



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017



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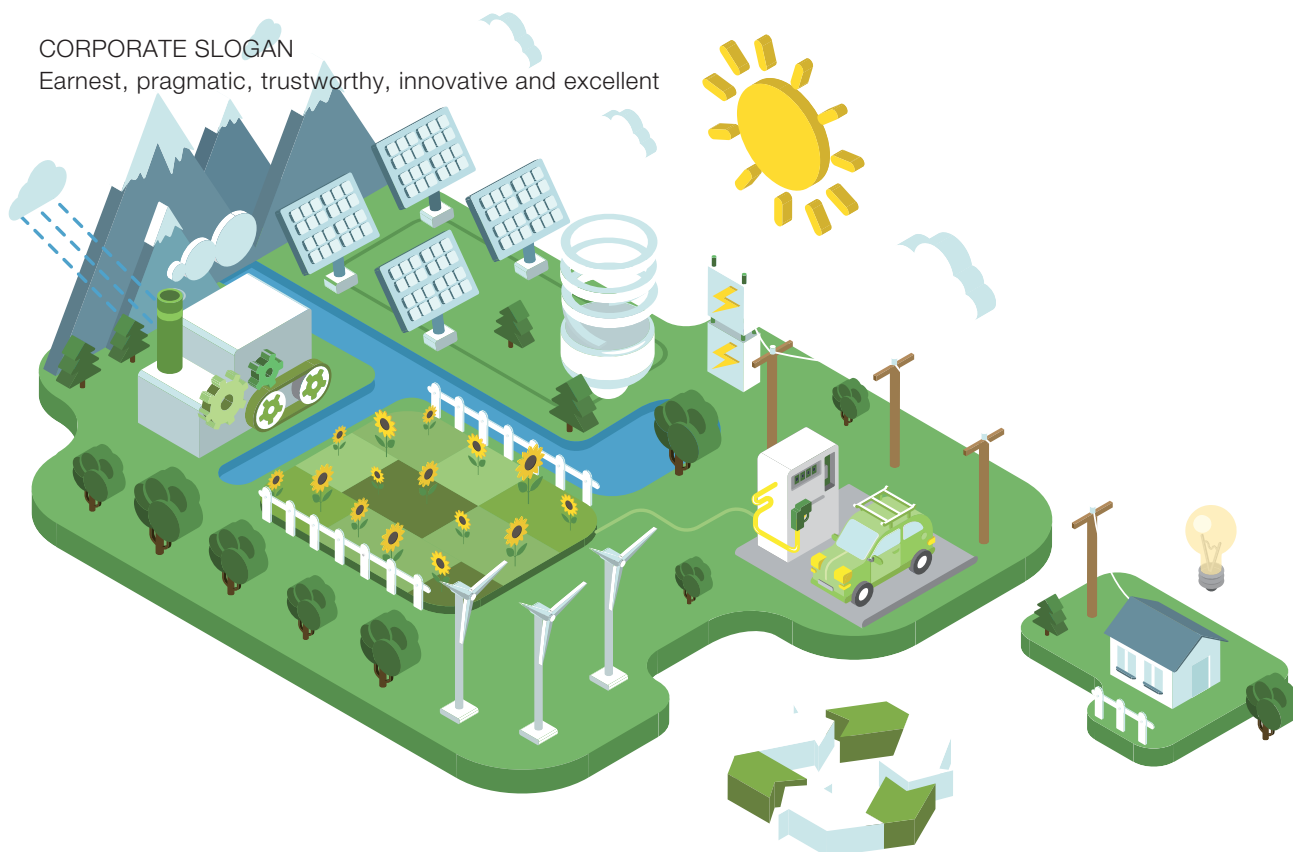
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CORPORATE MISSION

Make a better life with quality, create significant value with service, upgrade social efficiency with performance, and foster mutual development with harmony.

CORPORATE SLOGAN

Earnest, pragmatic, trustworthy, innovative and excellent



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. Its major operating subsidiary, Shenzhen Baijiahua Department Stores Company Limited (the “Company”), is a wholly foreign-owned enterprise approved by the Ministry of Commerce of the People’s Republic of China (“PRC”). As of 31 December 2017, the Company operated 11 retail stores (among them, ten retail stores are operating as retail outlets and one is used for leasing purpose), two main theme restaurants and one specialty restaurant, and one shopping mall in many places such as Shenzhen, Foshan and Guangxi. In addition, the operation of the Company also involves the areas of commercial factoring services and e-commerce. Over the past years, the Company has persisted in continuous improvement and capitalising on market conditions and has been perfecting its customer service and providing high quality products. The Company has obtained recognition from the community, and won such titles as “China’s Top 100 Chain Operators” (for four times), “Shenzhen Top 100 Enterprises” and “Shenzhen Top 30 Chain Operators” etc.

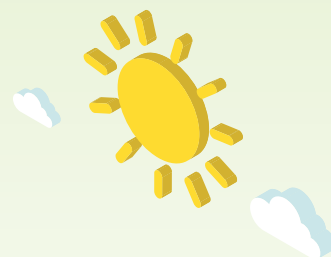
REPORTING GUIDE

This report has been prepared in accordance with the Environmental, Social and Governance (“ESG”) 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 actual operations of Jiahua Stores. The purpose of this report is to help stakeholders of the Company to improve the understanding of Company’s ESG issues and its sustainable development strategy, 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 2017 to 31 December 2017, focusing on disclosing the ESG impact brought by the operating activities of the retail stores of Jiahua Stores.

