

CASABLANCA

GROUP LIMITED

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

STOCK CODE: 2223

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019



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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 2019 to 31 December 2019 (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.

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
Colorway Furniture Company Limited (“Colorway”)	Trading of furniture products	Mainland China	Office and showroom in Huizhou, the PRC

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's environmental responsibility and philosophy are implemented in daily operations. We strive in striking a balance between company growth and environmental protection. Meanwhile, we encourage every employee to save energy, paper and water in day-to-day work. Various measures were implemented according to the environmental policies and environmental management systems.

The Group's basic environmental principles are to:

- Strengthen environmental management and improve the environmental awareness of all employees; and
- Develop and procure products which utilize properly managed resources in consideration of sustainability.

We strive to reduce consumption of natural resources and energy, consider the environmental impact of products, dispose of waste in a safe and responsible manner, and raise the staff's awareness of environmental protection through education and training.

By establishing a management system in accordance with the national laws and regulations, the Group constantly monitors and reviews its performance in emissions during production, such as air pollution, water pollution and solid waste pollution, in order to minimise the amount of pollutants produced and hence 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 laws and regulations in relation to prevention and control of pollutions in Mainland China, including but not limit 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 the 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 the 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 Emissions

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

Category	Pollutant	2019 Emission	Requirements as in relevant laws or regulations (Max Allowable Value)
Wastewater	Total Wastewater Discharge	22,936 m ³	–
	Chemical Oxygen Demand (CODcr)	453 mg/L	500 mg/L
	Five-day Biochemical Oxygen Demand (BOD5)	152.5 mg/L	300 mg/L
	Ammonia Nitrogen	4.36 mg/L	–
	Suspended Substance (SS)	148 mg/L	400 mg/L
Exhaust Air	Oily fume	1.59 mg/m ³	2 mg/m ³
Noise	Noise level	57 dB(A)	65 dB(A)

Table 1 – Main pollutant emissions during the year ended 31 December 2019, tested by Guangdong Huilitong Testing Technology Co., Ltd.

Greenhouse Gas Emissions

As greenhouse gas (“GHG”) emissions are highly relevant to climate change and global warming, many enterprises around the world have introduced carbon reduction measures and goals. We promote the Group’s green operation in an environmentally responsible manner, and further reduce the impacts of our business activities on climate change through fine management over our business. The Group’s GHG emissions are mainly from indirect emissions of electricity use during production at the production base in Huizhou, Guangdong, the PRC. The total carbon dioxide (“CO₂”) emissions for the Group were 1,169.92 tonnes during the Year and the indirect emissions of electricity use were about 87% of our total carbon emissions. Due to the GHG emissions being closely related to energy and electricity consumption, we take measures to reduce these two consumptions in our daily operations.

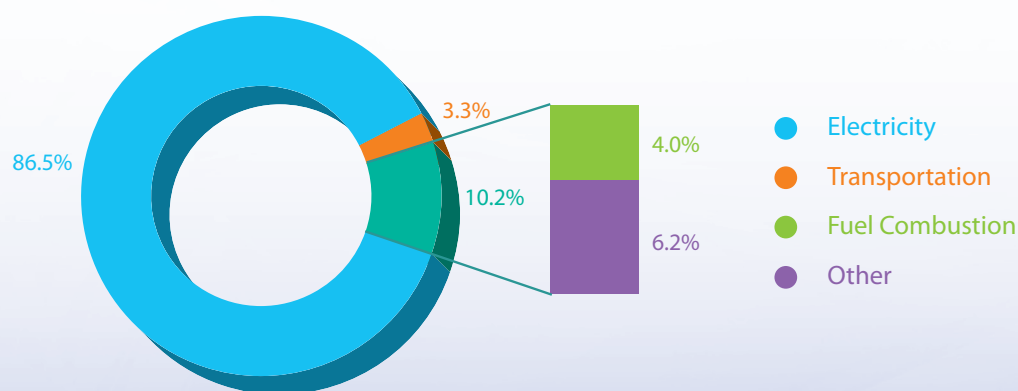
Scopes of GHG emissions identification for the Review Period:

