



**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 **INTERIM
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
 (*resigned on 31 May 2021*)

Independent Non-executive Directors

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Company Secretary

Mr. Chan Hon Wan (*HKICPA*)

Compliance Officer

Mr. Dai Shunhua

Authorised Representatives

Mr. Chan Hon Wan (*HKICPA*)
 Mr. Dai Shunhua

Registered Office

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

Headquarters and Principal Place of Business in PRC

Jiapu Economic Development Area
 Changxing County
 Huzhou City
 Zhejiang Province
 PRC

Company's Website

www.narnia.hk

Principal Place of Business in Hong Kong

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
 Level 54, Hopewell Centre
 183 Queen's Road East
 Hong Kong

Legal Advisers

(*as to Hong Kong law*)

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 six months ended 30 June 2021, the results highlights were as follows:

- Revenue increased by 37.8% to approximately RMB164.7 million (2020: approximately RMB119.5 million).
- Gross profit increased by 197.0% to approximately RMB19.6 million (2020: approximately RMB6.6 million).
- Gross profit margin was approximately 11.9% (2020: approximately 5.5%).
- Profit attributable to the equity holders of the Company for the six months ended 30 June 2021 was approximately RMB4.3 million (2020: loss attributable to the equity holders of the Company was approximately RMB16.0 million).
- Basic earnings per share was approximately RMB0.54 cents (2020: basic loss per share was approximately RMB2.00 cents).
- The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: nil).

UNAUDITED CONSOLIDATED INTERIM RESULTS OF 2021

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 six months ended 30 June 2021 (the “**Reporting Period**”) and the selected explanatory notes, together with the comparative unaudited figures of the corresponding period in 2020 as follows:

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

For the six months ended 30 June 2021

	Note	Three months ended 30 June		Six months ended 30 June	
		2021	2020	2021	2020
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	5	88,201	66,669	164,693	119,465
Cost of sales and services		(77,180)	(65,655)	(145,045)	(112,863)
Gross profit		11,021	1,014	19,648	6,602
Other income	6	1,469	1,226	2,393	3,121
Other gains and losses	7	(2,034)	(7,613)	(2,232)	(10,798)
Selling and distribution expenses		(833)	(764)	(1,958)	(1,238)
Administrative expenses		(2,397)	(3,547)	(5,470)	(6,660)
Research expenditure		(2,703)	(3,052)	(4,943)	(4,778)
Other expenses		–	(231)	–	(291)
Finance costs	8	(1,153)	(1,498)	(2,153)	(2,686)
Profit/(loss) before tax	9	3,370	(14,465)	5,285	(16,728)
Income tax (expense)/credit	10	(426)	791	(962)	718
Profit/(loss) for the period attributable to the equity holders of the Company		2,944	(13,674)	4,323	(16,010)
Other comprehensive income		–	–	–	–
Total comprehensive income/(loss) for the period attributable to the equity holders of the Company		2,944	(13,674)	4,323	(16,010)
Earnings/(loss) per share – Basic and diluted (<i>RMB cents</i>)	11	0.37	(1.71)	0.54	(2.00)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	119,650	129,049
Deposit on acquisition of property, plant and equipment		–	7,862
Investment properties	13	8,168	8,168
Intangible assets		1,224	1,304
Financial assets mandatorily measured at fair value through profit or loss (“FVTPL”)	14	21,127	21,127
Deferred tax assets		2,642	2,452
		152,811	169,962
Current assets			
Inventories		74,010	54,872
Trade and other receivables	15	60,764	65,702
Receivables at fair value through other comprehensive income (“FVTOCI”)		1,000	9,340
Restricted bank deposits		31,891	32,485
Bank balances and cash		6,331	10,100
		173,996	172,499
Current liabilities			
Trade, bills and other payables	16	61,495	76,100
Contract liabilities		4,391	5,166
Bank borrowings		66,100	80,527
Tax payable		2,553	3,348
		134,539	165,141
Net current assets		39,457	7,358
Total assets less current liabilities		192,268	177,320

