

ZHONGMIN BAIHUI RETAIL GROUP LTD.
(Company Registration No.: 200411929C)

**UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS
ENDED 30 SEPTEMBER 2019**

**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR
AND FULL YEAR RESULTS**

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Consolidated statement of comprehensive income for the third quarter (“3Q 2019”) and nine months ended 30 September 2019 (“9M 2019”)

	← Group →					
	3 months ended		Change	9 months ended		Change
	30/9/2019	30/9/2018	+/(–)	30/9/2019	30/9/2018	+/(–)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue⁽¹⁾	279,131	247,788	12.6	786,646	728,900	7.9
Cost of sales	(205,572)	(185,168)	11.0	(565,033)	(521,646)	8.3
Gross profit	73,559	62,620	17.5	221,613	207,254	6.9
Other income	34,509	22,575	52.9	71,638	77,949	(8.1)
Interest income	317	245	29.4	3,167	2,394	32.3
Selling and distribution expenses	(51,876)	(48,305)	7.4	(137,626)	(143,480)	(4.1)
Finance costs	(4,979)	-	n.m.	(14,010)	(40)	n.m.
Impairment loss on financial assets	-	-	n.m.	-	(1,988)	n.m.
Administrative expenses	(27,589)	(22,527)	22.5	(74,049)	(75,258)	(1.6)
Profit before taxation and share of results of associates	23,941	14,608	63.9	70,733	66,831	5.8
Share of results of associates	735	(634)	n.m.	4,013	(1,620)	n.m.
Profit before taxation⁽²⁾	24,676	13,974	76.6	74,746	65,211	14.6
Income tax expense	(5,691)	(4,351)	30.8	(16,737)	(17,524)	(4.5)
Profit after taxation	18,985	9,623	97.3	58,009	47,687	21.6
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
Currency translation gain/(loss)	354	124	185.5	451	(161)	n.m.
Other comprehensive income, net of tax	354	124	185.5	451	(161)	n.m.
Total comprehensive income for the for the period attributable to the owners of the Company	19,339	9,747	98.4	58,460	47,526	23.0

n.m. – Not meaningful

Notes to the consolidated statement of comprehensive income

1. Revenue

The Group's revenue represents the net amount received and receivable for goods sold by direct sales, commission from concessionaire sales, rental income and income from managed rental. An analysis of the Group's revenue for the financial period is as follows:

	Group					
	3 months ended		Change	9 months ended		Change
	30/9/2019	30/9/2018	+/(-) %	30/9/2019	30/9/2018	+/(-) %
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue:						
- Direct sales	236,275	207,165	14.1	647,949	587,543	10.3
- Commission from concessionaire sales	28,278	27,429	3.1	97,232	100,342	(3.1)
- Rental income	11,029	9,908	11.3	31,273	30,301	3.2
- Managed rental	3,549	3,286	8.0	10,192	10,714	(4.9)
	<u>279,131</u>	<u>247,788</u>	12.6	<u>786,646</u>	<u>728,900</u>	7.9
Gross revenue from concessionaire sales	<u>148,074</u>	<u>138,771</u>	6.7	<u>482,308</u>	<u>490,975</u>	(1.8)
Gross sales proceeds*	<u>398,927</u>	<u>359,130</u>	11.1	<u>1,171,722</u>	<u>1,119,533</u>	4.7

* Gross sales proceeds represent the aggregate sum of revenue received and receivable for goods sold by direct sales, gross revenue from concessionaire sales, rental income and income from managed rental.

