

# CASABLANCA

GROUP LIMITED

(INCORPORATED UNDER THE LAWS OF THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

STOCK CODE: 2223

## ENVIRONMENTAL, SOCIAL and GOVERNANCE REPORT 2016



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## About Casablanca

Since its establishment in Hong Kong in 1993, Casablanca Group Limited (the “Company”) and its subsidiaries (the “Group”) have been principally engaged in designing, manufacturing, distribution and retailing of bedding products under its proprietary “Casablanca”, “Casa Calvin” and “CASA-V” brands, striving to provide consumers in the People’s Republic of China (for the purpose of this report, excluding Hong Kong, Macau and Taiwan)(the “PRC”), Hong Kong and Macau (collectively the “Greater China Region”) with quality bed linens, duvets and pillows, and home accessories. The Group’s business and products are closely related to consumers’ daily lives. Therefore, the board of directors (the “Directors”) of the Company (the “Board”) places great importance to environmental, social and governance issues.

## Reporting Standard and Scope

The Company has prepared the Environmental, Social and Governance Report (the “Report”) to help the shareholders, investors, consumers and the general public to familiarize with the Group’s environmental and social policies and practices.

The Report has been prepared in compliance with relevant provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), which covered the period from 1 January 2016 to 31 December 2016 (the “Year” or “Review Period”). The Report is mainly divided into two parts: A. “Environmental” and B. “Social”. Data and contents in part A. “Environmental” have been verified and endorsed by TomiFuji EMC Limited, the external environmental consulting company of the Company. The part B. “Social” was jointly prepared by the working group comprising representatives from various departments of the Group.

The data of the following subsidiaries and businesses have been included in the Report due to their significant contributions to the Group:

Name of subsidiary	Business	Region	Scope of data included in the Report
Casablanca Hong Kong Limited (“Casablanca Hong Kong”)	Sales of bedding products	Hong Kong	Office and self-operated retail stores in Hong Kong
Casablanca Home (Shenzhen) Limited (“Casablanca Shenzhen”)	Sales of bedding products	PRC	Office and self-operated retail stores in the PRC
Casablanca Home (Huizhou) Company Limited (“Casablanca Huizhou”)	Manufacturing of bedding products	PRC	Huizhou Plant in Guangdong Province, the PRC

The Report has been approved by the management and the Board of the Company. We would like to extend our gratitude to all parties who have participated in the preparation of the Report.





## A: Environmental

The Group established a fundamental policy which governs the environmental activities that all employees should take part in. Various measures are conducted according to the environmental policies and environmental management systems.

The basic environmental principle is to:

- promote conservation activities and ascertain the benefits and impact of our business activities on natural ecosystems; and
- develop and procure products which utilise properly managed resources in consideration of sustainability.

We strive to improve the energy efficiency during production and reduce the emission of greenhouse gases in all phases of our products' supply chain, aiming to realise a low-carbon society and encourage a low-carbon living style among our customers.

By established a management system in accordance with the national laws and regulations, the Group constantly monitor and review the air pollution, water pollution and solid waste pollution during production, through strictly controls of the emissions, in order to minimising its impact to the ecosystem.

Casablanca products are mainly produced by its production plant in Huizhou, Guangdong Province, the PRC, which strictly complies with national laws and regulations in the PRC, including but not limited to:

- Environment Protection Law of the People's Republic of China  
《中華人民共和國環境保護法》
- Law of the Peoples Republic of China on the Prevention and Control of Atmospheric Pollution  
《中華人民共和國大氣污染防治法》
- Law of the People's Republic of China on Prevention and Control of Water Pollution  
《中華人民共和國水污染防治法》
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste  
《中華人民共和國固體廢物污染環境防治法》
- Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise  
《中華人民共和國環境噪聲污染防治法》
- Regulations on the Safety Administration of Dangerous Chemicals  
《危險化學品安全管理條例》
- Regulations on the Administration of Construction Project Environmental Protection  
《建設項目環境保護管理條例》
- Energy Conservation Law of the People's Republic of China  
《中華人民共和國節約能源法》

## Pollutant Emissions

The following table illustrated the main pollutant emission during the Review Period.

