



**Narnia (Hong Kong)
Group Company Limited**
納尼亞(香港)集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 8607

2021

**ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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”, “us” or “Narnia”) 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	INTRODUCTION
3	ABOUT THE GROUP
5	ENVIRONMENTAL PROTECTION
11	SOCIETY
15	OPERATING MODEL
18	ENVIRONMENTAL PERFORMANCE DATA SUMMARY
19	INDEX TO HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This Environmental, Social and Governance Report (“ESG Report”) is prepared by the Group in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This ESG Report covers the year from 1 January 2021 to 31 December 2021 and is intended to provide an insight into the approach adopted and actions taken by the Group regarding its operations and sustainability that have implications for itself and the interests of stakeholders. The terms used in this ESG Report have the same definitions as those in the Group’s 2021 Annual Report, unless otherwise defined. The ESG Report of the Group has been presented in two subject areas, namely environmental and social. Each subject area will disclose various aspects regarding relevant policies and the status of its compliance with relevant laws and regulations as addressed by the ESG Reporting Guide.

The Group understands the importance of the ESG Report and is committed to making continuous improvements in fulfilling our corporate social responsibility in our operations in order to better meet the changing needs of an advancing society. The ESG Report of the Group presents general disclosure of required aspects in policies, initiatives, performance and compliance. The Group will continue to optimise and improve the disclosure requirements.

ABOUT THE GROUP

Narnia is a long-established textile manufacturer and printing and dyeing company in the PRC with over 18 years of experience in the textile industry. We develop polyester fabrics, which is a type of chemical fabrics, with different textures and functions, manufacture our products at our Huzhou Production Facilities and engage in direct sales to our customers. Apart from sales of fabrics, we also provide printing and dyeing services. We possess strong research and development capabilities and we are capable of offering different series of polyester fabrics with advanced features and functional properties to our customers. These features include light-resistance, abrasion-resistance, easy-to-wash, easy-to-dry, mildew-proof and insect-proof. Apart from product variety, we also possess certain patented production techniques and dyeing methods. Throughout the years, we have been awarded with the Certificate of High and New Technology Enterprise (國家級高新技術企業), the Contribution Award for the Development of Textile Products in the PRC (中國紡織產品開發貢獻獎), recognised as Pilot Company in the National Integration of Informatisation and Industrialisation Standard Scheme (國家兩化融合貫標試點企業), National Leader of Focus Industries in Water Efficiency (全國重點行業水效領跑者), 2020 Textile Industry Water Saving Enterprise (2020紡織行業節水型企業), Zhejiang Water Saving Enterprise (浙江省節水型企業), Zhejiang Water Saving Model Enterprise (浙江省節水標杆企業), Huzhou City Municipal Level Water Saving Enterprise (湖州市市級節水型企業), 6th Zhejiang Applied Big Data Model Enterprise (浙江省第6批大數據應用示範企業), Zhejiang Provincial Level Supply Chain Innovation and Application Pilot Model Enterprise (浙江省省級供應鏈創新與應用試點示範企業), Export Brand of Zhejiang (浙江省出口名牌), Export Brand of Huzhou City (湖州市出口名牌), Technology Center in Zhejiang Province (浙江省技術中心), Pilot Company in the Management and Innovation Scheme in Zhejiang Province (浙江省管理創新試點企業), awarded the silver award for the Transformation of

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP (Continued)

