic and diluted ( <i>RMB cents</i> )	9	<b>(0.29)</b>	2.08
Dividends	10	<b>–</b>	–

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	(Unaudited)					
	Share capital	Share premium	Statutory reserve	Other reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	325	-	7,105	76,116	14,022	97,568
Profit and total comprehensive income for the period	-	-	-	-	14,021	14,021
Issue of shares by capitalisation of share premium	3,682	(3,682)	-	-	-	-
Issue of new shares	1,339	66,903	-	-	-	68,242
Cost of issue new shares	-	(12,253)	-	-	-	(12,253)
Capitalisation of amounts due to related parties	-	-	-	791	-	791
At 31 March 2019	5,346	50,968	7,105	76,907	28,043	168,369
At 1 January 2020	<b>5,346</b>	<b>36,523</b>	<b>11,407</b>	<b>76,907</b>	<b>40,964</b>	<b>171,147</b>
Loss and total comprehensive loss for the period	-	-	-	-	(2,336)	(2,336)
<b>At 31 March 2020</b>	<b>5,346</b>	<b>36,523</b>	<b>11,407</b>	<b>76,907</b>	<b>38,628</b>	<b>168,811</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 March 2020*

## 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. Basis of Preparation of the Financial Statements

The condensed consolidated financial statements of the Group for the three months ended 31 March 2020 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 Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "GEM 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 2019, except for the adoption of the new and revised HKFRSs that have become effective for its accounting period beginning on 1 January 2020.

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 Company (the "Audit Committee") and were approved for issue by the Board.

### 3. Revenue

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

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Sales of fabric products, recognised at a point in time	<b>31,430</b>	54,524
Service revenue from printing and dyeing, recognised over time	<b>21,366</b>	24,265
Total	<b>52,796</b>	78,789

#### *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 (2019: 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 (2019: 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.

### 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. Other Income

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Interest income	2	4
Government subsidies ( <i>Note</i> )	377	13,000
Net gain on sales of raw materials	103	–
Dividend received from financial asset mandatorily measured at FVTPL	1,097	1,097
Others	316	73
<b>Total</b>	<b>1,895</b>	14,174

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

## 6. Other Gains and Losses

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Reversal of loss allowance on trade receivables	–	288
Net exchange loss	(3,185)	(544)
<b>Total</b>	<b>(3,185)</b>	(256)

*Note:* The net exchange loss was mainly a book entry loss from consolidating a Hong Kong subsidiary which reporting currency is in Hong Kong Dollar.

## 7. Finance Costs

	Three months ended	
	31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	1,188	1,591
Total	1,188	1,591

## 8. Income Tax Expense

	Three months ended	
	31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income ("EIT")	73	2,227
Deferred tax charge	–	45
Total	73	2,272

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 three months ended 31 March 2020 and 2019.

Provision for the EIT during the three months ended 31 March 2020 and 2019 was made based on the estimated assessable profits calculated in accordance with income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

Under the Law of the PRC Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the statutory income tax rate for PRC entities is 25%, therefore, the tax rate of Changxing Seashore Industrial Co., Ltd. (長興濱里實業有限公司) ("Changxing Seashore") is 25%.

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. As at the date of this report, the Group has been in the progress of applying for the renewal of the preferential tax certificate.

## 8. Income Tax Expense (continued)

The income tax expense for the period can be reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Three months ended	
	31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit before tax	(2,263)	16,293
Tax at PRC EIT rate of 25%	(566)	4,073
Tax effect of expense not deductible for tax purpose	758	143
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	(326)	(452)
Income taxed at concessionary rate	207	(1,492)
Income tax expense	73	2,272

## 9. (Losses)/earnings Per Share

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

	Three months ended	
	31 March	
	2020	2019
	(Unaudited)	(Unaudited)
(Losses)/earnings:		
(Loss)/profit for the period attributable to the equity holders of the Company for the purpose of basic (losses)/earnings per share (RMB'000)	(2,336)	14,021
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (losses)/earnings per share	800,000,000	675,555,556
Basic (losses)/earnings per share (RMB cents per share)	(0.29)	2.08

