



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

2023

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.*

CONTENTS

3	Corporate Information
4	Results Highlights
5	Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
6	Unaudited Condensed Consolidated Statement of Financial Position
8	Unaudited Condensed Consolidated Statement of Changes in Equity
9	Unaudited Condensed Consolidated Cash Flow Statement
10	Notes to the Unaudited Condensed Consolidated Financial Statements
24	Management Discussion and Analysis
33	Other Information

CORPORATE INFORMATION

Directors

Executive Directors

Mr. Dai Shunhua (*Chairman*)
 Ms. Song Xiaoying
 Mr. Yeung Yiu Wah Francis
 (appointed on 18 January 2023)

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

Principal Share Registrar and Transfer Office in the Cayman Islands

Ocorian Trust (Cayman) Limited
 Windward 3, Regatta Office Park
 PO Box 1350
 Grand Cayman KY1-1108
 Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
 17/F, Far East Finance Centre
 16 Harcourt Road
 Hong Kong

Legal Advisers

(as to Hong Kong law)
 ONC Lawyers
 19th Floor, Three Exchange Square
 8 Connaught Place, Central
 Hong Kong

Auditor

Moore Stephens CPA Limited
Registered Public Interest Entity Auditor
 801-806 Silvercord, Tower 1
 30 Canton Road
 Tsim Sha Tsui, Kowloon
 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 2023, the results highlights were as follows:

- Revenue decreased by 38.1% to approximately RMB103.8 million (2022: approximately RMB167.6 million).
- Gross profit increased by 6.2% to approximately RMB13.7 million (2022: approximately RMB12.9 million).
- Gross profit margin was approximately 13.2% (2022: approximately 7.7%).
- Profit attributable to the equity holders of the Company for the six months ended 30 June 2023 decreased by 52.6% to approximately RMB0.9 million (2022: approximately RMB1.9 million).
- Basic earnings per share decreased by 54.2% to approximately RMB0.11 cents (2022: approximately RMB0.24 cents).
- The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: nil).

UNAUDITED CONSOLIDATED INTERIM RESULTS OF 2023

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 2023 (the “**Reporting Period**”) and the selected explanatory notes, together with the comparative unaudited figures of the corresponding period in 2022 as follows:

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

For the six months ended 30 June 2023

	Note	Three months ended 30 June		Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	61,723	90,175	103,808	167,631
Cost of sales and services		(50,390)	(83,737)	(90,061)	(154,709)
Gross profit		11,333	6,438	13,747	12,922
Other income	6	1,342	619	1,346	2,009
Other gains and losses	7	1,277	1,160	(1,029)	993
Selling and distribution expenses		(712)	(747)	(1,359)	(1,922)
Administrative expenses		(2,039)	(2,969)	(5,380)	(5,727)
Research expenditure		(2,826)	(2,642)	(4,888)	(4,186)
Finance costs	8	(736)	(1,120)	(1,557)	(2,117)
Profit before income tax	9	7,639	739	880	1,972
Income tax (expense)/credit	10	(1,019)	20	(5)	(89)
Profit for the period attributable to the equity holders of the Company		6,620	759	875	1,883
Other comprehensive income		-	-	-	-
Total comprehensive income for the period attributable to the equity holders of the Company		6,620	759	875	1,883
Earnings per share					
– Basic and diluted (RMB cents)	11	0.83	0.09	0.11	0.24
Dividends	12	-	-	-	-

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	13	80,523	103,229
Investment properties	14	7,162	7,162
Intangible assets		912	1,003
Financial assets mandatorily measured at fair value through profit or loss ("FVTPL")	15	–	21,500
		88,597	132,894
Current assets			
Inventories		27,097	29,223
Trade and other receivables	16	82,843	69,112
Bills receivables		9,565	11,930
Financial assets measured at FVTPL		437	419
Restricted bank deposits		–	60
Bank balances and cash		8,774	9,326
		128,716	120,070
Current liabilities			
Trade and other payables	17	28,161	34,642
Contract liabilities		5,447	8,045
Bank and other borrowings		57,450	82,900
Tax payable		204	320
		91,262	125,907
Net current assets/(liabilities)		37,454	(5,837)
Total assets less current liabilities		126,051	127,057