ESG MANAGEMENT APPROACHES



The sustainability taskforce of Jiahua Stores is responsible for formulating and implementing ESG strategies. Based on the professional organization structure, standardize work procedures and business administration, Jiahua Stores has established a full set of standard processes, covering marketing planning, store development, store planning, procurement and distribution, quality inspection and financial control, with an aim to advocate standardized operation and scientific decision-making, as well as integrate the concept of sustainable development into our daily operations.

Jiahua Stores acknowledges its social responsibilities by disclosing in this report about the ESG performance of the Company to each stakeholder. 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. The sustainability taskforce collects and analyses data, evaluates performance and reports major issues to Governance Working Group on a periodic basis.

We identify key ESG risks in relation to indirect carbon emission, product safety and occupational safety and health according to the business nature of retail industry. The table below sets out our responses to relevant risks.

| ESG risks | Actions taken in 2017 | Relevant chapters |
|--------------------------------|---|--------------------------|
| Indirect Carbon Emission | We have cut down the Company's indirect carbon emission by applying multiple means of energy conservation to optimize our electricity consumption, such as renovating the low-voltage power distribution grid for better energy efficiency, utilizing more eco-friendly lighting LED, promoting intelligent control system for cooling equipment and intelligent control cabinet. | Environmental protection |
| Product Safety | The Company has passed the annual review of ISO9000 management system. We have tightened quality inspection on products by inspecting newly purchased goods and conducting sampling inspection on goods for sale in stores. According to the Food Safety Traceability Credit Management System of Shenzhen (深圳市食品安全追溯信用管理系统), the Company demands all prepackaged food entering Jiahua Stores to register its features and product information in the "Food Traceability System". | Operational excellence |
| Occupational Safety and Health | The Company has formulated Measures for Work-related Injury and Accident Injury (《員工工傷、意外傷害處理辦法》), required employees to participate in the training on occupational safety and health education, executed fire drills regularly. In addition, it has established a fitness group and hold sports day annually to promote the atmosphere of physical exercise. | Caring for our people |

MESSAGE FROM OUR CHAIRMAN



I am pleased to present the second ESG report of Jiahua Stores covering our sustainability performance in 2017. Over the years, Jiahua Stores has been actively committed to fulfilling its corporate social responsibility, offering customers high-quality products and services in the Company's spirit of dedication, pragmatism, integrity, innovation and excellence.

In 2017, the offline retail sector faced unprecedented pressure with increasing challenges from the leading e-commerce retailers along with rising rental, labour and other operating expenses. Despite the difficult operating environment, the Company managed to maintain stable operating results while continuing active endeavours to create sustainable values for our stakeholders, including investors, employees, suppliers, customers and community, with the operating approaches of promoting innovation, sales and efficiency based on market orientation, service and integrity.

During the year, China's total retail sales of consumer goods reached RMB36.6 trillion, up by 10.2% year-on-year. In particular, supermarkets and department stores posted annual sales growth of 7.3% and 6.7%, respectively. The importance of environmental protection for achieving sustainable economic growth has been increasingly recognised. In the previous annual meetings of the National People's Congress, the Chinese government has declared to vigorously promote, strengthen and improve environmental protection measures, centering on improving the quality of ecological environment. In response to the national policies, Jiahua Stores implemented various measures to protect environment while developing its business. As part of our going-green efforts in daily operations, we used intelligent control systems and intelligent control cabinets to effectively reduce power consumption and minimise the impacts of our business to the environment.

Operational wise, we conducted our activities and pay tax according to laws and regulations with integrity as our priority. As the Company continued to diversify its business, establishing two restaurants and one shopping mall during the year, we are committed to continuous quality improvement with strong customer focus to exceed customer expectations. During the year, Jiahua Stores conducted a customer satisfaction survey which shown that customers were satisfied with our performance in respect of products, services and shopping environment. We will continue to strive for further improvement in service standards.

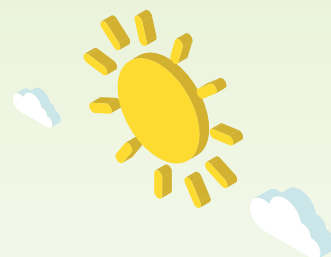
We believe people are the most valuable asset of a company and hire and promote our employees on merits. The safety of employees is top priority in our daily operations. We have developed the Measures for Dealing with Work-related Injuries or Accidents with a view to providing a healthy and safe working environment for all employees. Jiahua Stores gives high importance to employee development and has developed a promotion system to provide employees with a clear and attainable promotion channel. In line with the needs of our new business, recruitments were held during the year through various channels such as social recruitment, headhunting and campus recruitment to upgrade the quality and professional standards of new staff.

We believe inherent in challenges there are also opportunities. Looking forward, Jiahua Stores will adopt a more proactive approach towards the opportunities and challenges brought by sustainable development and explore new ways in pursuing its corporate social responsibility to minimise any negative impact on the environment and society. Lastly, 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 2018

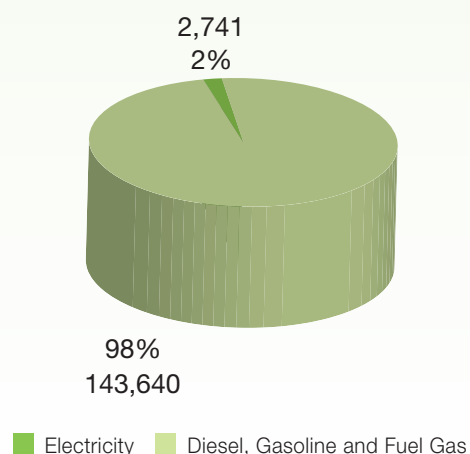
ENVIRONMENTAL PROTECTION



As Jiahua Stores principally engages in operating supermarkets and department stores (other businesses such as provision of factoring services and operation of restaurants are insignificant), 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. In 2017, the Company has strictly complied with relevant environmental legislation and regulation, including the Environment Protection Law, and there is no material penalty or non-monetary sanctions for violating environmental laws and regulations.