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

## 10. Dividends

The Board resolved not to recommend payment of an interim dividend for the three months ended 31 March 2020 (2019: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Since the outbreak of the novel coronavirus (COVID-19) epidemic (the “Epidemic”) in early 2020, the Chinese government authorities have taken a timely approach to adopt Epidemic prevention measures, such as temporarily closing public places, travel restrictions, checking the travel routes of employees, and restricting employees from returning to work at local enterprises. As a result, in order to prevent the spread of the Epidemic, the Group’s factories in China halted production from 24 January 2020 to 21 February 2020 and gradually resumed production in March 2020. As at the date of this report, the Group has been carrying out normal operations. Due to the fact that the Epidemic in China as at the date of this report turned to become more stable, it did not result in any material adverse impacts on the Group’s production. However, due to the worsening situation of the Epidemic in overseas markets, the Group’s sales and profit have suffered adverse impacts to a certain extent, and the management has been assessing the impact brought by the Epidemic on the financial results of the Group for the next few months. Based on the development of the Epidemic outside China, the Group will adjust its sales model and profit forecast in time. At the moment, the Directors expect the development of the Epidemic will not result in significant adverse impacts to the Group’s continuing operation.

During the Reporting Period, the Group continued to focus on strengthening its core business of production, dyeing and processing textile products. Besides maintaining business relationships with loyal customers. The Group has spent more effort in seeking new customers to increase our market share. Furthermore, the Group 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 the application of those products with positive response. The Group continued to focus on the development of domestic and overseas markets.

The Group put strong emphasis on the investment in research and development of new products and technology. During the Reporting Period, the Group continued to collaborate with Soochow University to develop new products. The polyester woven bedding fabric produced by the Company was successful in passing green product verification. The Company has established a Zhejiang post-doctoral workshop, the Zhejiang Narnia Ecological Functional Fabric Research Institute. It was rated 2019 provincial “Hidden Champion” nurturing company and Huzhou municipal water conservation company as well.

## **Financial Review**

### ***Revenue***

Our total revenue was approximately RMB52.8 million for the three months ended 31 March 2020 (2019: approximately RMB78.8 million), representing a decrease of 33.0% as comparing the revenue of the Reporting Period with the corresponding period of last year. The decrease in revenue was mainly due to the outbreak of the Epidemic, which results in the Group's factories halted production from 24 January 2020 to 21 February 2020 and the decrease in sales orders.

Revenue from the sales of fabrics decreased by approximately RMB23.1 million or 42.4% from approximately RMB54.5 million for the three months ended 31 March 2019 to approximately RMB31.4 million for the three months ended 31 March 2020, reflecting the decrease of total volume of fabrics sold from approximately 11.3 million metres for the three months ended 31 March 2019 to approximately 5.8 million metres for the three months ended 31 March 2020, primarily as a result of the factories halted production due to the Epidemic.

With a view to diversifying our source of revenue, the Group also provided printing and dyeing services in the PRC. The decrease in revenue from printing and dyeing services of approximately RMB2.9 million or 11.9% from approximately RMB24.3 million for the three months ended 31 March 2019 to approximately RMB21.4 million for the three months ended 31 March 2020 was primarily attributable to the decreased sales orders for printing and dyeing services from the Group's existing customers for the Reporting Period as a result of the Epidemic.

### ***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 RMB63.0 million for the three months ended 31 March 2019 to approximately RMB47.2 million for the three months ended 31 March 2020, representing a decrease of approximately 25.1%. Such decrease was mainly attributable to the decrease in the raw materials and other inventory costs which was in line with the decrease in revenue during the Reporting Period.

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

Our gross profit was approximately RMB5.6 million for the three months ended 31 March 2020 (2019: approximately RMB15.8 million). The overall gross profit margin of our sales and services decreased from approximately 20.0% for the three months ended 31 March 2019 to approximately 10.6% for the three months ended 31 March 2020. Such substantial decrease was mainly due to the outbreak of the Epidemic, which results in the Group's factories halted production for nearly one month with no production during this period. However, most of the fixed factory overhead including the labour's basic salary and depreciation have to be included in the cost of sales. Thus, these fixed factory overhead to cost of sales ratio increased, which results in a decrease in gross profit margin. Besides, as the sales orders decreased, the Group needed to reduce the selling price in order to gain more sales orders.