	<i>Note</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current liabilities			
Bank borrowings		26,548	15,923
		26,548	15,923
Net assets			
		165,720	161,397
Capital and reserves			
Share capital	17	5,346	5,346
Reserves		160,374	156,051
Total equity		165,720	161,397

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total 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	-	-	-	-	(16,010)	(16,010)
At 30 June 2020	5,346	36,523	11,407	76,907	24,954	155,137
At 1 January 2021	5,346	36,523	11,424	77,055	31,049	161,397
Profit and total comprehensive income for the period	-	-	-	-	4,323	4,323
At 30 June 2021	5,346	36,523	11,424	77,055	35,372	165,720

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021

	Six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	5,409	34,718
Net cash used in investing activities	(4,267)	(6,287)
Net cash used in financing activities	(4,911)	(24,000)
Net (decrease)/increase in cash and cash equivalents	(3,769)	4,431
Cash and cash equivalents at beginning of the period	10,100	5,189
Exchange difference on cash and cash equivalents	–	(322)
Cash and cash equivalents at end of the period	6,331	9,298

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

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

The Company's shares (the "**Share(s)**") were listed on GEM of the Stock Exchange on 26 February 2019 (the "**Listing**").

These 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 interim financial information of the Group for the six months ended 30 June 2021 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 Stock Exchange GEM Listing Rules.

The basis of preparation and accounting policies adopted in preparing this unaudited condensed consolidated interim financial information 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 IFRSs that have become effective for its accounting period beginning on 1 January 2021.

2. **Basis of Preparation of the Financial Information (continued)**

The adoption of the new and revised IFRSs has no significant effect on this unaudited condensed consolidated interim 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 interim 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 interim financial statements have not been audited by the Company's independent auditor but have been reviewed by the audit committee of the Company (the "Audit Committee") and were approved for issue by the Board.

3. **Accounting Policies**

The accounting policies applied for this unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 are consistent with those of the annual financial statements for the year ended 31 December 2020, 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 2021 do not have a material impact on the results and financial position of the Group.

Taxes on income in the interim periods 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 this interim 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 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:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of fabric products, recognised at a point in time	99,135	65,167
Service revenue from printing and dyeing, recognised over time	65,558	54,298
Total	164,693	119,465

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.

6. Other Income

	Six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	290	6
Government subsidies (<i>Note</i>)	1,082	2,018
Dividend received from financial asset mandatorily measured at FVTPL	1,021	1,097
Total	2,393	3,121

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

	Six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment	(750)	–
Net loss on sales of raw materials	(379)	(7,825)
Net exchange loss	(703)	(3,207)
Others	(400)	234
Total	(2,232)	(10,798)

8. Finance Costs

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest on bank borrowings	2,135	2,665
Interest on lease liabilities	18	21
Total	2,153	2,686

9. Profit/(Loss) Before Taxation

Profit/(loss) before taxation is arrived at after charging:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Amortisation of intangible asset	80	78
Cost of inventories	95,276	69,111
Depreciation	7,629	5,669
Staff cost (including directors' emoluments)	10,038	9,841

10. Income Tax (Expense)/Credit

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	(962)	1,218
Deferred tax credit	-	(500)
Total	(962)	718

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 six months ended 30 June 2021 and 2020.

Provision for the PRC Enterprise Income Tax during the six months ended 30 June 2021 and 2020 was made based on the estimated assessable profits/(loss) 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 Xinhu 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%.

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. Huzhou Narnia is subject 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.

* English name is for identification purpose only.

