



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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2024**

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*This announcement, 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 announcement 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 announcement misleading.*

RESULTS HIGHLIGHTS

For the three months ended 31 March 2024, the results highlights were as follows:

- Revenue decreased by 15.9% to approximately RMB35.4 million (2023: approximately RMB42.1 million).
- Gross profit increased by 66.7% to approximately RMB4.0 million (2023: approximately RMB2.4 million).
- Gross profit margin was approximately 11.3% (2023: approximately 5.7%).
- Profit attributable to the equity holders of the Company for the three months ended 31 March 2024 was approximately RMB0.1 million (2023: loss attributable to the equity holders of the Company was approximately RMB5.7 million).
- Basic earnings per share was approximately RMB0.02 cents (2023: basic losses per share was approximately RMB0.72 cents).
- The Board resolved not to recommend payment of any dividends for the three months ended 31 March 2024 (2023: nil).

UNAUDITED CONSOLIDATED FIRST QUARTERLY RESULTS OF 2024

The board (the “**Board**”) of Directors of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2024 (the “**Reporting Period**”) and selected explanatory notes, together with the comparative figures of the corresponding period in 2023 as follows:

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

For the three months ended 31 March 2024

		Three months ended	
		31 March	
		2024	2023
	<i>Note</i>	RMB’000	RMB’000
		(Unaudited)	(Unaudited)
Revenue	3	35,406	42,085
Cost of sales and services		(31,389)	(39,671)
Gross profit		4,017	2,414
Other income and other net gain/(loss)	5	426	(2,302)
Selling and distribution expenses		(308)	(647)
Administrative expenses		(2,181)	(3,341)
Research expenditure		(1,247)	(2,062)
Finance costs	6	(534)	(821)
Profit/(loss) before income tax		173	(6,759)
Income tax (expense)/credit	7	(26)	1,014
Profit/(loss) for the period attributable to the equity holders of the Company		147	(5,745)
Other comprehensive income		–	–
Total comprehensive profit/(loss) for the period attributable to the equity holders of the Company		147	(5,745)
Earnings/(losses) per share			
– Basic and diluted (<i>RMB cents</i>)	8	0.02	(0.72)
Dividends	9	–	–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2024

	(Unaudited)						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	
At 1 January 2023	5,346	36,523	11,624	23	76,907	(4,019)	126,404
Loss and total comprehensive loss for the period	-	-	-	-	-	(5,745)	(5,745)
At 31 March 2023	<u>5,346</u>	<u>36,523</u>	<u>11,624</u>	<u>23</u>	<u>76,907</u>	<u>(9,764)</u>	<u>120,659</u>
At 1 January 2024	5,346	36,523	11,624	(1,379)	76,907	(16,295)	112,726
Profit and total comprehensive income for the period	-	-	-	-	-	147	147
At 31 March 2024	<u>5,346</u>	<u>36,523</u>	<u>11,624</u>	<u>(1,379)</u>	<u>76,907</u>	<u>(16,148)</u>	<u>112,873</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2024

1. GENERAL INFORMATION

Narnia (Hong Kong) Group Company Limited was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands on 1 September 2017. The Company's immediate and ultimate parent is Spring Sea Star Investment Limited ("**Spring Sea**") and its ultimate controlling parties are Mr. Dai Shunhua ("**Mr. Dai**") and Ms. Song Xiaoying, the spouse of Mr. Dai ("**Ms. Song**") (collectively the "**Controlling Shareholders**"). Mr. Dai is the general manager (the "**General Manager**") of the Group and assumed the role of chief executive officer of the Company. The addresses of the Company's registered office is at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business in Hong Kong is at 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong. The Group is principally engaged in the manufacture and sale of fabric products and the provision of printing and dyeing services.

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

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

These consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2024 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as the applicable disclosure requirement Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited.

The basis of preparation and accounting policies adopted in preparing these unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited annual financial statements for the year ended 31 December 2023, except for the adoption of the new and revised HKFRSs that have become effective for its accounting period beginning on 1 January 2024.

The adoption of the new and revised HKFRSs has no significant effect on these unaudited condensed consolidated financial statements. The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the current accounting period of the Group. The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for these financial assets designated at fair value through profit or loss and equity instruments at fair value through other comprehensive income.

The unaudited condensed consolidated financial statements have not been audited by our Company's independent auditor but have been reviewed by the audit committee of the Company (the "**Audit Committee**") and were approved for issue by the Board.

