

CASABLANCA

GROUP LIMITED

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

Environmental, Social and Governance Report 2018



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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 “Mainland China” or 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 on 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 2018 to 31 December 2018 (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 consultant 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 have been included in the Report as they are the principal operating companies of the Group:

Name of subsidiary	Principal Business	Region	Scope of data included in the Report
Casablanca Hong Kong Limited (“Casablanca Hong Kong”)	Trading of home textiles products and accessories	Hong Kong	Office and self-operated retail stores in Hong Kong
Casablanca Home (Shenzhen) Limited (“Casablanca Shenzhen”)	Trading of home textiles products and accessories	Mainland China	Office and self-operated retail stores in Mainland China
Casablanca Home (Huizhou) Company Limited (“Casablanca Huizhou”)	Manufacturing and sales of home textiles products and accessories	Mainland China	Plant in Huizhou, the PRC
Shenzhen Casablanca Sales and Marketing Limited (“SCSM”) (Note 1)	Trading of home textiles products and accessories (Distributors channel)	Mainland China	Office in Shenzhen, the PRC
Colorway Furniture Company Limited (“Colorway”) (Note 2)	Trading of furniture products	Mainland China	Office and showroom in Huizhou, the PRC

Note:

- 1) SCSM was incorporated in August 2018. The Company held 55% equity interest in SCSM as at 31 December 2018.
- 2) Colorway was incorporated in January 2018. The Company held 71% equity interest in Colorway as at 31 December 2018.

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

Stakeholders Communications

The Company attaches importance to communicate with stakeholders and believes that the participation of stakeholders will help the Company to review potential risks and seize business opportunities. Communications with stakeholders will help the Company to understand their views and properly manage the opinions and expectations of different stakeholders. The Company continues to communicate with internal and external key stakeholders through different channels to enable stakeholders to understand the development and operational principles of the Group. It also provides an opportunity for the Group to listen to their opinions and help the Company to improve its business and development planning. During the Review Period, the Company connected with its stakeholders through various communication channels set out as below.



A: ENVIRONMENTAL

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

- Promote conservation activities and ascertain in 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 establishing a management system, the Group constantly monitor and review its performance in emissions during production, such as air pollution, water pollution and solid waste pollution, in order to minimise its impact on the ecosystem through strict controls of the emissions.

Products of Casablanca are mainly produced by its production plant in Huizhou, Guangdong Province, the PRC, which strictly complies with environmental protection laws and regulations in Mainland China, including but not limited to:

- Environmental Protection Law of the People's Republic of China
《中華人民共和國環境保護法》
- Law of the People's 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》

A1: Emissions

Pollutant Emission

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

Category	Pollutant	2018 Emission	Requirements as in relevant laws or regulations (Max Allowable Value)
Wastewater	Total Wastewater Discharge	19,295 m ³	–
	Chemical Oxygen Demand (CODcr)	72 mg/L	90 mg/L
	Five-day Biochemical Oxygen Demand (BOD5)	11.9 mg/L	20 mg/L
	Ammonia nitrogen	0.29 mg/L	10 mg/L
	Suspended Substance (SS)	8 mg/L	60 mg/L
Exhaust Air	Oily fume	0.41 mg/m ³	2 mg/m ³
Noise	Noise level	55 dB(A)	65 dB(A)

Greenhouse Gases Emission

The Group aims to develop a low-carbon production environment. The total carbon dioxide (“CO₂”) emission for the Group was approximately 1,109.30 tonnes in 2018. Since the largest source of CO₂ emission from the Group’s business activity was the indirect emission through electricity purchased during production, energy saving will become a 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 in 2018	
Description	GHG Emission / Removals (in tonnes of CO ₂ equivalent)
Scope 1 - Direct Emission	
Stationary sources combustion	51.01
Mobile sources combustion	40.99
Releases from equipment and systems	6.00
Assimilation of CO ₂ into biomass (Note)	(0.92)
Scope 1 Total:	97.08
Scope 2 - Energy Indirect Emission	
Purchased electricity	996.95
Purchased Towngas	0.00
Scope 2 Total:	996.95
Scope 3 - Other Indirect Emission	
Paper waste disposal	3.84
Use of fresh water	7.76
Sewage discharge	3.67
Scope 3 Total:	15.27
Total GHG Emission	1,109.30

Note: In 2018, tree planting activities resulted in assimilation of CO₂ into biomass.

