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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)

**DISCLOSEABLE TRANSACTION
INVOLVING DISPOSAL OF SHARES OF
ZHEJIANG CHANGXING RURAL
COMMERCIAL BANK COMPANY LIMITED*
(浙江長興農村商業銀行股份有限公司)**

THE SHARE DISPOSAL

On 21 December 2022 (after trading hours), the Vendor, an indirectly wholly-owned subsidiary of the Company has entered into the Share Transfer Agreement with the Purchaser pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sales Shares for a cash consideration of RMB21,500,000. The Sale Shares represent approximately 1.07% of the issued share capital of Changxing Rural Commercial Bank as at the date of the Share Transfer Agreement.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined GEM Listing Rules) in respect of the Share Disposal are more than 5% but less than 25%, the Share Disposal constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. The Share Disposal is subject to notification and announcement requirements under the GEM Listing Rules.

THE SHARE TRANSFER AGREEMENT

Date

21 December 2022 (after trading hours).

Parties

Vendor: Huzhou Narnia Industry Co., Ltd* (湖州納尼亞實業有限公司), a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company

Purchaser: ChangxingHengli Small Loan Company Limited* (長興恒力小額貸款有限公司), a company established in the PRC with limited liability

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Subject of the Share Disposal

Pursuant to the Share Transfer Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing approximately 1.07% of the issued share capital of Changxing Rural Commercial Bank. The Sale Shares are classified as financial assets measured at fair value in the Company's accounts.

Consideration

The Consideration for the Share Disposal is RMB21,500,000.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms after taking into account (i) the historical financial performance of the Changxing Rural Commercial Bank; (ii) the business overview and outlook of the Changxing Rural Commercial Bank; and (iii) the valuation of the fair value of the Sale Shares amounting to approximately RMB20,100,000 as at 31 December 2021. The Valuer has adopted market approach in the valuation report based on the selection of comparable companies.

Payment of the Consideration

The Purchaser shall pay the Consideration in the manner as follows:

- (1) RMB500,000 shall be paid to the Vendor in cash within 15 days upon the signing of the Share Transfer Agreement;
- (2) RMB10,000,000 shall be paid to the Vendor in cash within 6 months upon the signing of the Share Transfer Agreement; and
- (3) RMB11,000,000 shall be paid to the Vendor in cash within 15 days upon successful registration of the change in particulars of Changxing Rural Commercial Bank with the relevant authority in the PRC.

Transfer of beneficial interest, rights and obligations of the Sale Shares

All the beneficial interest and the rights and obligations attaching to the Sale Shares shall be transferred from the Vendor to the Purchaser on 31 December 2022.

INFORMATION ON CHANGXING RURAL COMMERCIAL BANK

Changxing Rural Commercial Bank was established in the PRC with limited liability in December 2007. It engages in banking business in the PRC.

Changxing Rural Commercial Bank has a registered capital of RMB737,891,173. The business scope of Changxing Rural Commercial Bank includes: (i) taking RMB public deposits; (ii) providing short-term, medium-term and long-term RMB loans; (iii) handling domestic settlements; (iv) handling the acceptance and discounting of notes; (v) issuing, paying and underwriting government bonds as an agent; (vi) trading government bonds and financial bonds; (vii) interbank borrowing; (viii) bank card (debit card) services; (ix) receipt and payment of money as an agent and acting as insurance agents; (x) providing safe deposit box services; and (xi) other businesses approved by the banking regulatory authority under the State Council and other relevant regulatory authorities.

Set out below is the audited financial information of Changxing Rural Commercial Bank for the two years ended 31 December 2021 and 31 December 2020:

| | For the financial year ended | |
|--------------------------|-------------------------------------|----------------|
| | 31 December | |
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (audited) | (audited) |
| Profit before income tax | 470,300 | 465,070 |
| Profit after income tax | 380,300 | 373,070 |

INFORMATION ON THE PURCHASER

The Purchaser is principally engaged in (i) handling different types of small loans; (ii) handling the development of small enterprises; and (iii) providing consultation to the management and financing of small enterprises. As at the date of this announcement, the Purchaser has a diverse shareholder base, of which its largest shareholder is Changxing County Traffic Construction Investment Company* (長興交通投資集團有限公司), holding 23.3% of its shares. The ultimate beneficial owners of Changxing County Traffic Construction Investment Company are (i) Transport Department of Changxing County* (長興縣交通運輸局), holding 90% of its shares; and (ii) Zhejiang Financial Development Co., Ltd* (浙江省財務開發有限責任公司), holding 10% of its shares. The sole ultimate beneficial owner of Zhejiang Financial Development Co., Ltd is the Department of Finance of Zhejiang Province* (浙江省財政廳).

