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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 DISPOSAL OF ENTIRE EQUITY INTEREST IN TARGET COMPANY

THE DISPOSAL

The Board is pleased to announce that on 19 June 2023, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which, the Vendor agreed to sell, and the Purchaser agreed to acquire the Sale Shares at a consideration of RMB37,800,000.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements.

THE AGREEMENT

Date

19 June 2023 (after trading hours)

Parties

Vendor: Narnia International (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

Purchaser: Changxing Shengjia Yanglv Fishery Aquatic Products Co., Ltd.* (長興盛家漾旅漁水產品有限公司), 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 Disposal

Pursuant to the Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

The Consideration for the Disposal is RMB37,800,000.

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 business overview and outlook of the Target Company; and (iii) the valuation of the Sale Shares amounting to RMB37,656,464.58 as at 30 April 2023 appraised by the Valuer using the asset-based approach. The asset-based approach determines the value of the valuation entity by assessing the value of the assets and liabilities on its balance sheet and other identifiable assets and liabilities off its balance sheet on a valuation reference date.

Payment of the Consideration

The Purchaser shall pay the Consideration to the Vendor in the following manner:

- (1) RMB1,000,000 shall be paid to the Vendor in cash within 15 days upon the signing of the Agreement; and
- (2) RMB36,800,000 shall be paid to the Vendor in cash on or before 30 December 2023.

Completion

The parties shall proceed to complete the change of industrial and commercial registration of the Sale Shares and completion of the Disposal shall take place on 1 May 2023.

INFORMATION ON THE TARGET COMPANY

The Target Company was established in the PRC with limited liability in October 2012. At present, it is a property holding company holding the entire interest in the Premises.

Set out below is the audited financial information of the Target Company for the two financial years ended 31 December 2022:

	For the financial year ended 31 December	
	2021	2022
	<i>RMB (audited)</i>	<i>RMB (audited)</i>
Profit before income tax	22,292.91	1,703.15
Profit after income tax	16,719.68	–

According to the unaudited financial information of the Target Company as extracted from the unaudited consolidated financial statements of the Group, the unaudited total asset value and net asset value of the Target Company as at 31 March 2023 was RMB56,079,000 and RMB34,810,000 respectively.

INFORMATION ON THE PURCHASER

The Purchaser is principally engaged in the wholesale and retail of aquatic products and the farming of aquatic plants. The ultimate beneficial owners of the Purchaser are Shen Honghua and Yuan Liqiang.

REASONS FOR AND BENEFITS OF THE 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.

As the local government policy has leaned towards other sectors and prohibited textile manufacturing operations, the Premises could only be leased to third parties to generate rental income. As the rental income derived from the Premises is not sufficient to offset the associated depreciation and amortization costs, the Directors are of the view that the Target Company should be disposed of so that resources may be better allocated to the Company's other operations. As disclosed in the Company's announcement dated 9 February 2023, the Group entered into a non-legally binding memorandum of understanding with Zixuan Culture Company Limited (資玄文化有限公司) (“**Investment Company**”), pursuant to which the parties planned to initially invest not more than US\$10 million into the Investment Company which is principally engaged in, among others, businesses related to general health and biological sciences. The Disposal will provide the Group with part of the capital needed to proceed with the aforementioned investment. The Directors believe that the investment will enable the Group to expand its business scope to general health and biological sciences, further broaden the revenue stream and improve the profitability of the Group.

Taking the above into account, the Directors are of the view that the Disposal is in the interest of the Group and the terms and conditions of the 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 DISPOSAL AND INTENDED USE OF PROCEEDS

The Company will cease to hold any share in the Target Company upon successful registration of the change in particulars of the Target Company with the relevant authority in the PRC and the Target Company will cease to be a subsidiary of the Company.

Subject to further audit procedures to be performed by the auditors of the Company, as a result of the Disposal, it is expected that the Group will record a gain of RMB2,990,000, being the difference between the consideration and the unaudited net asset value of the Target Company attributable to the Group as at 31 March 2023.

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

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements.

DEFINITIONS

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

“Agreement”	the agreement dated 19 June 2023 entered into between the Purchaser and the Vendor in relation to the Disposal
“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
“Consideration”	the total consideration of RMB37,800,000 for the Sale Shares to be paid by the Purchaser to the Vendor pursuant to the Agreement
“Director(s)”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor pursuant to the Agreement

“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
“Premises”	a land parcel for industrial use located at Jiapu Town, Changxing County, Huzhou City, Zhejiang Province, the PRC with a site area of approximately 11,671 sq.m. and two buildings thereon with a total gross floor area of 5,903.09 sq.m.
“Purchaser”	Changxing Shengjia Yanglv Fishery Aquatic Products Co., Ltd.* (長興盛家漾旅漁水產品有限公司), a company established in the PRC with limited liability
“Sale Shares”	the entire issued share capital of the Target Company as at the date of the Agreement
“Share(s)”	ordinary share(s) of nominal value of US\$0.001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Target Company”	長興濱里實業有限公司 (Changxing Binli Industrial Co., Ltd.)*, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Valuer”	湖州金陵資產評估事務所(普通合伙) (Huzhou Jinling Assets Appraisal Office (General Partnership))* , a qualified valuer in the PRC and an Independent Third Party

“Vendor” Narnia International (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect 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, 19 June 2023

As at the date of this announcement, the executive Directors are Mr. Dai Shunhua, Ms. Song Xiaoying and Mr. Yeung Yiu Wah Francis, 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.