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

The income tax (expense)/credit for the six months ended 30 June 2021 can be reconciled to the profit/(loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) before tax	5,285	(16,728)
Tax at PRC EIT rate of 25%	(1,321)	4,182
Tax effect of expense not deductible for tax purpose	(278)	(285)
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	573	(574)
Income taxed at concessionary rate	452	(1,459)
Tax effect of deductible of temporary difference	(213)	(889)
Tax effect of expenses not taxable for tax purpose	(175)	(257)
Income tax (expense)/credit	(962)	718

11. Earnings/(Loss) Per Share

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

	Six months ended 30 June	
	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/(loss) per Share (RMB'000)	<u>4,323</u>	<u>(16,010)</u>
Number of shares:		
Number of ordinary Shares for the purpose of basic earnings/(loss) per share	<u>800,000,000</u>	<u>800,000,000</u>
Basic earnings/(loss) per Share (RMB cents per Share)	<u>0.54</u>	<u>(2.00)</u>

The calculation of basic earnings/(losses) per share is based on the profit for the period attributable to the equity holders of the Company of approximately RMB4,323,000 (2020: loss of approximately RMB16,010,000) and the number of 800,000,000 ordinary shares (2020: 800,000,000) in issue during the Reporting Period.

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

12. Property, Plant and Equipment

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of approximately RMB19,984,000 (2020: approximately RMB4,543,000). Items of property, plant and equipment with a total carrying amount of approximately RMB12,312,000 (2020: approximately RMB246,000) were disposed of during the six months ended 30 June 2021.

13. Investment Properties

The Group's investment properties were not revalued as at 30 June 2021 by independent valuers. The Directors were aware of the possible change in the conditions of the property market. The directors considered that the carrying amount of the Group's investment properties did not differ significantly from the fair values as at 31 December 2020 carried out by independent qualified professional valuers. Consequently, no change in fair value of investment properties has been recognized in the Reporting Period. During the Reporting Period, the Group neither acquired nor disposed any investment properties.

14. Financial Assets Mandatorily Measured at FVTPL

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Unlisted equity securities, at fair value	21,127	21,127

The unlisted equity securities represent the investment in 7,565,794 shares in Zhejiang Changxing Rural Commercial Bank Company Limited* (浙江長興農村商業銀行股份有限公司). The securities are measured at FVTPL because the Directors of the Company are of the opinion that the securities are not held for strategic long term purpose.

The securities were not revalued as at 30 June 2021 by independent valuers. The Directors were aware of the possible change in the conditions of the security market. The Directors considered that the carrying amount of the securities did not differ significantly from the fair values as at 31 December 2020 carried out by independent qualified professional valuers. Consequently, no change in fair value of the securities has been recognized in the Reporting Period. During the Reporting Period, the Group neither acquired nor disposed any securities.

As at 30 June 2021 and 31 December 2020, the Group's unlisted equity securities were pledged to secure certain bank borrowings of the Group.

15. Trade and Other Receivables

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	37,620	51,523
Less: loss allowance for trade receivables	(2,003)	(2,003)
	35,617	49,520
Prepayments	19,660	14,738
Value added tax recoverable	1,677	1,307
Other receivables		
– Others	3,812	139
Less: loss allowance for other receivables	(2)	(2)
	3,810	137
Total	60,764	65,702

The Group allows a credit period ranging from 30 to 90 days (2020: 30 to 90 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowance of doubtful debts, presented based on the dates of goods sold or invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	27,045	39,041
Over 3 months but within 6 months	6,855	9,148
Over 6 months but within 1 year	959	705
Over 1 year but within 2 years	628	555
Over 2 years	184	71
Total	35,617	49,520

16. Trade and Other Payables

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade and bills payable	47,418	60,130
Other payables	5,650	2,922
Payable for acquisition of property, plant and equipment	2,150	3,910
Other tax payables	3,546	5,348
Payroll payable	2,731	3,647
Interest payable	–	143
Total	61,495	76,100