		30 June 2023	31 December 2022
	<i>Note</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Deferred tax liabilities		555	653
		555	653
Net assets		125,496	126,404
Capital and reserves			
Share capital	18	5,346	5,346
Reserves		120,150	121,058
Total equity		125,496	126,404

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2022	5,346	36,523	11,428	77,126	(669)	129,754
Profit and total comprehensive income for the period	-	-	-	-	1,883	1,883
At 30 June 2022	5,346	36,523	11,428	77,126	1,214	131,637
At 1 January 2023	5,346	36,523	11,624	76,930	(4,019)	126,404
Profit and total comprehensive income for the period	-	-	-	-	875	875
Exchange difference arising from the translation of foreign operations	-	-	-	(1,783)	-	(1,783)
At 30 June 2023	5,346	36,523	11,624	75,147	(3,144)	125,496

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023

	Six months ended	
	30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(6,529)	6,846
Net cash generated from/(used in) investing activities	9,257	(8,135)
Net cash used in financing activities	(1,497)	(5,480)
Net increase/(decrease) in cash and cash equivalents	1,231	(6,769)
Cash and cash equivalents at beginning of the period	9,326	10,819
Effect of foreign exchange rate changes, net	(1,783)	(286)
Cash and cash equivalents at end of the period	8,774	3,764

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2023 has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). This financial information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules.

The basis of preparation and accounting policies adopted in preparing this unaudited condensed consolidated 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 2022, except for the adoption of the new and revised IFRSs that have become effective for its accounting period beginning on 1 January 2023.

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.

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

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 2023 are consistent with those of the annual financial statements for the year ended 31 December 2022, 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 2023 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 executive Directors of the Company, 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of fabric products, recognised at a point in time	42,215	100,532
Revenue from printing and dyeing service, recognised over time	61,593	67,099
Total	103,808	167,631

5. Revenue (continued)

Sales of fabric products

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

Revenue is recognised at a point in time when the legal title of the finished goods is transferred, since only by that time the Group passes control of the fabric products to its customers. The normal credit term is 30 to 90 days (2022: 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 (2022: 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	4	5
Government subsidies (<i>Note</i>)	625	983
Dividend received from financial asset mandatorily measured at FVTPL	–	1,021
Others	717	–
Total	1,346	2,009

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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net (loss)/gain on disposal of property, plant and equipment	(1,943)	750
Net (loss)/gain on sales of raw materials	(126)	470
Net exchange gain	1,202	28
Others	(162)	(255)
Total	(1,029)	993

8. Finance Costs

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on bank borrowings	1,539	2,098
Interest on lease liabilities	18	19
Total	1,557	2,117

9. Profit Before Income Tax

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Amortisation of intangible asset	91	94
Cost of inventories	70,248	101,624
Depreciation	7,482	8,313
Staff cost (including directors' emoluments)	9,756	10,269

10. Income Tax Expense

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	(5)	(89)
Deferred tax credit	-	-
Total	<u>(5)</u>	<u>(89)</u>

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 2023 and 2022.

Provision for the PRC Enterprise Income Tax during the six months ended 30 June 2023 and 2022 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 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 2023, 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%.

* English name is for identification purposes only.

10. Income Tax Expense (continued)

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 and therefore entitled to a preferential tax rate of 15% in 2023 (2022: 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 six months ended 30 June 2023 can be reconciled to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended	
	30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before income tax	880	1,972
Tax at PRC EIT rate of 25%	(220)	(493)
Tax effect of expense not deductible for tax purpose	(182)	(208)
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	503	485
Income taxed at concessionary rate	308	397
Tax effect of deductible of temporary difference	(155)	(113)
Tax effect of expenses not taxable for tax purpose	(259)	(157)
Income tax expense	(5)	(89)

11. Earnings Per Share

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Earnings:		
Profit for the period attributable to the equity holders of the Company for the purpose of basic earnings per Share (RMB'000)	875	1,883
Number of shares:		
Number of ordinary Shares for the purpose of basic earnings per share	800,000,000	800,000,000
Basic earnings per Share (RMB cents per Share)	0.11	0.24

The calculation of basic earnings per share is based on the profit for the period attributable to the equity holders of the Company of approximately RMB875,000 (2022: approximately RMB1,883,000) and the number of 800,000,000 ordinary shares (2022: 800,000,000) in issue during the Reporting Period.