2. Profit before taxation

	Group					
	3 months ended 30/9/2019 RMB'000	3 months ended 30/9/2018 RMB'000	Change +/(-) %	9 months ended 30/9/2019 RMB'000	9 months ended 30/9/2018 RMB'000	Change +/(-) %
Profit before tax is arrived at after (charging)/crediting the following:						
Inventories written back	26	52	(50.0)	300	134	123.9
Other income:						
Advertisement and promotion fees	18,931	18,841	0.5	49,739	50,321	(1.2)
Leisure facilities charges	528	263	100.8	933	633	47.4
Management fees	1,238	1,238	-	3,686	3,686	-
Net gain on disposal of investment in joint venture	-	-	n.m.	-	726	n.m.
Write-back of allowance for impairment on property, plant and equipment	18	-	n.m.	18	-	n.m.
Write-back of impairment on rental deposits	1,988	-	n.m.	1,988	-	n.m.
Write-back of lease liabilities	4,046	-	n.m.	4,046	-	n.m.
Write-back of rent-free incentives and step rental provision	-	-	n.m.	-	17,033	n.m.
Selling and distribution expenses:						
Employee benefit expenses						
- Defined contribution plans	(2,258)	(2,511)	(10.1)	(6,204)	(7,424)	(16.4)
- Salaries, wages, bonuses and other costs	(17,106)	(13,865)	23.4	(45,984)	(41,375)	11.1
Rental expenses	-	(20,083)	n.m.	-	(61,106)	n.m.
Utilities	(7,123)	(6,804)	4.7	(17,197)	(17,825)	(3.5)
Amortisation of intangible assets	(119)	(119)	-	(358)	(358)	-
Advertisement and promotion fees	(3,316)	(905)	266.4	(5,690)	(3,096)	83.8
Business tax and surcharges	(1,442)	(1,560)	(7.6)	(4,831)	(5,375)	(10.1)
Depreciation of right of use assets	(15,635)	-	n.m.	(46,039)	-	n.m.
Impairment loss on financial assets:						
Rental deposits	-	-	n.m.	-	(1,988)	n.m.
Administrative expenses:						
Employee benefit expenses						
- Defined contribution plans	(1,348)	(1,309)	3.0	(4,063)	(4,084)	(0.5)
- Salaries, wages, bonuses and other costs	(14,212)	(12,890)	10.3	(43,211)	(37,857)	14.1
Bank charges	(1,000)	(1,059)	(5.6)	(3,065)	(3,481)	(12.0)
Director fees	(197)	(191)	3.1	(581)	(580)	0.2
Depreciation of property, plant and equipment	(3,583)	(3,353)	6.9	(10,042)	(10,187)	(1.4)
Office supplies	(591)	(199)	197.0	(1,095)	(696)	57.3
Impairment on long-term investment	-	-	n.m.	-	(3,800)	n.m.
Impairment on property, plant and equipment	-	-	n.m.	-	(1,900)	n.m.
Net loss on disposal of property, plant and equipment	-	(1)	n.m.	-	(1)	n.m.
Provision for termination of lease	(2,001)	-	n.m.	(2,001)	(4,832)	(58.6)
Exchange loss	(250)	(8)	n.m.	(511)	(8)	n.m.

