



**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**  
THIRD QUARTERLY REPORT

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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

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 54, 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 nine months ended 30 September 2020, the results highlights were as follows:

- Revenue decreased by 17.5% to approximately RMB191.5 million (2019: approximately RMB232.0 million).
- Gross profit decreased by 65.8% to approximately RMB17.2 million (2019: approximately RMB50.3 million).
- Gross profit margin was approximately 9.0% (2019: approximately 21.7%).
- Loss attributable to the equity holders of the Company for the nine months ended 30 September 2020 was approximately RMB16.1 million (2019: profit attributable to the equity holders of the Company was approximately RMB26.0 million).
- Basic losses per share was approximately RMB2.01 cents (2019: basic earnings per share was approximately RMB3.43 cents).
- The Board resolved not to recommend the payment of any dividends for the nine months ended 30 September 2020 (2019: HK2.0 cents per share).

## UNAUDITED CONSOLIDATED THIRD QUARTERLY RESULTS OF 2020

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 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 nine months ended 30 September 2020

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	5	<b>72,030</b>	78,278	<b>191,495</b>	231,962
Cost of sales and services		<b>(61,456)</b>	(61,015)	<b>(174,319)</b>	(181,675)
Gross profit		<b>10,574</b>	17,263	<b>17,176</b>	50,287
Other income	6	<b>750</b>	671	<b>3,871</b>	25,927
Other gains and losses	7	<b>(6,022)</b>	(818)	<b>(16,820)</b>	(8,509)
Selling and distribution expenses		<b>(392)</b>	(711)	<b>(1,630)</b>	(1,858)
Administrative expenses		<b>(1,195)</b>	(3,105)	<b>(7,855)</b>	(8,596)
Research expenditure		<b>(2,697)</b>	(3,474)	<b>(7,475)</b>	(8,735)
Listing expenses		–	–	–	(5,864)
Other expenses		<b>198</b>	–	<b>(93)</b>	(6,937)
Finance costs	8	<b>(1,310)</b>	(808)	<b>(3,996)</b>	(4,014)
(Loss)/profit before tax	9	<b>(94)</b>	9,018	<b>(16,822)</b>	31,701
Income tax credit/(expense)	10	<b>14</b>	(1,467)	<b>732</b>	(5,705)
(Loss)/profit for the period attributable to the equity holders of the Company		<b>(80)</b>	7,551	<b>(16,090)</b>	25,996
Other comprehensive income		–	–	–	–
Total comprehensive (loss)/income for the period attributable to the equity holders of the Company		<b>(80)</b>	7,551	<b>(16,090)</b>	25,996
(Losses)/earnings per share – Basic and diluted (RMB cents)	11	<b>(0.01)</b>	0.94	<b>(2.01)</b>	3.43

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	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	Retained earnings RMB'000	
At 1 January 2019	325	–	7,105	76,116	14,022	97,568
Profit and total comprehensive income for the period	–	–	–	–	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
Cost of issue new shares	–	(12,254)	–	–	–	(12,254)
Capitalisation of amounts due to related parties	–	–	–	792	–	792
At 30 September 2019	5,346	50,967	7,105	76,908	40,018	180,344
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	–	–	–	–	(16,090)	(16,090)
<b>At 30 September 2020</b>	<b>5,346</b>	<b>36,523</b>	<b>11,407</b>	<b>76,907</b>	<b>24,874</b>	<b>155,057</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

## 1. General Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 1 September 2017. The Company's immediate and ultimate parent is Spring Sea Star Investment Limited ("**Spring Sea**") and its ultimate controlling parties are Mr. Dai Shunhua ("**Mr. Dai**") and Ms. Song Xiaoying, the spouse of Mr. Dai ("**Ms. Song**") (collectively the "**Controlling Shareholders**"). Mr. Dai is the general manager of the Group and assumed the role of Chief Executive Officer of the Company. The addresses of the Company's registered office is at 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 (the "**Share(s)**") have been listed on GEM of the Stock Exchange since 26 February 2019 (the "**Listing**").

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

## 2. Basis of Preparation of the Financial Information

This unaudited condensed consolidated financial information of the Group for the nine months ended 30 September 2020 has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). This financial information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules.