Category	Pollutant	2016 Emission	Requirements as in relevant laws or regulations (Max Allowable Value)
Wastewater	Total Wastewater Discharge	23,352 m <sup>3</sup>	NA
	Chemical Oxygen Demand (CODcr)	25 mg/L	90 mg/L
	Five-day Biochemical Oxygen Demand (BOD5)	10.7 mg/L	20 mg/L
	Ammonia nitrogen	0.84 mg/L	10 mg/L
	Suspended Substance (SS)	14 mg/L	60 mg/L
Exhaust Air	Oily fume	1.3 mg/m <sup>3</sup>	2 mg/m <sup>3</sup>
Noise	Noise level	below 60dB(A)	65dB(A)

Table 1 – Main Pollutant Emission during the year ended 31 December 2016

## Greenhouse Gases Emission

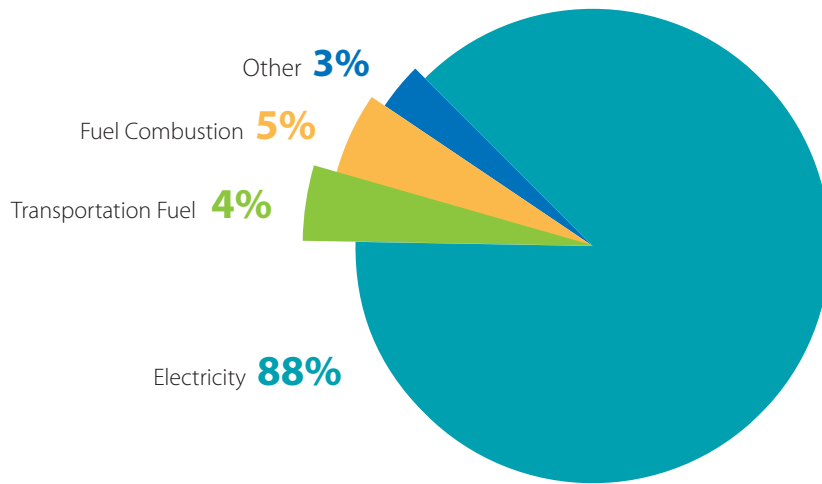
We aim to develop a low-carbon production environment. The total carbon dioxide ("CO<sub>2</sub>") emission for the Group was approximately 1,158.71 tonnes in 2016. Since the largest source from the Group's business activity was the indirect emission from electricity purchased during production, energy saving becomes the main part of the operation principle in the future.

Scopes of greenhouse gases ("GHG") emission identification for the Review Period:

GHG Emission of the Group for the Year 2016	
Description	GHG Emissions / Removals (in tonnes of CO <sub>2</sub> -equivalent)
<b>Scope 1 – Direct Emissions</b>	
Stationary combustion	59.02
Mobile sources combustion	49.20
Releases from equipment and systems	5.20
Assimilation of CO <sub>2</sub> into biomass	0.00
<b>Scope 1 Total:</b>	<b>113.42</b>
<b>Scope 2 – Energy Indirect Emissions</b>	
Purchased electricity	1,022.25
Purchased Towngas	0.00
<b>Scope 2 Total:</b>	<b>1,022.25</b>
<b>Scope 3 – Other Indirect Emissions</b>	
Paper waste disposal	9.31
Use of fresh water	9.50
Sewage discharge	4.23
<b>Scope 3 Total:</b>	<b>23.04</b>
<b>TOTAL GHG EMISSIONS</b>	<b>1,158.71</b>

Table 2 – Greenhouse Gases Emission during the year ended 31 December 2016

## Distribution for CO<sub>2</sub> Emissions



Graph 1 – Illustrate of the Distribution for CO<sub>2</sub> Emissions during the year ended 31 December 2016

The Group devotes efforts to reducing the CO<sub>2</sub> emission in production plant by reducing energy usage. Our production plant was designed and built 3 years ago, in which energy-saving light source were adopted and dormer windows were built on the top floor in order to absorb natural light, thus energy consumption on lighting can be reduced. During production, we use energy efficient sewing machines which have lower electricity consumptions when compared to traditional sewing machines.



Through the above described activities, the Group hopes to further improve the energy-saving operations, and ultimately achieve purposes of energy conservation, consumption reduction and pollution reduction. We plan to progressively adopting LED lighting and introducing new energy-saving production equipment in order to achieve electricity usage reduction. We also promote eco-friendly driving habits which will help to reduce emissions. In 2017, we will keep devoting efforts to energy-saving and promoting our green production concept to our employees and the community.





