



佳華百貨控股有限公司 JIAHUA STORES HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 00602)



ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT 2016

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INTRODUCTION



COMPANY PROFILE

Jiahua Stores Holdings Limited (“Jiahua Stores”) (Stock Code: 00602), was established in September 2006 and listed on the Main Board of the Stock Exchange of Hong Kong Limited on 21 May 2007. After years of continuous efforts, the Company has obtained recognition from the general public and Shenzhen Baijiahua Department Stores Company Limited, a major operating subsidiary of the Group, won such titles as “China’s Top 100 Chain Operators” (for four times), “Shenzhen Top 100 Enterprises” and “Shenzhen Top 30 Chain Operators” etc. Over the past years, Jiahua Stores has been committed to promoting standardized operation, scientific decision-making procedure and sustainable development path, which has significantly improved its corporate governance. Through in-depth industry research and accurate market positioning, the Company has been continuously perfecting its customer service and improving customers’ shopping experience with a view to providing better products and services to its customers in the future under the cooperating principle of good faith and mutual benefit.

ABOUT THIS REPORT

This report has been prepared in accordance with the *Environmental, Social and Governance Reporting Guide* as set out in Appendix 27 to the Main Board Listing Rules of the Stock Exchange of Hong Kong and with reference to the environmental, social and governance (“ESG”) practices of Jiahua Stores in the year of 2016. The purpose of this report is to help stakeholders of the Company to obtain a more detailed understanding of Company’s ESG information, so as to enhance the communication between the Company and its stakeholders. If you are in any doubt in respect of this report, please contact us through the e-mail: esgreport@szbjh.com.

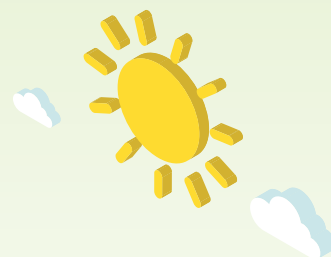
REPORTING PERIOD AND REPORTING SCOPE

The scope of this report comprises Jiahua Stores Holdings Limited and the reporting period covers the fiscal year from 1 January 2016 to 31 December 2016, focusing on disclosing the ESG impact brought by the operating activities of the retail stores of Jiahua Stores.

APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGY AND REPORTING

The Group’s approach to ESG strategy seeks to align with the development of the Group and value creation for our stakeholders. Key ESG issues are identified, prioritized and addressed to demonstrate transparency and accountability to the stakeholders concerned. The Group acknowledges the importance of good ESG strategy and therefore integrates ESG into its daily operations. ESG issues are addressed both at Group and business level. The Board has delegated day-to-day responsibility for corporate governance and sustainability matters to the Governance Working Group. This group provides strategic direction, establishes sustainability policy and objectives, oversees corporate governance matters and monitors progress. A sustainability taskforce has been formed to formulate and translate policy into action, while facilitating exchange of best practices throughout group companies. Business units and departments within the Group then integrate such initiatives into operations and activities. The sustainability taskforce collects and analyses data, evaluates performance and reports major issues to Governance Working Group on a periodic basis.

MESSAGE FROM OUR CHAIRMAN



I am pleased to present you the 2016 ESG report of Jiahua Stores. In 2016, while the retail industry was adversely affected by the constantly changing and complex global economy, China maintained a strong growth momentum. Gross Domestic Product of the country for the year 2016 amounted to RMB74.4 trillion, representing a 6.7% increase over last year. Total retail sales of social consumer goods for the year was RMB33.2 trillion, representing a year-on-year growth of 10.4%. While maintaining a steady rise in the economy, China had gradually carried out industrial restructuring and upgrading and further promoted the structural reforms.

Jiahua Stores has always adhered to the sustainable development strategy. In order to comprehensively introduce Jiahua Stores' business impact towards environment and society, and to meet the requirement of the Listing Rules of Hong Kong Stock Exchange, Jiahua Stores hereby prepares its first ESG report containing our sustainability performance in 2016 to our stakeholders.