Distribution for CO₂ Emission



The Group devotes efforts to reduce CO₂ emission in its production plant by reducing energy consumption. Our production plant was designed and built in 2012, 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.

The Group intends through the above-described activities to further improve the energy-saving operations, and ultimately achieve the purposes of energy conservation, consumption reduction and pollution reduction. LED lighting has been widely adopted in our production plant. We made a long-term agreement with electricity services provider, with assistant of big data technology, we achieved a significant drop in monthly electricity consumption since October 2017. In addition, we also promoted eco-friendly driving habits in view to reduce CO₂ emission. In 2019, we will keep devoting efforts for energy-saving and promoting our green production concept to our employees.

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 an important responsibility for us to produce less waste during production process. We are working actively to reduce the amount of packaging by minimising the packaging and consider adopting recyclable materials. In the future, we will keep devoting efforts to minimise the volume of waste.

A2 : Use of Resources

The Group is moving towards a 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 shown the Group's resources consumption in total during the Review Period:

	Electricity	Water	Natural Gas	Petroleum	Diesel
Consumption	1,579,545 kWh	19,295 m ³	26,995 m ³	13,580 Litre	1,597 Litre
In tonnes of CO ₂ -equivalent	996.95	7.76	51.01	36.77	4.22

The following shown Casablanca Huizhou's resources consumption during the Review Period:

	Electricity	Water	Natural Gas	Petroleum	Diesel
Consumption	1,193,903 kWh	19,017 m ³	26,995 m ³	4,311 Litre	1,597 Litre
In tonnes of CO ₂ -equivalent	790.73	7.65	51.01	11.67	4.22

Packaging Materials Consumption

The following table illustrates packaging materials consumption during the reporting period:

Category	2018 Consumption (in tonnes)	2018 Consumption Intensity (consumption/production units, in kg)
Paper card for product description	16.72	0.0250
Paper card for packaging support	45.88	0.0540
PE packaging material for duvet & pillow	10.23	0.0244
PVC packaging material for bedding sets	17.03	0.0307
Non-woven fabric	44.45	0.1090
Paper gift box	13.95	0.1260
Plastic bag with logo	2.49	0.0404

A3: The Environment and Natural Resources

The Group is working on various sustainable development activities to ensure that 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 dedicated and committed to our corporate social responsibilities and we will keep focusing on community environmental conservation.

The Group initiates to set up training section on a regular basis aiming to promote its environmental principles and to raise the awareness of employees regarding the environment. The Group also initiates 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 2018 & Planned Initiatives for 2019

Main Category	Subcategory	KPI	2018 Results	Summary of planned Actions/ Initiatives for 2019
Reduce CO ₂ Emissions	Reduce Total CO ₂ Emissions	Total Annual CO ₂ Emissions Factor (CO ₂ Emissions / Total Floor Area)	0.025 t/m ²	Enhance craftsmanship in production and upgrade production facilities in order to raise production efficiency, lower energy consumption (average energy consumption per product unit) and reduce emissions
	Improve Energy Efficiency	Total Energy Use Factor (Amount of Heat / Total Floor Area)	0.169 GJ/ m ²	
	Reduce CO ₂ Emissions in Logistics	CO ₂ Emissions due to transportation	40.99 tonnes	Reduce CO ₂ in delivery by promoting eco-driving habit
Reducing Waste in Production	Reduce Amount of Materials Used in Packaging	Consumption Intensity (consumption/ production units)	Refer to P8	Reduce the waste materials of packaging – Specification change of packaging materials – Adopting recyclable materials
	Training for Waste Emissions	Number of Employees Completing Internal Training Course	In late 2018, 126 staff completed trainings in energy-saving and waste reduction	Actively consolidate energy conservation measures and continuously update training program
Sustainable Resource Usage	Encourage employees to use paper more effectively and responsibly	In 2018, the installation of ERP system had been completed which helped to reduce paper consumption in relevant operating process.		Reduce paper consumption continuously
Environmental Contributions to the Community	Environmental Afforestation	Green planting coverage rate reached about 95%.		Commence infrastructure construction projects to enhance space utilisation and decrease idle space while considering environment protection and greening works
Strengthening the Management	Training & Education	Participated 3 rounds of trainings provided by government and social organizations		Participate and organise 2 rounds of trainings