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

12. Dividend

The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: nil).

13. Property, Plant and Equipment

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of approximately RMB1,186,000 (2022: approximately RMB8,421,000). Items of property, plant and equipment with a total carrying amount of approximately RMB13,207,000 (2022: approximately RMB945,000) were disposed of during the six months ended 30 June 2023.

14. Investment Properties

The Group's investment properties were not revalued as at 30 June 2023 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 2022 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.

15. Financial Assets Mandatorily Measured at FVTPL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current and mandatorily measured at FVTPL:		
Unlisted equity securities <i>(note (i))</i>	–	21,500
Current and measured at FVTPL:		
Listed equity securities <i>(note (ii))</i>	437	419
	437	21,919

Notes:

- (i) The unlisted equity securities represent the investment in 7,565,794 shares, representing 1.07%, equity interest in Zhejiang Changxing Rural Commercial Bank Company Limited. The unlisted equity securities are measured at FVTPL. As at 30 June 2023, the Group has sold all the 7,565,794 shares to Changxing Hengli Small Loan Company Limited* for a cash consideration of RMB21,500,000.
- (ii) The listed equity investments were classified as fair value through profit or loss as they were held for trading. The fair values of listed equity investments under Level 1 are based on quoted market prices on The Shanghai Stock Exchange and The Shenzhen Stock Exchange.

* English name is for identification purposes only.

16. Trade and Other Receivables

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	36,982	38,056
Less: loss allowance for trade receivables	(7,907)	(7,907)
	29,075	30,149
Prepayments	41,443	37,078
Value added tax recoverable	652	891
Other receivables		
– Others	11,675	996
Less: loss allowance for other receivables	(2)	(2)
	11,673	994
Total	82,843	69,112

The Group allows a credit period ranging from 30 to 90 days (2022: 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	17,034	17,663
Over 3 months but within 6 months	10,127	10,501
Over 6 months but within 1 year	1,914	1,985
Over 1 year but within 2 years	–	–
Total	29,075	30,149

17. Trade and Other Payables

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payable	24,278	28,746
Other payables	1,919	1,728
Other tax payables	1,091	2,565
Payroll payable	831	1,440
Interest payable	42	163
Total	28,161	34,642

The average credit period on purchases of goods is ranging from 30 to 90 days (2022: 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 the Reporting Period:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	18,853	22,323
Over 3 months but within 6 months	4,005	4,742
Over 6 months but within 1 year	872	516
Over 1 year but within 2 years	548	1,165
Total	24,278	28,746

18. 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 2022, 31 December 2022 (audited),			
1 January 2023, 30 June 2023 (unaudited)	2,000,000	2,000	13,365
Issued and fully paid:			
Ordinary shares of US\$0.001 each			
At 1 January 2022, 31 December 2022 (audited),			
1 January 2023, 30 June 2023 (unaudited)	800,000	800	5,346

19. Financial Instruments

Categories of financial instruments:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial assets		
Financial asset measured at FVTPL	437	21,919
Financial assets measured at amortised cost	37,849	40,529
Receivables at amortised cost	9,565	11,930
Total	47,851	74,378
Financial liabilities		
Financial liabilities measured at amortised cost	85,611	114,977
Total	85,611	114,977

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 amortised cost, 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 2023, approximately 15.9% (2022: 16.8%) of the Group's sales and approximately 0.4% (2022: 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
US\$	-	-	62	79