Jiahua Stores has been dedicated to becoming a responsible corporate citizen. In 2016, we donated RMB50,000 and RMB30,000 respectively to Shenzhen Baoan Charity Federation and the Shenzhen General Chamber of Commerce of China, as sponsors for poverty alleviation, and called on and encouraged more people to participate in charity activities. The Company has been adhering to the earnest, pragmatic, trustworthy, innovative and excellent enterprise spirit, and implementing continuous improvement to exceed customer expectations in a customer-oriented and quality-centered approach. Jiahua Stores conducted a customer satisfaction survey, in which each store scored 70 or above. The Company will continue to work hard and improve the service level, including the development of *Provisions for Sampling and Inspection of Commodity Quality and Hygiene, Programme for Spot Check on the Expiration Date of Commodities, Jiahua Stores Interim Provisions on Batch Management of Food* and other provisions to improve the quality of products. In order to enhance the efficiency of introducing new products, we have also formulated *Supplier Information Transmission Operation Process, Jiahua Stores New Product Introduction Tracking Process* and other provisions.

"Jiahua Stores has been dedicated to become a responsible corporate citizen, by adhering to the earnest, pragmatic, trustworthy, innovative, and excellent enterprise spirit, and implement continuous improvement to exceed customer expectations in a customer-oriented and quality-centered approach."

Jiahua Stores is committed to providing a working environment free of discrimination. In 2016, no complaint of discrimination or unequal treatment was found. In order to protect the interests of employees and the Company, and implement the policy of "safe production and prevention focus", the Company has developed the *Measures for Dealing with Work-related Injuries or Accidents* according to the *Regulations of Guangdong Province on Industrial and Commercial Insurance*, while strengthening supervision and safety inspection, so as to provide a safe working environment for employees.

In 2016, the Company strictly complied with the relevant environmental laws and regulations. During the year, no major fines and non-pecuniary sanctions were incurred for violating environmental laws and regulations. The Company also adopted an intelligent control system for cooling equipment and used an intelligent control cabinet to achieve the effect of energy saving and emission reduction.

With the gradual recovery of the macro economy and the continued implementation of the country's policy of expanding demands, the consumer goods market is gradually warming up, which has injected new impetus for the development of Jiahua Stores. We are well prepared to face the difficulties, make full use of existing resources and advantages, and strive for better development in the next year. Last but not least, on behalf of the Board, I would like to express my sincere appreciation to all shareholders, suppliers, customers and business partners for their continued support to the Group, and to all staff for their dedication and contributions.

Zhuang Lu Kun
Chairman

Shenzhen, the PRC
30 June 2017

GOING GREEN



Jiahua Stores is committed to playing a full role as a responsible corporate citizen in protecting environment, and it has incorporated policies related to environmental protection into its overall corporate development.

As Jiahua Stores principally engages in operating supermarkets and department stores, whose impact on environment mainly arises from the package and transportation of commodities as well as the energy consumption incurred from daily operation of its outlets, which includes, among others, the consumption from running lighting systems and freezers. The Group attaches great importance to strengthening the publicity of environmental protection for the purpose of enhancing employees' environmental protection awareness. The Company has posted tips about environmental protection on its in-house key areas to remind employees to constantly bear environmental protection in mind. In 2016, the Company has strictly complied with relevant environmental legislation and regulation and there is no material penalty or non-monetary sanctions for violating environmental regulations.

Jiahua Stores has promoted the application of an intelligent system for cooling equipment and intelligent control cabinets. Such intelligent control system could, through automatically controlling the supply of power, maintains the indoor temperature at pre-set value and thereby reduces the unnecessary resource waste of air conditioners caused by repeated switching. In 2016, the Company has conducted upgrading on cooling equipment for its six retail stores, from which 3.52 million kWh has been saved. Among these six stores, Longhua Store has obtained the gratifying result of electricity savings of 620 thousand kWh after replacing the main units of its central air-conditioning in March 2016.