Scientific and Technological Results in Zhejiang Province (浙江省科技成果轉化二等獎), recognised as Industrial Design Center in Zhejiang Province (浙江省工業設計中心), Provincial-level Research and Development Center for Enterprises with High and New Technology in Zhejiang Province (浙江省高新技術 企業省級研發中心), Corporate Technology Center in Huzhou City (湖州市企業技術中心), Model Enterprise for the Integration of Informatisation and Industrialisation in Huzhou City (湖州市兩化融合示範企業), one of the first Green Factories in Huzhou City (湖州市第一批綠色工廠), a Corporate Industrial Design Center in Huzhou City (湖州市企業工業設計中心), awarded the Outstanding Performance Award among Industrial Enterprises in Changxing County (長興縣工業企業突出業績獎), named Top 50 Enterprises in Changxing County (長興縣50強企業) and awarded the Quality Award by the Changxing County Government (長興縣政府質量獎). The polyester woven bed fabrics produced by the Company has been awarded “Green Product Certification”. We have successfully established a Zhejiang Postdoctoral Workstation and a Zhejiang Narnia Eco-functional Fabric Research Centre, and was awarded 2020 Provincial Level Invisible Champion Development Enterprise, Zhejiang Domestic and Foreign Trading Integrated Leader Enterprise. We led efforts in and developed a national standard for inspection of imperfections on dyed fabrics. We have consecutively won for many years the industry technological innovation award and recognised as new, distinctive, specialised and sophisticated enterprise from the China Filament Weaving Association, as well as Top 50 Economic Efficient Enterprise.

The Huzhou Production Facilities of the Group consists mainly of 17 digital fully automated smart stenter frames, 80 digital high temperature high pressure (HPHT) overflow dyeing machines and 5 meltblown fabrics production lines. Our main production site, which consists of our weaving factory and our printing and dyeing factory, is strategically located at Huzhou City, Zhejiang Province, China. Thus, we can readily access upstream and downstream enterprises along the Yangtze River Delta Economic Zone supply chain and acquire the latest industry and market information. Customers purchasing our fabrics principally consisted of manufacturers of apparels, outdoor products, home furnishing products and surgical mask products as well as trading companies. While the majority of our customers being located in the PRC, our products were delivered to different countries during the track record period, for instance, Mexico, South Africa, Chile, Argentina, India, Panama, South Korea and Columbia. As for our provision of printing and dyeing services, our customers are mainly weaving factories and fabric processing companies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

1. Management of emissions

As we are fully aware of the exhaust gas, sewage, noise and different types of solid wastes generated in our operations, the Group puts great effort in our environmental management work to minimise the impact of exhaust gas, sewage and waste towards the environment. During the Reporting Period, the Group strictly adhered to the various state laws in relation to environmental protection, such as the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (2015 Amendment), the Cleaner Production Promotion Law of the People's Republic of China, the Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry and the Regulation on the Safety Management of Hazardous Chemicals, and committed no violation acts. All emissions were completely in line with the national provisions. For areas that require special attention, we have formulated a separate management system to regulate the emission of exhaust gas, sewage and solid wastes, to ensure that every aspect of production is in line with national and local environmental standards. We also identify updates to the relevant environmental laws and regulations regarding our factories from time to time, and provide training to all related staff to ensure that the operation of our factories is in full compliance.

Waste water generated by the factory is passed through a centralised preprocessing filter to filter out large contaminant particles. The effluent then enters a high efficiency shallow dissolved air flotation tank, and coagulants are added in a coagulation-flotation process. The treated effluent is stored in a holding tank before being pumped through a ferro-carbon catalyst and undergoes oxidation to remove some of the contaminant in the effluent and increase biodegradability. The effluent next enters a cooling tower to reduce water temperature and ensure the normal operations of the subsequent treatment systems. The effluent is then diverted to a sedimentation tank to remove sludge. Next, the effluent enters an A/O tank where the metabolism of anaerobic and aerobic microbes removes most contaminants, and then flows into second and final sedimentation tanks to remove sludge. The treated waste water meets relevant standards, some of which is discharged to sewage treatment plants. The rest is either directly reused by the dyeing business, or diverted to an membrane bioreactor (MBR) tank where it is further treated through an MBR membrane and then passed through a reverse osmosis (RO) system, before being reused by the dyeing business.

Exhaust gas generated by the factories are collected, purified and stored. Fibres and oils collected from the exhaust gas are scrubbed by spray towers and high voltage electrodes before the exhaust is discharged through 15 metre tall exhaust pipes. Mineral oils collected are diverted to filtration tanks to separate oil from water. The Group engages qualified companies to dispose of the mineral oils collected in the filtration tanks on a regular basis, while the waste water is channeled to the sewage collection tanks.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION (Continued)

1. Management of emissions (Continued)

Solid waste generated by the factories are sorted and collected by four main types: scrap fabric, domestic waste, waste mineral oil and used packaging bags. The Group engages qualified companies to dispose of the sorted waste.