## Use of Resources

The Group is moving towards a more sustainable use of resources by constantly maintaining and increasing the operational efficiency. We always promote “Reduce, Reuse and Recycle” for all the resources in order to reduce the waste. However, since waste is unavoidable during production, we have established a resource and waste management system, which aim to utilise resources effectively and hence to reduce waste disposal.



The following table shows the Group’s resources consumption during Review Period:

2016	Electricity	Water	Natural Gas	Petroleum	Diesel
Consumption	1,601,279 kWh	23,352 m <sup>3</sup>	31,232 m <sup>3</sup>	16,546 Litre	1,668 Litre
Carbon Intensity (in tonnes of CO <sub>2</sub> -equivalent)	1,022.25	13.73	59.02	44.80	4.40

Table 3 – Resources Consumption during the year ended 31 December 2016

## Solid-waste Disposal

The Group purchases finished fabrics from its suppliers and thus no dye or bleaching agent are involved in our production. During the Review Period, no hazardous waste was produced by the Group, and approximately 15 tonnes of non-hazardous solid waste was produced at production line.

During production, most of the rubbish discharged from the Group are waste materials and packaging of products. Therefore, it is our important responsibility to produce less rubbish during production process. We are working actively to reduce the amount of packaging by minimizing the packaging and consider adopting recyclable materials. In the future, we will keep devoting efforts to minimize the waste.





## Packaging Material Consumption

The following table illustrated the packaging material consumption during the Review Period:

Category	2016 Consumption (in tonnes)	2016 Consumption Intensity (consumption / production units, in kg)
Paper card for product description	16.48	0.010
Paper card for packaging support	45.24	0.037
PE packaging material for duvet & pillow	13.84	0.030
PVC packaging material for bedding sets	16.69	0.025
Non-woven fabric	48.24	0.126
Paper gift box	13.76	0.120
Plastic bag with logo	5.13	0.069

Table 4 – Packaging Material Consumption during the year ended 31 December 2016

The Group is working on various sustainable development activities to ensure the resources are used effectively and responsibly during production. It is an important responsibility for us to bring less impact to the environment. We are always considerate the sustainable development and we will keep focus on community environmental conservation.

The Group has initiated to set up training sessions on a regular basis aiming to promote companies' environmental principles and raise the awareness of employees regarding the environment. The Group has also initiated to promote tree planting activities around the production plant, which help to build an eco-friendly working environment and in order to safeguard the ecosystems of local communities.



## Results in 2016 & Planned Initiatives for 2017

Main Category	Subcategory	KPI	2016 Results	Summary of planned actions/Initiatives for 2017
Reduce CO <sub>2</sub> Emission	Reduce Total CO <sub>2</sub> Emission	Total Annual CO <sub>2</sub> Emissions Factor (CO <sub>2</sub> Emissions/Total Floor Area)	0.026t/m <sup>2</sup>	1) Energy saving equipment introduction – Progressively change to LED lighting in the production plant
	Improve Energy Efficiency	Total Energy Use Factor (Amount of Heat / Total Floor Area)	0.17GJ/m <sup>2</sup>	2) Operational improvement to save energy – Organise a series of trainings by external consultants – Formulate energy saving policy
	Reduce CO <sub>2</sub> Emissions in Logistics	CO <sub>2</sub> Emissions due to transportation	49.21 tonnes	Reduction of CO <sub>2</sub> in delivery – Promote eco-driving habit
Reducing Waste in Production	Reduce Amount of Materials Used in Packaging	Consumption Intensity (consumption/production units)	Refer to Table 4	Reduction of waste materials of packaging – Explore feasibility of change of packaging materials – Adopt recyclable materials
	Trainings for Waste Emissions	Number of Employees Completing Internal Training Courses	Initiate in 2017	Organising a series of trainings by external consultants
Sustainable Resources Usage	Encourage Employees to Use Paper More Effectively and Responsibly	Initiate in 2017		Enhancement of awareness of employees in reducing paper usage – Promote double-page printing and well use of e-communication – Organise campaigns of reduce use of printing paper
Environmental Contributions to the Community	Environmental Afforestation	Initiate in 2017		Initiation of tree planting activities in local communities, planned to plant not less than 35 trees in production plant in 2017
Strengthening the Management	Training & Education	Initiate in 2017		Organising internal training courses for employees – Provide various training sessions to promote the Group's environmental principles and policies – Invite external experts to give seminars on topics in relation to environmental protection

Data and content in part A. "Environmental" has been verified and endorsed by Tomi Fuji EMC Limited, the Group's external environmental consultant.