Mr. Dai Shunhua and Ms. Song Xiaoying, the executive Directors, are indirectly interested in 1.67% of the Purchaser's shares.

REASONS FOR AND BENEFITS OF THE SHARE DISPOSAL

As at the date of this announcement, the Group is principally engaged in the manufacture and sale of fabric products and the provision of printing and dyeing service.

The Share Disposal was made at the fair value prices and would enable the Group to realise investment in the Sale Shares. As the COVID-19 pandemic continues to impact the global economy and financial markets, the Directors consider the Share Disposal allow the Group to strengthen its cash position. The Group would be able to utilise the net proceeds for general working capital and future investments, such as enhancing research and development on eco-friendly functional fabrics and expanding the marketing model and industry chain.

Taking into account the above, the Directors are of the view that the Share Disposal is in the interest of the Group and the terms and conditions of the Share Transfer Agreement are on normal commercial terms, which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE SHARE DISPOSAL AND INTENDED USE OF PROCEEDS

The Company will cease to hold any share in Changxing Rural Commercial Bank upon successful registration of the change in particulars of Changxing Rural Commercial Bank with the relevant authority in the PRC.

As the Sale Shares are measured at fair value, there will be no gain or loss expected to accrue to the Company's consolidated statement of profit or loss and other comprehensive income as a result of the Share Disposal. The difference will be recognized as fair value change.

The Board intends to apply the sale proceeds from the Share Disposal for the purposes disclosed in the paragraph headed “Reasons for and Benefits of the Share Disposal” in this announcement.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined GEM Listing Rules) in respect of the Share Disposal are more than 5% but less than 25%, the Share Disposal constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. The Share Disposal is subject to notification and announcement requirements under the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings.

| | |
|-----------------------------------|---|
| “Board” | the board of Directors |
| “Company” | Narnia (Hong Kong) Group Company Limited, an exempted company incorporated in the Cayman Islands with limited liability and whose Shares are listed on GEM of the Stock Exchange (stock code: 8607) |
| “connected person(s)” | has the same meaning ascribed to it in the GEM Listing Rules |
| “Changxing Rural Commercial Bank” | Zhejiang Changxing Rural Commercial Bank Company Limited* (浙江長興農村商業銀行股份有限公司), a licenced bank in the PRC |
| “Consideration” | the total consideration of RMB21,500,000 for the Sale Shares paid by the Purchaser to the Vendor pursuant to the Share Transfer Agreement |
| “Director(s)” | the directors of the Company |
| “Group” | the Company and its subsidiaries |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | a party who is not a connected person of the Company and is independent of the Company and its connected parties |

| | |
|----------------------------|---|
| “PRC” | the People’s Republic of China |
| “Purchaser” | Changxing Hengli Small Loan Company Limited* (長興恒力小額貸款有限公司), a company established in the PRC with limited liability |
| “Sale Shares” | 7,565,794 shares, representing approximately 1.07% of the issued share capital of Changxing Rural Commercial Bank as at the date of the Share Transfer Agreement |
| “Share(s)” | ordinary share(s) of nominal value of US\$0.001 each in the issued share capital of the Company |
| “Share Disposal” | disposal of 7,565,794 shares of Changxing Rural Commercial Bank by the Vendor pursuant to the Share Transfer Agreement |
| “Share Transfer Agreement” | share transfer agreement dated 21 December 2022 entered into between the Purchaser and the Vendor in relation to the Share Disposal |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Valuer” | AVISTA Valuation Advisory Limited, a qualified valuer and an Independent Third Party |
| “Vendor” | Huzhou Narnia Industry Co., Ltd* (湖州納尼亞實業有限公司), a company established in the PRC with limited liability on 5 August 2002 and an indirectly wholly-owned subsidiary of the Company |
| “%” | per cent. |

* For identification purpose only

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

Zhejiang, the PRC, 21 December 2022

As at the date of this announcement, 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its posting. This announcement will also be posted on the Company’s website at www.narnia.hk.