The major energy consumption of Jiahua Stores in its business operation are electricity, diesel, gasoline and fuel gas, of which more than 90% of energy consumption is electricity. In 2017, the total energy consumption of Jiahua Stores was 146,381 GJ. The direct energy consumption of fuel and gas were 58,947 litres and 18,500 cubic meters, representing a decrease of 37% and an increase of 0.5% as compared with 2016, respectively. Due to business expansion, the Company has adjusted its layouts to include catering and experience business into its two stores, and increase High-power electrical equipment. The indirect energy consumption from electricity used was 39,900,000 kWh, decreased by 0.2% as compared to 2016. During the year, the water consumption was 110,080 tons, increased by 0.6% as compared to 2016.

ENERGY CONSUMPTION (GJ)



| Resource Type | Unit | 2017 | 2016 | Changes |
|-----------------|-------------|------------|------------|---------|
| Electricity | kWh | 39,900,000 | 39,980,000 | -0.2% |
| Gasoline | Litre | 22,836 | 38,722* | -41.0% |
| Diesel | Litre | 36,111 | 54,779* | -34.1% |
| Fuel Gas | Cubic meter | 18,500 | 18,400 | +0.5% |
| Municipal Water | Ton | 110,080 | 109,469 | +0.6% |

* As the Company has improved the method of data collection during the year, the data of oil consumption in 2016 should be restated.

Jiahua Stores has adopted various measures to reduce resource consumption. We introduced the FB-I type equipment and ancillary facilities with electricity optimization and energy-saving function, as well as conducted energy-saving renovation on the low-voltage network to address the power quality issues in the shopping mall, achieving a power saving rate of approximately 7.5% against the total electricity consumption. In addition, each store has replaced their original lighting with the more environmental friendly LED lighting, achieving a power saving rate of approximately 64%. The Company has also promoted the cooling equipment with intelligent control system and intelligent control cabinet; conducted energy-saving upgrading on cooling equipment; replaced the central air conditioning unit; as well as installed its air conditioning system with the latest air conditioning energy-saving equipment imported from the US in the new office building of the Company so as to improve the electricity performance. As regards to the water, the Company has posted tips about environmental protection on its in-house key areas to remind employees to constantly save water and enhance their awareness of environmental protection.



EMISSIONS MANAGEMENT

During the year, the aggregate greenhouse gas emissions of the Company was 21,229 tCO₂e, representing a decrease of 0.6% as compared to 2016, which included direct emissions (scope 1) and indirect emissions (scope 2). The direct emissions (scope 1) amounting to 198 tCO₂e were from fuel consumption of cars. The indirect emissions (scope 2) amounting to 21,031 tCO₂e were from purchase of power.

| The greenhouse gas emissions | Unit | 2017 | 2016 | Change |
|------------------------------|--------------------|--------|---------|--------|
| Direct emissions (scope 1) | tCO ₂ e | 198 | 291* | -32.0% |
| Indirect emissions (scope 2) | tCO ₂ e | 21,031 | 21,073* | -0.2% |
| Total | tCO ₂ e | 21,229 | 21,364* | -0.6% |

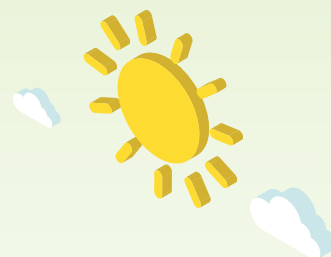
* As the Company improved its data collection methods during the year, the data of the greenhouse gas emissions in 2016 need to be restated.

For the purpose of air pollutants emissions, the emissions of SOX, NOX and PM generated from using cars and power by the Company were 0.7 Kg, 201.6 Kg and 17.3 Kg respectively. During the year, wasted packing cartons generated from the Company were 1,210 tons in total, all of which have been collected properly and sold to the company engaged in recycling cartons. Our business operation does not generate hazardous waste.

| Air Pollutants | Unit | 2017 | 2016 | Change |
|----------------|------|-------|-------|--------|
| SOx | Kg | 0.7 | 1.2 | -41.7% |
| NOx | Kg | 201.6 | 325.4 | -38.0% |
| PM | Kg | 17.3 | 26.7 | -35.2% |

In order to reduce the air pollutants and greenhouse gas emissions, Jiahua Stores has governed and controlled the waste gas emissions from cars and disposed of cars used for a long time on a regular basis. During the operation period of stores, we set up special flues for catering, through which the catering smoke was processed and then discharged it to the roof of the tower; the drainage inside the building was disposed on a basis of rainwater and sewage diversion, and the domestic sewage was processed and discharged to municipal sewage pipes. Also, the catering wastewater after oil removal and pretreating of septic tank was discharged to municipal sewage pipes, and the roof and outdoor rainwater were collected and then discharged to municipal rainwater pipes. For the public, Jiahua Stores encouraged the store customers to use recyclable shopping bags and environmental-friendly tableware to reduce the use of resources and achieve waste reduction from the origins.