### ***Other income***

Our other income was approximately RMB1.9 million for the three months ended 31 March 2020 (2019: approximately RMB14.2 million). The decrease of approximately RMB12.3 million for the three months ended 31 March 2020 compared to that for the three months ended 31 March 2019 was mainly due to the decrease in government subsidies received from local government in connection with the Company's listing in 2019.

Government subsidies represented the subsidies received from local government in connection with the enterprise development support, innovation capabilities incentives and various tax refund during the Reporting Period. The government subsidies were in general discretionary with varying amounts depending on each of the subsidy programmes.

### ***Other gains and losses***

Our other losses was approximately RMB3.2 million for the three months ended 31 March 2020 (2019: other losses of approximately RMB0.3 million). The increase of approximately RMB2.9 million for the three months ended 31 March 2020 compared to that for the three months ended 31 March 2019 was mainly due to an increase of the net exchange loss for the three months ended 31 March 2020 by approximately RMB2.6 million. The net exchange loss was mainly a book entry loss from consolidating a Hong Kong subsidiary which reporting currency is in Hong Kong Dollar.

### ***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 slightly by approximately RMB0.1 million or approximately 8.0% from approximately RMB0.4 million for the three months ended 31 March 2019 to approximately RMB0.5 million for the three months ended 31 March 2020. The increase was mainly due to an increase in transportation unit cost as a result of the Epidemic.

### ***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 slightly by approximately RMB0.1 million or approximately 3.3% from approximately RMB3.0 million for the three months ended 31 March 2019 to approximately RMB3.1 million for the three months ended 31 March 2020.

### **Research expenditure**

Our Group has been focusing on research and development of efficient and environmental-friendly technology for textile printing and dyeing. The Group carried out its research and development projects at our laboratory in the Huzhou Production Facilities. The Group research expenditure was approximately RMB1.7 million for the three months ended 31 March 2020 (2019: approximately RMB2.4 million). The expenditure comprised of (i) the costs of the staff involving in the Group's research and development projects; (ii) the direct usage of raw materials for pilot-run of production and testing purpose; and (iii) the depreciation of the research and development machinery and equipment. The decrease of approximately RMB0.7 million was mainly due to the decrease in direct usage of different materials during the testing and analysing process.

### **Finance costs**

For the three months ended 31 March 2020, the Group's finance costs amounted to approximately RMB1.2 million (2019: approximately RMB1.6 million). The Group finance costs mainly comprised of the interest expense on the Group's bank and other borrowings. The finance cost decreased by approximately RMB0.4 million or 25.3% 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 the Group's 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 the Group had no assessable profit subject to Hong Kong profits tax during the Reporting Period.

Under the Law of the PRC Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Huzhou Narnia is recognised as a High and New Technology Enterprise\* (高新技術企業) and therefore entitled to a preferential tax rate of 15% from 1 January 2017 to 31 December 2019. As at the date of this report, the Group has been in the progress of applying for the renewal of the preferential tax certificate.

The Group's effective tax rate was approximately (2.2)% for the three months ended 31 March 2020 (2019: approximately 13.9%). Even though there was a loss before income tax, but there was also a tax effect of expense not deductible for tax purpose of approximately RMB0.8 million. The Group still had an income tax expense of approximately RMB0.1 million. The details are set out in Note 8 to the unaudited condensed consolidated financial statements in this report.

### ***(Loss)/profit for the period attributable to the equity holders of the Company***

As a result of the foregoing, for the three months ended 31 March 2020, the loss for the period attributable to the equity holders of the Company was approximately RMB2.3 million, while for the three months ended 31 March 2019, the profit for the period attributable to the equity holders of the Company was approximately RMB14.0 million.

### ***Dividends***

The Board resolved not to recommend payment of an interim dividend for the three months ended 31 March 2020 (2019: nil).

### ***Future Outlook***

In 2020, the Group is still facing a complex and volatile economic environment and unprecedented challenges, the Group keeps moving forward to strive for opportunities and the development of its core business with an aim to increase the market share of its major products.