To ensure that factory noise levels meet standards, the factories adopt a sensible workshop configuration, where high noise equipment are placed in the centre of the workshop and anti vibration pads and protection is installed at the base of the machinery. Anti vibration tubes are installed for inflow and outflow piping of pumps and soundproof covering is installed for the pump motor. A 2 metre high non-porous wall is installed around the factory perimeter with green corridors on the inside wall. Having implemented the above measures, both daytime and nighttime noise levels in the vicinity of the factory comply with the Category 3 standards specified in GB12348-2008 Emission Standard For Industrial Enterprises Noise at Boundary.

While our production is mainly concentrated at Huzhou Narnia Industry Co., Ltd., our subsidiary; Changxing Seashore Industrial Co., Ltd. is also responsible for certain production processes. We have established strict environmental protection objectives for both of our production sites, and we closely monitor the emissions of different types of gas, sewage and solid wastes, in order to avoid excessive consumption.

Among our subsidiaries, Changxing Seashore has a relatively small production scale, hence it does not generate any exhaust gas and hazardous solid waste and sewage discharge is insignificant. Moreover, Changxing Seashore has entered into a sewage treatment agreement with the local sewage treatment company whereby all sewage is centralised and discharged to the sewage treatment company for further treatment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION (Continued)

1. Management of emissions (Continued)

Due to its larger production scale, Huzhou Narnia Industrial Co., Ltd. produces more emissions. The table below sets out the relevant emission details and the corresponding measures to reduce emissions:

Type of pollution	Name	Treatment measures	Intensity and emission amount
Exhaust gas	VOC _s	Installed exhaust gas purification devices for stenter frames and boilers	0.45 mg/m ³
	SO ₂	Installed exhaust gas purification devices for stenter frames and boilers	N/A
	Rate of emission	Installed exhaust gas purification devices for stenter frames and boilers	0.019 kg/h
Sewage	PH	Centralised and discharged to sewage treatment factories for further treatment	9
	COD	Centralised and discharged to sewage treatment factories for further treatment	200 mg/L, 25.42 t/year
	NH ₃ -N	Centralised and discharged to sewage treatment factories for further treatment	20 mg/L, 3.33 t/year
	SO ₂	Centralised and discharged to sewage treatment factories for further treatment	7.38 t/year
	NO _x	Centralised and discharged to sewage treatment factories for further treatment	29.52 t/year
	Particulate matter	Centralised and discharged to sewage treatment factories for further treatment	20 mg/m ³ , 0.9225 t/year
	VOC _s	Centralised and discharged to sewage treatment factories for further treatment	0.84 t/year
Hazardous solid waste	Waste oil	Collected and centralised by the Company, then cleared out by qualified disposal companies and transported away for treatment	5.74 t
	Packaging of chemicals	Cleared out by qualified disposal companies and transported away for treatment	1.34 t

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION (Continued)

1. Management of emissions (Continued)

Type of pollution	Name	Treatment measures	Intensity and emission amount
Non-hazardous solid waste	Packaging of raw materials	Internally collected and recycled	20.56 t
	Defective products produced during production	The products are carried away by customers or sold as defective products by the Company	N/A
	Domestic waste	Internally collected for centralised disposal by the industrial park management	27.91 t

The Group was not involved in any confirmed non-compliance with the laws and regulations relating to environmental protection that have a significant impact on the Group during the Reporting Period.

2. Use of resources

Chemical fibers, bleached gray fabrics and tinctures are the primary raw materials of the Group's textile and printing and dyeing production. During the past year, 6,100 tonnes, 28.82 million meters and 3,242 tonnes of chemical fibers, bleached gray fabrics and tinctures were used respectively. The production process involves many types of machineries, including texturing machines, weaving machines, drying machines, scutchers, dyeing vats, stenter frames, and meltblown machines. These machineries and equipment mainly consume resources such as electricity, natural gas and steam.