3. REVENUE

Revenue represents the amounts received and receivable from the sale of fabric products, provision of printing and dyeing services, net of sales related taxes.

The following is an analysis of the Group's revenue from its major products and services:

	Three months ended	
	31 March	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of fabric products, recognised at a point in time	5,888	17,133
Revenue from printing and dyeing services, recognised over time	<u>29,518</u>	<u>24,952</u>
Total	<u><u>35,406</u></u>	<u><u>42,085</u></u>

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 (2023: 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 (2023: 30 to 90 days) upon the completion of services.

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied as the Group's contract period between payment and transfer of the associated service is less than one year.

4. SEGMENT INFORMATION

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

5. OTHER INCOME AND OTHER NET GAIN/(LOSS)

	Three months ended	
	31 March	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	17	3
Government subsidies (<i>Note</i>)	3	1
Net (loss) on sales of raw materials	–	(116)
Dividend received from financial asset mandatorily measured at fair value through profit or loss (“FVTPL”)	613	–
Net exchange gain/(loss)	140	(1,636)
Others	(347)	(554)
	<u>426</u>	<u>(2,302)</u>
Total	<u><u>426</u></u>	<u><u>(2,302)</u></u>

Note: The amount represents unconditional government subsidies received from local government in connection with the enterprise development support, innovation capabilities incentives and others.

6. FINANCE COSTS

	Three months ended	
	31 March	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	534	821
	<u>534</u>	<u>821</u>
Total	<u><u>534</u></u>	<u><u>821</u></u>

7. INCOME TAX (EXPENSE)/CREDIT

	Three months ended	
	31 March	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax (“EIT”)	(26)	1,014
Deferred tax charge	–	–
	<u>(26)</u>	<u>1,014</u>
Total income tax (expense)/credit	<u><u>(26)</u></u>	<u><u>1,014</u></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 three months ended 31 March 2024 and 2023.

Provision for the EIT during the three months ended 31 March 2024 and 2023 was made based on the estimated assessable profits/(losses) calculated in accordance with income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

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

Huzhou Lituo Import and Export Co., Ltd* 湖州利拓進出口有限公司 is recognised as a small profit enterprise in 2024, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20%. And the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20%.

Huzhou Narnia Industry Co. Ltd.* (“**Huzhou Narnia**”) (湖州納尼亞實業有限公司) is recognised as “High and New Technology Enterprise*” (高新技術企業) which is jointly verified by Zhejiang Science and Technology Department, Zhejiang Finance Department, the State Taxation Bureau of Zhejiang Province and Local Taxation Bureau of Zhejiang Province and therefore entitled to a preferential tax rate of 15% in 2024 (2023: 15%).

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

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

	Three months ended	
	31 March	
	2024	2023
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Profit/(loss) before tax	173	(6,759)
Tax at PRC EIT rate of 25%	(43)	1,690
Tax effect of expense not deductible for tax purpose	(111)	(268)
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	138	215
Income taxed at concessionary rate	42	(623)
	<hr/>	<hr/>
Income tax (expense)/credit	(26)	1,014
	<hr/> <hr/>	<hr/> <hr/>

* *English name is for identification purpose only.*

8. EARNINGS/(LOSSES) PER SHARE

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

	Three months ended	
	31 March	
	2024	2023
	(Unaudited)	(Unaudited)
Earnings/(losses):		
Profit/(loss) for the period attributable to the equity holders of the Company for the purpose of basic earnings/(losses) per share (RMB'000)	<u><u>147</u></u>	<u><u>(5,745)</u></u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings/(losses) per share	<u><u>800,000,000</u></u>	<u><u>800,000,000</u></u>
Basic earnings/(losses) per share (RMB cents per share)	<u><u>0.02</u></u>	<u><u>(0.72)</u></u>

No diluted earnings/(losses) per share was presented as there were no potential ordinary shares in issue throughout the both periods.

9. DIVIDENDS

The Board resolved not to recommend payment of any dividends for the three months ended 31 March 2024 (2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Reporting Period, in terms of production equipment, the Group eliminated its high energy-consuming production equipment and instead opted for smart, digitalised, and energy efficient equipment by consolidating resources. Through technological research and artistic innovation, we also produced more quality products that aligned with market demands, to create a “Quality”, “Exquisite”, “Special”, and “Innovative” product portfolio. In terms of customers, we decided to abandon small customers with low profit margins and target quality customers with stable and long-term relationships, due to the impact of the war and other factors such as the recoverability of receivables. During the Reporting Period, with due consideration to policies and other factors, the Group consolidated its existing resources and made full use of its social resources, and achieved the following results:

- (1) Explore new marketing channels, quickly re-enter international markets, stay committed to our strategy of “expanding into foreign markets”, improve the relationship between domestic businesses, expand and attain a quality customer base, and optimise our supply chain to adopt a new supply chain system;
- (2) Continue to make technological advancements, minimise energy consumption while ensuring production efficiency, insist on prioritising quality, develop steadily, and explore new markets;
- (3) Optimise our labour structure, recruit talents, improve the efficiency of our departments, enhance communication among different departments, restructure and streamline staff, and strengthen the responsibility system within the workplace; and
- (4) Optimise the operations of Changxing Seashore according to the Group’s development progress, while taking into account multiple factors such as adjustments to the Company’s strategies and changes in the market.

Financial Review

Revenue

Our total revenue was approximately RMB35.4 million for the three months ended 31 March 2024 (2023: approximately RMB42.1 million), representing a decrease of 15.9% as comparing with the revenue of the Reporting Period with the corresponding period of last year. The decrease in revenue was mainly due to the decrease in sales volume during the Reporting Period.

Revenue from the sales of fabrics decreased by approximately RMB11.2 million or 65.5% from approximately RMB17.1 million for the three months ended 31 March 2023 to approximately RMB5.9 million for the three months ended 31 March 2024, reflecting the decrease in total volume of fabrics sold from approximately 3.6 million metres for the three months ended 31 March 2023 to approximately 1.4 million metres for the three months ended 31 March 2024.

With a view to diversifying our source of revenue, the Group also provided printing and dyeing services in the PRC. The increase in revenue from printing and dyeing services of approximately RMB4.5 million or 18.0% from approximately RMB25.0 million for the three months ended 31 March 2023 to approximately RMB29.5 million for the three months ended 31 March 2024 was primarily attributable to the increased sales orders for printing and dyeing services from the Group's existing and new customers for the Reporting Period.

Cost of sales and services

Cost of sales and services primarily comprises of (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 RMB39.7 million for the three months ended 31 March 2023 to approximately RMB31.4 million for the three months ended 31 March 2024, representing a decrease of approximately RMB8.3 million or 20.9%. Such decrease was mainly attributable to the decrease in the costs of raw materials and other inventory costs which was in line with the decrease in sales volume during the Reporting Period.

Gross profit and gross profit margin

Our gross profit was approximately RMB4.0 million for the three months ended 31 March 2024 (2023: approximately RMB2.4 million). The overall gross profit margin of our sales and services increased from approximately 5.7% for the three months ended 31 March 2023 to approximately 11.3% for the three months ended 31 March 2024.

Other income and other net gain/(loss)

Our other income and other net gain/(loss) was a gain of approximately RMB0.4 million for the three months ended 31 March 2024 (2023: a loss of approximately RMB2.3 million). The gain mainly comprises of net exchange gain of approximately RMB0.1 million and dividend received from financial assets mandatorily measured at FVTPL of approximately RMB0.6 million for the Reporting Period. The loss for the three months ended 31 March 2023 mainly comprises of net exchange loss of approximately RMB1.6 million.

Selling and distribution expenses

Our selling and distribution expenses principally comprise (i) transportation expenses charged by logistics companies for delivery of our products from warehouse to our customers' designated point; (ii) packaging expenses; (iii) exhibition expenses; and (iv) export fees. Our selling and distribution expenses decreased by approximately RMB0.3 million or 50.0% from approximately RMB0.6 million for the three months ended 31 March 2023 to approximately RMB0.3 million for the three months ended 31 March 2024. The decrease was mainly due to a decrease in transportation 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 was approximately RM2.2 million for the three months ended 31 March 2024 which represents a decrease of approximately RMB1.1 million or 33.3% when compared to approximately RMB3.3 million for the three months ended 31 March 2023.

Research expenditure

The Group has been focusing on research and development of efficient and environmental-friendly technology for textile printing and dyeing. The Group carried out its research and development projects at its laboratory in the Huzhou Production Facilities. The Group's research expenditure was approximately RMB1.2 million for the three months ended 31 March 2024 (2023: approximately RMB2.1 million). The expenditure comprised of (i) the costs of the staff involving in the Group's research and development projects; (ii) the direct usage of raw materials for pilot-run of production and testing purpose; and (iii) the depreciation of the research and development machinery and equipment. The decrease of approximately RMB0.9 million was mainly due to the decrease in direct usage of different materials during the testing and analysing process.