The basis of preparation and accounting policies adopted in preparing this unaudited condensed consolidated quarterly financial information are consistent with those adopted in the preparation of the Group's audited annual financial statements for the year ended 31 December 2019, except for the adoption of the new and revised IFRSs that have become effective for its accounting period beginning on 1 January 2020.

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

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



### 3. Accounting Policies

The accounting policies applied for this unaudited condensed consolidated financial information of the Group for the nine months ended 30 September 2020 are consistent with those of the audited annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

The Directors anticipate that the adoption of the amendments to IFRSs effective for the financial year ending 31 December 2020 do not have a material impact on the results and financial position of the Group.

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

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

### 4. Segment Information

Information reported to the 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 People's Republic of China (the "PRC") and all its non-current assets excluding deferred tax assets are located in the PRC.

### 5. Revenue

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

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

	<b>Nine months ended</b>	
	<b>30 September</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>100,222</b>	142,297
Service revenue from printing and dyeing, recognised over time	<b>91,273</b>	89,665
Total	<b>191,495</b>	231,962

## 5. Revenue (continued)

### *Sales of fabric products*

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

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

## 6. Other Income

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Interest income	<b>261</b>	215
Government subsidies ( <i>Note</i> )	<b>2,018</b>	16,816
Net gain on sales of raw materials	<b>–</b>	7,312
Dividend received from financial asset mandatorily measured at FVTPL	<b>1,097</b>	1,097
Rental income	<b>143</b>	123
Others	<b>352</b>	364
Total	<b>3,871</b>	25,927

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

## 7. Other Gains and Losses

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Loss on disposal of property, plant and equipment	–	(8,857)
Net loss on sales of raw materials	<b>(12,716)</b>	–
Net exchange (losses)/gains (Note)	<b>(4,108)</b>	449
Recognition of loss allowances on trade receivables	–	(84)
Recognition of loss allowances on other receivables	–	(17)
Others	<b>4</b>	–
Total	<b>(16,820)</b>	(8,509)

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.

## 8. Finance Costs

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Interest on bank borrowings	<b>3,965</b>	3,981
Interest on lease liabilities	<b>31</b>	33
Total	<b>3,996</b>	4,014

## 9. (Loss)/Profit Before Taxation

(Loss)/profit before taxation is arrived at after charging:

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Amortisation of intangible asset	<b>117</b>	78
Cost of inventories	<b>128,124</b>	140,881
Depreciation	<b>8,504</b>	7,787
Staff cost (including directors' emoluments)	<b>14,023</b>	14,422

## 10. Income Tax (Credit)/Expense

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax		
PRC Enterprise Income Tax (credit)/expense	<b>(1,236)</b>	5,330
Deferred tax charge	<b>504</b>	375
	<hr/>	<hr/>
Total income tax (credit)/expense	<b>(732)</b>	5,705

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 2020 and 2019.

Provision for the PRC Enterprise Income Tax (credit)/expense during the nine months ended 30 September 2020 and 2019 was made based on the estimated taxable (losses)/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. As at the date of this report, the application for the renewal of the preferential tax certificate has been approved and the related certificate is expected to be received in early 2021.

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

The income tax credit for the nine months ended 30 September 2020 can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive loss as follows:

	Nine months ended	
	30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit before tax	<b>(16,822)</b>	31,701
Tax at PRC EIT rate of 25%	<b>(4,206)</b>	7,925
Tax effect of expense not deductible for tax purpose	<b>672</b>	1,563
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	<b>660</b>	(593)
Income taxed at concessionary rate	<b>1,468</b>	(3,514)
Tax effect of deductible of temporary difference	<b>798</b>	598
Tax effect of income not taxable for tax purpose	<b>(124)</b>	(274)
Income tax (credit)/expense	<b>(732)</b>	5,705

## 11. (Losses)/Earnings Per Share

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

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
(Losses)/earnings:		
(Losses)/profit for the period attributable to the equity holders of the Company for the purpose of basic earnings per Share (RMB'000)	<b>(16,090)</b>	25,996
Number of Shares:		
Weighted average number of ordinary Shares for the purpose of basic (losses)/earnings per Share	<b>800,000,000</b>	757,818,182
Basic (losses)/earnings per Share (RMB cents per Share)	<b>(2.01)</b>	3.43

For the period from 1 January 2019 to 26 February 2019 (date of Listing), 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 "**Reorganisation**") in preparation of the Listing, the Share subdivision of 1 Share into 1,000 Shares and the capitalisation issue of the Shares of the Company had been effective on 1 January 2019.