The table below sets out the major resource consumption of Huzhou Narnia and Changxing Seashore in 2021:

Resource	Huzhou Narnia	Changxing Seashore
Electricity	22,670 MWh	5,380 MWh
Natural gas	11,300,000 m ³	N/A
Steam	49,390 t	3,408 t

The Company uses clean energy for its entire production. We use energy-saving electric machinery, transformers and air conditioners with energy efficiency rating of two and above, and do not use any high energy consumption outdated equipment which have been designated by the state for elimination. We have switched out or upgraded production equipment with high resource consumption, introducing liquor saving overflow dyeing machines and low energy consumption fully automated stenter frames. All production technical operations and quality standards are quantified and illustrated numerically. All equipment, production processes and technologies are connected by IOT, allowing comprehensive control.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION (Continued)

2. Use of resources (Continued)

We have developed and implemented an enterprise resource planning (ERP) system and built an information management platform to enable digitalised management of programme, technical, warehouse, quality, financial and customer resources. With five main control centres conducting informatised management, we are able to achieve stable dyeing technology, improve the success rate of dyeing in a single cycle, reduce “colour adjustment”, “readjustment” and “colour removal and redyeing” actions, enhance control over the production process, improve the accuracy of technical implementation, and reduce wastage of raw materials (e.g. dyes and agents). At the same time, by monitoring the usage of water, electricity and natural gas during the production process, we can calculate the costs of resource consumption to optimise usage efficiency. Data from each stage of production is collected and submitted to the management for decision making. Real time remote checking is also supported, allowing for retrieval of first-hand production data directly and indirectly from each production stage or equipment, enabling us to correctly allocate production costs and improve costs savings, which ultimately leads to reduced enterprise energy consumption, stable product quality, enhanced production efficiency, increased collection and recycling of waste water and exhaust gas, and higher reuse rates, thus realising energy savings and emission reductions. We have also established an energy management system and introduced a monitoring and management system that can optimise and the measure energy resources, supervised and assessed the energy efficiency of all relevant departments and positions, and made improvements thereon when necessary, for we have adopted a zero-tolerance approach towards wastage. Moreover, we have developed employees’ awareness of environmental protection, with the aim of conserving resources by bringing teamwork into full play.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION (Continued)

3. Environment and natural resources

The Group recognises that resources are precious. Based on actual conditions, the Group has introduced the ISO14001 management system and clean production assessment, and actively implemented various environmental protection programmes. For example, we have formulated an equipment maintenance scheme in relation to the disposal of exhaust gas, sewage and solid wastes at Huzhou Narnia, as well as an operation procedure for the grey water recycling system equipment. This ensures the high efficiency and smooth operation of our eco-friendly equipment. We have also established a grey water recycling station, where sewage emitted from our production can be reused, in order to maximise water recycling. For 2021, water recycling rate was 61.88% and reclaimed water usage rate was 33.23%. Although the Group's business does not have a material impact on environment and natural resources, we have taken pre-emptive measures and actively responded to the requirements of relevant government authorities by conducting regular supervision and assessment of our daily waste emissions and our impact on the surrounding environment, engaging a third party to prepare a water balance testing and analysis report, and implementing water conservation measures. The Environment Emergency Plan has also been formulate to ensure minimal disruption to the environment in case of emergencies. By virtue of our effective management throughout the years, no environmental accident has occurred in the Company. In addition, we were recognised as National Water Efficiency Leader, Zhejiang Water Conservation Model Enterprise and Huzhou City Four-star Green Factory (湖州市四星級綠色工廠).