n.m. – Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	148,844	145,279	58	80
Right-of-use assets	247,101	-	524	-
Intangible assets	5,004	5,362	-	-
Investment in subsidiaries	-	-	48,378	48,378
Investment in joint venture	2,040	-	-	-
Investment in associates	33,114	29,101	-	-
Other receivables	1,000	1,000	-	-
Deferred tax assets	5,777	12,025	-	-
Other assets	7,361	7,361	-	-
	<u>450,241</u>	<u>200,128</u>	<u>48,960</u>	<u>48,458</u>
Current assets				
Inventories	111,475	100,132	-	-
Prepayments	11,636	9,414	108	26
Trade and other receivables	33,253	31,424	82	82
Amount due from a subsidiary	-	-	10,000	25,500
Amount due from associates	23,400	14,400	-	-
Amount due from related parties	11,542	10,873	-	-
Restricted cash	10,000	21,100	-	-
Cash and cash equivalents	247,207	207,024	6,287	2,175
	<u>448,513</u>	<u>394,367</u>	<u>16,477</u>	<u>27,783</u>
Less: Current liabilities				
Trade and other payables	357,073	304,136	23	1
Lease liabilities	57,916	-	325	-
Other liabilities	30,054	38,840	1,822	2,480
Amount due to related parties	16,195	3,862	-	-
Income tax payable	16,470	16,595	-	-
	<u>477,708</u>	<u>363,433</u>	<u>2,170</u>	<u>2,481</u>
Net current (liabilities)/assets	<u>(29,195)</u>	<u>30,934</u>	<u>14,307</u>	<u>25,302</u>
Non-current liabilities				
Lease liabilities	245,271	-	222	-
Other liabilities	-	24,987	-	-
Deferred tax liabilities	10,048	11,621	6,942	8,520
	<u>255,319</u>	<u>36,608</u>	<u>7,164</u>	<u>8,520</u>
Net assets	<u>165,727</u>	<u>194,454</u>	<u>56,103</u>	<u>65,240</u>
Equity attributable to the holders of the Company				
Share capital	67,148	67,148	67,148	67,148
Treasury shares	(24,853)	(24,853)	(24,853)	(24,853)
Statutory common reserve	27,352	27,352	-	-
Currency translation reserve	258	(193)	248	(204)
Revenue reserve	95,822	125,000	13,560	23,149
Total equity	<u>165,727</u>	<u>194,454</u>	<u>56,103</u>	<u>65,240</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

None.

Amount repayable after one year

None.

Details of any collateral

Not applicable.

1(c) Consolidated statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	← Group →			
	3 months ended		9 months ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before taxation	24,676	13,974	74,746	65,211
Adjustments for:				
Depreciation of property, plant and equipment	3,583	3,353	10,042	10,187
Depreciation of right-of-use assets	15,635	-	46,039	-
Amortisation of intangible assets	119	119	358	358
Impairment on long-term investment	-	-	-	3,800
Impairment on property, plant and equipment	-	-	-	1,900
Impairment on deposits	-	-	-	1,988
Net gain on disposal of investment in joint venture	-	-	-	(726)
Net loss on disposal of property, plant and equipment	-	1	-	1
Reversal of provision for rent-free incentives and step rental	-	(997)	-	(2,883)
Write-back of allowance for impairment of property, plant and equipment	(18)	-	(18)	-
Write-back of impairment on rental deposits	(1,988)	-	(1,988)	-
Write-back of lease liabilities	(4,046)	-	(4,046)	-
Write-back of rent-free incentives and step rental provision	-	-	-	(17,033)
Provision for termination of lease	2,001	-	2,001	4,832
Inventories written back	(26)	(52)	(300)	(134)
Interest income	(317)	(245)	(3,167)	(2,394)
Finance costs	4,979	-	14,010	40
Share of results of associates	(735)	634	(4,013)	1,620
Unrealised exchange difference	74	-	189	-
Operating cash flows before changes in working capital	43,937	16,787	133,853	66,767
(Increase)/decrease in inventories	(11,726)	1,304	(11,043)	2,582
(Increase)/decrease in prepayments	3,389	(558)	(5,686)	(9,255)
(Increase)/decrease in trade and other receivables	(1,641)	356	(508)	(3,272)
Increase/(decrease) in trade and other payables	16,139	(11,249)	55,908	2,767
Cash flows generated from operation	50,098	6,640	172,524	59,589
Interest received	317	245	3,167	2,394
Interest paid	-	-	-	(40)
Tax paid	(4,266)	(3,332)	(18,589)	(21,183)
Net cash flows generated from operating activities	46,149	3,553	157,102	40,760
Cash flows from financing activities				
Dividends paid	(14,824)	(9,525)	(29,231)	(18,649)
Interest on lease liabilities paid	(4,513)	-	(12,727)	-
Purchase of treasury shares	-	-	-	(112)
Proceeds from loans and borrowings	-	-	-	40,000
Repayment of loans and borrowings	-	-	-	(40,000)
Repayment of lease liabilities	(19,631)	-	(61,890)	-
Net cash flows used in financing activities	(38,968)	(9,525)	(103,848)	(18,761)
Cash flows from investing activities				
Purchases of property, plant and equipment	(7,951)	(115)	(13,606)	(1,726)
(Investment in)/disposal of joint venture	-	-	(2,040)	2,000
Investment in associates	-	-	-	(4,750)
Amount due from associates	(3,500)	(1,500)	(9,000)	(3,000)
Proceeds from disposal of property, plant and equipment	20	-	20	-
Bank deposit pledged	-	-	11,100	-
Net cash flows used in investing activities	(11,431)	(1,615)	(13,526)	(7,476)
Net increase/(decrease) in cash and cash equivalents	(4,250)	(7,587)	39,728	14,523
Effect of exchange rate changes on cash and cash equivalents	442	378	455	57
Cash and cash equivalents at beginning of financial period	251,015	208,387	207,024	186,598
Cash and cash equivalents at end of financial period	247,207	201,178	247,207	201,178
For the purpose of the consolidated statement of cash flows, the cash and cash equivalents comprise the following:				
Cash on hand	3,757	4,114	3,757	4,114
Bank balances	243,450	197,064	243,450	197,064
	247,207	201,178	247,207	201,178

