



**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

2021 **FIRST QUARTERLY
REPORT**

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*This report, for which the directors (the “**Directors**”) of Narnia (Hong Kong) Group Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”, “**we**”, “**our**” or “**us**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**the GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

Directors

Executive Directors

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

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

Headquarters and Principal Place of Business in PRC

Jiapu Economic Development Area
 Changxing County
 Huzhou City
 Zhejiang Province
 PRC

Company's Website

www.narnia.hk

Principal Place of Business in Hong Kong

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

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 three months ended 31 March 2021, the results highlights were as follows:

- Revenue increased by 44.9% to approximately RMB76.5 million (2020: approximately RMB52.8 million).
- Gross profit increased by 53.6% to approximately RMB8.6 million (2020: approximately RMB5.6 million).
- Gross profit margin was approximately 11.3% (2020: approximately 10.6%).
- Profit attributable to the equity holders of the Company for the three months ended 31 March 2021 was approximately RMB1.4 million (2020: loss attributable to the equity holders of the Company was approximately RMB2.3 million).
- Basic earnings per share was approximately RMB0.17 cents (2020: basic loss per share was approximately RMB0.29 cents).
- The Board resolved not to recommend payment of any dividends for the three months ended 31 March 2021 (2020: nil).

UNAUDITED CONSOLIDATED FIRST QUARTERLY RESULTS OF 2021

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 2021 (the “**Reporting Period**”) and selected explanatory notes, together with the comparative figures of the corresponding period in 2020 as follows:

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

For the three months ended 31 March 2021

		Three months ended	
		31 March	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	76,492	52,796
Cost of sales and services		(67,865)	(47,208)
Gross profit		8,627	5,588
Other income	5	924	1,895
Other gains and losses	6	(198)	(3,185)
Selling and distribution expenses		(1,125)	(474)
Administrative expenses		(3,073)	(3,113)
Research expenditure		(2,240)	(1,726)
Other expenses		–	(60)
Finance costs	7	(1,000)	(1,188)
Profit/(loss) before income tax		1,915	(2,263)
Income tax expense	8	(536)	(73)
Profit/(loss) for the period attributable to the equity holders of the Company		1,379	(2,336)
Other comprehensive income		–	–
Total comprehensive profit/(loss) for the period attributable to the equity holders of the Company		1,379	(2,336)
Earnings/(loss) per share			
– Basic and diluted (<i>RMB cents</i>)	9	0.17	(0.29)
Dividends	10	–	–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	(Unaudited)						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	
At 1 January 2020	5,346	36,523	11,407	-	76,907	40,964	171,147
Loss and total comprehensive loss for the period	-	-	-	-	-	(2,336)	(2,336)
At 31 March 2020	5,346	36,523	11,407	-	76,907	38,628	168,811
At 1 January 2021	5,346	36,523	11,424	148	76,907	31,049	161,397
Profit and total comprehensive income for the period	-	-	-	-	-	1,379	1,379
At 31 March 2021	5,346	36,523	11,424	148	76,907	32,428	162,776

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2021

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 (the "**General Manager**") of the Group and assumed the role of chief executive officer of the Company. The addresses of the Company's registered office is at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business in Hong Kong is at 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong. The Group is principally engaged in the manufacture and sale of fabric products and the provision of printing and dyeing services.

The immediate holding company of the Company is Spring Sea, an investment holding company incorporated in the British Virgin Islands (the "**BVI**") with limited liability on 14 June 2017, and was owned as to approximately 53.98% by Mr. Dai and approximately 46.02% by Ms. Song.

The Company's shares 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 unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2021 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 unaudited 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 2020, except for the adoption of the new and revised HKFRSs that have become effective for its accounting period beginning on 1 January 2021.

The adoption of the new and revised HKFRSs has no significant effect on these unaudited 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 unaudited 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:

	Three months ended	
	31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of fabric products, recognised at a point in time	52,581	31,430
Service revenue from printing and dyeing, recognised over time	23,911	21,366
Total	76,492	52,796

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 (2020: 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 (2020: 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 mainland of the People's Republic of China (the "PRC") and all its non-current assets excluding deferred tax assets are located in the PRC.