Looking ahead, the Group will continue to evaluate the commercial feasibility of various products with an aim to expand and broaden our revenue source for sustained growth and profitability. Leveraging the Group's existing competitive advantages, the Group is confident that its experienced professional teams and our provision of high quality products and services to customers will keep us well-positioned to capture the surging business opportunities.

In 2020, due to the outbreak of the Epidemic, market competition will be even more intense and the Group will encounter more challenges and uncertainties. Facing this new landscape, the Group will remain steadfast in being market-oriented, united and industrious. The Group will continue to build up its risk awareness and innovative mindset, in order to take the Company's business to the next level.

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

- (1) Putting greater emphasis on developing higher quality as a goal, leading the industry in sustainable development through accountability and technological innovation;
- (2) Further enhancing research and development on eco-friendly functional fabrics, expanding our business team, 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.

## 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 a group reorganisation to rationalise the structure of the Group in preparation 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, Hengye Development, Huzhou Narnia, Narnia International and Changxing Seashore. On 26 February 2019, the Shares of the Company became listed on GEM of the Stock Exchange (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.

### 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 31 March 2020, 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

<b>Name of Directors</b>	<b>Capacity/nature of interest</b>	<b>Relevant company</b>	<b>Number of Shares (Note 1)</b>	<b>Approximate percentage of shareholding</b>
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

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

As at 31 March 2020, 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 31 March 2020, 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 31 March 2020, so far as was known to the Directors, the interests or short positions held by the following persons (other than the Directors) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Interests in the Shares

<b>Person/corporation</b>	<b>Capacity/ nature of interest</b>	<b>Number of shares in the Company held <i>(Note 1)</i></b>	<b>Approximate percentage of the Company's total issued share capital</b>
Spring Sea <i>(Note 2)</i>	Beneficial owner	472,848,000 (L)	59.11%
Summer Land Star Investment Limited	Beneficial owner	121,602,000 (L)	15.20%
Wang Yun <i>(Note 3)</i>	Interest in controlled corporation	121,602,000 (L)	15.20%

*Notes:*

1. The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in the Shares.
2. Spring Sea was the registered owner of 472,848,000 Shares, representing approximately 59.11% of the issued share capital of the Company. Spring Sea is owned as to approximately 53.98% by Mr. Dai and approximately 46.02% by Ms. Song. Under the SFO, Mr. Dai and Ms. Song are deemed to be interested in the same number of Shares held by Spring Sea.
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 31 March 2020, 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 31 March 2020, 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 Reporting Period 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 Reporting Period 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 of the Company (the "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. For principal items of the Share Option Scheme, please refer to the 2019 annual report of the Company.

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 and Conflict of Interest**

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.

### 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 Net 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 31 March 2020, the Group had utilised approximately RMB27.3 million of the net proceeds and the remaining balance of the net proceeds is approximately RMB10.6 million, details of which are set out in the table below:

	<b>Planned use of net proceeds in total</b> <i>(RMB million)</i>	<b>Planned use of net proceeds as disclosed in the Prospectus up to 31 March 2020</b> <i>(RMB million)</i>	<b>Actual utilised amount as at 31 March 2020</b> <i>(RMB million)</i>	<b>Unutilised amount as at 31 March 2020</b> <i>(RMB million)</i>
Construction of new weaving factory	8.5	6.6	–	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	3.9	10.4	–
Acquisition of machinery, equipment and ancillary facilities for printing and dyeing	4.6	4.6	2.5	2.1
Enhancement of environmental protection infrastructure	5.4	3.3	5.4	–
General working capital	3.8	3.8	3.8	–
<b>Total</b>	<b>37.9</b>	<b>27.4</b>	<b>27.3</b>	<b>10.6</b>

As disclosed in the announcement of the Company dated 29 April 2020, there had been a change in use of the net proceeds from the listing. The details are set out in the paragraph headed “Events After the Report Period” in this report.

### **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 Reporting Period, 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 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 since the Listing Date and up to the date of this report.