1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to equity holders of the Company				
	Share capital RMB'000	Treasury shares RMB'000	Currency translation reserve RMB'000	Revenue reserve RMB'000	Statutory common reserve RMB'000
Group					
Balance at 1 January 2019, as previously reported	67,148	(24,853)	(193)	125,000	27,352
Adoption of SFRS(I) 16	-	-	-	(57,956)	-
Balance at 1 January 2019	67,148	(24,853)	(193)	67,044	27,352
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	97	-	-
Profit for the period	-	-	-	39,024	-
Total comprehensive income for the period	-	-	97	39,024	-
Dividends paid	-	-	-	(14,407)	-
Balance at 30 June 2019	67,148	(24,853)	(96)	91,661	27,352
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	354	-	-
Profit for the period	-	-	-	18,985	-
Total comprehensive income for the period	-	-	354	18,985	-
Dividends paid	-	-	-	(14,824)	-
Balance at 30 September 2019	67,148	(24,853)	258	95,822	27,352
Balance at 1 January 2018	67,148	(24,741)	(657)	104,244	26,299
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	(285)	-	-
Profit for the period	-	-	-	38,064	-
Total comprehensive income for the period	-	-	(285)	38,064	-
Purchase of treasury shares	-	(112)	-	-	-
Dividends paid	-	-	-	(9,124)	-
Balance at 30 June 2018	67,148	(24,853)	(942)	133,184	26,299
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	124	-	-
Profit for the period	-	-	-	9,623	-
Total comprehensive income for the period	-	-	124	9,623	-
Dividends paid	-	-	-	(9,525)	-
Balance at 30 September 2018	67,148	(24,853)	(818)	133,282	26,299

	Attributable to equity holders of the Company				
	Share capital	Treasury shares	Currency translation reserve	Revenue reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company					
Balance at 1 January 2019, as previously reported	67,148	(24,853)	(204)	23,149	65,240
Adoption of SFRS(I) 16	-	-	-	(23)	(23)
Balance at 1 January 2019	67,148	(24,853)	(204)	23,126	65,217
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	97	-	97
Profit for the period	-	-	-	11,515	11,515
Total comprehensive income for the period	-	-	97	11,515	11,612
Dividends paid	-	-	-	(14,407)	(14,407)
Balance at 30 June 2019	67,148	(24,853)	(107)	20,234	62,422
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	355	-	355
Profit for the period	-	-	-	8,150	8,150
Total comprehensive income for the period	-	-	355	8,150	8,505
Dividends paid	-	-	-	(14,824)	(14,824)
Balance at 30 September 2019	67,148	(24,853)	248	13,560	56,103
Balance at 1 January 2018	67,148	(24,741)	(667)	26,397	68,137
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	(286)	-	(286)
Loss for the period	-	-	-	(3,498)	(3,498)
Total comprehensive income for the period	-	-	(286)	(3,498)	(3,784)
Purchase of treasury shares	-	(112)	-	-	(112)
Dividends paid	-	-	-	(9,124)	(9,124)
Balance at 30 June 2018	67,148	(24,853)	(953)	13,775	55,117
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	124	-	124
Loss for the period	-	-	-	(1,450)	(1,450)
Total comprehensive income for the period	-	-	124	(1,450)	(1,326)
Dividends paid	-	-	-	(9,525)	(9,525)
Balance at 30 September 2018	67,148	(24,853)	(829)	2,800	44,266