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

## 12. Dividends

The Board resolved not to recommend the payment of any dividends for the nine months ended 30 September 2020 (2019: HK2.0 cents per share).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Review

During the Reporting Period, the economy of the PRC was under the impact of the outbreak of the COVID-19 epidemic (the “**Epidemic**”). In order to prevent the spread of the Epidemic, industries have taken measures to halt production and observed travel restrictions at the call of the PRC government, which led to an economic downturn in the first quarter of 2020. With the control of the Epidemic in the PRC, the economy has gradually recovered in the second and third quarter of 2020. Under the impact of the outbreak of the Epidemic in foreign countries, foreign trade sales decreased significantly in the Reporting Period as compared to the corresponding period in the previous year. Due to the influence of the accelerated transformation of the textile industry, the tightening of environmental protection policies, the rise of the Southeast Asian textile industry, industrial relocations and other factors, the textile industry was forced to further upgrade and transform towards quality development. However, with its large population, the PRC sees growing demands for textile products, and this trend is likely to continue in the future. By virtue of its diversity, textile products can be applied in many areas in addition to the traditional clothing and home textile markets. Strong domestic demand stimulated the entire textile industry in the PRC.

Through continuous advancement of technology and innovation, players in the textile fabric manufacturing industry are actively developing new materials that can be applied in different sectors, ranging from aerospace and infrastructure construction to leisure and sports. Stimulated and driven by continuous technological innovation, uncompetitive manufacturers will be eliminated from the textile fabric manufacturing industry. This will be tough times for small companies, but it also presents opportunity for medium and large companies in the textile industry.

In order to form industrial alliance groups and to promote industrial advancement, players in the textile fabric manufacturing industry forge mutual connections through the formation of intra-regional industrial clusters. By leveraging shared resources of various enterprises, an industrial alliance group serves as a platform where information relating to latest market trends, significant events in the industry, variations in upstream raw materials, etc. are gathered and consolidated, which keep companies informed of market dynamics and allow them to work out timely strategies. Such industrial alliance groups provide advantages for companies, allowing them to create economies of scale, thus driving the sustainable development of overall textile fabric manufacturing industry.

## Business Review

The Reporting Period was a challenging period for the Group, as we recorded a relatively large decrease in revenue and profit levels, due to the outbreak of the Epidemic in the PRC in the first quarter of 2020 and the widespread outbreak of the Epidemic around the world in the second and third quarter of 2020. Adverse factors such as the Sino-US trade dispute, the Epidemic, the fluctuation of oil prices, the complex and volatile domestic and internal economic situations, and prominent problems arising from the instability and uncertainties about global economy attributed to the challenging operation environment of the Group in the Reporting Period.

With the outbreak of the Epidemic in the PRC at the beginning of 2020, a number of provinces and cities have adopted various public health emergency policies, including but not limited to, imposing travel restrictions in certain cities, postponing the date of resumption of work after the Chinese New Year holiday, issuing compulsory quarantine orders and prohibiting the movement of people between different provinces and cities. During the first quarter of 2020, to prevent the spread of the Epidemic, the Group's factories in Changxing suspended its production from 24 January 2020 to 21 February 2020, and gradually restored its production in March 2020. The various public health emergency policies caused a drop in revenue of the Group during the Reporting Period.

Despite the difficult times which the Group was facing, the Group continued to focus on strengthening its core business of processing and dyeing textile products. Besides maintaining business relationships with loyal customers, we have also spent more effort in seeking out new customers to increase our market share.

During the Reporting Period, the Board resolved the change in use of proceeds from the Listing by increasing the Group's investment in the melt-blown fabric production line, as the demand for melt-blown fabric remained strong as a result of the global outbreak of the Epidemic. As of the date of this report, we received positive customer response and reached agreements with manufacturers to order the melt-blown fabric products produced by the Group in relation to wet wipes, facial masks, diapers and other products. In addition to masks, the melt-blown fabric produced by the Group will be further utilized in other products such as home furnishing products, apparels and industrial textile products. Meanwhile, the Group also increased promotion efforts for its new products. The Group continued to pay attention to the development of domestic and foreign markets, and as of the date of this report, the business volume with respect to domestic printing and dyeing processing has basically recovered when comparing with the same period in last year. At present, the Directors believe that the strong internal financial position and cash flow with the financing facilities available of the Group are sufficient to support the Group's long-term development.