Note 1 on GHG Emission: The GHG Emission Calculation is based on the methodology of "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" 2010 Edition of Environmental Protection Department ("EPD").

Note 2 on Emission Factors: The Emission Factors are based on Intergovernmental Panel on Climate Change (IPCC) and Greenhouse Gas Protocol. EPD's Guidelines specified value has been taken as the standard for any unspecified factor.

## B: Social

### Employment and Labour Practices

The Company considers human resources as one of the valuable assets of the Group. The realization and enhancement of employee value will contribute to the overall development and performance growth of the Group in the long term. Therefore, the Company intends to grow with employees by providing them with highly transparent recruitment standard, safe working environment, competitive remuneration packages, fair promotion opportunities and appropriate training and development opportunities. The Group's human resources policies strictly comply with the Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》 and the Employment Ordinance of Hong Kong Special Administrative Region.

#### B1: Employment

The staff manual formulated by each of the subsidiaries of the Company has been uploaded to the respective intranet server to let employees understand the regulations of the Company's human resources management, including but not limited to the recruitment process, working hours, compensation and benefits, leave arrangements and appeal procedures.

#### Staff Structure and Turnover

The Company understands and recognizes the benefits of diversified staff structure and regards it as one of the important elements in sustaining a long-term competitive advantage of the Company. A multicultural company should be comprised of employees with different gender, age, ethnicity, religion, skills, educational background, industry experience and other qualities so as to achieve the most appropriate structure and balance. As at 31 December 2016, the number of employees of the Group was 684 while male to female ratio was about 1:3. In March 2016, the Group relocated its PRC sales headquarters from Shenzhen to Huizhou plant with certain number of staff in the PRC left before the relocation so as to cause the staff turnover rate higher than expected. As at 31 December 2016, the distribution of gender, region, function and age of the employees of the Group and respective staff turnover rates are as follows:

As at 31/12/2016			2016
	No. of staff by gender	% of total	Staff turnover rate
Male	166	24.3%	46.3%
Female	518	75.7%	41.4%
Total	684	100.0%	42.7%

As at 31/12/2016			2016
	No. of staff by region	% of total	Staff turnover rate
Hong Kong & Macau	172	25.1%	20.3%
PRC	512	74.9%	50.0%
Total	684	100.0%	42.7%



	As at 31/12/2016		2016
	No. of staff by function	% of total	Staff turnover rate
Management	7	1.0%	12.7%
Administration, human resources and information technology	42	6.1%	58.5%
Sales and customer service	341	49.9%	37.3%
Procurement and logistics	47	6.9%	27.4%
Production	200	29.2%	49.1%
Marketing	19	2.8%	76.2%
Design	5	0.7%	122.7%
Finance and accounting	23	3.4%	25.3%
Total	684	100.0%	42.7%

	As at 31/12/2016		2016
	No. of staff by age	% of total	Staff turnover rate
Aged 29 or below	129	18.9%	71.9%
Aged 30-39	225	32.9%	45.2%
Aged 40-49	225	32.9%	35.8%
Aged 50 or above	105	15.3%	17.3%
Total	684	100.0%	42.7%

Note: Staff turnover rate equals to the number of staff turnover in that category during the year divided by the average of total opening and closing number of staff in that category for the year.

## Compensation and Dismissal

The Company determines staff remuneration on basis of the market salary trend, the competence, qualifications and experience of individual employee. The Company also offers discretionary rewards, including bonus and share options, based on the performance of individual employee during the year with a view to encourage employee to contribute to the development of the Company. The Company makes contributions for pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and housing fund for its employees in the PRC according to the provisions of the Social Insurance Law of the People's Republic of China 《中華人民共和國社會保險法》 and the Regulations on the Administration of Housing Fund 《住房公積金管理條例》, and makes contributions to the social insurance fund for all full-time employees in the PRC in accordance with the relevant provisions and local social insurance contribution policies in the PRC. The Company also makes contributions to the Mandatory Provident Fund for its Hong Kong employees pursuant to the laws of Hong Kong. The Company constantly reviews the compensation policy and system to ensure that employees' remuneration are in line with the commensurate market level and are fairly and equally paid.