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”) of Hong Kong.

Note 2 on Emission Factors: The Emission Factors are based on Intergovernmental Panel on Climate Change (IPCC), which was created by World Meteorological Organization and United Nations Environment Programme, 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.

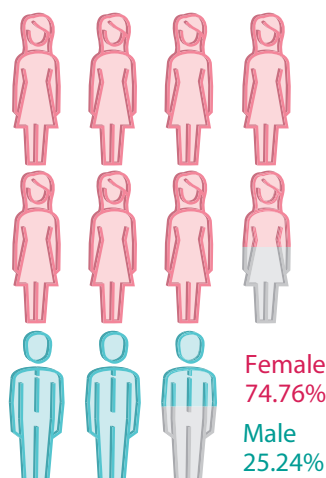
B1: Employment

The staff manual formulated by each of the subsidiaries of the Group 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, religion, skills, educational background, industry experience and other qualities so as to achieve the most appropriate structure and balance. As at 31 December 2018, the number of employees of the Group was 622 while male to female ratio was about 1:3. In 2018, a higher turnover rate in the Mainland China was due to PRC business units pursuing the strategies of streamlining the organizational structure and enhancing the individual productivity. The number of sales and logistics staff is relatively susceptible to changes in short-term points of sales, resulting in a higher staff turnover rate. As at 31 December 2018, the distribution of gender, region, function and age of employees of the Group and respective staff turnover rates are as follows:

Distribution of employees by gender



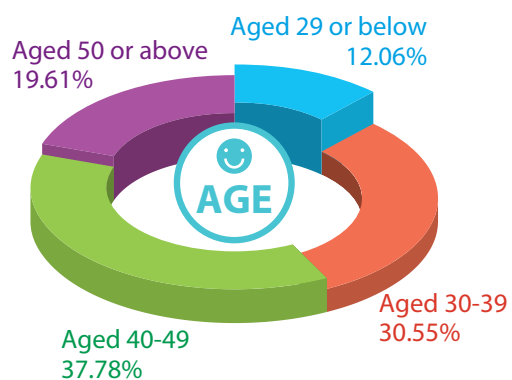
	As at 31/12/2018		2018
	No. of staff by gender	% of total	Average turnover rate
Female	465	74.76%	41.45%
Male	157	25.24%	50.64%
Total	622	100.00%	43.75%