## Financial Review

### Revenue

Our total revenue was approximately RMB191.5 million for the nine months ended 30 September 2020 (2019: approximately RMB232.0 million), representing a decrease of 17.5% as comparing the revenue of the Reporting Period with that of last year. The decrease was mainly due to the negative impacts from the Epidemic, which drove down the demand for the fabric products of the Group, and the Group's production was temporarily suspended after the Chinese New Year and movement of people was affected by the Epidemic.

	Nine months ended 30 September			
	2020	%	2019	%
	RMB'000 (Unaudited)		RMB'000 (Unaudited)	
Sales of fabric products, recognised at a point in time	<b>100,222</b>	<b>52.3</b>	142,297	61.3
Service revenue from printing and dyeing, recognised over time	<b>91,273</b>	<b>47.7</b>	89,665	38.7
Total	<b>191,495</b>	<b>100.0</b>	231,962	100.0

Revenue from the sales of fabrics decreased by approximately 29.6% from approximately RMB142.3 million for the nine months ended 30 September 2019 to approximately RMB100.2 million for the nine months ended 30 September 2020, reflecting the decrease of total volume of fabrics sold from approximately 31.1 million metres for the nine months ended 30 September 2019 to approximately 21.3 million metres for the nine months ended 30 September 2020.

With a view to diversifying our source of revenue, we also provide printing and dyeing services in the PRC. The increase of approximately RMB1.6 million or 1.8% from approximately RMB89.7 million for the nine months ended 30 September 2019 to approximately RMB91.3 million for the nine months ended 30 September 2020, was primarily attributable to the slight increased sales orders for printing and dyeing services from our customers during the Reporting Period.

### ***Cost of sales and services***

Cost of sales and services primarily comprises (i) raw materials and other inventory costs, (ii) utility costs, (iii) direct labour costs; and (iv) depreciation. The cost of sales and services decreased from approximately RMB181.7 million for the nine months ended 30 September 2019 to approximately RMB174.3 million for the nine months ended 30 September 2020, representing a decrease of approximately RMB7.4 million or 4.1%.

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

Our gross profit was approximately RMB17.2 million for the nine months ended 30 September 2020 (2019: approximately RMB50.3 million). The Group's gross profit margin decreased from approximately 21.7% for the nine months ended 30 September 2019 to approximately 9.0% for the nine months ended 30 September 2020. The significant decrease in gross profit margin was a result of significant decrease in revenue while costs of sales and services decreased slightly as comparing with the same period in 2019.

### ***Other income***

Our other income was approximately RMB3.9 million for the nine months ended 30 September 2020 (2019: approximately RMB25.9 million). The decrease of approximately RMB22.0 million for the nine months ended 30 September 2020 compared to that for the nine months ended 30 September 2019 was mainly due to the decrease in government subsidies and net gain on sales of raw materials.

Government subsidies decreased from approximately RMB16.8 million for the nine months ended 30 September 2019 to approximately RMB2.0 million for the Reporting Period as we received government subsidies from local government amounted to approximately RMB13.2 million in connection of the successful listing on GEM of the Stock Exchange for the nine months ended 30 September 2019, while the Group did not received such amount for the nine months ended 30 September 2020.

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

Our other losses was approximately RMB16.8 million for the nine months ended 30 September 2020 (2019: approximately RMB8.5 million). The increase of approximately RMB8.3 million for the nine months ended 30 September 2020 compared to that for the nine months ended 30 September 2019 was mainly due to the increase in net exchange loss of approximately RMB4.5 million and net loss on sales of raw materials of approximately RMB12.7 million, which was partially off-set by the decrease in loss on disposal of property, plant and equipment of approximately RMB8.9 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 decreased by approximately RMB0.3 million or approximately 15.8% from approximately RMB1.9 million for the nine months ended 30 September 2019 to approximately RMB1.6 million for the nine months ended 30 September 2020. The decrease was mainly due to the decrease in transportation cost.

