

CASABLANCA

GROUP LIMITED

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

STOCK CODE: 2223

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020



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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) (“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 familiarize with the Group’s environmental and social policies and practices.

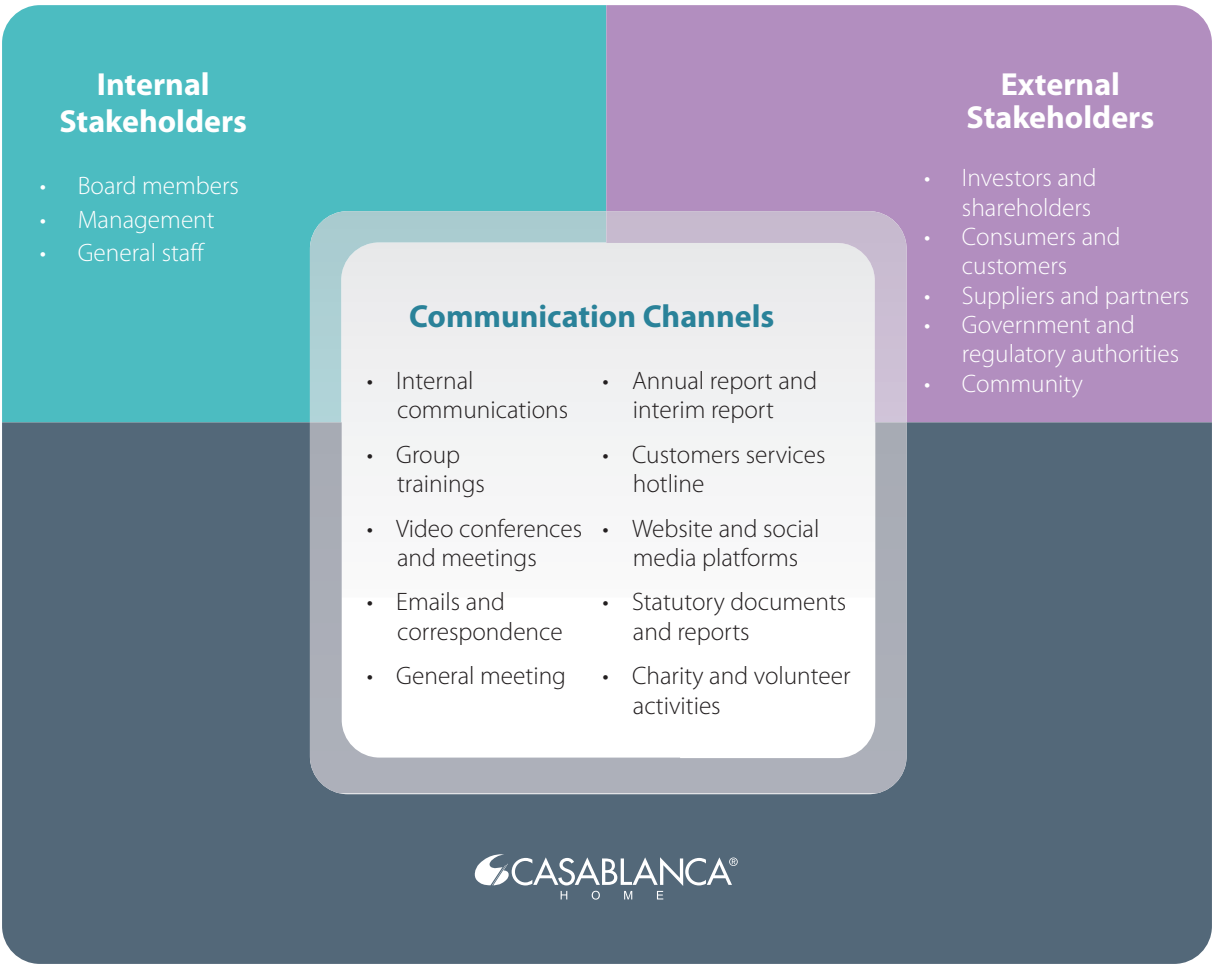
The Report has been prepared in compliance with relevant provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), which covered the period from 1 January 2020 to 31 December 2020 (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 prepared, verified and endorsed by Tomi Fuji EMC Limited, the external environmental consultant of the Company. Part B. “Social” was jointly prepared by the working group comprising representatives from various departments of the Group. As the following subsidiaries are the Group’s major operating companies, their data are included in the Report:

Name of subsidiary	Principal business	Region	Scope of data included in the Report
Casablanca Hong Kong Limited (“Casablanca Hong Kong”)	Trading of bedding products and home accessories	Hong Kong	Office and self-operated retail stores in Hong Kong
Casablanca Home (Shenzhen) Limited (“Casablanca Shenzhen”)	Trading of bedding products and home accessories	Mainland China	Office and self-operated retail stores in Mainland China
Casablanca Home (Huizhou) Company Limited (“Casablanca Huizhou”)	Manufacturing and sales of bedding products and home accessories	Mainland China	Production 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 review potential risks and seize business opportunities. Communications with stakeholders will allow 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 opportunities for the Group to listen to their opinions and help the Company 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 conducted 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 utilise 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 established 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 of 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 national laws and regulations relevant to pollutions prevention and control in Mainland China, including but not limit to:

- Environment Protection Law of the People's Republic of China
《中華人民共和國環境保護法》
- Law of the Peoples Republic of China on the Prevention and Control of 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 illustrates the main pollutant emission during the Review Period:

Category	Pollutant	2020 Emission (Note a)	Requirements as in relevant laws or regulations (Max Allowable Value)
Wastewater	Total Wastewater Discharge	20,126 m ³	–
	Chemical Oxygen Demand (CODcr)	37 mg/L	500 mg/L
	Five-day Biochemical Oxygen Demand (BOD5)	20.8 mg/L	300 mg/L
	Ammonia Nitrogen	0.49 mg/L	–
	Suspended Substance (SS) (Note b)	4L mg/L	400 mg/L
Exhaust Air	Oily fume	0.43 mg/m ³	2 mg/m ³
Noise	Noise level	49 dB(A)	55 dB(A)

Notes:

- (a) Due to the persisting impact of the COVID-19 in 2020, the test, which was scheduled to be carried out during December 2020, had been postponed to 4 January 2021.
- (b) “L” represents that the test result of the item is lower than the detection limit of the test method, and it is reported in the form of “L” to the detection value of the method.

Table 1 – Main pollutant emissions during the year ended 4 January 2021, tested by Guangdong Zhun Xing Testing Limited

Greenhouse Gases Emission

As greenhouse gases (“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 reduce the impacts of business activities on climate change through fine management over our business. The Group’s GHG emissions are mainly from indirect emissions of electricity used during production at the production plant in Huizhou, Guangdong, the PRC. The total carbon dioxide (“CO₂”) emissions for the Group were approximately 1,037.08 tonnes for the Review Period, and the indirect emissions of electricity used were about 91% 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 daily operations.