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 amortised cost

The bank balances and receivables at amortised cost are determined to have low risk at the end of the Reporting Period. The credit risk on bank balances and receivables at amortised cost 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 RMB57.5 million as at 30 June 2023, of which approximately RMB57.5 million will be matured in the coming next 12 months after 30 June 2023 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 2023, the Group has available unutilised banking facilities amounted to approximately RMB9.5 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, the Group continued to support the Government's green low carbon and circular development vision, and has implemented a comprehensive upgrade and overhaul which strictly followed rectification standards for printing and dyeing enterprises, and was among the first to pass rectification inspection for printing and dyeing enterprises in Changxing county. The Group comprehensively improved general environmental governance in areas such as enterprise environmental protection, fire safety and emergency response, and also achieved energy conservation and emissions reduction, significantly promoting healthy, green and sustainable development of our enterprise.

Faced with an everchanging macro-environment and market conditions, the Group maintained a market-oriented approach and further invested in technological innovation for product research and development, in order to develop new technologies, techniques and products. The Group continued to optimise product structure to satisfy diverse market and customer needs.

During the past years, the Group comprehensively optimised operations, accelerated industrial transformation upgrading, and continued to carry out synergistic and innovative developments across the industrial chain to maximise resource integration. In addition, based on current industry requirements, the Group actively responded to the government's policy in relation to the phasing out of water injectors on account of the core principles of green manufacturing, energy saving and carbon reduction, and digital production, and adjusted the strategic plans of Changxing Seashore in a scientific manner.

The Group is committed to maintaining a high standard of corporate governance to the greatest extent as far as practicable, with an emphasis on principles of integrity, transparency, accountability, and fairness. The Board believes that good corporate governance is crucial to the success of the Group and the creation of Shareholders' value. While striving to maintain a high standard of corporate governance, the Board is also committed to creating value and maximizing returns for our Shareholders. The Board will continue to review and improve the quality of corporate governance practices with reference to local and international standards. The Group also welcomes any feedback suggestions from the Shareholders, which help to raise the Group's transparency.

Financial Review

Revenue

Our total revenue was approximately RMB103.8 million for the six months ended 30 June 2023 (2022: approximately RMB167.6 million), representing a decrease of 38.1% as compared to the six months ended 30 June 2022. The decrease in revenue was mainly due to the decrease in sales volume during the Reporting Period as compared to the six months ended 30 June 2022.

	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Sales of fabric products, recognised at a point in time	42,215	40.7	100,532	60.0
Revenue from printing and dyeing service, recognised over time	61,593	59.3	67,099	40.0
Total	103,808	100.0	167,631	100.0

Revenue from the sales of fabrics products decreased by approximately RMB58.3 million or 58.0% from approximately RMB100.5 million for the six months ended 30 June 2022 to approximately RMB42.2 million for the six months ended 30 June 2023, reflecting the decrease of total volume of fabrics sold from approximately 19.1 million metres for the six months ended 30 June 2022 to approximately 9.9 million metres for the six months ended 30 June 2023.

With a view to diversifying our source of revenue, we also provide printing and dyeing service in the PRC. The decrease in revenue from the provision of printing and dyeing service of approximately RMB5.5 million or 8.2% from approximately RMB67.1 million for the six months ended 30 June 2022 to approximately RMB61.6 million for the six months ended 30 June 2023, was primarily attributable to the decrease in sales orders for printing and dyeing service 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 decreased from approximately RMB154.7 million for the six months ended 30 June 2022 to approximately RMB90.1 million for the six months ended 30 June 2023, representing a decrease of approximately 41.8%. The decrease was mainly due to the decrease in production volume as well as the decrease in the average cost of the raw materials and energy for the Reporting Period.

Gross profit and gross profit margin

Our gross profit was approximately RMB13.7 million for the six months ended 30 June 2023 (2022: approximately RMB12.9 million). The Group's gross profit margin increased from approximately 7.7% for the six months ended 30 June 2022 to approximately 13.2% for the six months ended 30 June 2023. The increase in gross profit margin was mainly due to the fact that the average cost of the raw materials and energy for the Reporting Period were lower than those in the prior year, which led to a relatively lower cost of sales and services for the six months ended 30 June 2023.