- 1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the share capital of the Company in 3Q 2019.

There were a total of 4,494,300 treasury shares held as at 30 September 2019 (30 September 2019: 4,494,300).

There were no outstanding convertibles issued or subsidiary holdings as at 30 September 2019.

- 1(d) (iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares (excluding treasury shares) as at 30 September 2019 were 191,825,700 (31 December 2018: 191,825,700).

- 1(d) (iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

	3 months ended		9 months ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
Balance at beginning of financial period	4,494,300	4,494,300	4,494,300	4,468,300
Purchase of treasury shares	-	-	-	26,000
Balance at end of financial period	<u>4,494,300</u>	<u>4,494,300</u>	<u>4,494,300</u>	<u>4,494,300</u>

- 1(d) (v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2018.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted the new/revised SFRS(I) and Interpretations of SFRS(I) ("SFRS(I) INT") that are effective for annual periods beginning on or after 1 January 2019. Other than the adoption of SFRS(I) 16, The adoption of the new/revised SFRS(I) and SFRS(I) INT did not have any significant impact on the financial statements of the Group.

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees - leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group adopted SFRS(I) 16 on a modified retrospective approach with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019, with no restatement of comparative information. Prior to the adoption of SFRS(I) 16, the Group as lessee recognised operating lease payments as an expense in profit or loss on a straight-line basis.

The impact on the Group's financial statements arising from the adoption of SFRS(I) 16 as at 1 January 2019 is as follows:

	Group			Company		
	As previously stated 1/1/2019 RMB'000	Adjustments RMB'000	Adjusted 1/1/2019 RMB'000	As previously stated 1/1/2019 RMB'000	Adjustments RMB'000	Adjusted 1/1/2019 RMB'000
Non-current assets						
Right-of-use assets	-	295,830	295,830	-	742	742
Deferred tax assets	12,025	(6,247)	5,778	-	-	-
Other non-current assets	188,103	-	188,103	48,458	-	48,458
	200,128	289,583	489,711	48,458	742	49,200
Current assets						
Prepayments	9,414	(3,467)	5,947	26	-	26
Other current assets	384,953	-	384,953	27,757	-	27,757
	394,367	(3,467)	390,900	27,783	-	27,783

	Group			Company		
	As previously stated 1/1/2019 RMB'000	Adjustments RMB'000	Adjusted 1/1/2019 RMB'000	As previously stated 1/1/2019 RMB'000	Adjustments RMB'000	Adjusted 1/1/2019 RMB'000
Less: Current liabilities						
Lease liabilities	-	66,067	66,067	-	307	307
Other liabilities	38,840	(1,470)	37,370	2,480	-	2,480
Other current liabilities	324,593	-	324,593	1	-	1
	363,433	64,597	428,030	2,481	307	2,788
Net current assets/(liabilities)	30,934	(68,064)	(37,130)	25,302	(307)	24,995
Non-current liabilities						
Lease liabilities	-	304,462	304,462	-	458	458
Other liabilities	24,987	(24,987)	-	-	-	-
Other non-current liabilities	11,621	-	11,621	8,520	-	8,520
Net assets	194,454	(57,956)	136,498	65,240	(23)	65,217
Equity attributable to the holders of the Company						
Share capital	67,148	-	67,148	67,148	-	67,148
Treasury shares	(24,853)	-	(24,853)	(24,853)	-	(24,853)
Reserve	152,159	(57,956)	94,203	22,945	(23)	22,922
Total equity	194,454	(57,956)	136,498	65,240	(23)	65,217