Distribution of employees by region



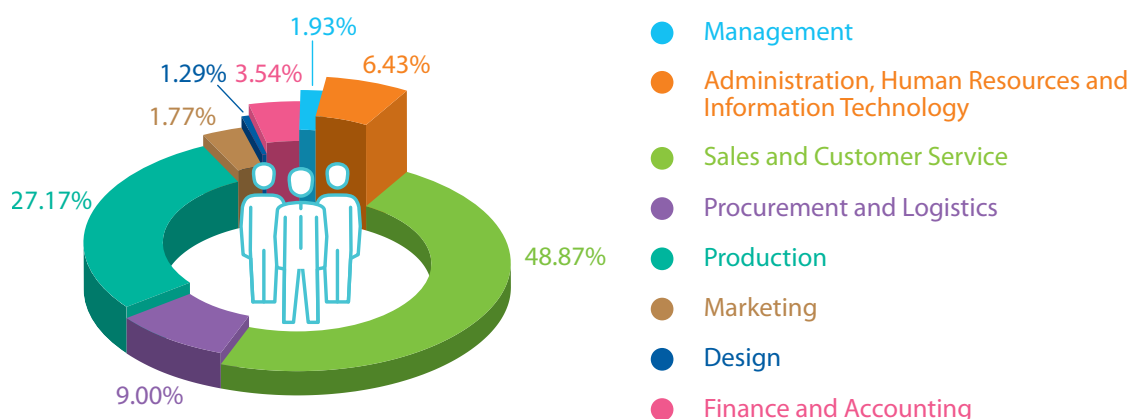
	As at 31/12/2018		2018
	No. of staff by region	% of total	Average turnover rate
Mainland China	458	73.63%	50.44%
Hong Kong	164	26.37%	25.60%
Total	622	100.00%	43.75%

Distribution of employees by age



	As at 31/12/2018		2018
	No. of staff by age	% of total	Average turnover rate
Aged 29 or below	75	12.06%	93.24%
Aged 30-39	190	30.55%	50.00%
Aged 40-49	235	37.78%	38.78%
Aged 50 or above	122	19.61%	13.65%
Total	622	100.00%	43.75%

Distribution of employees by function



	As at 31/12/2018		2018
	No. of staff by function	% of total	Average turnover rate
Management	12	1.93%	33.33%
Administration, human resources and information technology	40	6.43%	29.63%
Sales and customer services	304	48.87%	41.64%
Procurement and logistics	56	9.00%	20.00%
Production	169	27.17%	61.76%
Marketing	11	1.77%	28.57%
Design	8	1.29%	47.06%
Finance and accounting	22	3.54%	31.11%
Total	622	100.00%	43.75%

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 Group determines staff remuneration on basis of the market salary trend, the competence, qualifications and experience of individual employee. The Group also offers discretionary rewards, including bonus and share options, based on the performance of individual employee during the year with a view to encouraging employees to contribute to the development of the Group. The Group 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 Mainland China in accordance with the relevant provisions and local social insurance contribution policies in the PRC. The Group also makes contributions to the Mandatory Provident Fund for its Hong Kong employees pursuant to the Mandatory Provident Fund Schemes Ordinance of Hong Kong. The Group regularly 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. During the Review Period, the Group complied with Provisions on Minimum Wages Group《最低工資規定》of the PRC and the Minimum Wage Ordinance of Hong Kong.

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

Recruitment, Promotion and Anti-discrimination

The Group has defined the job qualification and job description for each position as 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 Group monitors the performance of employees to see if they can meet the requirements of their positions. Meanwhile, the Group also cares about employees' expectations on their personal career development. As such, the Group 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 Group.

Hong Kong subsidiaries of the Group abide by the Sex Discrimination Ordinance, Family Status Discrimination Ordinance, Race Discrimination Ordinance and Disability Discrimination Ordinance of Hong Kong. The Group 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 Group is committed to provide all 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 Group'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. Most of the staff of the Group work 5 days per week while the sales personnel at retail shops in Hong Kong work 6 days per week. In the event of overtime work, staff will be rewarded with corresponding compensation from the Group 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 Group 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 Group actively protects and maintains employees' rights and interests and puts strong emphasis on enhancing their sense of affiliation and improving their benefits on an ongoing basis.

The Group 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 Group will also be announced timely and internally through the intranet platform ("OA System"), Casa Dynamic 《卡撒薈訊》(the internal semi-annual publication) and bulletin board. The Group adopts an open attitude and encourages its employees to voice out their advice and suggestions with a view to offering 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 Group. Meanwhile, the Group 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 Group is committed to foster the work-life balance of its employees and enhance their sense of affiliation. We provide sport venues and entertainment facilities, such as basketball courts, table tennis tables and multi-purpose rooms, in Huizhou plant. Meanwhile, subsidiaries of the Group organize 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 Group's operation; therefore, we pay extra attention to the health and safety of employees, striving to provide them with a safe, healthy and protected working environment.