### **Audit Committee**

We established an audit committee (the “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 Audit Committee has reviewed the unaudited financial statements, the results announcement and this quarterly report of the Company for the three months ended 31 March 2020 with the management of the Group and agreed with the accounting treatments adopted by the Company.

## Events After the Reporting Period

### *Change in Use of Net Proceeds*

As disclosed in the announcement of the Company dated 29 April 2020 (the “Announcement”), it was planned that the Group would use approximately RMB8.5 million of the net proceeds, as set forth in the prospectus of the Company dated 13 February 2019 (the “Prospectus”), to construct a new weaving factory on the parcel of land owned by the Group situated at Hongqi Village, Jiapu Town, Changxing County, Zhejiang Province, PRC\* (中國浙江省長興縣夾浦鎮紅旗村) (currently known as Binhu Village, Jiapu Town, Changxing County, Zhejiang Province, PRC\* (中國浙江省長興縣夾浦鎮濱湖村)) (the “Hongqi Village Land”). As disclosed in the 2019 annual report of the Company, there was a delay in the use of proceeds as to the construction of a new weaving factory as at 31 December 2019 due to more time required for obtaining the requisite government approval for building the factory. However, on 20 April 2020, the Company received an official notice from the People’s Government of Jiapu Town, Changxing County\* (長興縣夾浦鎮人民政府) that no new factories other than buildings for non-productive operations, such as offices or research and development centres can be built on the Hongqi Village Land, otherwise no permission would be given for construction projects on it. In view of the change in land use, the Board considered that it is no longer feasible to utilise the remaining balance of the net proceeds of approximately RMB8.5 million (the “Unutilised Net Proceeds”) for construction of the new weaving factory at Hongqi Village Land.

Taking into account the recent outbreak of the Epidemic, which caused adverse effects on the PRC domestic and global economy and slowed down the PRC domestic and international trade of textile products since the first quarter in 2020, the Company considers that it would not be cost-effective for the Group to find an alternative parcel of land to construct the new weaving factory in the foreseeable future. Accordingly, the Company decided to utilise the Unutilised Net Proceeds for other purpose of the Group’s business.

In view of (i) the increase in demand for meltblown fabrics; (ii) the launch of the “Face Mask Production Subsidy Scheme” by Changxing County government eligible for application by the Group; and (iii) the increased application of meltblown fabrics in various applications including medical protection equipment such as face masks, home furnishing products, apparels, industrial textile products and other products, the Board has resolved to change the use of the Unutilised Net Proceeds to purchase part of the meltblown fabric production lines. The meltblown fabrics production lines can be used to produce meltblown fabrics, which are one of the raw materials of a wide variety of products, such as the filters of face masks, industrial textile products, apparels, home furnishing products and other disposable products.

\* For identification purpose only

An updated breakdown of the proposed change of use of the remaining net proceeds are summarised as follows:

	<b>Planned use of the net proceeds as disclosed in the Prospectus</b> <i>(RMB million)</i>	<b>Actual utilised amount of the net proceeds as at the date of the Announcement</b> <i>(RMB million)</i>	<b>Unutilised amount of the net proceeds as at the date of the Announcement</b> <i>(RMB million)</i>	<b>Revised allocation of unutilised net proceeds</b> <i>(RMB million)</i>
Construction of new weaving factory	8.5	–	8.5	–
Renovation of the existing weaving factory	5.2	5.2	–	–
Acquisition of machinery, equipment and ancillary facilities for weaving	10.4	10.4	–	–
Acquisition of machinery, equipment and ancillary facilities for printing and dyeing	4.6	2.5	2.1	2.1
Enhancement of environmental protection infrastructure	5.4	5.4	–	–
General working capital	3.8	3.8	–	–
Purchase of meltblown fabrics production lines	–	–	–	8.5
<b>Total</b>	<b>37.9</b>	<b>27.3</b>	<b>10.6</b>	<b>10.6</b>

Other than the information disclosed above, there has not been any event happened after the reporting period which required disclosure.

### **Disclosure of Information**

The quarterly report for the three months ended 31 March 2020 will be dispatched to the Shareholders and published on the Company's website at [www.narnia.hk](http://www.narnia.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in due course.

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

Zhejiang, PRC, 14 May 2020

*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.*