CARING FOR OUR PEOPLE



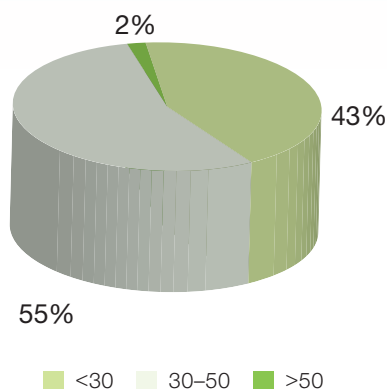
Jiahua Stores regards talent management as an important element of sustainable development strategy. In addition to formulating the Employee Handbook, which enables employees to understand the Company's operations and various regulations, it has also formulated relevant internal policies to safeguard the basic rights and interests of employees. It is committed to providing employees with safe and comfortable working environment and diversified training.

Jiahua Stores respects every employee, and strictly abides by relevant state labor laws and regulations, including the "Labor Law of the People's Republic of China", to protect the legal rights and interests of employees. The Company is committed to creating an equal working environment for employees. It is forbidden to discriminate against any form of sex, age, nationality, race, religion or disability. 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. In 2017, 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.

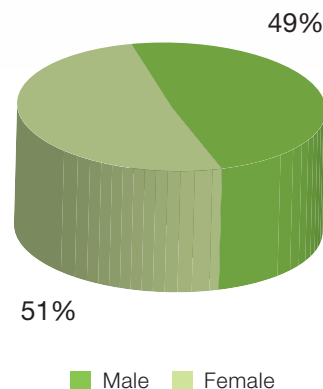
EMPLOYEE COMPOSITION

As of 31 December 2017, Jiahua Stores had 1,503 employees, of whom 43% were less than 30 years old, 55% were between 30 and 50 years old, 2% were over 50 years old; 49% were male and 51% were female; 26% were management grade and 74% were frontline staff; and 21% had a bachelor's degree or higher.

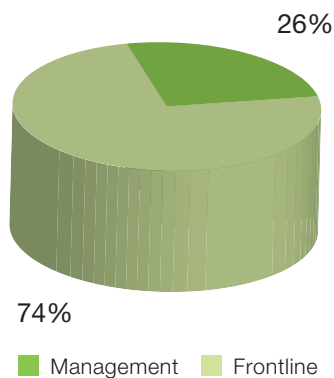
EMPLOYEE PROPORTION BY AGE



EMPLOYEE PROPORTION BY GENDER



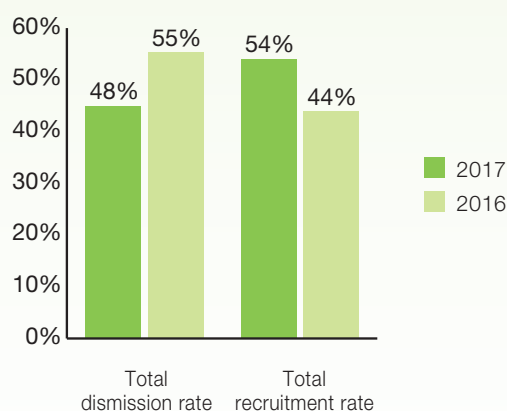
EMPLOYEE PROPORTION BY FUNCTIONS



Caring for Our People (Continued)

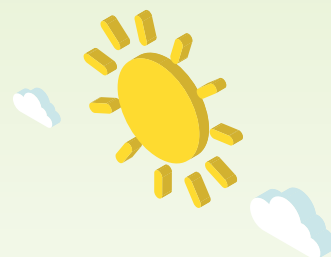


The total employee dismissal rate and recruitment rate of Jiahua Stores were approximately 48% and 54% respectively in 2017. The total employee dismissal rate was lower than that of 2016. The loss of employees and new employees by age and gender were as follows:



| Age | Loss of Employees | | New Employees | |
|-------|-------------------|------|---------------|------|
| | 2017 | 2016 | 2017 | 2016 |
| <30 | 492 | 495 | 551 | 422 |
| 30-50 | 213 | 212 | 255 | 146 |
| >50 | 9 | 2 | 0 | 0 |
| Total | 714 | 709 | 806 | 568 |

| Gender | Loss of Employees | New Employees |
|--------|-------------------|---------------|
| Male | 256 | 334 |
| Female | 458 | 462 |
| Total | 714 | 806 |



EMPLOYEE BENEFITS

In order to enhance the employees' sense of belonging towards and cohesion in the Company, we held diversified employee activities during the year, including the commendation ceremony, employee sports meeting, employee trips, birthday parties, and skill competitions, so as to make the employees get a balance between their work and life and meet the spiritual and cultural needs of the employees.

2016 ANNUAL COMMENDATION CEREMONY & 2017 ANNUAL DINNER PARTY

In January 2017, the Company held the 2016 Annual Commendation Ceremony & 2017 Annual Dinner Party. Nearly 400 employees including all the staff of the headquarters and the outstanding employees of various branches gathered together to review the achievements of the year. During which, we commended the employees who worked hard for the Company in 2016 to boost morale and enhance the recognition of their goals, playing a prelude to the work of the new year.



2017 EMPLOYEE SPORTS MEETING

In May 2017, Jiahua Stores held the 2017 Employee Sports Meeting in Xixiang Stadium. There were 11 teams from the units of the Group, participating in running, table tennis, badminton, basketball, long jump, collective rope skipping and other track and field events. Health culture is an important part of enterprise culture. Sports meeting involves not only competition and entertainment, but also the health management of employees, team management and corporate governance. In sports, employees can cultivate mutual trust and tacit understanding, feel for the team and integrate into the team.