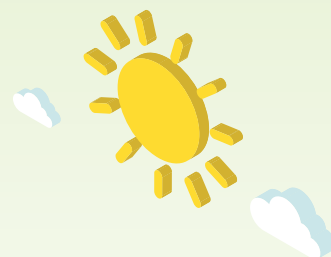
In additional, these six stores have replaced their original lighting with the more environmental friendly LED lighting, achieving a power saving rate of 64%. The Company's new office building has installed its air conditioning system with the latest air conditioning energy-saving equipment imported from the US to relieve electric supply pressure for power station during rush hours. Through the reconstruction of the large-scale air conditioning equipment conducted on its subsidiary stores and office buildings at the headquarters, the Company is now able to save power 11.74 million kWh per year or reduce carbon dioxide emission 11,810 tons per year.

In 2016, the direct energy consumption of fuel and gas were 25,293 kg and 18,400 cubic meters, and the total indirect energy consumption from using power was 8,779,857 kWh. According to the document Specification with Guidance for *Specification and Reporting of the Organization's Greenhouse Gas Emissions* issued by Shenzhen Government authorities, the greenhouse gas emissions we produced for energy consumption in 2016 amounted to 7,731 tons, which comprised of 114 tons of reporting category 1 and 7,617 tons of reporting category 2. And the aggregate water consumption was 109,469 tons. In terms of water consumption in malls, 60% was used for air conditioners, 30% for sales floor and toilets and the remaining 10% for operating rooms.

Resource Consumption	Unit	Year 2016
Electricity	kWh	8,779,857
Fuel oil	Kg	25,293
Fuel gas	Cubic meter	18,400
Municipal water	Ton	109,469

In addition to energy savings, we endeavor to reduce pollutant emissions and waste production. There are not significant air and pollutant emissions in our business model. Given the air emissions are mainly generated from the use of the Company's vehicles, we dispose of cars used for a long time on a regular basis to reduce air emissions. In 2016, Jiahua Stores disposed of three cars in total. Cartons used for packing discarded commodities during 2016 totaled 1,392 tons, all of which have been collected and sold to the company engaged in recycling cartons.

SOCIETY



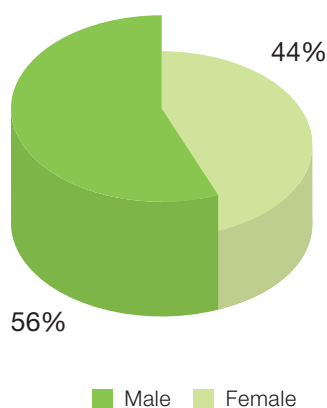
The Company strengthens the development of the human resource and remuneration system, maintains operational efficiency and reduces operating costs while continuing to provide education and training for its employees to enhance their skills and knowledge.

1. CARE FOR EMPLOYEES

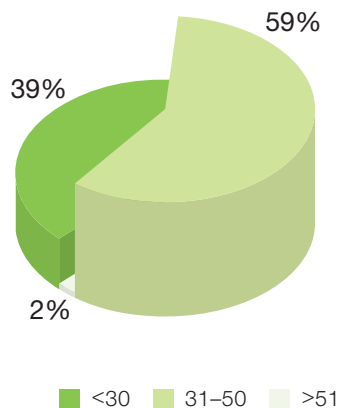
Jiahua Stores strictly abides by relevant state labor laws and regulations, including but not limited to the “Labor Law of the People’s Republic of China”, to protect the legal rights and interests of employees. The Company has been committed to providing all employees with a non-discriminatory working and harassment-free environment, regardless of gender, age, nationality, race, religious belief and so on. In accordance with relevant state laws and regulations, the Company shall not employ child labors and forced labors, and shall strengthen inspection and supervision to prevent the occurrence of such incidents. In 2016, the Company did neither receive any complaints about discrimination and harassment of any type nor have any employment incidents of child labors and forced labors. The Company provides employees with a clear and corresponding promotion channel, which can be simply classified into three categories: the employee-level channel, the supervisor-level channel and the manager-level channel, for the purpose of promotion of employees at different levels. To facilitate employees to achieve their personal career planning and make rational use of talents, the Company prefers fair competition and selects candidates by merits in promoting employees.

As of 31 December 2016, Jiahua Stores has 1,294 employees, of whom 503 were less than 30 years old, 761 were between 31 and 50 years old, 30 were over 51 years old; about 56% were female and 44% were male; 306 were management grade and 988 were frontline staff; 17% had a bachelor’s degree or higher and 83% were without a bachelor’s degree. Since the Company’s principal business is sales and service industry, the number of female employees is more than male employees, and most of them don’t have university background. In addition, applicants’ identification cards should be checked during recruitment by the Company to avoid child labor and forced labor in accordance with the measures specified in the *Recruitment Management Regulations*.