The Company has also formulated strict and careful procedures for dismissal in accordance with the relevant laws and regulations in the PRC and Hong Kong. For any employee of the Company who is guilty of serious misconduct or material violation of the relevant laws and regulations or material breach of the Company's related rules and regulations, the Company may terminate its employment contract.

## Recruitment, Promotion and Anti-discrimination

The Company has defined the job qualification and job description for each position as a criteria for employing new staff. Recruitment channels include campus recruitment, open recruitment and internal referral. Each applicant's academic qualifications and related work experience are subject to verification, and at least two interviews will be conducted before employment.

The Company monitors the performance of employee to see if they can meet the requirements of their positions. Meanwhile, the Company also cares about employees' expectations on their personal career development. As such, the Company has formulated evaluation appraisals and promotion mechanism, which serve as a sound platform for employee's career development and provide a solid foundation and strong momentum for the sustainable development of the Company.

The Company adheres to the principle of fairness in the provision of employment opportunities, compensation, education, performance evaluation, promotion and other issues without any discrimination on gender, age, ethnicity, religion, culture and educational background. The Company is committed to provide all its staff with a fair platform for development, protect their legal rights and interests, and create a fair and harmonious working environment.

## Working Hours and Leave Arrangement

The working hours of the Company's staff are in compliance with the relevant requirements of the Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》 and the Employment Ordinance of Hong Kong Special Administrative Region. Most of the staff of the Company work 5 days per week while the sales personnel in Hong Kong work 6 days per week. In the event of overtime work, staff will be rewarded with corresponding compensation from the Company in accordance with the laws and regulations.

The rest days and statutory holidays of employees are in compliance with the relevant regulations. In addition, the Company also provides paid annual leave. Employees are entitled to paid annual leave every year according to their ranking and length of services.

## Employees' Rights and Benefits

The Company actively protects and maintains employees' rights and interests, with a strong emphasis placed on enhancing their sense of belonging and improving their benefits on an ongoing basis.

The Company provides its employees with effective communication channels. Management will attend regular cross-department operation meetings to understand the opinions from different parties. The latest information of the Company will also be announced internally through the intranet platform ("OA System"), Casa Dynamic 《卡撒薈訊》 (the internal quarterly publication) and bulletin board. The Company adopts an open attitude and encourages its employees to voice out their advice and suggestions with a view to offer a better working environment for the employees.

The leave arrangement, bonuses, allowances, subsidies and benefits of the employees are offered according to the regulations and the relevant rules of the Company. Meanwhile, the Company also provides employees with loans at zero interest covering a certain percentage of medical expenses to help meeting their urgent needs depending on individual circumstances.

The Company is committed to foster the work-life balance of its employees and enhance their sense of belonging. We provide sport venues and entertainment facilities, such as basketball courts, table tennis tables and multi-purpose rooms, in Huizhou plant. Meanwhile, the Company organizes various activities from time to time, including tours, exchange meetings and a variety of interest classes, to help employees to develop their personal interests and enhance their interactions.





## **B2: Health and Safety**

Every employee is of vital importance to the Company's operation; therefore, the Company pays extra attention to the health and safety of its employees, striving to provide them with a safe, healthy and protected working environment.

The Company offers safety education and training to all production staff to enhance their awareness of safety and self-protection. In addition, the production workshop in the plant is equipped with masks and cooling equipments to provide employees with a healthy and comfortable work space. Besides, the Company regularly monitors and evaluates the risks of occupational hazards at production sites. During the Year, the air quality in workplace and other occupational hazards were inspected by a third party agency with a view to prevent, control and eliminate occupational hazards and improve the working environment of the employees. Furthermore, during the Year, the Company also commissioned a third party agency to provide staff from our production lines with occupational health checks to minimize the threat of occupational diseases. Meanwhile, the Company regularly inspects the fire protection facilities of the workplaces to ensure compliance with fire protection regulations.