Finance costs

For the three months ended 31 March 2024, the Group's finance costs amounted to approximately RMB0.5 million (2023: approximately RMB0.8 million). The Group's finance costs mainly comprised of the interest expenses on the Group's bank and other borrowings. The finance cost for the Reporting Period of approximately RMB0.5 million decreased by approximately RMB0.3 million or 37.5% when compared to approximately RMB0.8 million for the three months ended 31 March 2023.

Income tax (expense)/credit

Income tax expense represent the Group's total current and deferred tax expense. The current taxes are calculated based on taxable losses at the applicable tax rates for the relevant years or periods. Deferred tax is recognised based on temporary differences mainly arising from fair value changes on financial assets mandatorily measured at FVTPL and allowance for bad and doubtful debts.

The income tax expense for the three months ended 31 March 2024 was approximately RMB0.03 million mainly as a result of the profit before taxation and the Group's income tax credit was approximately RMB1.0 million for the three months ended 31 March 2023. The details are set out in Note 7 to the unaudited condensed consolidated financial statements in this announcement.

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

As a result of the foregoing, the profit for the period attributable to the equity holders of the Company was approximately RMB0.1 million for the three months ended 31 March 2024, while there was a loss of approximately RMB5.7 million for the three months ended 31 March 2023.

Dividends

The Board resolved not to recommend payment of any dividends for the three months ended 31 March 2024 (2023: nil).

Future Outlook

Looking ahead, 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 optimise 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.

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 2024, 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.

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 31 March 2024, 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 Directors	Capacity/nature of interest	Relevant company	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Dai Shunhua	Interest in controlled corporation (Note 2)	Spring Sea	472,848,000 (L)	59.11%
Ms. Song Xiaoying	Interest in controlled corporation (Note 2)	Spring Sea	472,848,000 (L)	59.11%
Mr. Yeung Yiu Wah Francis	Beneficial owner	–	120,000,000 (L)	15.00%

Notes:

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

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

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

As at 31 March 2024, save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at 31 March 2024, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) *Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company*

As at 31 March 2024, 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 31 March 2024, no person (other than the Directors) had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.

Compliance with Relevant Laws and Regulations

During the Reporting Period, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

Contingent Liabilities, Legal and Potential Proceedings

As at 31 March 2024, the Group did not have any material contingent liabilities, on-going legal proceedings or potential proceedings threatened to be brought against the Group.

Public Float

According to the information disclosed publicly and as far as the Directors are aware, during the Reporting Period and up to the date of this announcement, at least 25% of the issued shares of the Company was held by public shareholders as required under the GEM Listing Rules.

Purchase, Sale or Redemption of the Company’s Listed Securities

During the Reporting Period and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Island which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company (the “**Shareholders**”).

Share Option Scheme

On 29 January 2019, the Company conditionally adopted a share option scheme (the “**Share Option Scheme**”), which became effective on 26 February 2019 (the “**Effective Date**”). Under the Share Option Scheme, the Board may, at their absolute discretion, at any time within a period of ten years commencing from the Effective Date offer to grant to any eligible persons, including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for Shares. For principal items of the Share Option Scheme, please refer to the 2022 annual report of the Company.

No share option has been granted by the Company under the Share Option Scheme since its adoption.

Connected Transaction

During the Reporting Period, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this announcement pursuant to the GEM Listing Rules.

Directors’ and Controlling Shareholders’ Interest in Competing Business and Conflict of Interest

During the Reporting Period, none of the Directors or Controlling Shareholders’ or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group and any other conflicts of interests with the Group.

Corporate Governance Practice

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules, and adopted various measures to enhance the internal control system, the Directors’ continuous professional development and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Reporting Period, the Company has complied with the code provisions under the CG Code, other than code provisions 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 independent non-executive Directors, this structure will not impair the balance of power and authority between the Board and its management in the business of the Group. The Board is in the opinion that the structure described above will be beneficial to the Company and its business.

Model Code for Securities Transactions

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

Audit Committee

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

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

The Audit Committee has reviewed the unaudited financial statements, this results announcement and the quarterly report of the Company for the three months ended 31 March 2024 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 results announcement 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 event after the Reporting Period as at the date of this announcement.

Continued Suspension of Trading

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 April 2024 and will continue to be suspended, pending the publication of the 2023 audited annual results, the fulfilment of the resumption guidance and the grant of approval of the Stock Exchange for the resumption of trading of the Shares.

Disclosure of Information

The quarterly report for the three months ended 31 March 2024 will be 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, 4 July 2024

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.