EMPLOYEE TRIPS

In order to celebrate the 22nd anniversary of the Company under Jiahua Stores, the Company organized 3 employee trips in a row, and shared the fruits with the employees who had been working sincerely for the Company. In July, more than 40 senior employees serving 15 years and above for the Company, took the Costa Atlantica to launch out together, tasting delicious food and enjoying wonderful performance.





BIRTHDAY PARTIES BY CONSTELLATION FOR EMPLOYEES

The Company regularly organized birthday party according to our employees' constellation and elaborately designed various party activities to enhance exchange and relationship between our employees. Relevant activities includes but not limited to enjoying shows, offering opportunities to get closer to the nature and enjoy delicacy as well as organizing lucky draw and team play. Our management also participated in activities by sending birthday blessing and gift to employees in person, hoping that our employees could feel valued and cared by our Company.



2017 SKILL COMPETITION

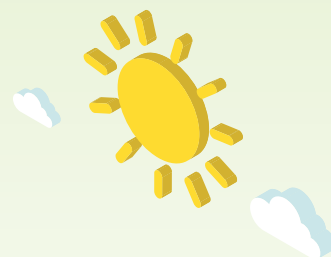
To promote know-how exchange among our employees and provide our outstanding staffs with incentive, the Company organized the 2017 Skill Competition. There were 11 representative teams and more than 200 skilled employees participated in the competition, which was divided into 14 groups, including promotion, food, statistics, secretary, electrotechnics, loss prevention, cashier, art design, driver, reception and others. The players had fully demonstrated their professional skill and solid foundation of expertise in the course of the competition.



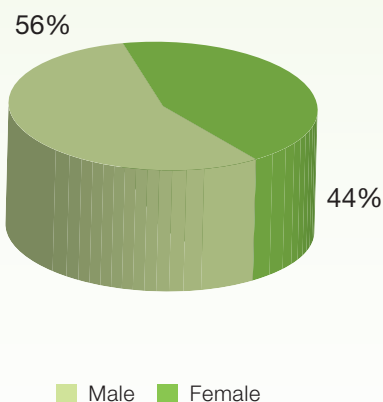
MERITOCRACY PRINCIPLE

Jiahua Stores places strong emphasis on our employees' personnel development and provide support to facilitate the achievement of their personal career planning. By establishing a promotion and upgrade system, 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. Such system also offers specific promotion condition and relevant evaluation test, and demonstrates our principle of fair competition and selecting candidates by merits. During the year, through adopting job fair, talent hunting, campus recruitment and other various methods in our recruitment exercise, the Company had improved quality and expertise of our new recruits to cope with demand from our new business.

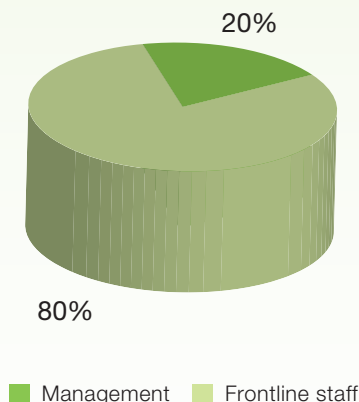
The Company had arranged applicable training for our employees, assisting them to fulfill their potential and improve their competitiveness. During the Year, the percentage of employees who had received training amounted to 92% and the averaged training hours per trainee amounted to 1.6 hours, both higher than that in 2016.



STAFF TRAINING (BY GENDER)



STAFF TRAINING (BY FUNCTION)



OUTWARD BOUND PROGRAMS FOR NEW EMPLOYEES

During the year, the Company had organized several outward bound programs for new employees. The diversified group training activities lead our employees to explore themselves, discover their self-potential and fully understand the importance of group power and teamwork. Such program also helps them to build trust and sense of responsibility, adapt to the Company and culture a positive mental attitude to undertake their future work.

HEALTH AND SAFETY

Upholding the philosophy that emphasis on prevention lays a good foundation for safety production, Jiahua Stores is committed to providing a safe working environment to our employees and ensuring their life security and health are under protection. 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 elaborate the definition, reporting process, processing flow and indemnification treatment of work-related injury,

so as to safeguard our employees' lawful rights and interests in respect of accidental injury. During the 2017, the Company reported a total of 23 work-related injury accidents, 610 days of labor day loss and no duty-related death. All work-related injury accidents had been properly handled and just compensation has been provided to the injured employees.

The Company requires all employees shall attend occupational safety and health training to enhance their safety awareness. All stores execute a fire drill on a quarterly basis to raise awareness of fire prevention. During the Year, nearly 89% employees participated in safety training and the averaged safety training hours per trainee amounted to 4.5 hours.

In order to encourage our staff to participate in sports activities and keep fit, the Company has established a special fitness club and holds Sports Meet annually to improve our employees' awareness of health.

PROMOTE THE WORKING PHILOSOPHY OF “SPORTS, HEALTH, HAPPINESS AND EFFICIENCY” TO BUILD A “HAPPY AND DYNAMIC JIAHUA”

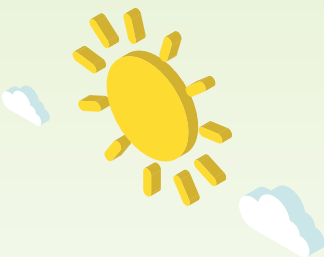
In every day's rest breaks, the Company would organize various simple and interesting fitness activities provided that normal work is not affected, so as to relieve employees' work-related stress, improve their condition of health and mood, and promote communication among them. The integration of entertainment and office fitness activities is attractive for staff who have been fully occupied with work.