Other income

Our other income was approximately RMB1.3 million for the six months ended 30 June 2023 (2022: approximately RMB2.0 million). The decrease of approximately RMB0.7 million for the six months ended 30 June 2023 compared to that for the six months ended 30 June 2022 was mainly due to the decrease in government subsidies and dividend income.

Government subsidies decreased from approximately RMB1.0 million for the six months ended 30 June 2022 to approximately RMB0.6 million for the Reporting Period.

Other gains and losses

Our other losses was approximately RMB1.0 million for the six months ended 30 June 2023 (2022: other gains of approximately RMB1.0 million). The turnaround of approximately RMB2.0 million from other gains to other losses for the six months ended 30 June 2023 compared to that for the six months ended 30 June 2022 was mainly due to the fact that there was a net loss on disposal of property, plant and equipment of approximately RMB1.9 million for the Reporting Period, while there was a net gain on disposal of property plant and equipment of approximately RMB0.8 million for the six months ended 30 June 2022. Besides, there was a net loss on sales of raw materials of approximately RMB0.1 million for the six months ended 30 June 2023, while there was a net gain on sales of raw materials of approximately RMB0.5 million for the same period last year.

Selling and distribution expenses

Our selling and distribution expenses principally comprise (i) transportation expenses charged by logistics companies for delivery of our products from warehouse to our customers' designated point; (ii) packaging expenses; (iii) exhibition expenses; and (iv) export fees. Our selling and distribution expenses decreased by approximately RMB0.5 million or approximately 26.3% from approximately RMB1.9 million for the six months ended 30 June 2022 to approximately RMB1.4 million for the six months ended 30 June 2023. The decrease was mainly due to the decrease in delivery cost and exhibition expenses.

Administrative expenses

Our administrative expenses primarily consist of (i) staff costs; (ii) professional service fee; (iii) entertainment expenses; (iv) depreciation of property, plant and equipment and amortisation of intangible assets; and (v) travelling expenses. Our administrative expenses decreased by approximately RMB0.3 million or approximately 5.3% from approximately RMB5.7 million for the six months ended 30 June 2022 to approximately RMB5.4 million for the six months ended 30 June 2023. The decrease was mainly due to the decrease in staff costs.

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 2023 (2022: approximately RMB4.2 million). The expenditure comprised (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 in research expenditure of approximately RMB0.7 million for the Reporting Period as compared to the six months ended 30 June 2022 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 2023, our finance costs amounted to approximately RMB1.6 million (2022: approximately RMB2.1 million). Our finance costs mainly comprised the interest expense on our bank and other borrowings. The finance cost decreased by approximately RMB0.5 million or 23.8% as comparing to that of the same period last year, mainly as a result of the decrease in bank borrowings and reduction in bank interest rate.

Income tax expense

Income tax expense represents our total current and deferred tax expense. The income tax is 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.

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 2023 (2022: 15%).

The income tax expense for the six months ended 30 June 2023 was approximately RMB0.01 million (2022: approximately RMB0.1 million). The details are set out in Note 10 to the financial statements.

Profit and other total comprehensive income 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 2023 was approximately RMB0.9 million (2022: approximately RMB1.9 million).

Dividend

The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: 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, 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 2023, our Group had bank balances and cash amounting to approximately RMB8.8 million (31 December 2022: approximately RMB9.3 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 RMB0.5 million, which mainly comprised the net cash used in operating activities with the amount of approximately RMB6.5 million, net cash generated from investing activities with the amount of approximately RMB9.3 million, and net cash used in financing activities with the amount of approximately RMB1.5 million and the foreign exchange loss of approximately RMB1.8 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 18 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 2023 was approximately RMB57.5 million (31 December 2022: approximately RMB82.9 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 2023 was approximately 38.8% (as at 31 December 2022: approximately 58.2%), which represents total interest-bearing bank and other borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant period/year and multiplied by 100%.