GHG Emissions of the Group in 2019	
Description	GHG Emissions/Removals (in tonnes of CO ₂ equivalent)
Scope 1 - Direct Emissions	
Stationary sources combustion	46.65
Mobile sources combustion	39.05
Releases from equipment and systems	45.00
Assimilation of CO ₂ into biomass (Note)	(0.92)
Scope 1 Total:	129.78
Scope 2 - Energy Indirect Emissions	
Purchased electricity	1,012.85
Purchased town gas	0.00
Scope 2 Total:	1,012.85
Scope 3 - Other Indirect Emissions	
Paper waste disposal	13.71
Use of fresh water	9.22
Sewage discharge	4.36
Scope 3 Total:	27.29
Total GHG Emissions	1,169.92

Note: Planting activities constituted assimilation of CO₂ into biomass in 2019.

Table 2 - GHG emissions during the year ended 31 December 2019

Distribution for CO₂ Emissions



Graph 1 - Distribution for CO₂ emissions during the year ended 31 December 2019

The Group is committed to reducing energy consumption. Since power consumption is the Group's main CO₂ emission, we have implemented energy-saving sewing machines to reduce energy consumption during production. In the future, major machinery and equipment will be continuously adjusted or introduced to ensure energy efficiency. It is expected that this will reduce the CO₂ emissions of the factory.

During the Review Period, the Group continued to implement the long-term "Electricity Improvement Service Contract" with an electricity service company, as mentioned in the previous report, to improve energy efficiency and reduce related CO₂ emissions. The Group intends to improve the energy saving operations through various actions, and ultimately achieve the purposes of energy conservation, consumption reduction and pollution reduction. In 2020, 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 is involved in our production process. During the Review Period, no hazardous waste was produced by the Group, and a total of approximately 13 tonnes of non-hazardous solid waste was produced at our production line, about 2 tonnes less than that in 2018.

Most of the non-hazardous solid waste being discharged from the Group are waste materials and packaging of products during production. We hope that, by reducing unnecessary packaging of products and considering the use of recyclable materials as packaging materials, we can ultimately minimize the amount of waste in the production process. The Group also collects recyclable waste during production and recycles it, while non-recyclable wastes to be processed by local destructor plant. In addition, the domestic waste by employees are being categorized at the rubbish bins on site, and collected and handled by certified local sanitation departments.

Noise

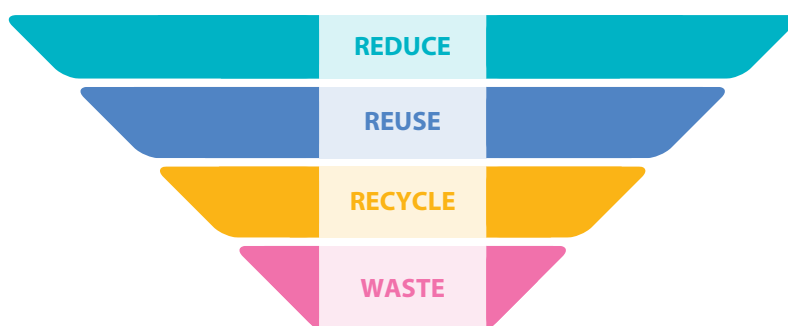
Noise emissions generated by the Group mainly come from the operation of machineries during production processes. We remove or attenuate hazardous noise at source by the wise selection of production machinery and effective implementation of good maintenance schedules. At the same time, barriers and sound-absorbing materials, such as engine enclosures, sealing gaps and windshields, are implemented to interrupt the transmission of noise.

Wastewater

The Group's water consumption mainly includes tap water consumed by daily use of the employees from the office-related business and groundwater consumed by the production processes. There was no issue in sourcing water that was fit for the above-mentioned purposes. To reduce the consumption of water resources, the Group selects carefully and gives priority to adopt water-saving equipment. Moreover, water-saving slogan has been put up in the office toilet, reminding employees to avoid water wastage by closing the faucet timely.