### ***Administrative expenses***

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

Our administrative expenses decreased by approximately RMB0.7 million or approximately 8.1% from approximately RMB8.6 million for the nine months ended 30 September 2019 to approximately RMB7.9 million for the nine months ended 30 September 2020. The decrease was mainly due to the decrease in travelling expense and 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 RMB7.5 million for the nine months ended 30 September 2020 (2019: approximately RMB8.7 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 decrease of approximately RMB1.2 million was mainly due to the decrease in direct usage of different materials during the testing and analysing process.

### ***Finance costs***

For the nine months ended 30 September 2020, our finance costs amounted to approximately RMB4.0 million (2019: approximately RMB4.0 million). Our finance costs mainly comprised of the interest expense on our bank and other borrowings. The finance cost remained stable when comparing to that of last year.

### ***Income tax (credit)/expense***

Income tax (credit)/expenses represent our total current and deferred tax (credit)/expenses. The current tax is calculated based on taxable (losses)/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. As at the date of this report, the application for the renewal of the preferential tax certificate has been approved and the related certificate is expected to be received in early 2021.

The income tax credit for the nine months ended 30 September 2020 was approximately RMB0.7 million, when compared to an income tax expense of approximately RMB5.7 million for the nine months ended 30 September 2019. The income tax credit was mainly due to the loss before income tax. The details are set out in Note 10 to the financial statements.

### ***(Loss)/profit and other total comprehensive (loss)/income for the period attributable to the equity holders of the Company***

As a result of the foregoing, our loss and other total comprehensive loss for the period attributable to the equity holders of the Company for the nine months ended 30 September 2020 was approximately RMB16.1 million, while there was a profit of approximately RMB26.0 million for the nine months ended 30 September 2019.

### ***Dividends***

The Board resolved not to recommend the payment of any dividends for the nine months ended 30 September 2020 (2019: HK2.0 cents per share).

## Future Outlook

Looking ahead, market competition will remain fierce while the domestic and international economic environment will continue to be uncertain and volatile. The Group will keep focus on its core business, maintaining and increasing market share for its major products with a dominating advantage.

In 2020, the impact of international factors such as the Sino-US trade dispute and the outbreak of the Epidemic for the Reporting Period led to instability in the development of the textile industry. Demand for fabric products is lower as compared to the same period of last year, but the Group is still confident that, as the Epidemic was under control, the Group's production capacity will recover in the remaining period of 2020, and that it will sustain stable development. While the textile industry continues to be affected by domestic and international issues, the combined effect of technological advancement, safety management and environmental protection has eliminated some of the less competitive small and medium textile manufacturing enterprises. As "survival of the fittest" hits the industry, existing enterprises are forced to transform and upgrade, thus accelerates the pace of industrial product restructuring and upgrading, and gradually raising industrial consolidation.

In the remaining period of 2020, market competition will be even more intense and will feature 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, and carry forward the entrepreneurial spirit of loyal partnership and common growth, in order to take the Group 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 its 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.

Due to the outbreak of the Epidemic in January 2020 in the PRC, the government authorities have timely adopted the relevant Epidemic prevention measures, such as temporarily closing public places, checking the travel routes of employees, and restricting employees from returning to work at local enterprises. As a result, the Group's factories in the PRC halted production since 24 January 2020 to prevent the spread of the Epidemic, and have resumed work on 21 February 2020. During the third quarter of 2020, the Group is carrying out normal operations. Due to the fact that the Epidemic in the PRC turned to be in control as at date of this report, the Directors are of the view that it does not result in any material adverse impacts on the Group's production. However, due to the continued outbreak of the Epidemic in overseas markets, the sales and profit of the Group have suffered adverse impacts. Based on the development of the Epidemic outside the PRC, the Group will adjust its sales model in time. The Group expects that the development of the Epidemic will not result in significant adverse impacts to the Group's continuing operation.

### **Human Resources and Training**

As at 30 September 2020, the Group had a total of 386 employees, total staff cost for the Reporting Period amounted to approximately RMB14.0 million (2019: approximately RMB14.4 million). The Group releases an annual sales guideline at the beginning of each year, formulates the sales strategies and sets out the sales targets of different sales areas after discussing with sales representatives. At the end of each year, the Group makes performance appraisal for sales personnel based on the review results and the achievement of sales target.