Pledge of assets

As at 30 June 2023, the Group had pledged certain buildings, fixtures and facilities, land use right and time deposits with aggregate carrying amount of approximately RMB52.0 million (31 December 2022: approximately RMB77.4 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 RMB1.2 million for the six months ended 30 June 2023 (2022: approximately RMB8.4 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 2023, the Group had the following financial assets mandatorily measured at FVTPL:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Unlisted equity securities	–	21,500
Listed equity securities	437	419
	437	21,919

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), a joint-stock company incorporated in the PRC with limited liability which engages in banking business in the PRC. As at 30 June 2023, the Group has sold all the 7,565,794 shares to Changxing Hengli Small Loan Company Limited* for a cash consideration of RMB21.5 million.

Investment properties

As at 30 June 2023, the Group's investment properties had a carrying value of approximately RMB7.2 million (31 December 2022: approximately RMB7.2 million). As at 30 June 2023 and 31 December 2022, 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 of the Company dated 13 February 2019 (the "Prospectus") and in this report, the Group currently has no other plan for material investments and capital assets.

* English name is for identification purposes only.

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

As disclosed in the announcement of the Company dated 19 June 2023 and 6 July 2023 (the “**Announcements**”), the Company has disposed the entire issued share capital of its indirect wholly-owned subsidiary, Changxing Binli Industrial Co., Ltd.* to Changxing Shengjia Yanglv Fishery Aquatic Products Co., Ltd.* at a consideration of RMB37.8 million. Please refer to the Announcements for further details. Save as disclosed above, 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, despite the presence of challenges and uncertainties hampering China’s economic growth, the market is set to recover with the end of the pandemic. The Group remains optimistic about business prospects and resumption of economic growth. Stability and robust growth are key for the economy in 2023. The Group will focus on our development strategies as we strive to maintain our position as leaders amidst keen competition.

The Group will continue to optimise our R&D system, promote sustained research and technology R&D, strengthen our market-oriented innovative capability, and further explore R&D of new products, in order to satisfy the needs of our customers for new functional fabrics which integrate environmentally friendly elements, and in turn enlarge our customer base. The Group will closely monitor the rapidly changing market developments, build stronger R&D teams both in China and overseas, optimise product structure, introduce innovative technologies, enhance product quality, and build a brand management system, in order to maintain our competitive edge as industry leader.

To stimulate new development, the Group will continue to build new models and expand business and supply chain platform scale. There are no hiring quotas and the Group has formulated an Employee Referral Incentive Scheme to encourage our entire staff to contribute and help us find talents who could work for us. The Group will seek to change our marketing model, explore new ideas and expand the industry chain to develop new product sales models, such as integration of live streaming on platforms such as Tiktok and Taobao. Through a diverse range of channels, the Group could gradually raise our market share and expand market size. The Group will optimize horizontal expansion of our supply chain, enhance our business system in China and overseas, deepen international exchanges, develop strategic partnerships and enrich innovation resources, and actively explore new opportunities, partnerships and projects.

* English name is for identification purposes only.

The Group will seek more environmentally friendly production methods by improving on labour, environment and technology aspects. We will actively implement low carbon and circular development policies in fulfilling our mission of ecological and environmental protection development, as we contribute our own efforts to promote green development of the industry. Since its listing, the Group has been diversifying its investments to expand its business scope and improve its profitability. We believe that only by continuously accelerating the transformation and upgrading of our business, can we adapt to the pace of reform and transition from a planned economy to a market economy. In 2023, the Group will strive to maintain its resilience, adjust its strategic goals, reduce its assets, and actively demonstrate its vitality. At the same time, the Group will start to diversify its existing business, conduct research and develop new projects with more advanced technologies, and forge ahead in Narnia's new chapter of quality sustainable development.

Following our successful Listing on GEM of the Stock Exchange on 26 February 2019, we benefited from a strong capital platform which will be conducive to taking our business to the next level. We are positive about the market outlook and our outstanding capability and competitive edge, which will enable us to capitalise growth opportunities ahead.