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3 months ended		9 months ended	
	30/9/2019 RMB cents	30/9/2018 RMB cents (Restated)	30/9/2019 RMB cents	30/9/2018 RMB cents
(a) Based on weighted average no. of shares	9.90	5.02	30.24	24.86
(b) Based on fully diluted basis	9.90	5.02	30.24	24.86
Weighted average no. of shares applicable to basic earnings per share	191,825,700	191,825,700	191,825,700	191,835,466
Weighted average no. of shares based on fully diluted basis	191,825,700	191,825,700	191,825,700	191,835,466

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

	Group		Company	
	30/9/2019 RMB cents	31/12/2018 RMB cents	30/9/2019 RMB cents	31/12/2018 RMB cents
Net asset value per ordinary share	86.39	101.37	29.25	34.01

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Statement of Comprehensive Income

A review of the statement of Comprehensive Income for the three-month period ended 30 September 2018 ("3Q 2018") and 3Q 2019 and the nine-month period ended 30 September 2018 ("9M 2018") and 9M 2019 is as follows:-

The Group's revenue rose by 13% to RMB279.1 million (RMB247.8 million) in 3Q 2019 and 8% to RMB786.6 million (RMB728.9 million) in 9M 2019 mainly due to higher revenue from direct sales resulting from the strengthening of sales management since the last financial year end and contribution from its four new stores in Fujian province, namely Maluanwan Store, Yongchun Store, Luncang Store and Jinfeng Store opened in Q2 and Q3 2019. As a result, the Group's gross profit rose by 18% to RMB73.6 million (RMB62.6 million) in 3Q 2019 and 7% to RMB221.6 million (RMB207.3 million) in 9M 2019.

As our cost of sales is incurred solely in respect of our direct sales activities, a discussion on the gross profit margins for our rental, managed rental and concessionaire sales activities is not meaningful.

The Group's gross profit and gross profit margin in respect of our direct sales activities are set out below:

	Group					
	3 months ended 30/9/2019 RMB'000	30/9/2018 RMB'000	Change +/(-) %	9 months ended 30/9/2019 RMB'000	30/9/2018 RMB'000	Change +/(-) %
Revenue from direct sales activities	236,275	207,165	14.1	647,949	587,543	10.3
Cost of sales	(205,572)	(185,168)	11.0	(565,033)	(521,646)	8.3
Gross profit from direct sales activities	30,703	21,997	39.6	82,916	65,897	25.8
Gross profit margin on direct sales activities	13.0%	10.6%	2.4	12.8%	11.2%	1.6

The gross profit margin for the direct sales activities increased to 13.0% (10.6%) in 3Q 2019 and 12.8% (11.2%) in 9M 2019 mainly due to increase in sales of higher margin merchandise.

Other income increased by 53% to RMB34.5 million (RMB22.6 million) in 3Q 2019 mainly due to the write-back of lease liabilities of RMB4.0 million in relation to the closure of Xianyou Store in 3Q 2019, the business solicitation and promotion income for Yongchun Store amounting to RMB5.7 million for sourcing tenants and promoting the store and write-back of impairment on rental deposits of RMB2.0 million for Xinhua Store. However, it fell by 8% to RMB71.6 million (RMB77.9 million) in 9M 2019 mainly due to the write-back of rent-free incentives and step rental provision, amounting to RMB17.0 million, being recognised under the new leases for Qiaonan Store and Xinhua Store with the removal of their step rental terms in 1Q 2018. The write-back of rent-free incentives and step rental provision in 1Q 2018 was non-cash in nature.