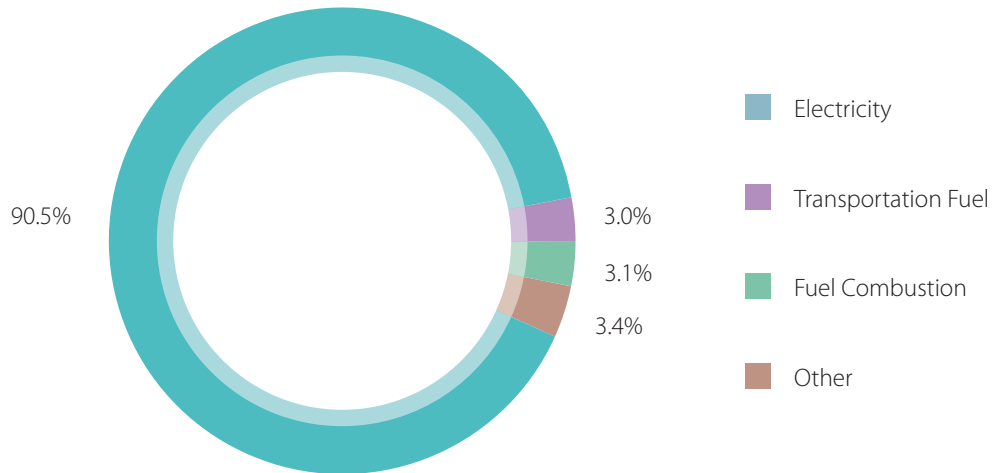
Scopes of GHG emissions identified for the Review Period:

GHG Emission of the Group in 2020	
Description	GHG Emission/Removals (in tonnes of CO ₂ equivalent)
Scope 1 – Direct Emissions	
Stationary sources combustion	31.75
Mobile sources combustion	31.44
Releases from equipment and systems	3.45
Assimilation of CO ₂ into biomass (Note)	(0.92)
Scope 1 Total:	65.72
Scope 2 – Energy Indirect Emissions	
Purchased electricity	939.39
Purchased town gas	0.00
Scope 2 Total:	939.39
Scope 3 – Other Indirect Emissions	
Paper waste disposal	20.05
Use of fresh water	8.09
Sewage discharge	3.82
Scope 3 Total:	31.97
Total GHG Emissions	1,037.08

Note: Planting activities constituted GHG reduction in 2020.

Table 2 – GHG emissions during the year ended 31 December 2020

Distribution for CO₂ Emission



Graph 1 – Distribution for CO₂ emissions during the year ended 31 December 2020

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 production plant.

During the Review Period, the Group continued to implement the long-term "Electricity Improvement Service Contract" with an electricity service company, 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 2021, 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. During the Review Period, no hazardous waste was produced by the Group, and approximately 10 tonnes in total of non-hazardous solid waste was produced by the production plant in Huizhou, about 3 tonnes less than in 2019.

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 minimise the amount of waste in the production process. The Group also collects recyclable waste during production and recycles it, while non-recyclable wastes are processed by local destructor plant. In addition, the domestic waste from employees are categorized at the rubbish bins on site, 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 transmission of noise.

Wastewater

The Group’s water consumption mainly includes tap water consumed for daily use by the office employees 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 had been put up in the toilet, reminding employees to avoid water wastage by closing the faucet timely.

A2: Use of Resources

The main resources consumed in 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 shows the resources consumption during the Review Period:

Resources	2020 Consumption	Carbon intensity (in tonnes of CO ₂ – equivalent)	2020 Consumption Intensity (consumption/HK\$ million revenue)
Electricity	1,484,842 kWh	939.39	4,800.98 kWh
Water	20,126 m ³	8.09	65.07 m ³
Natural Gas	16,805 m ³	31.75	54.33 m ³
Petroleum	9,931 Litre	26.89	32.11 Litre
Diesel	1,724 Litre	4.55	5.57 Litre

Table 3 – Resources consumption during the year ended 31 December 2020

Packaging Materials Consumption

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

Category	2020 Consumption (In tonnes)	2020 Consumption Intensity (consumption/production units, In kg)
Paper card for product description	14.85	0.03
Paper card for packaging support	41.83	0.05
PE packaging material for duvets & pillows	6.85	0.02
PVC packaging material for bedding sets	16.46	0.03
Non-Woven fabric	40.36	0.11
Paper gift box	13.91	0.13
Plastic bag with logo	2.43	0.04

Table 4 – Packaging materials consumption during the year ended 31 December 2020

A3: Environment and Natural Resources

The Group's routine operation process exerts no detrimental influence on the environment of its surrounding. 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 has disposed domestic waste by external supplier with monthly charges after waste sorting.