The average credit period on purchases of goods is ranging from 30 to 90 days (2020: 30 to 90 days) upon receipts of the relevant VAT invoices. The following is an aged analysis of trade and bills payable, presented based on the goods receipt date at the end of each reporting period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	19,933	15,622
Over 3 months but within 6 months	6,681	6,773
Over 6 months but within 1 year	19,195	36,249
Over 1 year but within 2 years	1,428	1,305
Over 2 years	181	181
Total	47,418	60,130

17. Share Capital

	Number of shares '000	Amount US\$'000	Amount equivalent to RMB'000
Authorised:			
Ordinary shares of US\$0.001 each			
At 1 January 2020, 31 December 2020 (audited),			
1 January 2021, 30 June 2021 (unaudited)	2,000,000	2,000	13,365
Issued and fully paid:			
Ordinary shares of US\$0.001 each			
At 1 January 2020, 31 December 2020 (audited),			
1 January 2021, 30 June 2021 (unaudited)	800,000	800	5,346

18. Dividends

The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: nil).

19. Financial Instruments

Categories of financial instruments:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial assets		
Financial asset mandatorily measured at FVTPL	21,127	21,127
Financial assets measured at amortised cost (including bank deposits)	77,649	92,242
Receivables at FVTOCI	1,000	9,340
Total	99,776	122,709
Financial liabilities		
Financial liabilities at amortised cost	154,143	172,250
Total	154,143	172,250

19. Financial Instruments (continued)

Financial risk management objectives and policies

The major financial instruments include financial asset mandatorily measured at FVTPL, trade and other receivables, receivables at FVTOCI, bank deposits, trade and other payables and bank borrowings.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

During the six months ended 30 June 2021, approximately 21.2% (2020: 16.1%) of the Group's sales and approximately 0.4% (2020: 0.3%) of the Group's purchase is denominated in currency other than the functional currency of the relevant group entities making the sale and purchase.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in currency other than the respective group entities' functional currencies at the end of each reporting period are as follows:

	Liabilities		Assets	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
US\$	64	–	29,793	36,333

The Group currently does not have a foreign currency hedging policy as the management of the Group considers that the foreign exchange risk exposure of the Group is minimal. The Group will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and finance lease obligations. The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on an on-going basis and will consider hedging interest rate risk should the need arises.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank balances. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

19. Financial Instruments (continued)

Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the unaudited condensed consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

In the opinion of the Directors of the Company, the risk of default in payment of the bills receivables is low because all bills receivables are issued and guaranteed by reputable PRC banks.

The credit risk on bank balances is limited because the counterparties are banks with good reputations.

Trade receivables

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items on an individual basis for customer with credit-impaired balance and/or assessed collectively for remaining debtors, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast of conditions at the reporting date.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default.

The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group determines the ECL on these items by (i) assessed individually for certain debtors with credit-impaired balance and/or (ii) assessed collectively for remaining debtors based on historical credit loss experience on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the end of each reporting period.

19. Financial Instruments (continued)

Other receivables

For other receivables, the Group has applied the general approach in IFRS 9 to measure the loss allowance approximate to such at 12m ECL, since we assessed there is no any significant increase in credit risk since initial recognition.

Bank balances and receivables at FVTOCI

The bank balances and receivables at FVTOCI are determined to have low risk at the end of the reporting period. The credit risk on bank balances and receivables at FVTOCI are limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the Group's liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

In respect of the bank borrowings with carrying amount of approximately RMB92.6 million as at 30 June 2021, of which approximately RMB66.1 million will be matured in the coming next 12 months after 30 June 2021 in accordance with the repayment schedule of the respective agreements, the Directors of the Company are of the view that the Group would be able to renew the majority of these borrowings upon their maturity, based on the relationship and successful renewal history with the banks. Furthermore, as at 30 June 2021, the Group has available unutilised banking facilities amounted to approximately RMB11.5 million.

Fair value measurements of financial instruments

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Reporting Period, we continued to focus on strengthening our core business of dyeing and processing textile products, while we also commenced the production of meltblown fabrics. In addition to maintaining and increasing market share for our major products with a dominating advantage, we 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.