A2: Use of Resources

The main resources consumed by the Group include not only the necessary finished fabrics for producing bedding products, but also electricity, water, petroleum, natural gas and paper, etc. We strive to encourage our factory to monitor the usage of resources during operations. The Group will set a quantitative target for the future use of resources based on the recorded data, thereby improving the efficiency of operation. It will also take more initiative in encouraging each department to learn from each other and refine their own resource management system. We continuously improve operational efficiency to achieve sustainable energy use. In order to achieve the goal of reducing waste of resources, the Group is promoting the concept of “Reduce, Reuse and Recycle”, expecting to make effective use of resources and reduce waste.



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

	Electricity	Water	Natural Gas	Petroleum	Diesel
Consumption	1,595,882 kWh	22,936 m ³	24,687 m ³	12,786 Litre	1,678 Litre
Carbon Intensity (In tonnes of CO ₂ -equivalent)	1,012.85	9.22	46.65	34.62	4.43

Table 3 - Resources consumption during the year ended 31 December 2019

Packaging Materials Consumption

The following table illustrates packaging materials consumption during the Review Period:

Category	2019 Consumption (In tonnes)	2019 Consumption Intensity (consumption/production units, In kg)
Paper card for product description	15.86	0.03
Paper card for packaging support	47.53	0.05
PE packaging material for duvets & pillows	8.56	0.02
PVC packaging material for bedding sets	17.33	0.03
Non-Woven fabric	41.58	0.11
Paper gift box	16.36	0.13
Plastic bag with logo	2.76	0.04

Table 4 - Packaging materials consumption during the year ended 31 December 2019

A3: Environment and Natural Resources

The Group's routine operation process exerts no detrimental influence on the environment of its surroundings. The emissions of exhaust air, wastewater, solid waste and other environment impacts from the operation process of the Group are in conformity with environment laws and regulations.

The Group will continue to promote green and low-carbon operating concepts. We encourage employees to adopt electronic communications, use recycled paper for printing and copying and separate wastes for recycling in order to improve resource efficiency and reduce waste. In addition, the Group had put up "Huizhou Waste Separation Promotion Poster" in the factory area to promote environmental protection.

Results in 2019 & Planned Initiatives for 2020

Main Category	Subcategory	KPI	2019 Results	Summary of planned Actions/ Initiatives for 2020
Reduce CO ₂ Emissions	Reduce Total CO ₂ Emissions	Total CO ₂ Emissions Factor (CO ₂ Emissions/ Total Floor Area)	0.026 t/m ²	Adjust, update and transform the main machinery and equipment, optimize the total power consumption of the production line according to production needs
	Improve Energy Efficiency	Total Energy Use Factor (Amount of Heat/Total Floor Area)	0.162 GJ/ m ²	
	Reduce CO ₂ Emissions in Logistics	CO ₂ Emissions due to transportation	39.05 tonnes	Reduction of CO ₂ in delivery and keep promoting eco-driving habit
Reducing Waste in Production	Reduce Amount of Materials used in Packaging	Consumption Intensity (consumption/ production units)	Refer to Table 4	Reduce unnecessary packaging of products and use recyclable or reusable materials such as cloth, non-woven bags, etc.
	Training for Waste Emissions	Provision of relative trainings to staff	Staff participated in the training meeting of the District Environmental Protection Bureau for 4 hours	Provide training to relevant staff to raise their awareness of emission reduction
Sustainable Resource Usage	Encourage employees to use paper more effectively and responsibly	Completed the online launch of the Enterprise Resource Planning system during the order flow process to reduce the use of paper		Promote the use of environmental-friendly paper, double-sided printing, paperless network office, and more use of e-mails, video conferencing, etc.
Environmental contributions to the Community	Environmental Afforestation	95% green coverage inside and outside the building		Increase green plant coverage, including encouraging the employees to place green plants inside office or factory
Strengthening the Management	Training & Education	Participate in government and social group training on environmental issues		Actively support and organize community environmental-friendly activities, training and education, etc.