Results in 2020

Main Category	Subcategory	KPI	2020 Results
Reduce CO ₂ Emissions	Reduce Total CO ₂ Emissions	Total CO ₂ Emissions Factor (CO ₂ Emissions/Total Floor Area)	0.023 t/m ²
	Improve Energy Efficiency	Total Energy Use Factor (Amount of Heat/Total Floor Area)	0.145 GJ/m ²
	Reduce CO ₂ Emissions in Logistics	CO ₂ Emissions due to transportation	31.44 tonnes
Reducing Waste in Production	Reduce Amount of Materials used in Packaging	Consumption Intensity (consumption/production units)	Refer to Table 4
	Training for Waste Emissions	Provision of relative trainings to staff	Due to the persisting impact of the COVID-19 in 2020, face-to-face trainings about environmental protection have been suspended, relevant articles and posters have been distributed to employees or posted on bulletin board.
Sustainable Resource Usage	Encourage employees to use paper more effectively and responsibly	Completed the online launch of the Enterprise Resource Planning system for the order flow process to reduce the use of paper	
Environmental contributions to the Community	Environmental Afforestation	95% green coverage inside and outside the building	
Strengthening the Management	Training & Education	Participate in trainings on environmentally friendly issues organized by government and social groups	

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

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

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

B: SOCIAL

Employment and Labour Practices

The Company considers human resources as one of the valuable assets of the Group. The realization and enhancement of employee value will contribute to the overall development and performance growth of the Group in the long term. Therefore, the Company targets 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

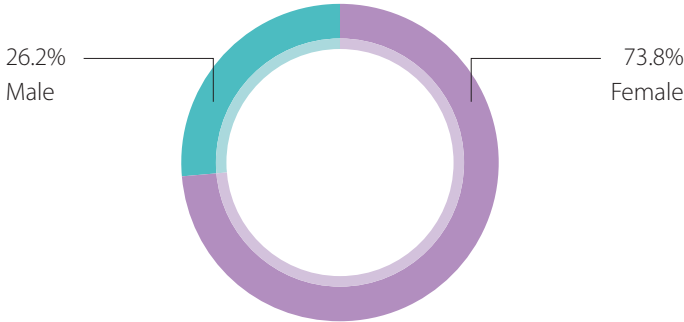
The staff manual formulated internally by each of the subsidiaries of the Group has been uploaded to the respective intranet server to let employees understand the regulations of the Company's human resources management, including but not limited to the recruitment process, working hours, compensation 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 2020, the number of employees of the Group was 549 while male to female ratio was about 1:2.8. In 2020, the higher turnover rate in Mainland China was due to a net decrease of 20 self-operated point-of-sales ("POS") as Mainland China business units pursued the organizational structure streamlining and sales strategy adjustments. The number of sales and logistics staff is relatively susceptible to changes in POS, resulting in a higher staff turnover rate. As at 31 December 2020, 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 December 2020		2020
	Distribution of employees by gender	% of total	Average turnover rate
Female	405	73.8%	34.4%
Male	144	26.2%	22.5%
Total	549	100.0%	31.4%



Distribution of employees by region

	As at 31 December 2020		2020
	Distribution of employees by region	% of total	Average turnover rate
Mainland China	382	69.6%	39.0%
Hong Kong	167	30.4%	12.0%
Total	549	100.0%	31.4%