The Group recorded a net profit of approximately RMB4.3 million for the Reporting Period, as compared to the net loss of approximately RMB16.0 million for the six months ended 30 June 2020. The turnaround from loss to profit is mainly attributable to (i) an increase in the Group's turnover and gross profit for the Reporting Period as compared to the six months ended 30 June 2020 as a result of the market recovery from the outbreak of the COVID-19 epidemic (the **"Epidemic"**); (ii) a decrease in net exchange loss of approximately RMB2.5 million for the Reporting Period as compared to the six months ended 30 June 2020; and (iii) a decrease in net loss on sales of raw materials of approximately RMB7.4 million for the Reporting Period as compared to the six months ended 30 June 2020.

During the Reporting Period, we increased promotional efforts to explore business opportunities for our new products. A market for eco-friendly functional fabric products has been formed, as domestic and overseas customers have started the application of such products with positive response. The meltblown fabric production line, which commenced operation in 2020, has been continuously giving 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 on the investment in research and development of new products and technology. During the Reporting Period, the Group continued our research and development of environmental-friendly functional fabrics.

Financial Review

Revenue

Our total revenue was approximately RMB164.7 million for the six months ended 30 June 2021 (2020: approximately RMB119.5 million), representing an increase of 37.8% as compared to the six months ended 30 June 2020. The increase in revenue was mainly due to the gradual recovery of market demand due to the control of the Epidemic during the Reporting Period as compared to the six months ended 30 June 2020.

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Sales of fabric products, recognised at a point in time	99,135	60.2	65,167	54.5
Service revenue from printing and dyeing, recognised over time	65,558	39.8	54,298	45.5
Total	164,693	100.0	119,465	100.0

Revenue from the sales of fabrics increased by approximately 52.0% from approximately RMB65.2 million for the six months ended 30 June 2020 to approximately RMB99.1 million for the six months ended 30 June 2021, reflecting the increase of total volume of fabrics sold from approximately 11.8 million metres for the six months ended 30 June 2020 to approximately 17.7 million metres for the six months ended 30 June 2021.

With a view to diversifying our source of revenue, we also provide printing and dyeing services in the PRC. The increase in revenue from the provision of printing and dyeing services of approximately RMB11.3 million or 20.8% from approximately RMB54.3 million for the six months ended 30 June 2020 to approximately RMB65.6 million for the six months ended 30 June 2021, was primarily attributable to the increase in sales orders for printing and dyeing services from our existing customers for the Reporting Period.

Cost of sales and services

Cost of sales and services primarily comprises (i) raw materials and other inventory costs, (ii) utility costs, (iii) direct labour costs; and (iv) depreciation. The cost of sales and services increased from approximately RMB112.9 million for the six months ended 30 June 2020 to approximately RMB145.0 million for the six months ended 30 June 2021, representing an increase of approximately 28.4%. The increase was mainly due to the increase in production volume.

Gross profit and gross profit margin

Our gross profit was approximately RMB19.6 million for the six months ended 30 June 2021 (2020: approximately RMB6.6 million). The Group's gross profit margin increased from approximately 5.5% for the six months ended 30 June 2020 to approximately 11.9% for the six months ended 30 June 2021. The significant increase in gross profit margin was a result of significant increase by 37.8% in revenue while cost of sales and services only increased by approximately 28.4% as compared to the same period in 2020.

Other income

Our other income was approximately RMB2.4 million for the six months ended 30 June 2021 (2020: approximately RMB3.1 million). The decrease of approximately RMB0.7 million for the six months ended 30 June 2021 compared to that for the six months ended 30 June 2020 was mainly due to the decrease in government subsidies.

Government subsidies decreased from approximately RMB2.0 million for the six months ended 30 June 2020 to approximately RMB1.1 million for the Reporting Period.