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

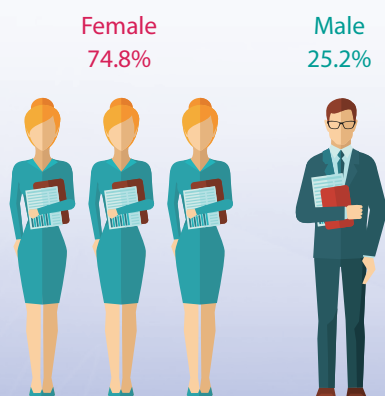
B1: Employment

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

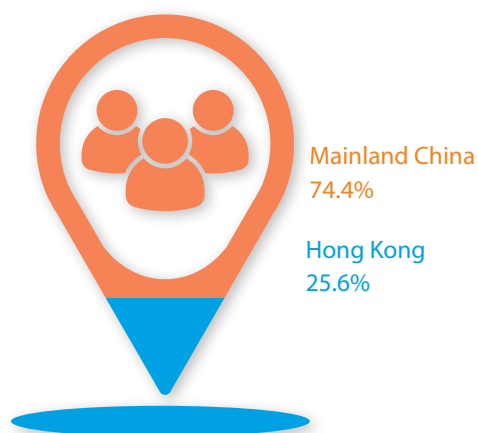
The Company understands and recognizes the benefits of diversified staff structure and regards it as one of the important elements in sustaining a long-term competitive advantage of the Company. A multicultural company should be comprised of employees with different gender, age, religion, skills, educational background, industry experience and other qualities so as to achieve the most appropriate structure and balance. As at 31 December 2019, the number of employees of the Group was 640 while male to female ratio was about 1:3. In 2019, a higher turnover rate in the Mainland China was due to PRC business units pursuing the strategies of streamlining the organizational structure and adjusting sales strategy. 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 2019, 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



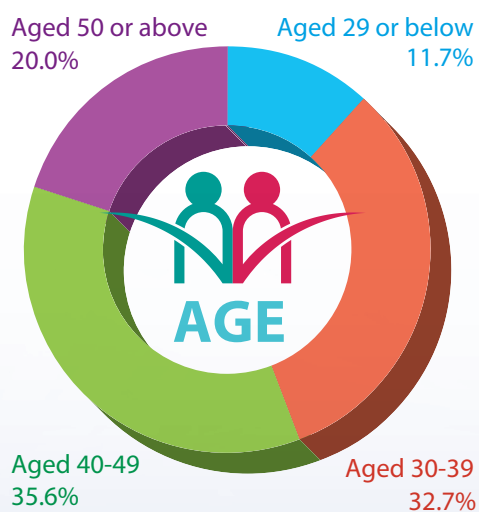
	As at 31/12/2019		2019
	No. of staff by gender	% of total	Average turnover rate
Female	479	74.8%	37.4%
Male	161	25.2%	47.9%
Total	640	100.0%	40.0%

Distribution of employees by region



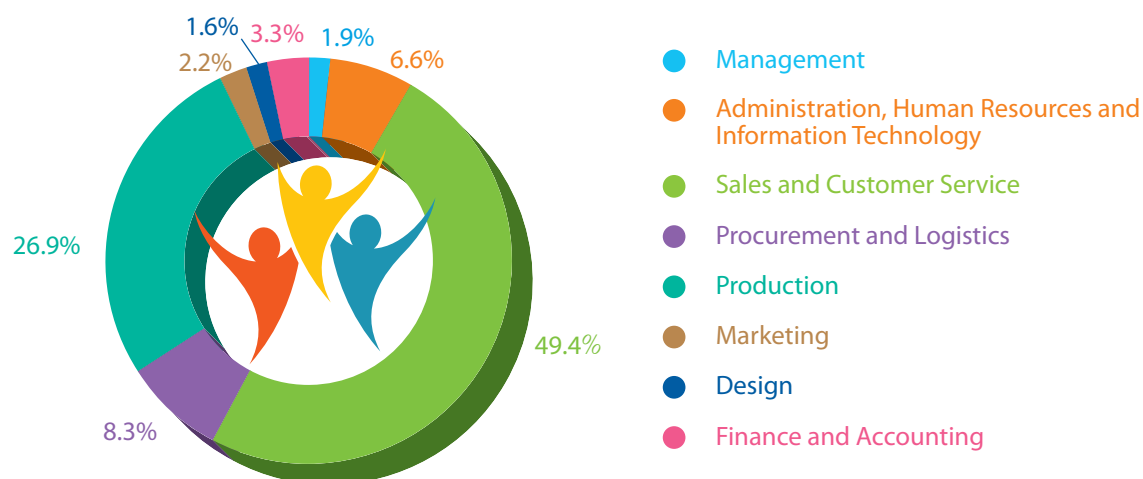
	As at 31/12/2019		2019
	No. of staff by region	% of total	Average turnover rate
Mainland China	476	74.4%	49.6%
Hong Kong	164	25.6%	12.4%
Total	640	100.0%	40.0%