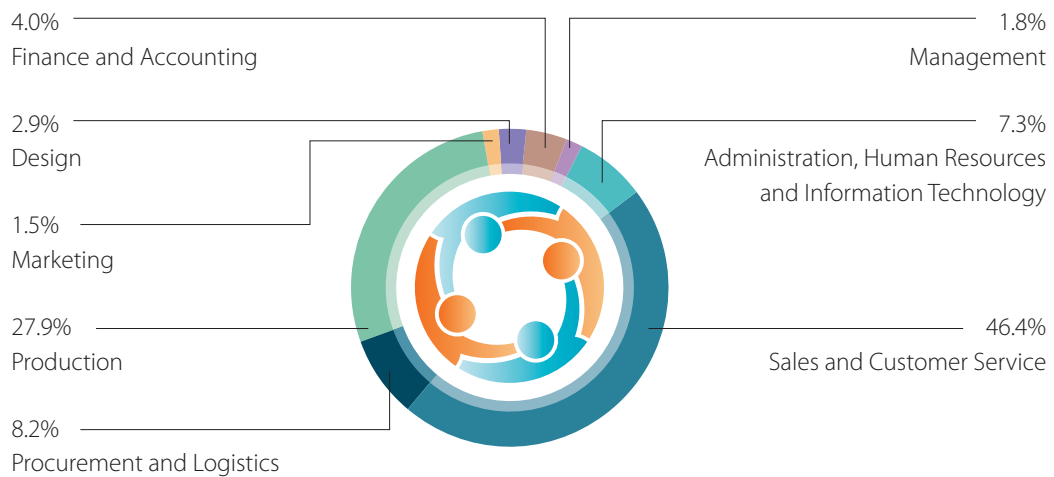
Distribution of employees by age

	As at 31 December 2020		2020
	Distribution of employees by age	% of total	Average turnover rate
Aged 29 or below	47	8.5%	32.7%
Aged 30-39	152	27.7%	40.6%
Aged 40-49	198	36.1%	33.3%
Aged 50 or above	152	27.7%	18.5%
Total	549	100.0%	31.4%



Distribution of employees by function

	As at 31 December 2020		2020
	Distribution of employees by function	% of total	Average turnover rate
Management	10	1.8%	20.0%
Administration, Human Resources and Information Technology	40	7.3%	12.1%
Sales and Customer Service	255	46.4%	37.2%
Procurement and Logistics	45	8.2%	13.5%
Production	153	27.9%	33.0%
Marketing	8	1.5%	60.0%
Design	16	2.9%	24.2%
Finance and Accounting	22	4.0%	13.3%
Total	549	100.0%	31.4%



Compensation and Dismissal

The Group determines staff remuneration with reference to the market rates and the qualifications and experience of employees. The Group also offers discretionary rewards, including bonus and share options, based on the performance of individual employee during the Year as an incentive to encourage 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 Regulation 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 employees in Hong Kong 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 levels and are fairly and equally paid. During the Review Period, the Group complied with Provisions on Minimum Wages (《最低工資規定》) of Mainland China and the Minimum Wage Ordinance of Hong Kong.

The Group has also formulated strict and prudent 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 his/her employment contract.

Recruitment, Promotion and Anti-discrimination

The Group has defined the job qualification and job description for each position as the criteria for employing new staff. Recruitment channels of the Group include campus recruitment, public recruitment and internal referral. Each applicant's academic qualifications and related work experience are subject to verification, and each applicant shall pass at least two rounds of interviews.

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.

Each of the subsidiaries of the Group located in Hong Kong is in compliance with 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 staffs with a fair platform for development, protecting their legal rights and interests, and creating a fair and harmonious working environment.

Working Hours and Leave Arrangement

The working hours of the Group's staffs 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 staffs 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, staffs will be rewarded with corresponding compensation from the Group in accordance with the 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 strives to improve 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, 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 fostering the work-life balance of its employees and enhancing their sense of affiliation to the Group. It provides sport venues and entertainment facilities, such as basketball courts, table tennis tables and multi-purpose rooms, in its Huizhou production plant. Meanwhile, each of the subsidiaries of the Group organizes various activities from time to time, including tours, exchange meetings and a variety of interest classes, to help employees develop their personal interests and enhance their interactions.