We have distributed the Internal Guidelines for Occupational Safety and Health to our frontline sales and logistic staff to educate them with general knowledge on hygiene at workplace and ways to avoid accidents, as well as some handling procedures in case of occupational injury. During the Review Period, there were no work-related fatalities involving employees of the Group, and the lost working man-days due to work injury was 89.8 man-days.

The Company is committed to providing all employees with a warm and comfortable working and living environment. The Company has set up self-managed staff dormitory and canteen in Huizhou plant with a view to provide sound rest space and healthy catering to its employees.

## **B3: Development and Training**

The Company cares about the development of its employees and expects to promote its business growth by unleashing the development potential of their talents. The internal training policies of the Company have been formulated with an aim to improve the staff's personal skills and bring out their best value for the development of the Company.

The human resources department of the Company provides the new recruits with a unified induction training covering our corporate culture and development direction, while the relevant departments provide them with trainings required by their respective positions. The Company also organizes various types of trainings for all staff throughout the year to improve the interaction between employees from different departments. Regular trainings in sales skills, market information and product technology are provided to frontline sales personnel to assist them to deliver quality services to customers and motivate them to work aggressively towards the annual sales target. The Company also provides training allowance for non-frontline staff to encourage them to participate in job-related external trainings so as to enhance their own value and working skills. During the Review Period, the Company held a total of 26 group trainings in the PRC and Hong Kong.

Every newly appointed Directors of the Company will be given a set of induction materials to ensure that he/ she will have an appropriate understanding of the Company's business and the directors' duties (in accordance with the Listing Rules and the relevant statutory and regulatory requirements). The Company will also regularly update the Directors the Group's business performance and development, and organize annual training held by the Company's legal adviser for all Directors, so that the Directors will continuously receive the latest information of the development of the Listing Rules and related regulations to ensure compliance with the listing requirements and enhance their sense of good corporate governance practices. In addition, the Company encourages all Directors to participate in continuous professional development courses and seminars to develop and update their knowledge and skills.

	2016	
	Percentage of staff trained by gender	Average training hours
Male	77.7%	3.9hours
Female	67.5%	4.5hours
Total	69.9%	4.4hours

	2016	
	Percentage of staff trained by function	Average training hours
Management & Directors	32.0%	6.4hours
Supervisors to Managers	39.5%	4.6hours
General staff	80.3%	4.3hours
Total	69.9%	4.4hours



#### B4: Labour Standards

The operation units of the Company are located in the PRC and Hong Kong, thus the Company's recruitment and utilization standards are implemented in strict compliance with the relevant labour laws in the PRC and Hong Kong. The Company maintains a stringent recruitment system and process to avoid the employment of child and forced labour. Casablanca Huizhou and Casablanca Shenzhen will not recruit job applicants under 18 years old; and the internal policies of Casablanca Hong Kong expressly states that children under 15 years old will not be employed.

During the Review Period, the Company did not violate any of the regulations mentioned above.

## Operating Practices

### B5: Supply Chain Management

As a brand for bedding products in the Greater China Region for more than twenty years, the design and quality of the Group's products have been well-received by consumers. The Company attaches great importance to risk management of product quality and the compliance of products.

The Company has developed long and good relationships with a number of suppliers to maintain stable supply of raw materials and outsourced products with good qualities. We carefully select our suppliers for all kinds of finished products, raw materials, auxiliary ingredients and packaging materials, and require them to satisfy certain criteria including track record, experience, reputation, ability to produce high-quality products and quality control effectiveness in order to ensure that our suppliers possess our commitments to quality and ethics. In addition, we also require suppliers to confirm that their environmental and social policies comply with the relevant local regulations and there is no damage to the environment or employment of illegal labour. The Company has formulated the Control Procedures of Supplier Management for internal use. On top of ensuring adequate qualifications of the suppliers, the supplies of suppliers will also be subject to sampling inspection and evaluation for quality carried out by the production materials control department. In case of a significant change in supplier qualification or serious quality issue, the Company may suspend supplies of the supplier in question immediately to ensure the quality of the products of the Company.