Selling and distribution expenses increased by 7% to RMB51.9 million (RMB48.3 million) in 3Q 2019 mainly due to the additional operating expenses such as staff costs, utilities, advertisement and promotion fees and depreciation of right of use assets arising from the new stores. However, it declined by 4% to RMB137.6 million (RMB143.5 million) in 9M 2019 mainly due to interest expense on lease liabilities separated from rental payments after the adoption of SFRS(I) 16 since 1Q 2019. As a result, the interest expenses of RMB5.0 million and RMB14.0 million were recognised as finance costs in 3Q 2019 and 9M 2019 respectively.

Administrative expenses increased by 23% to RMB27.6 million (RMB22.5 million) in 3Q 2019 mainly due to the additional expenses such as staff costs and depreciation of property, plant and equipment for the new stores, and the provision for termination of Xianyou Store's lease in 3Q 2019. However, it declined by 2% to RMB74.0 million (RMB75.3 million) in 9M 2019 mainly due to impairment charges of RMB3.8 million on investment of 19% interest in Xiamen Ganghui Commercial Co., Ltd. ("Xiamen Ganghui"), and impairment charges of RMB1.9 million on property plant and equipment and provision for termination of lease amounting to RMB4.8 million which were recognised in relation to the early termination of the previous Xinhua Store's lease in 1Q 2018.

The Group's share of results of associates contributed a profit of RMB0.7 million (loss of RMB0.6 million) in 3Q 2019 and RMB4.0 million (loss of RMB1.6 million) in 9M 2019 mainly due to share of profit from the new outlet mall in Changsha which opened in late December 2018.

Despite a significant increase in profit before tax recorded by the Group in 3Q 2019, the tax expenses of the Group increased to RMB5.7 million (RMB4.4 million) in 3Q 2019 mainly due to the non-deductible income. However, it declined to RMB16.7 million (RMB17.5 million) in 9M 2019 mainly due to the reversal of deferred tax assets arising from the write-back of rent-free incentives and step rental provision of Qiaonan Store and Xinhua Store in 1Q 2018.

As a result of the preceding factors mentioned, net profit for the Group rose by 97% to RMB19.0 million (RMB9.6 million) in 3Q 2019 and 22% to RMB58.0 million (RMB47.7 million) in 9M 2019. If the net financial impact from Xianyou Store, Qiaonan Store, Xinhua Store and Xiamen Ganghui were excluded in the respective financial periods for illustrative purposes, the net profit would be higher by 55% in 3Q 2019 and 22% in 9M 2019.

Balance Sheet

A review of the balance sheet items as at 31 December 2018 and 30 September 2019 is as follows:-

Non-current assets increased by RMB250.1 million or 125% to RMB450.2 million (RMB200.1 million) as at 30 September 2019 mainly due to recognition of right-of-use assets of RMB293.1 million in accordance with SFRS(I) 16, offset by its depreciation of RMB46.0 million during the financial period.

Current assets increased by RMB54.1 million or 14% to RMB448.5 million (RMB394.4 million) as at 30 September 2019 mainly due to (i) increase in inventories by RMB11.3 million for the new stores, (ii) advance to an associate of the Group, Citi-base Commerce Logistics (Xiamen) Co (“Citi-base”) million which had topped out the second phase of its commercial complex in Haicang, Xiamen in 2Q 2019 amounting to RMB9.0 million; and (iii) increase in cash and cash equivalents by RMB40.2 million resulting from the cash generated from the Group’s operations which was partly offset by cash dividend payout and repayment of lease liabilities, offset by (iv) decrease in restricted cash by RMB11.1 million as a result of lower bank deposit being pledged for a bank guarantee of Citi-base.

Current liabilities increased by RMB114.3 million or 31% to RMB477.7 million (RMB363.4 million) as at 30 September 2019 mainly due to (i) increase in trade and other payables by RMB52.9 million resulting from higher procurement activities and advances from sales of prepaid cash cards to consumers; and (ii) recognition of the corresponding lease liabilities, amounting to RMB57.9 million, for the right to use the leased assets; and (iii) increase in amount due to related parties by RMB12.3 million resulting from purchases made by consumers using the Group’s prepaid cash cards at the managed stores, offset by (iv) decrease in other liabilities by RMB8.8 million as a result of lower accruals of operating expenses.