As COVID-19 pandemic continued during the Review Period, we followed the instructions of the governments in Mainland China and Hong Kong and medical experts to suspend all staff activities to avoid group gathering, including annual dinners and festival parties. Instead, we organized several incentive activities in the form of gift distribution and video award presentation ceremony to show its care and reward outstanding staffs.

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 staffs to enhance their awareness on 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 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 staffs 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 the compliance with fire protection regulations. The Group is committed to providing all employees with a warm and comfortable working and living environment. The Group has set up a self-managed staff dormitory and canteen in the Huizhou production plant with a view to providing sound rest space and healthy catering to its employees.

We have distributed the Internal Guidelines for Occupational Safety and Health to our frontline sales and logistic staffs to educate them on safety at workplace and ways to avoid accidents, as well as the handling procedures in case of occupational injury. During the Review Period, there were no work-related fatalities involving employees of the Group nor working man-days lost due to work injury.

During the Review Period, in light of the development of COVID-19 pandemic and in response to the call of the Mainland China and Hong Kong governments, we have carried out arrangements such as delaying the resumption of work after the Chinese New Year for the production plant in Mainland China and implementing shift and work-from-home roster for office staffs in Hong Kong to minimize the risk of infection in gathering of crowds. At the same time, to provide a safe working environment for employees, we have placed equipments such as infrared thermometers, air purifiers, disinfectant mats and alcohol-based handrubs in the office. In addition, apart from providing face masks for our frontline sales staff every month, we also placed equipments such as infrared thermometers and alcohol-based handrubs in self-operated retail stores. Opening hours of self-operated retail stores were also shortened on a flexible basis during the peak of the pandemic so as to ensure employee safety.

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 for their respective positions. The Group also organizes various types of trainings for all staffs every year to enhance 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. During the Review Period, in order to reduce the gathering of crowds under the COVID-19 pandemic, the Group changed to distribution of training materials to employees to study on their own unless face-to-face training is necessary for the corresponding training contents. As a result, comparing with the number of group training programs in last year, the Group only held 11 group training programs for a total of 25 hours in Mainland China and Hong Kong during the Review Period.

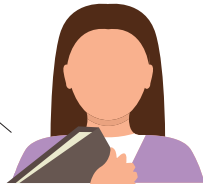
Percentage of staff trained by gender

	2020	
	Percentage of staff trained	Average training hours
Female	91.7%	8.7
Male	86.8%	11.8
Total	90.5%	9.4

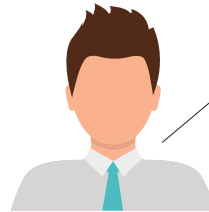


90.5%
Staff trained

91.7%
Female staff
trained

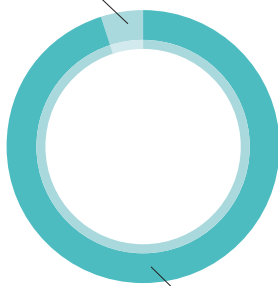


86.8%
Male staff
trained



Management and Directors

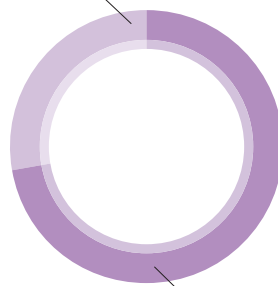
Percentage of staff untrained
4.8%



Percentage of staff trained
95.2%

Supervisors to Managers

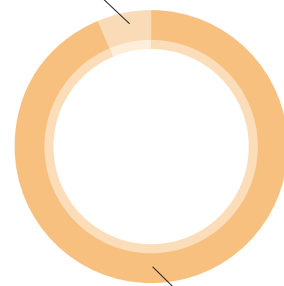
Percentage of staff untrained
27.7%



Percentage of staff trained
72.3%

General staff

Percentage of staff untrained
7.1%



Percentage of staff trained
92.9%

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 Company 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 the 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, thus the Group's staff recruitment and employment standards are implemented in strict compliance with 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 state 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

