

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

**UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2015**

**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 2015”) and nine months ended 30 September 2015 (“9M 2015”)**

	← Group →					
	3 months ended		Change + / (-) %	9 months ended		Change + / (-) %
	30/9/2015 RMB'000	30/9/2014 RMB'000		30/9/2015 RMB'000	30/9/2014 RMB'000	
<b>Revenue</b> <sup>(1)</sup>	202,603	206,315	(2)	635,336	662,794	(4)
Cost of sales	<u>(132,285)</u>	<u>(135,541)</u>	(2)	<u>(396,598)</u>	<u>(429,975)</u>	(8)
<b>Gross profit</b>	70,318	70,774	(1)	238,738	232,819	3
Other income	21,826	18,191	20	58,870	42,028	40
Finance income	365	398	(8)	1,632	1,303	25
Selling and distribution expenses	(57,531)	(62,740)	(8)	(179,498)	(192,387)	(7)
Finance costs	-	(151)	n.m.	(383)	(366)	5
Administrative expenses	<u>(17,454)</u>	<u>(15,929)</u>	10	<u>(51,336)</u>	<u>(49,252)</u>	4
<b>Profit before taxation and share of results of associate</b>	17,524	10,543	66	68,023	34,145	99
Share of results of associate	<u>(142)</u>	<u>(107)</u>	33	<u>(298)</u>	<u>(419)</u>	(29)
<b>Profit before taxation</b> <sup>(2)</sup>	17,382	10,436	67	67,725	33,726	101
Taxation	<u>(4,803)</u>	<u>(3,821)</u>	26	<u>(19,313)</u>	<u>(12,403)</u>	56
<b>Profit after taxation</b>	<u>12,579</u>	<u>6,615</u>	90	<u>48,412</u>	<u>21,323</u>	127
<b>Other comprehensive income:</b>						
<b>Items that may be reclassified subsequently to profit or loss</b>						
Currency translation loss	<u>(364)</u>	<u>(451)</u>	(19)	<u>(494)</u>	<u>(3)</u>	n.m.
Other comprehensive income, net of tax	<u>(364)</u>	<u>(451)</u>	(19)	<u>(494)</u>	<u>(3)</u>	n.m.
<b>Total comprehensive income for the for the period attributable to the owners of the Company</b>	<u>12,215</u>	<u>6,164</u>	98	<u>47,918</u>	<u>21,320</u>	125

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 + / (-) %
	30/9/2015 RMB'000	30/9/2014 RMB'000		30/9/2015 RMB'000	30/9/2014 RMB'000	
<b>Revenue:</b>						
- Direct sales	152,531	154,547	(1)	459,445	485,678	(5)
- Commission from concessionaire sales	26,448	28,226	(6)	98,419	99,039	(1)
- Rental income	15,625	14,020	11	50,329	43,668	15
- Managed rental	7,999	9,522	(16)	27,143	34,409	(21)
	<u>202,603</u>	<u>206,315</u>	(2)	<u>635,336</u>	<u>662,794</u>	(4)
Gross revenue from concessionaire sales	<u>125,548</u>	<u>130,861</u>	(4)	<u>454,928</u>	<u>454,307</u>	0
Gross sales proceeds*	<u>301,703</u>	<u>308,950</u>	(2)	<u>991,845</u>	<u>1,018,062</u>	(3)