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIETY

1. Employment and Labour Practices

The excellent and continuous profitability, business creativity and growth capacity of the Group allow us to provide a healthy working environment to protect all employees. We have developed various relevant systems to protect employees' rights, including the Company Vacation Management System, Company Personnel Management System and Remuneration Management System, among other policies, and we strictly comply with the requirements of relevant labour laws and labour contract laws in the places where we operate. In addition to basic salary, we provide competitive remuneration packages including performance bonus. We also provide insurance, housing provident fund, and employees' mutual aid, which demonstrates our care for our employees.

The pandemic was resurgent during the year. In particular, outbreaks occurred across China during the second half of the year. As part of its focus, the Company coordinated and managed comprehensive efforts in fighting the pandemic, conducting sweep checks and increasing educational efforts to raise disease prevention knowledge among employees and secure plant and personal hygiene, to create a healthy and hygienic environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIETY (Continued)

1. Employment and Labour Practices (Continued)

This year is the 100th anniversary of the founding of the Party and marks a significant milestone in fully realising a well-off society and establishing modern socialism. Together with Party branch and the union, the Company organised team building activities such as a March 8 red march for middle management, blood donation drive, fire drills, volunteer activities and staff trip to Tibet in celebration of the 100th anniversary of the founding of the Party. We also remain attentive to our employees' physical and mental well-being. We organised occupational health screening for our entire staff and implemented a chronic disease monitoring system to build a healthy enterprise. We promote employee participation in various community activities, drills, education and training activities, thereby enriching their lives, enhancing their skills, building mental strength and team cohesion. We encourage employees to build harmonious interpersonal relationships and foster teamwork through mutual cooperation. Our unity and team spirit built over the years allows us to face difficulties and embrace challenges.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIETY (Continued)

2. Occupational safety

The Group strictly enforces the occupational safety requirements of the PRC and complies with relevant laws and regulations. To closely monitor the working environment and employees' occupational health, the company has introduced the ISO18001 management system and has formulated emergency treatment procedures in case of emergencies in the workplace, in order to take precautions in advance. Due to the involvement of heavy machines in certain production units which pose hazards to employees' safety, we have informed our employees about relevant risk factors in detail and have provided them rigorous training in order to ensure their work competence. We have also provided relevant occupational safety protective equipment, strictly enforced equipment operation procedures, and provided orientation training and on-the-job skills upgrade. We perform monitoring and testing for risk factors in relation to occupational diseases (職業病危害因素檢測) in the factories for various jobs which involve occupational hazards. Occupational health screening is provided to employees at pre-employment, during employment and on leaving the Group. We also arrange employees to participate in regular annual fire trainings at local fire departments and conduct fire drills with self-rescue and mutual rescue training, and require subsidiaries to regularly organise similar events for their employees. Meanwhile, safety production meetings are held every week to collect employees' opinions, and evaluate and discuss the implementation of safety measures, to make sure everything is in order. During the Reporting Period, no major industrial accidents occurred in the Group.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIETY (Continued)

3. Development and training

Human resources constitute the foundation of a company's success. The Group is committed to facilitating lifelong learning for employees, so that they can strive for excellence together with the Company. The Group has developed a comprehensive employee training and management system in relation to career growth. While we primarily engage professional training agencies to provide training for our employees, employees are also sent to specialised training agencies to receive external training. Such training is organised at least 2 times every year. Assessments are conducted after training to evaluate, follow-up and improve training results. We also have the Employee Performance Appraisal System in place to regularly examine our employees' performance. We have also established a postdoctoral workstation to attract high calibre professionals. Currently, the postdoctoral workstation has trained one postdoc and is training one postdoc.

Due to the application of printing and dyeing processed products, and the demand for highly-skilled workers, such as testing personnel, quality checkers, mechanics, equipment operators, and specialised technicians during the production process, all workers are required to receive pre-employment technological and equipment training, to ensure that they are familiar with the workflow, mechanical operation, and are equipped with relevant skills and knowledge. During 2021, our employee training programme has helped to produce 2 new textile engineers, 18 new advanced technology workers with occupational skills and 2 labour relations mediators.