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

## **OTHER INFORMATION**

### **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 Reorganisation for the Listing of 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. Under the Share Offer, 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**

The Board resolved not to recommend the payment of any dividends for the nine months ended 30 September 2020 (2019: HK2.0 cents per share).

## 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 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

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

#### Notes:

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



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

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

As at 30 September 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 30 September 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 30 September 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

Person/corporation	Capacity/ nature of interest	Number of shares in the Company held (Note 1)	Approximate percentage of the Company's total issued share capital
Spring Sea	Beneficial owner (Note 2)	472,848,000 (L)	59.11%
Summer Land Star Investment Limited	Beneficial owner	121,602,000 (L)	15.20%
Wang Yun	Interest in controlled corporation (Note 3)	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 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 30 September 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 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 neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### **Pre-emptive Rights**

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

### **Share Option Scheme**

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

No share option has been granted by the Company under the Share Option Scheme since its adoption and during the Reporting Period.

### **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.

### **Interest of Compliance Adviser**

As notified by the Company's compliance adviser, Cinda International Capital Limited ("**Cinda**"), other than the compliance advisers agreement dated 27 August 2018, 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.

### Change in Use of Net Proceeds from the Listing and Actual Utilised Amount

The Shares of the Company were listed on GEM of the Stock Exchange on 26 February 2019. Net proceeds from the Share Offer were approximately RMB37.9 million (equivalent to approximately HK\$44.7 million), after deduction of the underwriting commission and relevant expenses.

As disclosed in the announcement of the Company dated 29 April 2020 (the “**Announcement**”), it was planned that the Group would use approximately RMB8.5 million of the Net Proceeds, as set forth in 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 outbreak of the Epidemic in 2020, 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 of 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.

An updated breakdown of the revised use of the net proceeds and the actual utilised amount as at 30 September 2020 are summarised as follows:

	Planned use of the net proceeds as disclosed in the Prospectus (RMB million)	Revised use of the net proceeds as disclosed in the Announcement (RMB million)	Amount utilised during the nine months ended 30 September 2020 (RMB million)	Actual utilised amount as at 30 September 2020 (RMB million)	Unutilised amount as at 30 September 2020 (RMB million)
Construction of new weaving factory	8.5	-	-	-	-
Renovation of the existing weaving factory	5.2	5.2	-	5.2	-
Acquisition of machinery, equipment and ancillary facilities for weaving	10.4	10.4	-	10.4	-
Acquisition of machinery, equipment and ancillary facilities for printing and dyeing	4.6	4.6	-	2.5	2.1
Enhancement of environmental protection infrastructure	5.4	5.4	0.1	5.4	-
General working capital	3.8	3.8	-	3.8	-
Purchase of meltblown fabrics production lines	-	8.5	8.5	8.5	-
Total	37.9	37.9	8.6	35.8	2.1

The unutilised amount of Net Proceeds for acquisition of machinery, equipment and ancillary facilities for printing and dyeing of approximately RMB2.1 million is expected to be completely utilised by December 2020.

### 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 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 Reporting Period.

### **Change of Auditor**

In the year ended 31 December 2018, the Company appointed Deloitte Touche Tohmatsu (“**Deloitte**”) as the auditor of the Company. As disclosed in the announcement of the Company dated 7 January 2020, Deloitte resigned as the auditor of the Company by tendering resignation. The Board and the Audit Committee confirmed that there was no disagreement or unresolved matters between the Company and Deloitte which should be brought to the attention of the Shareholders. On the same date, the Board had resolved to appoint KPMG as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by KPMG and considered that such services have no adverse effect on the independence of the external auditor. At the annual general meeting of the Company held on 14 May 2020, KPMG was re-appointed by the Shareholders as the auditor of the Company.

### **Review by Audit Committee**

The Company established 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 the Audit Committee are, among others, to make recommendation to our Board on the appointment, reappointment and removal of external auditor, monitor integrity of our financial statements, review significant financial reporting judgements contained in them, oversee our financial reporting, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by our Board.

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

The financial information in this report has not been reviewed or 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 2020 and agreed with the accounting treatments adopted by the Company, and was of the opinion that the preparation of the financial statements in this quarterly report complies with the applicable accounting standards and the requirements under the GEM Listing Rules and adequate disclosures have been made.



### **Events After the Reporting Period**

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

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

Zhejiang, PRC, 13 November 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.*