\* 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		Change	9 months ended		Change
	30/9/2015	30/9/2014	+ / (-)	30/9/2015	30/9/2014	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Profit before tax is arrived at after (charging)/crediting the following:						
Inventories written down	(34)	(158)	(78)	(354)	(722)	(51)
<b>Other income:</b>						
Advertisement and promotion fees	17,453	14,374	21	46,895	31,904	47
Leisure facilities charges	266	285	(7)	719	783	(8)
Management fees	1,632	1,632	-	4,876	4,896	(0)
<b>Selling and distribution expenses:</b>						
Employee benefit expenses						
- Defined contribution plans	(2,465)	(2,423)	2	(7,868)	(9,898)	(21)
- Salaries, wages, bonuses and other costs	(12,807)	(14,184)	(10)	(41,266)	(47,634)	(13)
Rental expenses*	(26,967)	(29,657)	(9)	(85,957)	(87,615)	(2)
Utilities	(9,017)	(9,038)	(0)	(23,359)	(22,024)	6
Amortisation of intangible assets	(218)	(218)	-	(653)	(756)	(14)
Advertisement and promotion fees	(633)	(432)	47	(2,681)	(1,958)	37
Business tax and surcharges	(4,247)	(4,831)	(12)	(13,700)	(15,561)	(12)
<b>Administrative expenses:</b>						
Employee benefit expenses						
- Defined contribution plans	(1,470)	(869)	69	(3,909)	(3,190)	23
- Salaries, wages, bonuses and other costs	(11,124)	(9,987)	11	(32,760)	(30,351)	8
Bank charges	(724)	(790)	(8)	(2,396)	(2,487)	(4)
Director fees	(152)	(182)	(16)	(480)	(700)	(31)
Depreciation of property, plant and equipment	(1,795)	(1,865)	(4)	(5,575)	(5,415)	3
Office supplies	(293)	(185)	58	(767)	(672)	14
Net loss on disposal of property, plant and equipment	(111)	-	n.m.	(122)	-	n.m.
Exchange loss	(154)	114	(235)	(422)	(809)	(48)

\* Inclusive of operating lease charges of RMB 19.5 million and RMB 64.3 million in 3Q 2015 and 9M 2015 (3Q 2014: RMB 23.0 million and 9M 2014: RMB 68.5 million) and a straight-line recognition of the lease expenses over the lease term, aggregate of rent-free incentives and step rental provision, of RMB 7.5 million and RMB 21.7 million in 3Q 2015 and 9M 2015 (3Q 2014: RMB 6.7 million and 9M 2014: RMB 19.1 million) respectively.

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 →	
	30/9/2015	31/12/2014	30/9/2015	31/12/2014
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	48,120	51,394	18	24
Intangible assets	7,143	7,796	-	-
Investment in subsidiaries	-	-	80,023	80,023
Investment in an associate	24,977	25,275	-	-
Deferred tax assets	27,531	22,594	-	-
Other non-current assets	2,999	2,999	-	-
	<u>110,770</u>	<u>110,058</u>	<u>80,041</u>	<u>80,047</u>
<b>Current assets</b>				
Inventories	98,000	116,314	-	-
Prepayments	23,956	22,112	65	89
Trade and other receivables	33,757	39,483	41	-
Amount due from a subsidiary	-	-	-	126
Amount due from related parties	9,653	3,715	-	-
Cash and cash equivalents	241,315	214,161	32,800	11,804
	<u>406,681</u>	<u>395,785</u>	<u>32,906</u>	<u>12,019</u>
<b>Less: Current liabilities</b>				
Trade and other payables	253,068	273,743	65	6
Other liabilities	23,902	32,953	1,538	1,472
Amount due to related parties	10,021	8,265	-	-
Provision for taxation	10,127	7,684	-	-
	<u>297,118</u>	<u>322,645</u>	<u>1,603</u>	<u>1,478</u>
<b>Net current assets</b>	<u>109,563</u>	<u>73,140</u>	<u>31,303</u>	<u>10,541</u>
<b>Non-current liabilities</b>				
Other liabilities	100,380	78,719	-	-
Deferred tax liabilities	1,344	2,464	-	957
	<u>101,724</u>	<u>81,183</u>	<u>-</u>	<u>957</u>
<b>Net assets</b>	<u>118,609</u>	<u>102,015</u>	<u>111,344</u>	<u>89,631</u>
<b>Equity attributable to the holders of the Company</b>				
Share capital	67,148	67,148	67,148	67,148
Statutory common reserve	20,515	20,515	-	-
Currency translation reserve	(2,249)	(1,755)	(2,259)	(1,763)
Revenue reserve	33,195	16,107	46,455	24,246
<b>Total equity</b>	<u>118,609</u>	<u>102,015</u>	<u>111,344</u>	<u>89,631</u>