Mainland China subsidiaries of the Group comply with regulations regarding health and safety as stated in the Labour Law of the People's Republic of China《中華人民共和國勞動法》, the Production Safety Law of the People's Republic of China《中華人民共和國安全生產法》and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases《中華人民共和國職業病防治法》. The Group offers safety education and training to all production staff to enhance their awareness of safety and self-protection. In addition, the production workshops in the plant are equipped with masks and cooling equipment to provide employees with a healthy and comfortable work space. Besides, the Group 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 in order to prevent, control and eliminate occupational hazards and improve the working environment of the employees. Furthermore, during the Year, the Group 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 Group 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 safety 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 were 30 man-days.

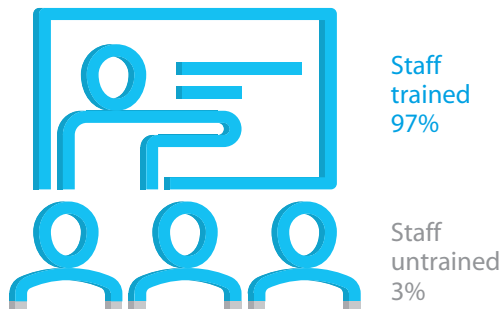
The Group is committed to providing all employees with a warm and comfortable working and living environment. The Group has set up self-managed staff dormitory and canteen in Huizhou plant with a view to providing sound rest space and healthy catering to its employees.

B3: Development and Training

The Group 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 Group have been formulated with the aim of improving the staff's personal skills and bringing out their best value for the development of the Company.

The human resources department of the Group 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 Group also organizes various types of trainings for all staff every year to improve the interaction among employees from different departments. The Group has strengthened the trainings in sales skills, market information and product technology for frontline sales personnel so as to assist them to deliver quality services to customers. A budget of HK\$250,000 had been set aside for organizing more than 3 training sessions and seminars provided by relevant professionals during the Year. The Group also provides training allowance for non-frontline staff to encourage them to participate in job-related external training programs so as to enhance their own value and working skills. During the Review Period, the Group held a total of 78 group training programs for a total of 102 hours in the Mainland China and Hong Kong.

Percentage of staff trained by gender

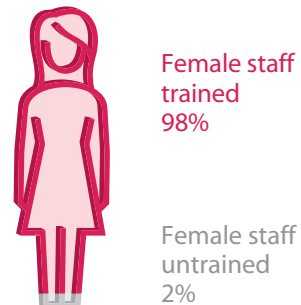


	2018	
	Percentage of staff trained	Average training hours
Female	98%	15.9 hours
Male	95%	15.6 hours
Total	97%	15.8 hours

Percentage of male staff trained



Percentage of female staff trained



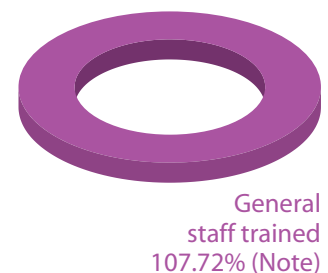
Percentage of Management & Directors trained



Percentage of Supervisors to Managers trained



Percentage of general staff trained



	2018	
	Percentage of staff trained	Average training hours
Management and Directors	80.00%	4.2 hours
Supervisors to Managers	45.00%	11.8 hours
General staff (Note)	107.72%	16.4 hours

Note: The percentage of training is calculated based on the average number of people in each rank. Since the "general staff" includes front-line sales staff and back-office staff below the supervisor level and the number of front-line sales staff is mainly affected by changes in short-term sales outlets, resulting in the number of trained staff more than the average number of staff for the Year and a training ratio of more than 100% in such rank.