In 2016, the Company purchased finished products, raw materials, auxiliary ingredients and packaging materials from 207 suppliers. The geographical distribution of suppliers of finished products, raw materials, auxiliary ingredients and packaging materials is as follows:

	2016
Southern China <sup>(1)</sup>	98
Eastern China <sup>(2)</sup>	96
Other regions in the PRC	8
Overseas	5

Note:

(1) "Southern China" includes Guangxi, Guangdong and Hainan.

(2) "Eastern China" includes Shanghai, Jiangsu, Zhejiang, Anhui, Shandong, Jiangxi and Fujian.

As a manufacturer and a seller with online and offline business, the Company is committed to enhancing the internal supply chain management. In 2016, the Company was in the process of improving the internal ERP system to ensure the smooth internal information flow along the supply chain as well as proper handling of the warehouse inventory, procurement production and delivery logistics.



## B6: Product Responsibility

We are committed to offer a broad and diverse range of innovative, value-for-money and good-quality bedding products with our various brands to our customers. We understand that the users spent hours on our bedding products every day, so the Company has been ensuring the excellent quality and safety of our products with its best endeavours. With the Company's consistent strict product quality control during the product process, our products enjoy high reputation in the market. The product quality control of the Company is conducted mainly based on the relevant requirements of the ISO9001 quality management system. From the purchasing of raw materials to the inspection and shipping of the finished products, the Company comprehensively controls and strictly inspects the product quality by following the relevant internal processes and guidelines, including:

Operation Instruction for Fabrics Inspection (《布料檢驗作業指導書》)  
Operation Instruction for Auxiliary Ingredients Inspection (《輔料檢驗作業指導書》)  
Handling Process for Exceptional Quality of Purchased Materials (《進料品質異常處理流程》)  
Handling Instruction for Unqualified Auxiliary Ingredients (《不合格輔料處理指導書》)  
Operation Instruction for Inspection During the Production Process (《制程檢驗作業指導書》)  
Handling Process for Exceptional Quality During the Production Process (《制程品質異常處理流程》)  
Operation Instruction for Inspection of Finished Products (《成品檢驗作業指導書》)  
Instruction for Delivery Inspection of Finished Products (《成品出貨檢驗指導書》)  
Instruction for Reworking and Repairing of Unqualified Products (《不合格品返工／返修指導書》)

During the Review Period, there was no material recall of the Company's products due to product quality issues.

The Company understands that consumer purchasing decisions greatly depend on advertisement and product labels. The Company strictly complies with the guidelines of the Trade Descriptions Ordinance issued by the Customs and Excise Department of Hong Kong when creating advertising contents, wordings for promotions and product labels. In 2016, the Company did not have any violations of the Trade Descriptions Ordinance.

In order to improve service quality, the Company has formulated the Customer Complaint Handling Process for internal reference and established the customer service department to handle general inquiries and complaints, and to provide customers with explanations and answers patiently. In case of product complaints, investigations will be carried out immediately and handled properly. The Company will keep records of the reasons for customer calls in detail, which will be used for future review to improve product quality, label or description in leaflets. During the Review Period, the statistics of product quality complaints received by the customer service hotline are as follows:

	2016
Total no. of products sold during the Year	1,294,673 pieces
Product quality complaints	1,862 pieces
Product quality complaints (% of total no. of products sold during the Year)	0.1%

2016		
	No. of product quality complaints	% of total
Duvet, blanket and pillow	827	44.4%
Linens	968	52.0%
Others	67	3.6%
Total	1,862	100.0%

We also stay connected with our customers by maintaining database of VIP members to have ongoing communications with them and offer special benefits to them such as favourable prices and private sales. Casablanca Hong Kong works diligently to protect the personal data of customers by keeping and using the personal information provided by consumers when joining the "Prestige Club" in accordance with the laws of Hong Kong and the Personal Data (Privacy) Ordinance.

In addition to the self-operated POS, the Group also sells its products to end customers through distributors in the PRC and Macau. We regard our distributors as business partners and we share our views for upholding the brand value and customer services, specifically focusing on attracting and retaining customers in order to drive sales growth. We require our distributors to comply with our retail policies, including but not limited to unified product retail selling prices, standard store images and promotional activities.