EMPLOYEE PROPORTION BY GENDER

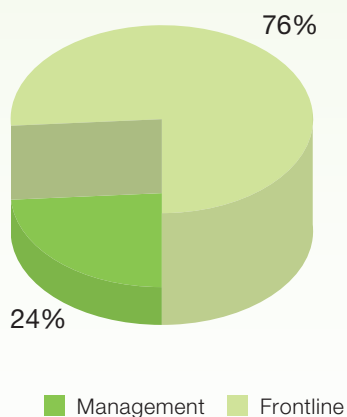


EMPLOYEE PROPORTION BY AGE

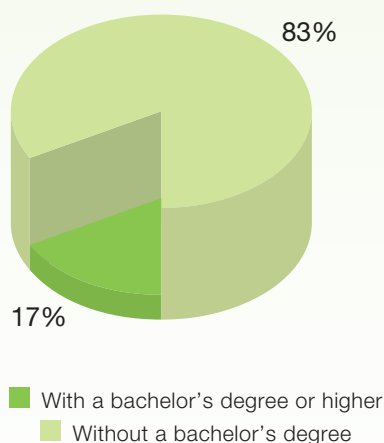




EMPLOYEE PROPORTION BY FUNCTIONS



EMPLOYEE PROPORTION BY EDUCATION



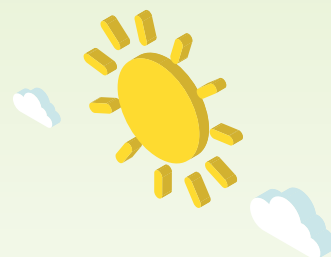
The total employee dismissal rate and recruitment rate of Jiahua Stores were approximately 55% and 44% respectively in 2016.

	Loss of Employees	New Employees
<30	495	422
31-50	212	146
>51	2	0
Total	709	568

Employee Benefits

Jiahua Stores shares achievements with its employees; for example, the Company distributes benefits to its employees in cash ranging from RMB100 to RMB900 during annual Chinese traditional festivals to celebrate the festivals. In addition, the Company organizes trips from time to time, such as 2016 Guilin Guangxi tours for veteran employees serving Jiahua Stores over 10 years and Saipan U.S.A. tours for those serving over 15 years, to enhance the employees' sense of belonging towards and cohesion in the Company.





Health and Safety

The Company has been attached great importance to the occupational safety and health, and provides employees with a safe working environment, where they can bring their whole self to the workplace. The Company attaches great importance to improving the safety awareness of employees and promoting the training of occupational safety and health education. All stores execute a fire drill on a quarterly basis to raise awareness of fire prevention. In 2016, nearly 88% employees participated in safety training. The Company, by adhering to “Regulation on Work-related Injury Insurance of Guangdong Province” and taking into consideration its actual condition, has “Measures for Work-related Injury and Accident Injury” in place to pinpoint the duties and authorities of every shift person so as to protect the legitimate rights of employees injured accidentally. In 2016, the Company had reported a total of 27 injury accidents, 358 days of labor day loss and no duty-related death. In order to improve the physical fitness of the staff, the Company establishes a fitness group and holds sports day annually to create good atmosphere of the regular exercise.

Training & Development

Jiahua Stores incorporates the self-development of staff into the Company’s overall development strategy, providing a better development platform for the staff and stimulating their potential. In 2016, the percentage of staff training ratio of the Company was 90%, with the average training hours of 1.5 hours per trainee.