Other gains and losses

Our other losses was approximately RMB2.2 million for the six months ended 30 June 2021 (2020: approximately RMB10.8 million). The decrease of approximately RMB8.6 million for the six months ended 30 June 2021 compared to that for the six months ended 30 June 2020 was mainly due to the decrease in both net exchange loss of approximately RMB2.5 million and loss on disposing some out-dated raw materials of approximately RMB7.4 million, which was partially off-set by the increase in loss on disposal of property, plant and equipment of approximately RMB0.8 million.

Selling and distribution expenses

Our selling and distribution expenses principally comprise (i) transportation expenses charged by logistics companies for delivery of our products from warehouse to our customers' designated point; (ii) packaging expenses; (iii) exhibition expenses; and (iv) export fees. Our selling and distribution expenses increased by approximately RMB0.8 million or approximately 66.7% from approximately RMB1.2 million for the six months ended 30 June 2020 to approximately RMB2.0 million for the six months ended 30 June 2021. The increase was mainly due to the increase in transportation cost.

Administrative expenses

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

Our administrative expenses decreased by approximately RMB1.2 million or approximately 17.9% from approximately RMB6.7 million for the six months ended 30 June 2020 to approximately RMB5.5 million for the six months ended 30 June 2021. The decrease was mainly due to the decrease in professional service fee.

Research expenditure

Our Group has been focusing on research and development of efficient and environmental-friendly technology for textile printing and dyeing. We carry out our research and development projects at the Group's laboratory in our Huzhou Production Facilities. Our research expenditure was approximately RMB4.9 million for the six months ended 30 June 2021 (2020: approximately RMB4.8 million). The expenditure comprised of (i) the costs of our staff involving in our research and development projects, (ii) the direct usage of raw materials for pilot-run of production and testing purpose, and (iii) the depreciation of the research and development machinery and equipment. The increase of approximately RMB0.1 million was mainly due to the increase in direct usage of different materials during the testing and analysing process.

Finance costs

For the six months ended 30 June 2021, our finance costs amounted to approximately RMB2.2 million (2020: approximately RMB2.7 million). Our finance costs mainly comprised of the interest expense on our bank and other borrowings. The finance cost decreased by approximately RMB0.5 million or 18.5% as comparing to that of last year, mainly as a result of the decrease in bank borrowings and reduction in bank interest rate.

Income tax (expense)/credit

Income tax (expense)/credit represents our total current and deferred tax (expense)/credit. The income tax is calculated based on taxable profits/(losses) at the applicable tax rates for the relevant years or periods. Deferred tax is recognised based on temporary differences mainly arising from fair value changes on financial assets mandatorily measured at fair value through profit or loss ("FVTPL") and allowance for bad and doubtful debts.

No provision for Hong Kong profits tax was made during the Reporting Period as our Group had no assessable profit subject to Hong Kong profits tax during the Reporting Period.

Under the EIT Law and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Huzhou Narnia is recognised as a High and New Technology Enterprise* (高新技術企業) and therefore entitled to a preferential tax rate of 15% in 2021 (2020: 15%).

The income tax expense for the six months ended 30 June 2021 was approximately RMB1.0 million, when compared to an income tax credit of approximately RMB0.7 million for the six months ended 30 June 2020. 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.

Profit/(loss) and other total comprehensive income/(loss) for the period attributable to the equity holders of the Company

As a result of the foregoing, our profit and other total comprehensive income for the period attributable to the equity holders of the Company for the six months ended 30 June 2021 was approximately RMB4.3 million, while there was a loss of approximately RMB16.0 million for the six months ended 30 June 2020.

Dividends

The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: nil).

Liquidity and Capital Resources

Our Group's liquidity and working capital requirements primarily relate to our operating costs and capital expenditures on property, plant and equipment. During the Reporting Period, we have funded our liquidity and working capital requirements through a combination of shareholders' equity, cash generated from operations, bank borrowings. Going forward, we expect to fund our working capital, capital expenditures, and other liquidity requirements with a combination of sources, including but not limited to cash generated from our operations, banking facilities, net proceeds from the Share Offer (as defined in the prospectus of the Company dated 13 February 2019 (the "**Prospectus**")) as well as other external equity and debt financing. Taking into account the cash flow generated from operations and the long and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this report.