BALL GAMES IN THE 2017 SPORTS MEET

As part of our efforts to encourage our staff to make exercise a daily habit, the Company held the sixth staff table-tennis and badminton matches. In the enthusiastic atmosphere, participants showed their skills, the spirit of competition and the desire to win.



OPERATIONAL EXCELLENCE



Under the guidance of market, Jiahua Stores strives to achieve higher sales and better operating results while upholding the principle of high quality service and corporate integrity. Focusing on the needs of our customers, we will continue to improve our product quality and operate in strict compliance with all applicable laws with a view to providing the best products and services to our customers.

SUPPLIER MANAGEMENT

In 2017, the Company has an aggregate of 723 suppliers which are mainly located in Mainland China. The Company has set strict criteria for the selection of suppliers to guarantee our product quality and encourage suppliers to take their social responsibilities. Jiahua Stores strictly adheres to three major principles in relation to the introduction of new suppliers, i.e., vicinity, cost effectiveness and direct supply when possible. These principles have helped to reduce our operating costs, improve goods supply stability and prevent excessive resource consumption and waste gas emissions which would result from long distance delivery. Jiahua Stores manage its suppliers through a systematic agent and boutique supplier introduction procedure as set out below:

| | | | |
|--|---|---|--|
| Procurement department staff negotiate with new supplier | Terms of agreement determined with the supplier and reported to the procurement director for approval | Procurement agreement signed by the supplier and approved by procurement director | Finance department checks the relevant agreement and submits the agreement to the administrative department for filing |
|--|---|---|--|

In order to further enhance the cooperative relationships with our suppliers and have a timely understanding of the delivery, service and creditworthiness of them, Jiahua Stores has formulated Feedback Handling Procedures and Management System for Key Suppliers. The target of mutual development will be achieved through comprehensively understanding and solving problems arising in the course of cooperation and conducting more communication.

For the purpose of better serving our suppliers, the Company has established an online service system for our suppliers who would be able to access information they need through their respective account and password. Tenders of the Company are conducted openly online and details of our procurement staff and contacts of the heads responsible for each product category in the procurement department are readily available to the public so as to prevent corruption. In addition, Jiahua Stores continues to apply Supplier Information Transmission Operation Process, Jiahua Stores New Product Introduction Tracking Process in tracking the introduction of new products, pursuant to which suppliers would be updated with latest information on new product introduction and receive efficient services.



PRODUCT QUALITY

Jiahua Stores has strictly complied with the “Food Safety Law of the PRC” and consistently complied with relevant laws and regulations. The Company has formulated the “Regulation for the Management of Prepackaged Food Batches”, the “Regulation for the Management of Food Batches” and the “Product Quality and Tracking Management Standards” to prevent, control and eliminate food contamination and harmful factors in food which could be harmful to human beings. During the year, the Company has passed the annual verification of the ISO9000 Management System.

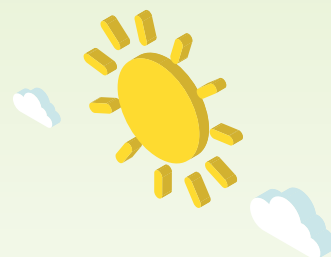
In order to fulfill the corporate commitment to “Not selling fake and shoddy goods”, Jiahua Stores has strengthened the product quality inspection and ensured safety at the source by examining and controlling product quality from the introduction to the sales process, including conducting inspection on new products and sampling inspection on the goods for sale within the stores. All goods are required to register their information in the “sampling inspection list of product quality”, and handled and inspected by the head of quality control department, so as to prevent goods not conforming to the national quality and sanitary standard and substandard goods from hitting the store shelves and being sold to consumers.



Shenzhen city has launched the “Food Safety Traceability Credit Management System of Shenzhen” to enhance the prepackaged food safety of Shenzhen. 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 2017, Jiahua Stores received 21 complaints on label and marks. All relevant products had been suspended from selling immediately. Thereafter, we have

strengthened the product quality inspection and ensured safety at the source by examining and controlling product quality from the introduction and receiving to the sales process, to avoid any further complaints. During the year, none of the products which have been sold or shipped needed to be recalled for safety and health reasons.

In line with the “3.15 World Consumer Rights Day”, the activity “go into the food safety standardized management store in Shenzhen” (走進深圳市食品安全規範管理店) of the Shenzhen Retail Business Association was held in the Longhua Store of the Company. Customers were invited to visit the Longhua Store, which was demonstrated as a “Food Safety Standardized Management Store” (食品安全規範管理店) to facilitate the food safety management and promote the awareness of consumption safety.



CUSTOMER FIRST

In order to provide customers with the best service, Jiahua Stores regularly conducts customer satisfaction survey and sets up online feedback forms on the its website to allow customers to express their ideas at any time. Based on the valuable advice collected, the Company will continue to improve its service method and service standard. During the Year, the Company conducted satisfaction survey among 800 customers in relation to products, marketing, personnel services, shopping environment and hygiene and cleanliness from its 8 stores. The survey result showed that our customers were satisfied with the Company's products, personnel services and shopping

environment, except for some issues such as the lack of rest facilities and unstable WIFI, etc. Given this, we intended to add rest areas for customers' experience, and improve the function of mobile signal receivers to strengthen the service quality of WIFI operation. As for customer complaints, Jiahua Stores has developed the "Administrative Provisions on Receiving and Handling Customer Complaints" (《接受和處理顧客投訴的管理規定》) and the "Handling Methods and Processes on Receiving Customer Complaints" (《接待顧客投訴的處理方法和流程》) to enable our employees to handle customer complaints more systematically, with the promise that "Jiahua Stores shall accept expired merchandises for return without any condition". Customer complaints made to stores, by phone, to Company headquarter and to government departments or the media will be received and handled by the specialized receptionists delegated from the customer service center. Related responsible officers will address the complaints within 1 to 3 working days and deliver feedbacks to the customers. During the Year, the Jiahua Stores in Xixiang, Shajing, Songgang and Shiyan have awarded the "2016 Annual Integrity Unit in Baoan District" by Consumer Council in Baoan District of Shenzhen, which represents the recognition of our products and services quality.