Upright business

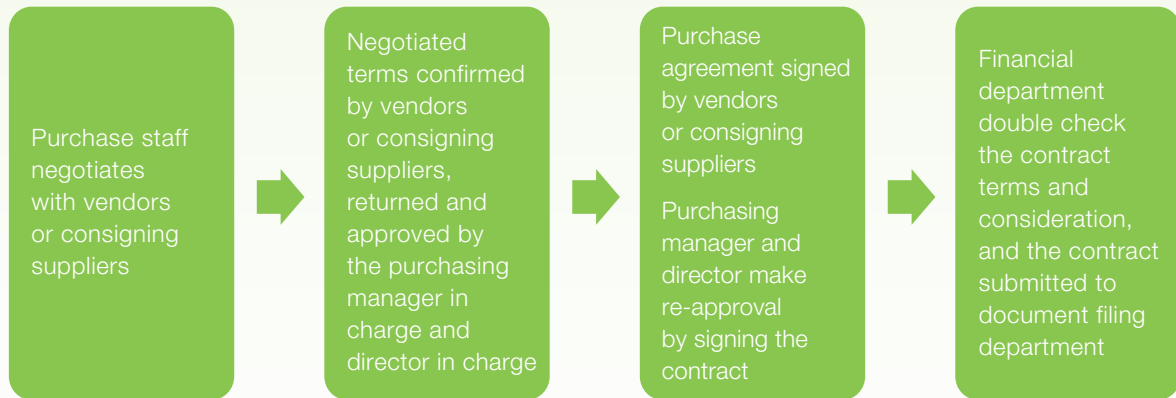
Jiahua Stores strictly complies with the relevant anti-corruption rules and regulations of the country and ensures that its staff meet professional ethics. In 2016, there was no corruption case in the Company. The Company has established a whistle-blowing mechanism internally to deal with any suspicious business bribery case. The informer may complain by e-mail and tip-off hotline of the Company with evidence in various forms. The Company will arrange officials and the personnel departments of the retail stores to carry out investigations on the suspected persons when receiving whistle-blowing and keep relevant record in file.

2. MAKING PROGRESS TOGETHER

In 2016, there were 803 suppliers of the Company, which were mainly from mainland China. Meanwhile, the Company maintains strict policies in selecting suppliers to guarantee product quality and protect the environment. Jiahua Stores adheres to the three principles of introducing suppliers, including purchasing around, saving purchase expenses and purchasing as directly as possible. The three principles not only save the cost of the Company but also increase the stability of supplying and avoid the environmental impacts resulting from long-distance delivery.



Process of Introducing Suppliers of Purchases and Sales, Consignments and Counters:



Jiahua Stores strives to promote the partnership with suppliers and formulates “The Callback Procedure” and “Management System of Key Suppliers” to understand such information as the supplying, service and credit of suppliers. We achieve mutual development through understanding and resolving the problems during the cooperation.

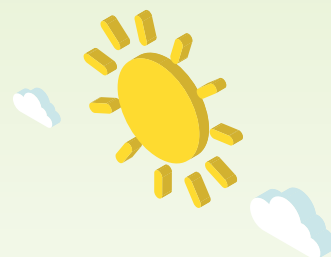
In order to facilitate the introduction of new products, Jiahua Stores has introduced the “Operation Procedures for Transmission of Supplier Information” and the “Procedures for Tracking New Products Introduced by Jiahua Stores” to revise its introduction procedures for new products by tracking and keeping the suppliers informed of the introduction timely, thereby serving the suppliers efficiently. The Jiahua Stores supplier service system has been established by the Company to improve its service to suppliers. By virtue of such system, suppliers can directly search for required information via their accounts with passwords. Jiahua Stores invites tenders on its online open tender system and publicizes the details of business invitation persons and the contact details of persons in charge for each category in the business invitation center to achieve fair bidding and prevent from corruption.

3. PRODUCT QUALITY

Jiahua Stores has strictly complied with the “Food Safety Law of the People’s Republic of China”. The Company has formulated the “Regulation for Sampling Inspection of Product Quality and Sanitation”, the “Sampling Inspection Scheme for Product’s Quality Guarantee Period” and the “Temporary Provisions for the Management of Food Batch” to insist on its commitment to “Not selling fake and shoddy goods”.

Shenzhen city has launched the Food Safety Traceability Credit Management System of Shenzhen City to enhance the prepackaged food safety of Shenzhen city. The system serves as a platform established under the leadership of the Food and Drug Administration of Shenzhen Municipality with an aim to providing information on documentation and bills as well as food security assessment. Under such system, all prepackaged food entering Jiahua Stores is required to register its features and product information in the “Food Traceability System” to ensure the product quality.