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**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	
	30/9/2015	30/9/2014	30/9/2015	30/9/2014
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>				
Profit before taxation	17,382	10,436	67,725	33,726
Adjustments for:				
Depreciation of property, plant and equipment	1,795	1,865	5,575	5,415
Amortisation of intangible assets	218	218	653	756
Net loss on disposal of property, plant and equipment	111	-	122	-
Rent-free incentives and step rental provision	7,462	6,712	21,661	19,054
Inventories written down	34	158	354	722
Interest income	(365)	(398)	(1,632)	(1,303)
Finance costs	-	151	383	366
Share of results of associate	142	107	298	419
Unrealised exchange difference	-	1	1	-
<b>Operating cash flows before changes in working capital</b>	<u>26,779</u>	<u>19,250</u>	<u>95,140</u>	<u>59,155</u>
Decrease in inventories	4,743	1,307	17,960	10,797
Increase in prepayments	(5,427)	(10,364)	(1,844)	(3,648)
Increase in trade and other receivables	(4,103)	(4,384)	(212)	(21,961)
Decrease in trade and other payables	(9,013)	(9,795)	(28,382)	6,683
<b>Cash flows generated from/(used in) operation</b>	<u>12,979</u>	<u>(3,986)</u>	<u>82,662</u>	<u>51,026</u>
Interest received	365	398	1,632	1,303
Tax paid	(5,619)	(5,423)	(22,927)	(20,908)
<b>Net cash flows generated from/(used in) operating activities</b>	<u>7,725</u>	<u>(9,011)</u>	<u>61,367</u>	<u>31,421</u>
<b>Cash flows from financing activities</b>				
Dividends paid	(8,900)	(9,568)	(31,324)	(19,248)
Decrease in amount due to shareholders	-	-	-	(18,011)
<b>Net cash flows used in financing activities</b>	<u>(8,900)</u>	<u>(9,568)</u>	<u>(31,324)</u>	<u>(37,259)</u>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(696)	(3,659)	(2,595)	(10,195)
Investment in an associate	-	(6,119)	-	(6,119)
Proceeds from disposal of property, plant and equipment	200	-	200	-
<b>Net cash flows used in investing activities</b>	<u>(496)</u>	<u>(9,778)</u>	<u>(2,395)</u>	<u>(16,314)</u>
Net increase/(decrease) in cash and cash equivalents	(1,671)	(28,357)	27,648	(22,152)
Effect of exchange rate changes on cash and cash equivalents	(364)	(451)	(494)	(3)
Cash and cash equivalents at beginning of financial period	<u>243,350</u>	<u>156,928</u>	<u>214,161</u>	<u>150,275</u>
<b>Cash and cash equivalents at end of financial period</b>	<u>241,315</u>	<u>128,120</u>	<u>241,315</u>	<u>128,120</u>
For the purpose of the consolidated statement of cash flows, the cash and cash equivalents comprise the following:				
Cash on hand	5,805	6,660	5,805	6,660
Bank balances	<u>235,510</u>	<u>121,460</u>	<u>235,510</u>	<u>121,460</u>
	<u>241,315</u>	<u>128,120</u>	<u>241,315</u>	<u>128,120</u>

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	Currency translation reserve RMB'000	Revenue reserve RMB'000	Statutory common reserve RMB'000	Total equity RMB'000
<b>Group</b>					
<b>Balance at 1 January 2014</b>	67,148	(1,574)	10,601	13,286	89,461
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	52	-	-	52
Profit for the period	-	-	12,277	-	12,277
Total comprehensive income for the period	-	52	12,277	-	12,329
<b>Balance at 31 March 2014</b>	67,148	(1,522)	22,878	13,286	101,790
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	396	-	-	396
Profit for the period	-	-	2,431	-	2,431
Total comprehensive income for the period	-	396	2,431	-	2,827
Dividends paid	-	-	(9,680)	-	(9,680)
<b>Balance at 30 June 2014</b>	67,148	(1,126)	15,629	13,286	94,937
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	(451)	-	-	(451)
Profit for the period	-	-	6,615	-	6,615
Total comprehensive income for the period	-	(451)	6,615	-	6,164
Dividends paid	-	-	(9,568)	-	(9,568)
<b>Balance at 30 September 2014</b>	67,148	(1,577)	12,676	13,286	91,533