As at 30 June 2021, our Group had cash and cash equivalents amounting to approximately RMB6.3 million (31 December 2020: approximately RMB10.1 million).

Cash Flow

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal due on its indebtedness and providing funds for capital expenditures and growth of the Group's operations.

During the Reporting Period, the Group's cash and cash equivalents decreased by approximately RMB3.8 million, which mainly comprised the net cash generated from operating activities with the amount of approximately RMB5.4 million, net cash used in investing activities with the amount of approximately RMB4.3 million, and net cash used in financing activities with the amount of approximately RMB4.9 million. The cash flow details of the Group are set out in page 9 under "Unaudited Condensed Consolidated Cash Flow Statement" in this report.

Capital Structure

The capital of the Company comprises only ordinary Shares. Details of the Company's share capital are set out in Note 17 to the unaudited condensed consolidated financial statements. During the Reporting Period, there was no change in the capital structure of the Company.

Indebtedness

The total indebtedness of the Group as at 30 June 2021 was approximately RMB92.6 million (31 December 2020: approximately RMB96.5 million). During the Reporting Period, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

Gearing ratio

The gearing ratio of the Group as at 30 June 2021 was approximately 55.9% (as at 31 December 2020: approximately 59.8%), which is calculated by the total loans and borrowings divided by the total equity attributable to owners of the Company as at 30 June 2021.

Asset-liability ratio

As at 30 June 2021, the Group's asset-liability ratio was approximately 28.3% (31 December 2020: approximately 28.2%), calculated as the total borrowings divided by total assets multiplied by 100%. The slight increase was mainly due to a decrease in total assets.

Pledge of assets

As at 30 June 2021, the Group had pledged certain buildings, fixtures and facilities, land use right and time deposits with aggregate carrying amount of approximately RMB122.8 million (31 December 2020: approximately RMB122.8 million).

Capital expenditures

The capital expenditures of the Group primarily included purchases of plant and equipment, construction in progress. The Group's capital expenditures amounted to approximately RMB20.0 million for the six months ended 30 June 2021 (2020: approximately RMB4.5 million).

Foreign exchange risk

The major business of the Group has used RMB and US\$ as the functional and operational currencies. The Group faces foreign exchange risk arising from RMB and US\$. The Group has no major risks in changes for other currency exchange. However, the Group had not entered into any hedging instrument or contract or other financial instrument for hedging purpose during the Reporting Period.

Significant Investments Held

Financial assets mandatorily measured at FVTPL

As at 30 June 2021, the Group had the following financial assets mandatorily measured at FVTPL:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Unlisted equity securities, at fair value	21,127	21,127

The unlisted equity securities represent the investment in 7,565,794 shares in Zhejiang Changxing Rural Commercial Bank Company Limited (浙江長興農村商業銀行股份有限公司) ("ZCRCB"), a joint-stock company incorporated in the PRC with limited liability which engages in banking business in the PRC. The Group has been holding the shares in ZCRCB prior to the Listing and the purpose of such investment was for its dividend payment and capital appreciation in the long run. As at 30 June 2021 and 31 December 2020, the shares in ZCRCB held by the Group were pledged to secure certain bank borrowings of the Group.

Investment Properties

As at 30 June 2021, the Group's investment properties had a carrying value of approximately RMB8.2 million (31 December 2020: approximately RMB8.2 million). As at 30 June 2021 and 31 December 2020, the Group's investment properties were pledged to secure certain bank borrowings of the Group.

Save as disclosed above and the investments in the subsidiaries and associates by the Company, the Group did not hold any significant investments during the Reporting Period.