4. Labour standards

By strictly complying with the Labour Law of the People's Republic of China, the Group strictly prohibits child or forced labour. We mainly prevent the employment of child Labour during recruitment. Applicants must produce proper proofs of identity for the recruiting manager to verify and confirm the validity of their ID photos and the expiry dates of relevant documents, and are only hired when they meet the statutory age requirements. If the responsible manager has doubts regarding the authenticity of the applicant's ID, the applicant may be asked to provide proofs of academic qualifications to confirm their real age. When necessary, the applicant's ID may be validated by the local law enforcement agency. The Group enters into contracts with its employees in accordance with the relevant requirements of local labour laws and labour contract laws after arm's length negotiation between both parties. The contract safeguards employees' rights. Employees are entitled to refuse any dangerous work arrangements, and all kinds of forced labour is strictly prohibited. Where forced labour is discovered, we will immediately stop the relevant work and carry out investigation and follow-up measures.

As times progress, women are recognised as a significant group of workers, taking on various job roles and contributing to enterprise production and operations as well as reform and development, becoming a powerful force in driving social development. To fully protect women's rights and in recognition of the importance of our female employees, the Narnia Group established a Women's Association in 2021 and convened a women's representatives' assembly. The Group draws on the strengths of our female employees to build a harmonious enterprise.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING MODEL

Based on our core and investment businesses, we developed preliminary proposals to optimise our mission, vision and values. Having sought feedback from our employees, our mission demonstrates our industry characteristics, our vision connects with our strategies and strategic targets, and our values focus on cooperation and win-win, reflecting the culture of harmony and happiness behind the Company's development. We strengthened efforts in strategic management and developed a more scientific and optimal strategic management system covering our mission, vision, strategy analysis and plan development, as well as business planning, major management affairs, mid to long term business rolling plan (LRP) based on a comprehensive budget, and KPI strategic monitoring system. We have optimised strategic management standards, determined strategic management targets, functions and process to conduct more standardised management over the entire strategic management process.

1. Supply chain management

The three major types of suppliers of the Group are, namely, equipment manufacturers, suppliers for raw materials used in our production, and suppliers for packaging materials. We have established relevant supplier policies which set clear rules in relation to the selection and supervision of suppliers. Before confirming to cooperate with a certain supplier, we will require them to provide relevant proofs of legal operation, and arrange technicians and legal staff to conduct on-site investigations at the suppliers' production locations, to ensure the compliance with relevant safety production regulations and environmental protection laws during their operation. In addition, for selected suppliers, we conduct irregular investigations at their production locations during the procurement process to ensure that our requirements are met. We also closely monitor our suppliers' operational conditions through regular checks and irregular sample checks, conduct supplier assessment on a regular basis and maintain supplier profiles, to ensure that no risks are posed towards the environment and the society.

Our customers mainly include weaving factories, homeware producers and traders. Promotion of our Company's products are mainly published on the Company's website and third party platforms, as well as through organising the Company's business development staff to participate in domestic and overseas textile fairs and other general trade fairs. Moreover, we participate in online product fairs to engage more customers. We conduct checks on customer background and formulate ratings, categories and sales strategies for different customers, in order to secure the sales of the Company's products and at the same time minimise risk exposure. We offer certain concessions to quality customers. We have also developed incentive measures for the Company's business development staff to encourage them to expand the scale of our business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING MODEL (Continued)

2. Product responsibility

We have developed comprehensive responsibility policies for all types of products. By monitoring the quality of products and customer service, keeping in touch with customers, ensuring our comprehension of and attention to customers' needs and expectations, and hoping to understand customers' level of satisfaction, we constantly make improvements to our products and services. During the Reporting Period, we have passed a quality management system certification that meets the ISO9001:2015 standard and provides standardisation of quality assurance for our production. To ensure quality of finished products, we have established a Quality Control Department responsible for formulating guidelines for the testing of different work procedures, training professional quality checkers, conducting inspections and acceptance checks on raw materials, the processing procedure and finished products, and conducting testing on the Company's products with third-party testing agencies. If faulty products are found/services do not meet customers' standards, customers are welcome to voice their opinions to our sales or directly to our managing director. Customer opinions or complaints can also be expressed via telephone, email, fax, interviews and other methods or channels. Our sales will make prompt responses by looking into the problems and understanding the customer's satisfaction level. During the Reporting Period, the Group's products are not involved in any major non-compliance with laws or regulations.