	Attributable to equity holders of the Company				
	Share capital	Currency translation reserve	Revenue reserve	Statutory common reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>					
<b>Balance at 1 January 2015</b>	67,148	(1,755)	16,107	20,515	102,015
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	(378)	-	-	(378)
Profit for the period	-	-	22,611	-	22,611
Total comprehensive income for the period	-	(378)	22,611	-	22,233
<b>Balance at 31 March 2015</b>	67,148	(2,133)	38,718	20,515	124,248
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	248	-	-	248
Profit for the period	-	-	13,222	-	13,222
Total comprehensive income for the period	-	248	13,222	-	13,470
Dividends paid	-	-	(22,424)	-	(22,424)
<b>Balance at 30 June 2015</b>	67,148	(1,885)	29,516	20,515	115,294
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	(364)	-	-	(364)
Profit for the period	-	-	12,579	-	12,579
Total comprehensive income for the period	-	(364)	12,579	-	12,215
Dividends paid	-	-	(8,900)	-	(8,900)
<b>Balance at 30 September 2015</b>	67,148	(2,249)	33,195	20,515	118,609



	<b>Attributable to equity holders of the Company</b>			
	<b>Share capital RMB'000</b>	<b>Currency translation reserve RMB'000</b>	<b>Revenue reserve RMB'000</b>	<b>Total equity RMB'000</b>
<b>Company</b>				
<b>Balance at 1 January 2014</b>	67,148	(1,579)	20,539	86,108
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	54	-	54
Loss for the period	-	-	(2,752)	(2,752)
Total comprehensive income for the period	-	54	(2,752)	(2,698)
<b>Balance at 31 March 2014</b>	67,148	(1,525)	17,787	83,410
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	396	-	396
Profit for the period	-	-	30,193	30,193
Total comprehensive income for the period	-	396	30,193	30,589
Dividends paid	-	-	(9,680)	(9,680)
<b>Balance at 30 June 2014</b>	67,148	(1,129)	38,300	104,319
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	(450)	-	(450)
Loss for the period	-	-	(1,625)	(1,625)
Total comprehensive income for the period	-	(450)	(1,625)	(2,075)
Dividends paid	-	-	(9,568)	(9,568)
<b>Balance at 30 September 2014</b>	67,148	(1,579)	27,107	92,676

	<b>Attributable to equity holders of the Company</b>			
	<b>Share capital RMB'000</b>	<b>Currency translation reserve RMB'000</b>	<b>Revenue reserve RMB'000</b>	<b>Total equity RMB'000</b>
<b>Company</b>				
<b>Balance at 1 January 2015</b>	67,148	(1,763)	24,246	89,631
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	(383)	-	(383)
Loss for the period	-	-	(928)	(928)
Total comprehensive income for the period	-	(383)	(928)	(1,311)
<b>Balance at 31 March 2015</b>	67,148	(2,146)	23,318	88,320
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	249	-	249
Profit for the period	-	-	36,092	36,092
Total comprehensive income for the period	-	249	36,092	36,341
Dividends paid	-	-	(22,424)	(22,424)
<b>Balance at 30 June 2015</b>	67,148	(1,897)	36,986	102,237
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	(362)	-	(362)
Loss for the period	-	-	18,369	18,369
Total comprehensive income for the period	-	(362)	18,369	18,007
Dividends paid	-	-	(8,900)	(8,900)
<b>Balance at 30 September 2015</b>	67,148	(2,259)	46,455	111,344

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**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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.**

There were no changes in the share capital of the Company in 3Q 2015.

There were no outstanding convertibles issued or treasury shares held by the Company as at 30 September 2015.

**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.**

	<b>30/9/2015</b>	<b>31/12/2014</b>
Total number of issued shares (excluding treasury shares)	196,320,000	196,320,000

**1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares 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 2014.

**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 FRS and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2015. The adoption of the above FRS and INT FRS did not have any significant impact on the financial statements of the Group.