Future Plan for Material Investments and Capital Assets

Save as those disclosed in the Prospectus and in this report, the Group currently has no other plan for material investments and capital assets.

Material Acquisition and Disposal by the Group of Subsidiaries, Associates and Joint Ventures

For the six months ended 30 June 2021, the Group did not make any material acquisition and disposal of subsidiaries, associates and joint ventures.

Going Concern

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the Group's unaudited condensed consolidated financial statements were prepared on a going concern basis.

Future Outlook

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

In the second half of 2021, market competition is expected to be even more intense and is expected to 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.

Human Resources and Training

As at 30 June 2021, the Group had a total of 415 employees, total staff cost for the Reporting Period amounted to approximately RMB10.7 million (2020: approximately RMB9.8 million). The Group releases an annual sales guideline at the beginning of each year, formulates the sales strategies and sets out the sales targets of different sales areas after discussing with sales representatives. At the end of each year, the Group makes performance appraisal for sales personnel based on the review results and the achievement of sales target.

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

OTHER INFORMATION

Principal Activities

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of fabrics and the provision of printing and dyeing services.

Disclosure of Interests

(a) *Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations*

As at 30 June 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:

(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**

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

As at 30 June 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 30 June 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 30 June 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 (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 (Note 3)	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 June 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 30 June 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 six months ended 30 June 2021 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 six months ended 30 June 2021 and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive Rights

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

Share Option Scheme

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

No share option has been granted by the Company under the Share Option Scheme since its adoption and during the six months ended 30 June 2021.

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.

Interest of Compliance Adviser

As notified by Cinda International Capital Limited (“**Cinda**”), the Company's compliance adviser, other than the compliance adviser 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.

Use of Net Proceeds from the Listing and Actual Utilised Amount

The Shares of the Company were listed on GEM of the Stock Exchange on 26 February 2019. Net proceeds from the Share Offer (as defined in the Prospectus) 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, 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. As at 30 June 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 the 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 during the six months ended 30 June 2021 (RMB million)	Actual utilised amount as at 30 June 2021 (RMB million)	Unutilised amount as at 30 June 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	

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 six months ended 30 June 2021 and up to the date of this report, the Company has complied with the code provisions under the CG Code, other than code provisions A.2.1 of the CG Code.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Dai Shunhua is the Chairman of the Board and the chief executive officer. The Board is in the opinion that having Mr. Dai to carry out both roles can bring about strong and consistent leadership for the Group, and can be more effective in planning and implementing long-term business strategies. The Board also considers that since members of the Board include competent and Independent Non-executive Directors, this structure will not impair the balance of power and authority between the Board and its management in the business of the Group. The Board is in the opinion that the structure described above will be beneficial to the Company and its business.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities transactions by Directors of listed Issuers on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM listing Rules (the “**Model Code**”) as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2021 and up to the date of this report.

Review by Audit Committee

We established an Audit Committee with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C.3.3 of the Corporate Governance Code pursuant to a resolution of our Directors passed on 29 January 2019. The primary duties of our Audit Committee are, among others, to make recommendation to our Board on the appointment, reappointment and removal of external auditor, monitor integrity of our financial statements, review significant financial reporting judgements contained in them, oversee our financial reporting, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by our Board.

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

The financial information in this report has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited financial statements, the results announcement and this interim report of the Company for the six months ended 30 June 2021 with the management of the Group and agreed with the accounting treatments adopted by the Company, and was of the opinion that the preparation of the financial statements in this interim 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 events after the Reporting Period as at the date of this report.

Disclosure of Information

The interim report for the six months ended 30 June 2021 will be dispatched to shareholders of the Company and published on the Company's website at www.narnia.hk and the website of the Stock Exchange at www.hkexnews.hk in due course.

By order of the Board

Narnia (Hong Kong) Group Company Limited

Mr. Dai Shunhua

Chairman of the Board

Zhejiang, PRC, 13 August 2021

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