3. Anti-corruption

The Group believes that "equality", "integrity" and "corruption-free" are important business assets. The Group has actively responded to China's anti-corruption campaigns in recent years and formulated the Antifraud and Whistle-blowing System to strengthen management. We have developed a regulation system and several reward and punishment measures to regulate employees' conduct, promote a company culture of integrity, and cultivate an anti-fraud business cultural environment. We assess the risks of fraud and have built a detailed control system and mechanism to lower the chances of fraud. A permanent Anti-fraud Department, supervised by the Board of Directors and the Audit Committee, is established to receive information, investigate, report on and give handling advice whenever fraud is reported. In addition, the Group integrates its anti-fraud work into its production and operation processes by ensuring that telephones, email addresses, and on-site complaint boxes are set up under strictly confidential situations, such that department managers and the managing director can be notified of the use of illegal measures, such as fraud, by internal and external members of the Company to achieve inappropriate personal gains at the expense of the Company's rightful economic benefits; or to acquire inappropriate economic benefits for the Company and achieve inappropriate personal gains at the same time. During the Reporting Period, no litigation was brought against the Group or its employees in relation to corruption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING MODEL (Continued)

4. Giving back to the society

The Group deeply values corporate social responsibility and actively gives back to society. We have developed various policies to give back to society. For example, we prioritise employment of local residents during recruitment to improve the income of local residents and raise standards of living. We regularly communicate with local governments and authorities to ensure that our operation and investment complies with policy requirements and industrial park requirements. As times progress, women are recognised as a significant group of workers, taking on various job roles and contributing to enterprise production and operations as well as reform and development, becoming a powerful force in driving social development. To fully protect women’s rights and in recognition of the importance of our female employees, the Narnia Group established a Women’s Association in 2021 and convened a women’s representatives’ assembly. The Group draws on the strengths of our female employees to build a harmonious enterprise. Moreover, depending on position requirements, we take positive action and employ people with disability or people from disadvantaged groups under relaxed recruitment conditions. The Group also participates actively in social welfare activities and charity events, including making donations for local primary and secondary schools, newly developed rural villages, and local poor families. We have also actively joined the Support Xinjiang event by purchasing rural produce from Xinjiang, local impoverished farming communities and other underprivileged areas and distributed them to employees as welfare. Last but not least, we have encouraged employees to contribute their efforts in environmental protection campaigns such as “Treatment of Five Water” and “Waste Separation”. We have made donations to victims of natural disasters and donated protective equipment to pandemic outbreak areas.



Aiming to become a respectable enterprise, the Group hopes to improve business performance and to create more meaningful long-term values for our company and our investors through implementing sustainability strategies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PERFORMANCE DATA SUMMARY

	Unit	2021	2020
Air Emission			
VOC _s	mg/m ³	0.45	0.52
Hazardous Waste			
Waste oil	t	5.74	5.50
Packaging of chemicals	t	1.34	1.41
Non-hazardous Waste			
Packaging for raw materials	t	20.56	26.12
Domestic waste	t	27.91	28.03
Sewage Discharged			
COD	t	25.42	25.61
NH	t	3.33	3.02
Resource			
Electricity	MWh	28,050	28,020
Natural gas	m ³	11,300,000	11,680,000
Steam	t	52,798	44,022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX TO HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Hong Kong Stock Exchange KPI

Aspect	Disclosure	Reference, explanation (Page)
Mandatory Disclosure Requirements	Governance structure	
	A statement from the board containing the following elements:	
	(i) a disclosure of the board’s oversight of ESG issues;	3–4
	(ii) the board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses); and	3–4
	(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses.	3–4
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:	
	Materiality: The ESG report should disclose:	
	(i) the process to identify and the criteria for the selection of material ESG factors;	3–4
	(ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement.	3–4
	Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.	3–4
	Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	3–4
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	3–4