**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	
	30/9/2015	30/9/2014	30/9/2015	30/9/2014
	RMB	RMB	RMB	RMB
(a) Based on weighted average no. of shares	0.06	0.03	0.25	0.11
(b) Based on fully diluted basis	0.06	0.03	0.25	0.11
Weighted average no. of shares applicable to basic earnings per share	196,320,000	196,320,000	196,320,000	196,320,000
Weighted average no. of shares based on fully diluted basis	196,320,000	196,320,000	196,320,000	196,320,000

**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 →	
	30/9/2015	31/12/2014	30/9/2015	31/12/2014
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	0.60	0.52	0.57	0.46

**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 2014 ("3Q 2014") and 3Q 2015 and the nine-month period ended 30 September 2014 ("9M 2014") and 9M 2015 are as follows:-

**Revenue**

The Group registered a slight decline of 2% and 4% in revenue to RMB 202.6 million and RMB 635.3 million in 3Q 2015 and 9M 2015 compared with RMB 206.3 million and RMB 662.8 million in 3Q 2014 and 9M 2014 mainly due to changes in sales structure with some low-end merchandises requiring intensive sales labour being dropped from the Group's department stores as one of the Group's key strategies in response to the challenging retail market in China and cessation of Xiamen Zhongshan Store's operation in July 2015.

### Gross profit and gross profit margin

The Group's gross profit remained largely unchanged at RMB 70.3 million in 3Q 2015 compared with RMB 70.8 million in 3Q 2014, however some changes in the Group's sales structure has taken place.

The Group's gross profit improved by 3% to RMB 238.7 million in 9M 2015 compared with RMB 232.8 million in 9M 2014 mainly due to higher gross profit margin for direct sales activities and change in brand and merchandise mix, despite the lower revenue in 9M 2015.

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		Change + / (-) %	9 months ended		Change + / (-) %
	30/9/2015 RMB'000	30/9/2014 RMB'000		30/9/2015 RMB'000	30/9/2014 RMB'000	
Revenue from direct sales activities	152,531	154,547	(1)	459,445	485,678	(5)
Cost of sales	<u>(132,285)</u>	<u>(135,541)</u>	(2)	<u>(396,598)</u>	<u>(429,975)</u>	(8)
Gross profit from direct sales activities	<u>20,246</u>	<u>19,006</u>	7	<u>62,847</u>	<u>55,703</u>	13
Gross profit margin on direct sales activities	13.3%	12.3%	1.0	13.7%	11.5%	2.2

The gross profit margin for the direct sales activities increased from 12.3% and 11.5% in 3Q 2014 and 9M 2014 to 13.3% and 13.7% in 3Q 2015 and 9M 2015 mainly due to improvement in brand and merchandise mix.

### Other income

Other income increased by 20% and 40% to RMB 21.8 million and RMB 58.9 million in 3Q 2015 and 9M 2015 compared with RMB 18.2 million and RMB 42.0 million in 3Q 2014 and 9M 2014 mainly due to higher advertisement and promotion income from a wider supplier network and the additional stores.

### Selling and distribution expenses

Selling and distribution expenses declined by 8% and 7% to RMB 57.5 million and RMB 179.5 million in 3Q 2015 and 9M 2015 compared with RMB 62.7 million and RMB 192.4 million in 3Q 2014 and 9M 2014. This was mainly attributable to the reduction in operating staff and the elimination of some low-end merchandises to improve the Group's operation efficiency and productivity, despite higher costs were incurred for the additional stores.

For rental expenses, our stores operate on leased premises on a fixed tenure and rental is charged on an increasing basis over their lease periods. Based on the Group's accounting policy, rental expenses on increasing basis are amortised equally over the entire period of any lease. As such, apart from the actual rental expense charged by the landlords, rent-free incentives and step rental provision of RMB 7.5 million and RMB 21.7 million were accrued in 3Q 2015 and 9M 2015 and were non-cash in nature.

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#### Administrative expenses

Administrative expenses increased by 10% and 4% to RMB 17.5 million and RMB 51.3 million in 3Q 2015 and 9M 2015 compared with RMB 15.9 million and RMB 49.3 million in 3Q 2014 and 9M 2014 mainly due to additional administrative expense for the operation of the additional stores despite the stronger cost control measures for the Group's operation.