Non-current liabilities increased by RMB218.7 million to RMB255.3 million (RMB36.6 million) as at 30 September 2019 mainly due to (i) recognition of the non-current portion of the corresponding lease liabilities amounting to RMB245.3 million, offset by (ii) decrease in other liabilities by RMB 25.0 million resulting from the reversal of rent-free incentives and step rental provision in 1Q 2019. This was to adjust the lease expenses accrued in the previous years in accordance with SFRS(I) 16.

Cash flow statement

The Group reported a net increase of RMB40.2 million in cash and cash equivalents in 9M 2019 mainly due to:

- 1 Net cash generated from operating activities amounting to RMB157.1 million in 9M 2019. This was attributable mainly to (i) operating cash flows before working capital changes of RMB133.9 million in 9M 2019 after adjustments mainly for depreciation of property, plant and equipment of RMB10.0 million, depreciation of right-of-use assets of RMB46.0 million and its finance costs of RMB14.0 million; and (ii) increase in trade and other payables by RMB55.9 million resulting from higher procurement activities, advances from sales of prepaid cash cards to consumers and purchases made by consumers using the Group’s prepaid cash cards at the managed stores which were partly offset by lower accruals of operating expenses, offset by (iii) increase in inventories by RMB11.0 million for the new stores; and (iv) payment of income tax of RMB18.6 million in 9M 2019.

Offset by:

- 2 Net cash used in financing activities amounting to RMB103.8 million in 9M 2019 mainly for (i) distribution of dividends amounting to RMB29.2 million; and (ii) repayment of lease liabilities amounting to RMB61.9 million.

3 Net cash used in investing activities amounting to RMB13.5 million in 9M 2019 mainly for acquisition of property, plant and equipment amounting to RMB13.6 million; (ii) investment of RMB2.0 million in two joint venture of the Group, Wuxi Shi Yueshang Outlets Co., Ltd. and Guangan Shi Yueshang Commercial Management Co., Ltd.; (iii) advance to Citi-base amounting to RMB9.0 million, offset by (iv) lower fixed deposit being pledged for a bank guarantee of Citi-base by RMB11.1 million.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's performance in 3Q 2019 is largely in line with what was previously reported or disclosed.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

According to the National Bureau of Statistics of China, the real GDP in China grew by 6.0% in the third quarter of 2019 and 6.2% for the first three quarters of 2019. For the first three quarters of 2019, the nominal value of retail sales of consumer goods grew by 8.2%, of which supermarket sales grew by 7.0%. The growth in the Chinese economy remains healthy so far in 2019.

The Group is preparing for this year-end opening of a 6,400 sqm store in Guanqiao, Anxi County, Quanzhou City, which will add to the Group's current total gross floor area of 205,000 sqm, comprising 176,600 sqm of self-owned store area and 28,400 sqm of managed store area.

Barring any unforeseen circumstances, we expect the Group's performance to remain satisfactory in the near future.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No interim dividend recommended for 3Q 2019.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No interim dividend recommended for 3Q 2018.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13 Interested person transactions

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Management fees charged to a related party: Quanzhou Zhongmin Baihui Shopping Co., Ltd.	RMB3,686,321	-

The Group has not obtained a general mandate from Shareholders for interested person transactions.

14 Negative confirmation pursuant to Rule 705(5).

The Board of Directors confirms that to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the financial results for the third quarter and nine months ended 30 September 2019 of the Group and the Company to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

The Company hereby confirms that it has procured undertakings from all the directors and executive officers under Rule 720(1).

BY ORDER OF THE BOARD

ZHONGMIN BAIHUI RETAIL GROUP LTD.

LEE SWEE KENG

EXECUTIVE CHAIRMAN

12 November 2019