Distribution of employees by age



	As at 31/12/2019		2019
	No. of staff by age	% of total	Average turnover rate
Aged 29 or below	75	11.7%	73.6%
Aged 30-39	209	32.7%	47.9%
Aged 40-49	228	35.6%	40.3%
Aged 50 or above	128	20.0%	9.8%
Total	640	100.0%	40.0%

Distribution of employees by function



	As at 31/12/2019		2019
	No. of staff by function	% of total	Average turnover rate
Management	12	1.9%	27.3%
Administration, human resources and information technology	42	6.6%	19.8%
Sales and customer services	316	49.4%	33.7%
Procurement and logistics	53	8.3%	21.4%
Production	172	26.9%	61.2%
Marketing	14	2.2%	83.3%
Design	10	1.6%	63.2%
Finance and accounting	21	3.3%	18.6%
Total	640	100.0%	40.0%

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 Mainland China 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》. 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 providing 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 laws and regulations. In addition, the Group also provides paid annual leave. Employees are entitled to paid annual leave every year according to their period of services and ranking (if applicable).

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 crossdepartment 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"), POS System 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.

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 our 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.

Subsidiaries of the Group in Mainland China 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 nor lost working man-days due to work injury.

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. 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. Noticing a relatively higher turnover rate of new production staff, we provided more training programs to production staff during the Review Period. During the Review Period, the Group held a total of 129 group training programs for a total of 123 hours in Mainland China and Hong Kong.

Percentage of staff trained by gender



Staff
trained
114.9%

	2019	
	Percentage of staff trained	Average training hours
Female	106.1%	14.5 hours
Male	117.8%	13.3 hours
Total	114.9%	13.6 hours

Percentage of male staff trained



Male staff
trained
117.8%

Percentage of female staff trained

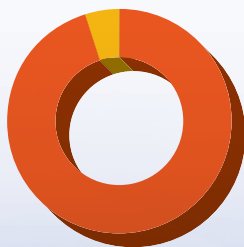


Female staff
trained
106.1%

Note: The percentage of training is calculated based on the average number of people of each gender for the Year, 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% of such gender.

Percentage of Management & Directors trained

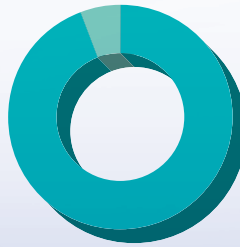
Management &
Directors untrained
4.8%



Management &
Directors trained
95.2%

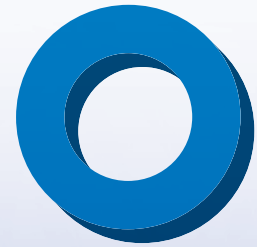
Percentage of Supervisors to Managers trained

Supervisors to
Managers untrained
5.8%



Supervisors to
Managers trained
94.2%

Percentage of general staff trained



General
staff trained
118.2% (Note)

	2019	
	Percentage of staff trained	Average training hours
Management and Directors	95.2%	4.2 hours
Supervisors to Managers	94.2%	8.4 hours
General staff	118.2%	14.4 hours
Total	114.9%	13.6 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 Director of the Company 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 regularly update the Directors with the Group's business performance and development. The Group also organizes an annual training provided by its legal adviser for all Directors and provides information about the latest requirement under the Listing Rules to the Directors by email from time to time 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 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.