#### Share of results of associate

The Group took a 30% interest in Citi-Base Commerce Logistics (Xiamen) Co., Ltd. ("Citi-Base") to establish a logistics centre in Xiamen City in FY 2011.

The Group's share of the pre-operating losses amounted to RMB 0.1 million in 3Q 2015 and RMB 0.3 million in 9M 2015, due to the pre-operating expenses incurred by Citi-Base.

#### Taxation

The tax expenses of the Group increased from RMB 3.8 million in 3Q 2014 and RMB 12.4 million in 9M 2014 to RMB 4.8 million in 3Q 2015 and RMB 19.3 million in 9M 2015 which were in line with the profit growth in the respective financial periods.

#### Profit after taxation

As a result of the factors above, the Group recorded a net profit of RMB 12.6 million and RMB 48.4 million in 3Q 2015 and 9M 2015 compared with RMB 6.6 million and RMB 21.3 million in 3Q 2014 and 9M 2014 mainly due to improvement in the Group's operation efficiency and productivity, change in brand and merchandise mix, and cessation of Xiamen Zhongshan Store's operation.

#### **Balance Sheet**

A review of the balance sheet items as at 31 December 2014 and 30 September 2015 are as follows:-

#### Non-current assets

Non-current assets increased by RMB 0.7 million or 1% to RMB 110.8 million as at 30 September 2015 compared to RMB 110.1 million as at 31 December 2014 mainly due to (i) increase in deferred tax assets by RMB 4.9 million as a result of the temporary tax differences mainly relating to the rent-free incentives; and step rental provision during the financial period, offset by (ii) decrease in property, plant and equipment by RMB 3.3 million resulting from depreciation charges of RMB 5.6 million which was partly offset by additional capital expenditure of RMB 2.6 million for setup of new stores; and (iii) decrease in intangible assets after charging amortisation of RMB 0.7 million.

#### Current assets

Current assets increased by RMB 10.9 million or 3% to RMB 406.7 million as at 30 September 2015 compared to RMB 395.8 million as at 31 December 2014 mainly due to (i) increase in cash and cash equivalents by RMB 27.2 million mainly resulting from cash generated from the Group's operations which was partly offset by the cash dividend payout, offset by (ii) decrease in inventories by RMB 18.3 million after seasonal vacations.

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### Current liabilities

Current liabilities decreased by RMB 25.5 million or 8% to RMB 297.1 million as at 30 September 2015 compared to RMB 322.6 million as at 31 December 2014 mainly due to (i) decrease in trade and other payables by RMB 20.7 million as a result of payment to suppliers; and (ii) decrease in other liabilities by RMB 9.1 million as a result of lower accruals of operating expenses, offset by (iii) increase in provision for taxation by RMB 2.4 million mainly relating to tax expenses provided for the current financial period.

### Non-current liabilities

Non-current liabilities increased by RMB 20.5 million or 25% to RMB 101.7 million as at 30 September 2015 compared to RMB 81.2 million as at 31 December 2014 mainly due to increase in other liabilities by RMB 21.7 million resulting from the increase in rent-free incentives and step rental provision during the financial period.

### Cash flow statement

The Group reported a net increase of RMB 27.2 million in cash and cash equivalents in 9M 2015 mainly due to:

1 Net cash generated from operating activities amounting to RMB 61.4 million in 9M 2015. This was attributable mainly to the following:

- (i) operating cash flows before working capital changes of RMB 95.1 million in 9M 2015 after adjustment mainly for rental-free incentives and step rental provision of RMB 21.7 million which were non-cash in nature, and depreciation of property, plant and equipment and amortisation of intangible assets of RMB 6.2 million; and
- (ii) a decrease in inventories of RMB 18.0 million in 9M 2015 million after seasonal vacations,

Offset by:

- (iii) a decrease in trade and other payables of RMB 28.4 million in 9M 2015 as a result of payment to suppliers and lower accruals of operating expenses; and
- (iv) payment of income tax of RMB 22.9 million in 9M 2015.