In order to protect the rights and interests of the Company, we have applied for trademark registrations and product patents in Hong Kong, Macau and the PRC to safeguard the Company's intellectual properties. The Guidelines for Monitoring and Protection of Intellectual Property has been formulated by Casablanca Hong Kong internally to instruct its employees how to prevent the violation of the Intellectual Property Ordinance of Hong Kong, and list out the details of the measures and requirements of Casablanca Hong Kong in monitoring and protecting the intellectual properties of the Company. In addition, the Company will require suppliers, customers and collaborating parties to sign a Confidentiality Agreement to protect the Company's trade secrets.

The Group's efforts during the Review Period have been widely recognised by the community. The awards obtained by the Group in 2016 included "2016 Hong Kong Awards for Industries: Upgrading and Transformation Award" presented by Hong Kong Young Industrialists Council, "The Listed Enterprise Excellence Awards 2016" presented by Capital Weekly, "U Green Awards – Excellence of Environmental Contribution Award (U Green Awards – 傑出綠色貢獻大獎)" presented by U Magazine, "My Favourite Babies Bedding Products (我最喜愛嬰幼兒床上用品)" awarded by Sky Post, "Most Popular Bedding Products Brand (最強人氣床上用品品牌)" awarded by TVB Weekly and "Consumer Caring Company" awarded by GS1 Hong Kong.

## B7: Anti-corruption

The Company strictly complies with the Prevention of Bribery Ordinance of Hong Kong and the relevant laws and regulations of the PRC. Pursuant to the requirements of the relevant rules of the Company, employees shall not obtain or accept any benefits under all circumstances. If a suspected crime is committed by a staff member, the Company will timely report to the relevant authorities and take internal disciplinary actions.

The Company engages an external firm for providing internal audit and risk assessment services to monitor the internal operations of the Company, including internal controls over finance, sales, procurement and production, and provide advices on other operating activities to reduce the overall risk of the Company. The Company has formulated internal policies, which strictly prohibit employees from accepting gifts, providing benefits and accepting hospitality. During the Review Period, no violation in this aspect was found.

## Community

### B8: Community Investment

Since the commencement of its operation, the Group has been well aware of the importance of contribution to the community and share of the returns with the community for success of a corporation. We hope to share, and the Group has been promoting, the idea of “Love Life Love Future (愛生活 愛未來)” with the public. The Company has formulated the Rules for Charitable Donation and Event of the Group internally to set out the types and process of support to charitable activities or charitable organizations. The Group supports charitable activities mainly in form of donations of money or products with focus on the children, the elderly and sick people.





During the Review Period, the Group has participated in the following charitable activities:

Beneficiary	Form / Name of activity	Month	Details
U-Hearts	Donation	6/2016	The Company made donations to sponsor a school in the mountainous region in the PRC to build "Casablanca Classroom"
Yan Chai Hospital	Product donation and volunteer services for "Yan Chai Fortune Bag in Care of Elderly (仁濟安老送關懷愛心福袋賀回歸)"	6/2016	The Company donated 20,000 pillow cases; and the Directors and employees of the Group visited the elderly who lived alone
Hong Kong Rehabilitation Power	Donation	7/2016	The Company made donations to sponsor the beneficiary to purchase wheelchairs for sports
Little Life Warriors Society	Donation of proceeds from limited-edition products launched under Fantasy Dreams for charitable purpose	9/2016	The Group donated part of the proceeds from the limited-edition products launched under Fantasy Dreams after deducting the cost to the beneficiary. The products had been launched for charitable purpose and designed by the Group's celebrity spokesperson, Mr. Cheung Chi Lam. The donation would be used to support and facilitate the works in relation to helping children suffering cancer, severe blood disease and sick children who had received bone marrow transplantation in Hong Kong
Yan Chai Hospital	Title Sponsorship for "Casablanca – Yan Chai Charity Walk 2016"	11/2016	The Group made donations to sponsor the event and the Directors led the staff of the Group and the general public participating in the event to finish the charity walk from Tsuen Wan Shing Mun Valley Sports Ground via Shing Mun Reservoir to Pineapple Dam



# **CASABLANCA**

## **GROUP LIMITED**

(INCORPORATED UNDER THE LAWS OF THE CAYMAN ISLANDS WITH LIMITED LIABILITY)  
STOCK CODE: 2223

[www.casablanca.com.hk](http://www.casablanca.com.hk)