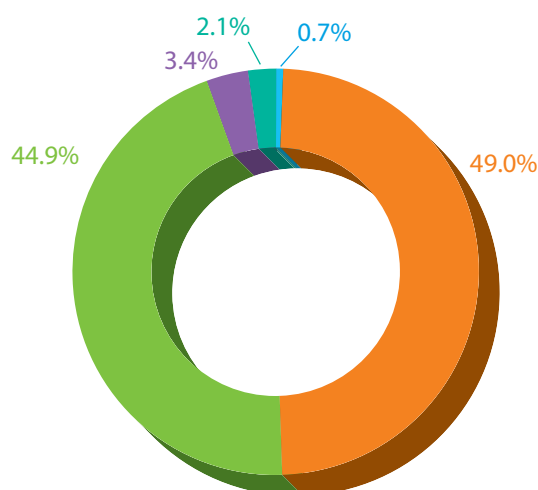
Operating Practices

B5: Supply Chain Management

As a brand for bedding products in the Greater China Region for more than twenty five 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 2019, the Company purchased finished products, raw materials, auxiliary ingredients and packaging materials from 292 suppliers in total. The geographical distribution of suppliers of finished products, raw materials, auxiliary ingredients and packaging materials is as follows:



	2019
Hong Kong	2
Southern China	143
Eastern China	131
Other regions in the Mainland China	10
Overseas	6
Total	292

Notes:

- (1) "Southern China" includes Guangxi, Guangdong and Hainan.
- (2) "Eastern China" includes Shanghai, Jiangsu, Zhejiang, Anhui, Shandong, Jiangxi and Fujian.

B6: Product Responsibility

We are committed to offer a broad and diverse range of innovative, value-for-money and good-quality bedding products under 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, safety or health 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 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:

	2019
Total no. of products sold during the Year	About 1,352,000 pieces
Products with quality complaints	1,076 pieces
% of products with quality complaints over total no. of products sold during the Year	0.1%

	2019	
	No. of complaints about product quality	% of total no. of complaints about product quality
Duvet, blanket and pillow	398 pieces	37.0%
Linens	607 pieces	56.4%
Others	71 pieces	6.6%
Total	1,076 pieces	100.0%

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 2019 included:

Organiser	Awards/Recognitions
Mystery Shopper Service Association	2018 - 2019 Smiling Enterprise Award
U Magazine	U Green Awards - Excellence of Environmental Contribution Award
Discuss.com.hk	Network’s Best Popularity Air-Purification Bedding Brand Awards

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 focuses 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
GS1 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
Green Sense	"Charity Hike 2019 Crouching Tiger Gazing Lantau" - gift sponsoring and volunteer work	2/2019	Employee representatives of the Group participated in the hike for fundraising and sponsored our Soybean Pillow Series
Crossroads Foundation	"Bedding Products Recycling Scheme" (床品回收計劃)	5/2019 - 6/2019	The Group put recycling bins at each retail store in Hong Kong to collect well-conditioned clean bedding products donated by consumers. A total of 130 boxes of donated materials were delivered to the Crossroads Foundation for poor Hong Kong citizens or overseas people in need
Society for the Prevention of Cruelty to Animals	"Aniform Day" - donation	9/2019	The Group donated certain revenue from designated cartoon bedding products after costs to the Society for the Prevention of Cruelty to Animals for animal protection and related public education

Beneficiary	Form/Name of activity	Month	Details
Hong Kong Breast Cancer Foundation	“Walk With Pink 粉紅同行” — donation	10/2019	The Group donated certain revenue from designated pink bedding products after costs to Hong Kong Breast Cancer Foundation for breast health education, patient support, policy study and promotion
Yan Chai Hospital	Donation and volunteer work	10/2019	The Group made donations and had staff to participate “Yan Chai Charity Walk 2019”
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

The background features a dark blue, stylized world map with a grid pattern, overlaid with vibrant blue, flowing, smoke-like or liquid-like patterns. In the bottom left corner, there are detailed illustrations of tropical plants, including palm fronds and large, spiky flowers.

CASABLANCA

GROUP LIMITED

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