5. Other Income

	Three months ended 31 March	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest income	286	2
Government subsidies (<i>Note</i>)	616	377
Net gain on sales of raw materials	22	103
Dividend received from financial asset mandatorily measured at fair value through profit or loss ("FVTPL")	–	1,097
Others	–	316
Total	924	1,895

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

	Three months ended 31 March	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net exchange gain/(loss)	122	(3,185)
Others	(320)	–
Total	(198)	(3,185)

7. Finance Costs

	Three months ended	
	31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	1,000	1,188
Total	1,000	1,188

8. Income Tax Expense

	Three months ended	
	31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income ("EIT")	536	73
Deferred tax charge	-	-
Total	536	73

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 2021 and 2020.

Provision for the EIT during the three months ended 31 March 2021 and 2020 was made based on the estimated assessable profits calculated in accordance with income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

Under the Law of the PRC Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the statutory income tax rate for PRC entities is 25%, therefore, the tax rate of Changxing Seashore Industrial Co., Ltd.* 長興濱里實業有限公司 ("Changxing Seashore") and Zhejiang Xinhua Supply Chain Co., Ltd* 浙江鑫湖供應鏈有限公司 is 25%.

Huzhou Lituo Import and Export Co., Ltd* 湖州利拓進出口有限公司 is recognised as a small profit enterprise in 2021, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20%. And the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20%.

8. Income Tax Expense (continued)

Huzhou Narnia Industry Co. Ltd.* (“**Huzhou Narnia**”) (湖州納尼亞實業有限公司) is recognised as “High and New Technology Enterprise*” (高新技術企業) which is jointly verified by Zhejiang Science and Technology Department, Zhejiang Finance Department, the State Taxation Bureau of Zhejiang Province and Local Taxation Bureau of Zhejiang Province and therefore entitled to a preferential tax rate of 15% in 2021 (2020: 15%).

Under the EIT Law and Implementation Regulations of the EIT Law, Huzhou Narnia is allowed for 75% additional tax deduction for qualified research and development costs.

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

	Three months ended	
	31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) before tax	1,915	(2,263)
Tax at PRC EIT rate of 25%	479	(566)
Tax effect of expense not deductible for tax purpose	834	758
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	(420)	(326)
Income taxed at concessionary rate	(357)	207
Income tax expense	536	73

9. Earnings/(Loss) Per Share

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

	Three months ended	
	31 March 2021 (Unaudited)	2020 (Unaudited)
Earnings/(loss):		
Profit/(loss) for the period attributable to the equity holders of the Company for the purpose of basic earnings/(losses) per share (RMB'000)	<u>1,379</u>	<u>(2,336)</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings/(losses) per share	<u>800,000,000</u>	<u>800,000,000</u>
Basic earnings/(loss) per share (RMB cents per share)	<u>0.17</u>	<u>(0.29)</u>

No diluted earnings/(loss) 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 any dividends for the three months ended 31 March 2021 (2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Reporting Period, the Group continued to focus on strengthening its core business of dyeing and processing textile products, while also commenced the production of meltblown fabrics. In addition to maintaining and increasing market share for our major products with a dominating advantage, the Group actively increased the application of meltblown fabrics. Besides maintaining business relationships with our current customers, we have also spent a lot of effort in seeking new customers to increase our market share. During the Reporting Period, the turnover and gross profit of the Group both increased as compared with the three months ended 31 March 2020 as a result of the market recovery from the novel coronavirus (COVID-19) epidemic (the “Epidemic”).

During the Reporting Period, the Group increased promotional efforts for its new products. A 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 meltblown fabric production line, which has commenced operation in 2020, continuously gives stable and quality output to meet the increasing market demand. The Group will continue to focus on the development of domestic and overseas markets. During the Reporting Period, business volume for the domestic printing and dyeing and processing sectors has begun to reach scale. Products from the newly added meltblown fabric business line are exported overseas with demands exceeding the Group’s supply. In this regard, as the meltblown fabrics are used in anti-Epidemic products such as face masks, the Group contributed to the global fight against the Epidemic.