In addition to the inspection requirement for new products, the Company also conducted sampling inspection on the goods for sale within the stores. In order to maximize the coverage of goods inspected and reasonably control the inspection fee, a sampling inspection scheme in line with relevant regulations has been established. Conforming goods will be introduced or continue being sold, while non-conforming ones will not be introduced or be suspended from selling. An analysis will be conducted by relevant authorities to recommend preventive and corrective actions.



The Company handles the merchandise according to “The Merchandise Quality Problems” and “Emergency Response Regulations” where suspicions arise from its quality. The handling procedure mainly includes the inspection carried out on the merchandise from the same batch; the merchandise is pulled off the shelves according to the actual condition, and the Company contacts the relevant suppliers for return and claim of default as soon as possible.

The Company specifically takes monthly inspection on shelf life of merchandises to avoid expired or deteriorated merchandise for sale. In order to procure inspectors to careful inspection, the Company establishes corresponding rewarding regulations for ensuring the quality of merchandises. The Company also has stringent management on delivery and acceptance procedure by requesting that the suppliers, distribution centers and receiving departments complete delivery notes accurately and that our employees carefully check the delivery notes from suppliers to ensure no problematic(i.e. expiration) merchandise to be displayed on shelves.

4. CUSTOMER FIRST

In order to improve customer service, Jiahua Stores has specially developed “The Handling Methods and Processes on Receiving Customer Complaints” and “The Notice on Handling Customer Complaints and Relevant Matters” (to request our employees timely handle customer complaints in accordance with relevant regulations, with the promise that “Jiahua Stores shall accept expired merchandises for return without any condition”. There are specialized receptionists in customer service center in branches of Jiahua Stores for receiving and handling customer complaints. The Company’s related responsible officers will address the complaints within 1-3 working days and deliver feedbacks to the customers. Jiahua Stores launches customer satisfaction survey on a regular basis to timely understand customers’ opinions and suggestions on our stores for further improving service methods and service level.

5. COMMUNITY SERVICE

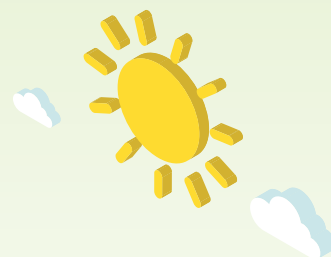
While developing the businesses, Jiahua Stores also performs its corporate social responsibilities. Jiahua Stores called up its staff to join the program Love on the Way, Charity Jogging (launched by Shenzhen Baoan Charity Federation and other organizations) in April 2016. The donation in the year amounted to RMB80,000 for helping the needy people.



HKEX ESG CONTENT INDEX



KPI	Requirements of HKEX ESG Reporting Guide	Page Number/Notes
A. Environmental		
Aspect A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental-friendly development
KPI A1.1	The types of emissions and respective emission data.	Environmental-friendly development
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental-friendly development
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	No significant hazardous waste produced during operation.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental-friendly development
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental-friendly development
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental-friendly development
Aspect A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental-friendly development
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental-friendly development
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental-friendly development
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental-friendly development
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental-friendly development
Aspect A3 The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental-friendly development
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental-friendly development



KPI	Requirements of HKEX ESG Reporting Guide	Page Number/Notes
B. Social		
Aspect B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Care for employees
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Care for employees
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Care for employees
Aspect B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and safety
KPI B2.1	Number and rate of work-related fatalities.	Health and safety
KPI B2.2	Lost days due to work injury.	Health and safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and safety
Aspect B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training & Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Training & Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Training & Development
Aspect B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Care for employees
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Care for employees
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Care for employees



KPI	Requirements of HKEX ESG Reporting Guide	Page Number/Notes
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Making progress together
KPI B5.1	Number of suppliers by geographical region.	Making progress together
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Making progress together
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Product quality
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product quality
KPI B6.4	Description of quality assurance process and recall procedures.	Product quality
Aspect B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Honest management
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No case reported during 2016
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Honest management
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community service
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Supporting minority Groups
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community service

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