Human Resources and Training

As at 30 June 2023, the Group had a total of 388 employees, total staff cost for the Reporting Period amounted to approximately RMB9.8 million (2022: approximately RMB10.3 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 2023, 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 <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. Dai Shunhua	Interest in controlled corporation <i>(Note 2)</i>	Spring Sea	472,848,000 (L)	59.11%
Ms. Song Xiaoying	Interest in controlled corporation <i>(Note 2)</i>	Spring Sea	472,848,000 (L)	59.11%
Mr. Yeung Yiu Wah Francis	Beneficial owner	–	70,000 (L)	0.01%

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 30 June 2023, 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 2023, 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 2023, 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%
Chong Yuet Lan	Beneficial owner	121,602,000 (L)	15.20%

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.

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 30 June 2023, 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 2023, 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 2023 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 2023 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 2023.

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.

Disposal of Shares of Zhejiang Changxing Rural Commercial Bank Company Limited

On 21 December 2022, Huzhou Narnia, an indirectly wholly-owned subsidiary of the Company has entered into the share transfer agreement with Changxing Hengli Small Loan Company Limited* (“**Changxing Hengli**”) (長興恒力小額貸款有限公司) pursuant to which Huzhou Narnia has agreed to sell, and Changxing Hengli has agreed to purchase, the sales shares for a cash consideration of RMB21,500,000. The sale shares (7,565,794 shares) represent approximately 1.07% of the issued share capital of Zhejiang Changxing Rural Commercial Bank as at the date of the share transfer agreement. Please refer to the announcement of the Company dated 21 December 2022 for further details.

Appointment of Executive Director

Mr. Yeung Yiu Wah Francis (楊耀華) has been appointed as an executive Director of the Company with effect from 18 January 2023. Please refer to the announcement of the Company dated 18 January 2023 for further details.

Entering into of the Memorandum of Understanding in relation to a Potential Investment

On 9 February 2023, the Group entered into a non-legally binding memorandum of understanding (the “**MOU**”) with Zixuan Culture Company Limited (the “**Target Company**”), such that the Group plans to initially invest not more than US\$10 million into the Target Company, which is principally engaged in, among others, businesses related to general health and biological sciences. The directors consider the Target Company and its ultimate beneficial owner(s) are independent third party(ies). Details of the MOU are set out in the Company's announcement dated 9 February 2023.

Disposal of Entire Equity Interest in Changxing Binli Industrial Co., Ltd.*

On 19 June 2023, Narnia International (Hong Kong) Limited (“**Narnia International**”), an indirect wholly-owned subsidiary of the Company, and Changxing Shengjia Yanglv Fishery Aquatic Products Co., Ltd.* (“**Changxing Shengjia Yanglv**”) (長興盛家漾旅漁水產品有限公司) entered into the share transfer agreement, pursuant to which, Narnia International agreed to sell, and Changxing Shengjia Yanglv agreed to acquire the sale shares at a consideration of RMB37,800,000. The sale shares represent the entire issued share capital of Changxing Binli Industrial Co., Ltd.* (長興濱里實業有限公司). Please refer to the announcements of the Company dated 19 June 2023 and 6 July 2023, respectively, for further details.

* English name is for identification purposes only.

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 (the “**Announcement**”), there had been a change in use of the net proceeds from the Listing. Please refer to the Announcement for further details. As at 30 June 2023, the Group had utilised approximately RMB37.9 million of the net proceeds, details of which are set out in the table below:

	Planned use of the net proceeds as disclosed in the Prospectus <i>(RMB million)</i>	Revised use of the net proceeds as disclosed in the Announcement <i>(RMB million)</i>	Actual utilised amount during the six months ended 30 June 2023 <i>(RMB million)</i>	Actual utilised amount as at 30 June 2023 <i>(RMB million)</i>
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	2.1	4.6
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	2.1	37.9

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 2023 and up to the date of this report, the Company has complied with the code provisions under the CG Code, other than code provisions C.2.1 of the CG Code.

According to code provision C.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 2023 and up to the date of this report.

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 D.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 2023 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 2023 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, 14 August 2023

As at the date of this report, 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.