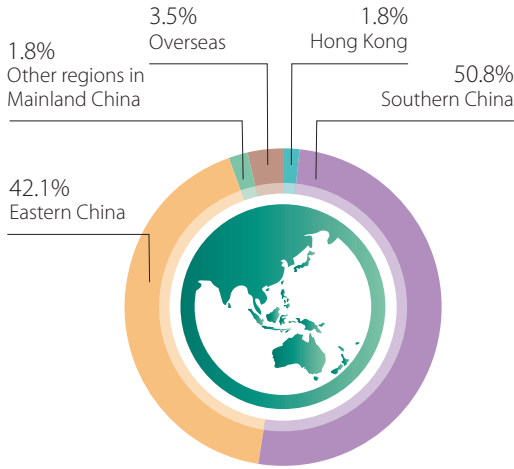
B5: Supply Chain Management

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-term 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 2020, the Company purchased finished products, raw materials, auxiliary ingredients and packaging materials from 114 suppliers in total. The geographical distribution of suppliers of finished products, raw materials, auxiliary ingredients and packaging materials is as follows:

	2020
Hong Kong	2
Southern China ⁽¹⁾	58
Eastern China ⁽²⁾	48
Other regions in Mainland China	2
Overseas	4
Total	114



Notes:

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

B6: Product Responsibility

The Group is committed to offering 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 spend 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 Company's consistent strict product quality control during the production process, our products enjoy high reputation in the market. The product quality control of the Group 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 products arising from 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 products in Mainland China and Hong Kong respectively. The Group understands that consumers' purchase decisions greatly depend on advertisements and product labels. Therefore, we 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 keeps 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:

	2020
No. of products sold during the year	About 1,161,000 pieces
No. of complaints about product quality	854 pieces
% of products with quality complaints over no. of products sold during the year	0.074%

	2020	
	No. of complaints about product quality	% of total no. of complaints about product quality
Duvets, blankets and pillows	244 pieces	28.6%
Linens	554 pieces	64.9%
Others	56 pieces	6.5%
Total	854 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 such as favourable prices and priority sales to them. 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 share views for upholding the brand value and customer services, especially in 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 price, standard store images and promotional activities.

In order to protect the rights and interests of the Group, 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 business secrets.

The products of the Group during the Review Period have been widely recognised by the community. The awards obtained by the Group in 2020 included:

Organiser	Awards/Recognitions
<i>U Magazine</i>	U Green Awards 2019-2020 – Excellence of Environmental Contribution Award (Bedding Products)
Cotton Incorporated	“Seal of Cotton” trademark and “Cotton LEADS SM ” label
<i>Expat Living</i>	Readers’ Choice Awards 2020 – Best Bedding & Linen (Silver)

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 anyone 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 monitoring and controlling 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 where it rooted for success of a corporation. The Group has formulated the Rules for Charitable Donation and Events of the Group internally to set out the manners and processes of supporting community activities or charitable organizations. The Group supports various charitable activities mainly in forms of donation 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
Hong Kong Federation of Handicapped Youth ("HKFHY")	"HKFHY's Cookies · Gift for Love" charity sales activity	9/2020	The employees of the Group successfully raised the sales of total 138 boxes of charity cookie boxes. The raised funds support HKFHY for helping people with disabilities in fully integrating into the community
Hong Kong Breast Cancer Foundation	Donate as a "Pink Ribbon Partner" in the "Pink Together 2020" activity	10/2020	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 advocacy work
Yan Chai Hospital	Donation	Throughout the year	The Chairman of the Group, Mr. Cheng Sze Kin, also 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	Material donation	Throughout the year	The Group donated materials to the anti-epidemic medical system and civil affairs institutions in Mainland China to support anti-epidemic work



CASABLANCA

GROUP LIMITED

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CAYMAN ISLANDS WITH LIMITED LIABILITY)

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