The Group put strong emphasis in investment in research and development of new products and technology. During the Reporting Period, the Group continued its research and development of environmental-friendly functional fabrics.

Financial Review

Revenue

Our total revenue was approximately RMB76.5 million for the three months ended 31 March 2021 (2020: approximately RMB52.8 million), representing an increase of 44.9% as comparing the revenue of the Reporting Period with the corresponding period of last year. The increase in revenue was mainly due to the gradual recovery of market demand due to the control of the Epidemic in the market during the Reporting Period as compared with the three months ended 31 March 2020.

Revenue from the sales of fabrics increased by approximately RMB21.2 million or 67.5% from approximately RMB31.4 million for the three months ended 31 March 2020 to approximately RMB52.6 million for the three months ended 31 March 2021, reflecting the increase of total volume of fabrics sold from approximately 5.8 million metres for the three months ended 31 March 2020 to approximately 9.4 million metres for the three months ended 31 March 2021.

With a view to diversifying our source of revenue, the Group also provided printing and dyeing services in the PRC. The increase in revenue from printing and dyeing services of approximately RMB2.5 million or 11.7% from approximately RMB21.4 million for the three months ended 31 March 2020 to approximately RMB23.9 million for the three months ended 31 March 2021 was primarily attributable to the increased sales orders for printing and dyeing services from the Group's existing customers for the Reporting Period.

Cost of sales and services

Cost of sales and services primarily comprises (i) raw materials and other inventory costs, (ii) utility costs, (iii) direct labour costs; and (iv) depreciation. The cost of sales and services increased from approximately RMB47.2 million for the three months ended 31 March 2020 to approximately RMB67.9 million for the three months ended 31 March 2021, representing an increase of approximately 43.9%. Such increase was mainly attributable to the increase in the raw materials and other inventory costs which was in line with the increase in revenue during the Reporting Period.

Gross profit and gross profit margin

Our gross profit was approximately RMB8.6 million for the three months ended 31 March 2021 (2020: approximately RMB5.6 million). The overall gross profit margin of our sales and services increased from approximately 10.6% for the three months ended 31 March 2020 to approximately 11.3% for the three months ended 31 March 2021.

Other income

Our other income was approximately RMB0.9 million for the three months ended 31 March 2021 (2020: approximately RMB1.9 million). The decrease of approximately RMB1.0 million for the three months ended 31 March 2021 compared to that for the three months ended 31 March 2020 was mainly due to the decrease in dividend received from financial asset mandatorily measured at FVTPL of approximately RMB1.1 million while partially offset by the increase in government subsidies of approximately RMB0.2 million.

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 RMB0.2 million for the three months ended 31 March 2021 (2020: other losses of approximately RMB3.2 million). The decrease of approximately RMB3.0 million for the three months ended 31 March 2021 compared to that for the three months ended 31 March 2020 was mainly due to the fact that there was a net exchange gain of approximately RMB0.1 million for the three months ended 31 March 2021, while there was a net exchange loss of approximately RMB3.2 million for the three months ended 31 March 2020.

Selling and distribution expenses

Our selling and distribution expenses principally comprise (i) transportation expenses charged by logistics companies for delivery of our products from warehouse to our customers' designated point; (ii) packaging expenses; (iii) exhibition expenses; and (iv) export fees. Our selling and distribution expenses increased by approximately RMB0.6 million or approximately 120.0% from approximately RMB0.5 million for the three months ended 31 March 2020 to approximately RMB1.1 million for the three months ended 31 March 2021. The increase was mainly due to an increase in transportation expenses of approximately RMB0.6 million.

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 was approximately RMB3.1 million for the three months ended 31 March 2021 which was the same amount for the three months ended 31 March 2020.

Research expenditure

The 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 its laboratory in the Huzhou Production Facilities. The Group's research expenditure was approximately RMB2.2 million for the three months ended 31 March 2021 (2020: approximately RMB1.7 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 increase of approximately RMB0.5 million was mainly due to the increase in direct usage of different materials during the testing and analysing process.