CONSTRUCTION OF INTEGRITY

Jiahua Stores strictly complies with the relevant anti-corruption rules and regulations of the country, including Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and ensures that its staff meet professional ethics. In 2017, there was no corruption case in the Company. The Company has established a sound 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.

CARING FOR THE COMMUNITY

Jiahua Stores actively commits itself to public services and cares for the community. In 2017, the Company has organized various activities to encourage our staff to participate in voluntary work and give back to the community through different ways. During the year, the staff participated in a total of 100 hours of volunteer work.

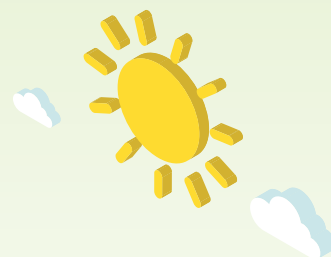
PROMOTING THE DEVELOPMENT OF LITERATURE AND ART – BAIJIAHUA’S SPRING FESTIVAL GALA FOR CHILDREN IN BAOAN

To provide children with a platform to begin chasing their dreams, Jiahua Stores held 2017 Baijiahua’s First Spring Festival Gala for Children in Baoan – “Happy Children Celebrating the Spring Festival (寶娃鬧春)” on 18 January. More than 500 children participated in the gala, performing 20 programs including dancing and singing, Beijing opera, acrobatics, magic shows, artistic gymnastics, etc. This Spring Festival Gala and Children’s Arts Festival is a pure public welfare activity to select children with literary and artistic talents, providing them an opportunity to show their talents and thereby promoting the development of literature and art in the region.



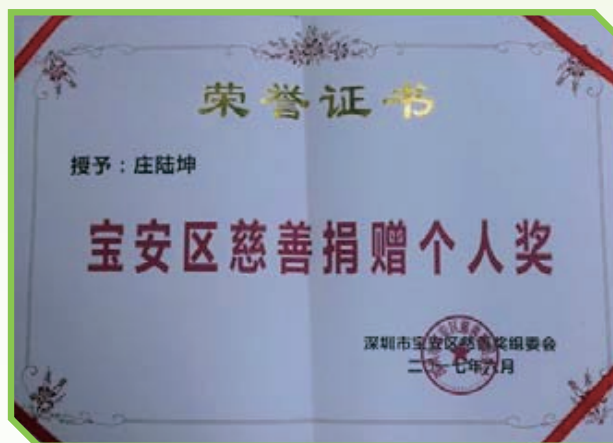
CARING FOR CHILDREN WITH CONGENITAL HEART DISEASE – “CURING THE HEART OF CHILDREN WITH LOVE (童心圓愛圓心)” PUBLIC WELFARE FUNDRAISING ACTIVITY

In 2017, Jiahua Stores launched the public welfare fundraising program, “Curing the Heart of Children with Love (童心圓愛圓心)” on Tencent’s public welfare donation platform, with an aim to helping the children with congenital heart disease in need to obtain surgical treatment. Baijiahua, working together with caring people, has brought happiness to more children with congenital heart disease and their families.



POVERTY ALLEVIATION – CHAIRMAN OF THE GROUP WAS AWARDED THE BAOAN CHARITY AWARD

Zhuang Lu Kun, Chairman of the Group, was awarded the Baoan Charitable Individual Award in the Baoan's Charity Award Commendation Conference, i.e. the 2017 "Guangdong Poverty Alleviation Day" activity on 30 June. Under the leadership of our Chairman, the Company vigorously promotes the charity activities and delivers social positive energy with a high sense of social responsibility and donated over RMB50 million for various charitable activities, making positive contribution to public welfare in the past.



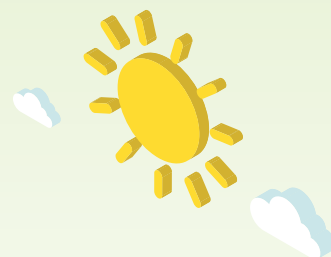
LOVE ON THE WAY – PARTICIPATING THE “CHARITY MINI RUN”

Jiahua Stores called up its staff to support and participate the “Charity Mini Run” activity and make donations, with an aim to helping the people in need and upholding the volunteer spirits of “dedication, friendship, mutual-aid and progress”.