Every newly appointed Directors of the Group will be given a set of induction materials to ensure that he/she will have an appropriate understanding of the Group's business and the directors' duties (in accordance with the Listing Rules and the relevant statutory and regulatory requirements). The Group will also regularly update the Directors with the Group's business performance and development, and organize an annual training held by its 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 Group encourages all Directors to participate in other continuous professional development courses and seminars to develop and update their knowledge and skills.

B4: Labour Standards

The operation units of the Group are located in the Mainland China and Hong Kong, and thus the Group's staff recruitment and utilization standards are implemented in strict compliance with the Provisions on the Prohibition of Using Child Labour 《禁止使用童工規定》 of the PRC and the Employment of Children Regulations of Hong Kong. The Group 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 the age of 18. The internal policies of Casablanca Hong Kong expressly states that children under the age of 15 will not be employed.

During the Review Period, the Group did not violate any of the regulations as 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 Group attaches great importance to risk management of product quality and the compliance of products.

The Group 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 effectiveness of quality control 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 Group 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 Group may suspend supplies of the supplier in question immediately to ensure the quality of the products of the Group.

During 2018, the Company purchased finished products, raw materials, auxiliary ingredients and packaging materials from 274 suppliers in total. The geographical distribution of suppliers of finished products, raw materials, auxiliary ingredients and packaging materials is as follows:

	2018
Southern China ⁽¹⁾	131
Eastern China ⁽²⁾	128
Other regions in the Mainland China	13
Overseas	2

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 Group is committed to enhancing the internal supply chain management. During 2018, the Group continued to improve 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. As we understand that the users spent approximately one third of a day on our bedding products every day, the Group has been ensuring the excellent quality and safety of our products in its best endeavours. With the Group's consistent strict product quality control during the production 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, Casablanca Huizhou 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, Casablanca Huizhou abided by the Product Quality Law of the People's Republic of China《中華人民共和國產品質量法》) and there was no material recall of the Company's products due to product quality issues.

The Group complies with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests 《中華人民共和國消費者權益保護法》, the Sales of Goods Ordinance and the Trade Descriptions Ordinance of Hong Kong during sales of its products in the Mainland China and Hong Kong respectively. The Group understands that consumers' purchase decisions greatly depend on advertisement and product labels. The Company strictly complies with the guidelines of relevant provisions when creating advertising contents, wordings for promotions and product labels.

In order to improve service quality, the Group 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 Group 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:

2018	
Total no. of products sold during the Year	About 1,186,000 pieces
Products with quality complaints	1,327 pieces
% of products with quality complaints (% of total no. of products sold during the Year)	0.11%

	2018	
	No. of complaints about product quality	% of total no. of complaints about product quality
Duvet, blanket and pillow	561	42.28%
Linens	533	40.17%
Others	233	17.56%
Total	1,327	100.00%

Casablanca Hong Kong stays connected with our retail customers by maintaining database of VIP members to have ongoing communications with them and offers special benefits to them such as favourable prices and priority 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 and the Personal Data (Privacy) Ordinance of Hong Kong.

In addition to the self-operated POS, the Group also sells its products to end customers through distributors in Mainland China and Macau. We regard our distributors as business partners and we share our views for upholding the brand value and customer services, particularly 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 and Mainland China to safeguard the Group's intellectual properties. The Guidelines for Monitoring and Protection of Intellectual Property has been formulated by Casablanca Hong Kong internally to list out the details of the measures and requirements of Casablanca Hong Kong in monitoring and protecting the intellectual properties of the Group. In addition, the Group will require suppliers, customers and collaborating parties to sign confidentiality agreements to protect the Group's trade secrets.