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX TO HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE (Continued)

Hong Kong Stock Exchange KPI (Continued)

Aspect	Disclosure	Reference, explanation (Page)
Comply or explain	A. Environmental	
	Aspect A1: Emissions	5–10
	General disclosure: Information on:	
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
	Note: Air emissions include NO _x , SO _x , and other pollutants regulated under national laws and regulations.	
	Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.	
	Hazardous wastes are those defined by national regulations.	
	KPI: A1.1 Types of emissions and respective emissions data.	5–10
KPI: A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5–10	
KPI: A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5–10	
KPI: A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5–10	
KPI: A1.5 Description of emissions target(s) set and steps taken to achieve them.	5–10	
KPI: A1.6 Description of how hazardous and nonhazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	5–10	
Aspect A2: Use of Resources	5–10	
General disclosure: Policies on the efficient use of resources, including energy, water and other raw materials.		
Note: Resources may be used in production, in storage, transportation, in buildings electronic equipment, etc.		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX TO HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE (Continued)

Hong Kong Stock Exchange KPI (Continued)

Aspect	Disclosure	Reference, explanation (Page)
	KPI: A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5–10
	KPI: A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5–10
	KPI: A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	5–10
	KPI: A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	5–10
	KPI: A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	5–10
	Aspect A3: The Environment and Natural Resources General disclosure: Policies on minimising the issuer's significant impacts on the environment and natural resources.	5–10
	KPI: A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5–10
	Aspect A4: Climate Change General disclosure: Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	5–10
	KPI: A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5–10
	B. Social Employment and Labour Practices Aspect B1: Employment General disclosure: Information on:	11–14
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX TO HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE (Continued)

Hong Kong Stock Exchange KPI (Continued)

Aspect	Disclosure	Reference, explanation (Page)
	KPI: B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	11-14
	KPI: B1.2 Employee turnover rate by gender, age group and geographical region.	11-14
	Aspect B2: Health and Safety General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	11-14
	KPI: B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	11-14
	KPI: B2.2 Lost days due to work injury.	11-14
	KPI: B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	11-14
	Aspect B3: Development and Training General disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	11-14
	KPI: B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	11-14
	KPI: B3.2 The average training hours completed per employee by gender and employee category.	11-14
	Aspect B4: Labour Standards General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	11-14

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX TO HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE (Continued)

Hong Kong Stock Exchange KPI (Continued)

Aspect	Disclosure	Reference, explanation (Page)
	KPI: B4.1 Description of measures to review employment practices to avoid child and forced labour.	11-14
	KPI: B4.2 Description of steps taken to eliminate such practices when discovered.	11-14
	Operating Practices	
	Aspect B5: Supply Chain Management	15-17
	General disclosure: Policies on managing environmental and social risks of the supply chain.	
	KPI: B5.1 Number of suppliers by geographical region.	15-17
	KPI: B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	15-17
	KPI: B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	15-17
	KPI: B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	15-17
	Aspect B6: Product Responsibility	15-17
	General disclosure: Information on:	
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
	KPI: B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	15-17
	KPI: B6.2 Number of products and service related complaints received and how they are dealt with.	15-17
	KPI: B6.3 Description of practices relating to observing and protecting intellectual property rights.	15-17
	KPI: B6.4 Description of quality assurance process and recall procedures.	15-17
	KPI: B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	15-17

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX TO HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE (Continued)

Hong Kong Stock Exchange KPI (Continued)

Aspect	Disclosure	Reference, explanation (Page)
	Aspect B7: Anti-corruption	15-17
	General disclosure: Information on:	
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
	KPI: B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	15-17
	KPI: B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	15-17
	KPI: B7.3 Description of anti-corruption training provided to directors and staff.	15-17
	Community	
	Aspect B8: Community Investment	15-17
	General disclosure: Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	
	KPI: B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	15-17
	KPI: B8.2 Resources contributed (e.g. money or time) to the focus area.	15-17