PERFORMANCE DATA SUMMARY



| | Unit | 2017 | 2016 |
|----------|---|--------------|--------------|
| Employee | Headcount | 1,503 | 1,294 |
| | Employee number by geographical region | | |
| | Mainland China | 1,501 | 1,292 |
| | Hong Kong | 2 | 2 |
| | Employee number by age | | |
| | <30 | 643 | 503 |
| | 30-50 | 832 | 761 |
| | >50 | 28 | 30 |
| | Employee number by gender | | |
| | Male | 729 | 569 |
| | Female | 774 | 725 |
| | Employee number by education | | |
| | With a bachelor's degree or higher | 316 | 220 |
| | Without a bachelor's degree | 1,187 | 1,074 |
| | Employee number by functions | | |
| | Management | 384 | 306 |
| | Frontline | 1,119 | 988 |
| | Total employee dismissal rate | 48% | 55% |
| | Employee dismissal rate – by age | | |
| | <30 | 33% | 38% |
| | 30-50 | 14% | 16% |
| | >50 | 1% | 0% |
| | Employee dismissal rate – by gender | | |
| | Male | 17% | – |
| | Female | 30% | – |
| | Total recruitment rate | 54% | 44% |
| | Recruitment rate – by age | | |
| | <30 | 37% | 32% |
| | 30-50 | 17% | 11% |
| | >50 | 0% | 0% |
| | Recruitment rate – by gender | | |
| | Male | 23% | – |
| | Female | 31% | – |
| | Staff training | | |
| | Total number of employees trained | 1,064 | – |
| | Average training hours | 1.6 | 1.5 |
| | Percentage of employees trained | 92% | 90% |



| | Unit | 2017 | 2016 |
|--------------------------------|---|------------|------------|
| Occupational Health and Safety | Occupational health and safety performance | | |
| | Work-related injury accidents | 23 | 27 |
| | Lost days due to work injury | 610 | 358 |
| | Number of work-related fatalities | 0 | 0 |
| | Occupational health and safety training | | |
| | Total number of employees trained | 4,982 | 4,992 |
| | Average safety training hours | 4.5 | 4.5 |
| Environment | Percentage of employees trained | 89% | 88% |
| | Total Consumption | | |
| | Electricity kWh | 39,900,000 | 39,980,000 |
| | gasoline Litre | 22,836 | 38,722 |
| | diesel Litre | 36,111 | 54,779 |
| | Fuel gas Cubic meter | 18,500 | 18,400 |
| | Municipal water Ton | 110,080 | 109,469 |
| | Emissions | | |
| | Greenhouse gas emissions | | |
| | Category 1 tCO ₂ e | 198 | 291 |
| | Category 2 tCO ₂ e | 21,031 | 21,073 |
| | Total tCO ₂ e | 21,229 | 21,364 |
| | Air emissions | | |
| | SOx Kg | 0.7 | 1.2 |
| | NOx Kg | 201.6 | 325.4 |
| | PM Kg | 17.3 | 26.7 |
| Community | Recovery volume of packing materials | | |
| | Carton Ton | 1,210 | 1,392 |
| | Donation RMB | 3,000 | 80,000 |
| | Volunteer work Hour | 100 | – |

HKEX ESG CONTENT INDEX



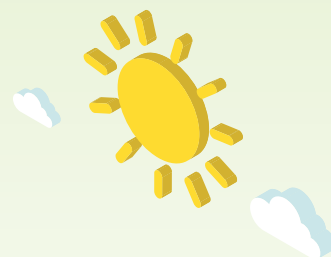
| KPI | Requirements of HKEX ESG Reporting Guide | Content/Notes |
|-------------------------|---|---|
| A. Environmental | | |
| Aspect A1 | Emissions | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Environmental protection – emissions management |
| KPI A1.1 | The types of emissions and respective emissions data. | Environmental protection – emissions management |
| KPI A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Environmental protection – emissions management |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | No hazardous waste was produced during operation of the Company |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Environmental protection – emissions management |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved. | Environmental protection – emissions management |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | Environmental protection – emissions management |
| Aspect A2 | Use of Resources | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Environmental protection – resources consumption |
| 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 protection – resources consumption |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Environmental protection – resources consumption |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | Environmental protection – resources consumption |
| 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 protection – resources consumption |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Environmental protection – emissions management |



| KPI | Requirements of HKEG ESG Reporting Guide | Content/Notes |
|--------------------|---|---|
| Aspect A3 | The Environment and Natural Resources | |
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | Environmental protection |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Environmental protection |
| 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. | Caring for our people – employees' rights, employee benefits, meritocracy principle |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | Caring for our people – employee composition |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | Caring for our people – employee composition |
| 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. | Caring for our people – health and safety |
| KPI B2.1 | Number and rate of work-related fatalities. | Caring for our people – health and safety |
| KPI B2.2 | Lost days due to work injury. | Caring for our people – health and safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Caring for our people – 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. | Caring for our people – meritocracy principle |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Caring for our people – meritocracy principle |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | Caring for our people – meritocracy principle |



| KPI | Requirements of HKEEx ESG Reporting Guide | Content/Notes |
|--------------------|--|--|
| 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. | Caring for our people – employees' rights |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Caring for our people – employees' rights |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | There were no employment incidents of child labours and forced labours in the Company during the year. |
| Aspect B5 | Supply Chain Management | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Operational excellence – supplier management |
| KPI B5.1 | Number of suppliers by geographical region. | Operational excellence – supplier management |
| 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. | Operational excellence – supplier management |
| 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. | Operational excellence – product quality |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Operational excellence – product quality |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | Operational excellence – product quality, customer first |
| KPI B6.4 | Description of quality assurance process and recall procedures. | Product quality |



| KPI | Requirements of HKEX ESG Reporting Guide | Content/Notes |
|--------------------|--|--|
| Aspect B7 | Anticorruption | |
| 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. | Operational excellence – construction of integrity |
| 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. | There was no corruption case in the Company during the year. |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Operational excellence – construction of integrity |
| 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. | Caring for the community |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Caring for the community |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | Caring for the community |



Hong Kong Address: Suite 715, 7/F, Ocean Centre, Harbour City,
5 Canton Road, Tsimshatsui, Kowloon
Tel: (00852) 3620 2368

www.szbjh.com



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