Finance costs

For the three months ended 31 March 2021, the Group's finance costs amounted to approximately RMB1.0 million (2020: approximately RMB1.2 million). The Group's finance costs mainly comprised of the interest expense on the Group's bank and other borrowings. The finance cost decreased by approximately RMB0.2 million or 16.7% as compared to that for the three months ended 31 March 2020, mainly as a result of the reduction in average interest rate.

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.

The income tax expense for the three months ended 31 March 2021 was approximately RMB0.5 million and the Group's effective tax rate was approximately 28.0%. The details are set out in Note 8 to the unaudited condensed consolidated financial statements in this report.

Profit/(loss) for the period attributable to the equity holders of the Company

As a result of the foregoing, for the three months ended 31 March 2021, the profit for the period attributable to the equity holders of the Company was approximately RMB1.4 million, while there was a loss of approximately RMB2.3 million for the three months ended 31 March 2020.

Dividends

The Board resolved not to recommend payment of any dividends for the three months ended 31 March 2021 (2020: nil).

Future Outlook

Looking ahead, market competition will remain fierce as the global impact of the Epidemic will be long-lasting, while the domestic and international economic environment will continue to be complex and volatile. In addition to keeping focus on its core business, the Group will also expand its anti-epidemic material production business, maintain and increase market share for its major products with a dominating advantage, and actively increase the application of meltblown fabrics.

In 2021, 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, promote its spirit of sincere partnership, co-innovation and sharing, in order to take the Group'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;
- (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; and
- (4) Further increasing the application of meltblown fabrics, including but not limited to various surgical masks, disposable towels, bath towels and other cleaning products, and facial masks.

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 Investment Limited, Hengye Development Limited, Huzhou Narnia, Narnia International (Hong Kong) Limited and Changxing Seashore Industrial Co., Ltd.* (長興濱里實業有限公司). 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 2021, 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:

(j) Interest in the shares in the Company

Name of Directors	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:

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

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

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

As at 31 March 2021, 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 2021, 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 2021, so far as was known to the Directors, the interests or short positions held by the following persons (other than the Directors) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Interests in the Shares

Person/corporation	Capacity/ nature of interest	Number of shares in the Company held <i>(Note 1)</i>	Approximate percentage of the Company's total issued share capital
Spring Sea	Beneficial owner <i>(Note 2)</i>	472,848,000 (L)	59.11%
Summer Land Star Investment Limited	Beneficial owner <i>(Note 3)</i>	121,602,000 (L)	15.20%
Wang Yun	Interest in controlled corporation <i>(Note 3)</i>	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 31 March 2021, 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 2021, 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 2020 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 2021, the Group had utilised approximately RMB35.8 million of the net proceeds and the remaining balance of the net proceeds is approximately RMB2.1 million, details of which are set out in the table below:

	Planned use of net proceeds as disclosed in the Prospectus (RMB million)	Revised use of the net proceeds as disclosed in the announcement of the Company dated 29 April 2020 (RMB million)	Actual utilised amount as at 31 March 2021 (RMB million)	Unutilised amount as at 31 March 2021 (RMB million)	Expected timeline of utilisation
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	November 2021
Enhancement of environmental protection infrastructure	5.4	5.4	5.4	-	-
General working capital	3.8	3.8	3.8	-	-
Purchase of meltblown fabrics production lines	-	8.5	8.5	-	-
Total	37.9	37.9	35.8	2.1	

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. Please refer to the announcement of the Company dated 29 April 2020 for further details.

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 during the Reporting Period.

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 CG 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 2021 with the management of the Group and agreed with the accounting treatments adopted by the Company.

Events After the Reporting Period

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

Disclosure of Information

The quarterly report for the three months ended 31 March 2021 will be dispatched to the Shareholders and published on the Company’s website at www.narnia.hk and the website of the Stock Exchange at www.hkexnews.hk in due course.

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

Zhejiang, PRC, 14 May 2021

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.

* *For identification purposes only*