The products of the Group during the Review Period have been widely recognised by the community. The awards obtained by the Group in 2018 included:

Organiser	Awards/Recognitions
Hong Kong Brand Development Council	Hong Kong Premier Brand
Mystery Shopper Service Association	2017-2018 Smiling Enterprise Award
Hong Kong Economic Journal	Listed Company Awards of Excellence 2018
Design Council Hong Kong	D-Awards
U Magazine	U Green Awards - Excellence of Environmental Contribution Award (Bedding products category)
TVB Weekly	Mother's Favourite Brand for Bedding Products



B7: Anti-corruption

The Group strictly complies with the Prevention of Bribery Ordinance of Hong Kong and the articles regarding bribery as published in Law Against Unfair Competition of the People's Republic of China 《中華人民共和國反不正當競爭法》. Pursuant to the requirements of the relevant rules of the Group, employees shall not obtain or accept any benefits under all circumstances and shall avoid malpractices for private gain or not provide benefits to any one so as to be self-benefited or privileged in the course of business. If a suspected crime is committed by a staff member, the Group will timely report to the relevant authorities and take internal disciplinary actions.

The Group engages SHINEWING Risk Services Limited for providing internal audit and risk assessment services to monitor the internal operations of the Group, including internal control over finance, sales, procurement and production, and provide advice on other operating activities to reduce the overall risk of the Group. The Group 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 making contribution to the community and sharing the returns with the community for success of a corporation. We would like to share the concept of "Love Life Love Future (愛生活 · 愛未來)" which has been promoting by the Group with the public. The Group has formulated the Rules for Charitable Donation and Events of the Group internally to set out the manners and processes of support to community activities or charitable organizations. The Group supports various charitable activities mainly in form of donations of money or products with focus on the children, the elderly and sick people.





The Group's efforts in corporate social responsibility during the Review Period have been recognised by various organisations, including:



Organization	Recognition
GSI Hong Kong	Consumer Caring Company
The Hong Kong Council of Social Service	Caring Company

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

Beneficiary	Form/Name of activity	Month	Details
Society for Abandoned Animals ("SAA")	Donation of proceeds from "Fumeancats" themed cartoon bedding products	3/2018 & 10/2018	The Group donated the proceeds after deducting the cost to support and promote the message of "Love Animal, Respect Life, No Killing or Abandoning", further promoting the constant efforts of SAA in animal protection in Hong Kong.
Sowers Action	Title Sponsorship for "B.Duck Hong Kong Run 2018"	7/2018	The Group acted as title sponsor to the running activity named "B.Duck Hong Kong Run 2018" which was held at Science Park in Tai Po. Part of the proceeds from the activity was donated to Sowers Action to support their work in promoting children education.
Yan Chai Hospital	Donation/volunteer work	7/2018	The Company donated 20,000 pillow cases and towels to the elderly who lived alone and reclusive seniors as its continued philosophy in caring for the community and devotion to public charity. To comprehend their daily lives and health conditions, staff of Casablanca visited the elderly who lived alone at Shek Wai Kok Estate in Tsuen Wan and gave them the Fortune Bags in person.
World Green Organisation ("WGO") and Hong Kong Jockey Club Sunshine Project - Community Support Service Centre for Sub-divided Flat Residents	Donation	9/2018	Staff of the Group visited several less privileged families to understand their living environment in small sub-divided flats and donated Mosquito Repellent Quilts, hoping to improve their sleep quality.

Beneficiary	Form/Name of activity	Month	Details
Yan Chai Hospital	Donation/volunteer work	10/2018	The Group made donations and had staff to participate “Yan Chai Charity Walk 2018”.
WGO	Donation	11/2018	The Group sponsored “World Green Run” organised by WGO, which promoted reduce waste in resources with an aim to raise awareness about saving the environment.
Yan Chai Hospital	Donation	Throughout the year	The Chairman of the Group, Mr. Cheng Sze Kin, served as the Director of Yan Chai Hospital. The Group donated to Yan Chai Hospital to support its charitable activities in relation to the medical, social service and educational areas.
Various charitable organizations in Mainland China	Donation	Throughout the year	The Group donated to various charitable organizations to support their work in promoting education and alleviate poverty in Mainland China.



CASABLANCA

GROUP LIMITED

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OF THE CAYMAN ISLANDS WITH LIMITED LIABILITY)
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