Offset by:

2 Net cash used in financing activities amounting to RMB 31.3 million in 9M 2015 for distribution of dividends.

2 Net cash used in investing activities amounting to RMB 2.4 million in 9M 2015 mainly for acquisition of property, plant and equipment for setup of new stores.

### **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 2015 is largely in line with what was previously reported or disclosed.

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**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.**

The Chinese economy is slowing down, with the 2015 third quarter GDP reported at 6.9%, down from higher figures in earlier periods. The consensus is for the economic slowdown to continue for a while. The Chinese government has communicated a 6.5% figure for future GDP growth rates. Consequently, major industry players in the retail space have experienced lower same store sales (“SSS”) this year and the Group is facing a similar situation, with our third quarter SSS growth at -10.6% and -11.6% YTD (using gross sales proceeds; the respective figures are about 1.5% lower if the less representative Nanjing Store is excluded).

Given the weak macro-economic environment, the Group has chosen to de-emphasize SSS and focus on productivity gains and cost cutting to lower our operating costs and re-balance the mix of revenue streams (different mix of income from rental income, concessionaire sales, direct sales and managed rental) to raise or maintain our operating profit margin. There are still areas that we can execute our cost rationalization efforts.

As mentioned in the previous quarterly results announcement, we are looking at opening smaller stores to grow our retail presence. We are pleased to announce that over the past few weeks, we have signed two leases for two smaller stores. We have secured a 10-year lease for a store with a gross floor area of 1,000 sq m in a mature residential district in Quanzhou City and the store will retail primarily supermarket products. A 15-year lease for another store in Anxi County, Quanzhou City, with gross floor area of 3,700 sq m has also been signed. The sizes of these stores are considerably smaller than our existing stores. For example, the latest added store, Quanzhou Hui'an Chengnan Store, is 25,400 sq m. Smaller stores will take involve considerably less capital expenditure, takes much short time to be operational, and consequently, will be less risky for the Group. The current slowdown in the real estate market has opened up many interesting opportunities for the Group and we hope to secure leases for stores of relatively smaller sizes in the near future.

We have previously communicated that we are expecting our 6,700 sq m Putian Xianyou Store in 2H2015. Due to further fire safety enhancement efforts by the authorities to add more underground fire exits, the opening of this store is delayed till early 2016.

We started our e-commerce efforts with Beijing 19e E-commerce Co Ltd for the sale of supermarket products at our Nanjing Nanzhan Store. Sales placed using mobile devices started in July this year and began to improve considerably over the following months. Though cautiously optimistic, we are not expecting or projecting very significant increase in E-commerce sales in the months ahead. Our Nanjing Store continued to experience operating losses this quarter. We have stepped up our effort to increase the rental income portion in this store to reduce our losses going forward.



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**11 Dividend****(a) Current Financial Period Reported On**

**Any dividend recommended for the current financial period reported on?**

Name of Dividend	First interim	Second interim	Third interim
Dividend Type	Cash	Cash	Cash
Dividend amount per ordinary share	1.0 Singapore cent	1.0 Singapore cent	1.0 Singapore cent
Tax rate	One-tier tax exempt	One-tier tax exempt	One-tier tax exempt

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

Name of Dividend	First interim
Dividend Type	Cash
Dividend amount per ordinary share	1.0 Singapore cent
Tax rate	One-tier tax exempt

**(c) Date payable**

The interim dividend will be paid on or about 22 December 2015.

**(d) Books closure date**

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed at 5.00 pm on 10 December 2015 for the purpose of determining shareholders' entitlements to the interim dividend.

Duly completed registrable transfers received by the Company's Share Transfer Agent, boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 10 December 2015 will be registered to determine shareholders' entitlements to the interim dividend.

Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 10 December 2015 will be entitled to the interim dividend.

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

Not applicable.

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**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.	RMB 4,876,000	-

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

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

**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 2015 of the Group and the Company to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

**ZHONGMIN BAIHUI RETAIL GROUP LTD.**

**LEE SWEE KENG**

**EXECUTIVE CHAIRMAN**

**13 November 2015**