



ANNUAL REPORT 2019

中闽百汇零售集团有限公司
ZHONGMIN BAIHUI RETAIL GROUP LTD.



/Contents

目录

01	Corporate Profile
03	Location of Stores
12	Chairman's Statement
14	CEO's Statement
17	Financial Highlights
18	Up And Coming Stores
20	Board of Directors
22	Key Management
25	Corporate Governance Report
42	Directors' Statement
45	Independent Auditor's Report
50	Consolidated Statement of Comprehensive Income
51	Balance Sheets
52	Statements of Changes in Equity
56	Consolidated Cash Flow Statement
57	Notes to the Financial Statements
103	Statistics of Shareholdings
105	Notice of Annual General Meeting
	Proxy Form



/Corporate Profile 公司简介

Zhongmin Baihui Retail Group Ltd (the "Group" or "ZMBH") is principally engaged in the ownership, operation and management of department stores and supermarkets in Fujian Province, People's Republic of China ("PRC") under the name "中闽百汇". Outside of Fujian Province, the Group is involved in the outlet mall operation and management business in Changsha, Hunan Province. ZMBH was incorporated in Singapore on 17 September 2004, listed on the Catalist Board of the Singapore Exchange ("SGX") on 20 January 2011 and transferred to SGX Mainboard on 3 September 2013.

The first modern 中闽百汇 store was opened in Anxi County, Quanzhou City, Fujian Province in 1997. As at 1 Jan 2020, the Group has expanded its footprint in Fujian to 15 self-owned stores and three managed stores, spanning an aggregate gross floor area ("GFA") of 211,400 sqm, comprising 183,000 sqm of self-owned store GFA and 28,400 sqm of managed store GFA. Of the 15 self-owned stores, five are primarily supermarkets, with GFA ranging from 1,000 sqm to 4,000 sqm, while the rest are large integrated department store cum supermarket stores, with GFA ranging from 6,300 sqm to 28,700 sqm. Many of the larger stores offer food and beverage options and other essential services to enhance the shopping experience of our customers.

Direct sales, which is largely sales of supermarket products, represents 55% of total gross sales proceeds for the Group in FY2019. Sales of gold forms a small part of direct sales. The Group is responsible for procurement, sales and inventory management of direct sales. The Group's modern supermarkets are well-stocked with quality and fresh items. Live seafood can be found in most of our supermarkets.

The Group derives commissions from concessionaire sales, which forms a significant portion (41% in FY2019) of total

gross sales proceeds. Our department stores offer a wide variety of clothes and accessories for men, women and children from domestic and international brands from our concessionaires.

Rental income, which is primarily from the F&B outlets in our larger stores, and managed rental income, which comes from department store tenants paying fixed rental charges, form a small portion (3% in FY2019) of our total gross sales proceeds. F&B options range from fast food joints to full-service restaurants.

The Group recognizes the attractions of mega malls in China and is embarking on a strategic plan to be involved in this area. The Group has an effective stake of 24% in the entity responsible for managing Changsha Sasseur (ZMBH) Outlets, a 211,000 sqm mega mall in Changsha City, Hunan Province, which was opened in December 2018. The Group has plans to expand its outlet mall operation and management business, imminently in Wuxi City, and subsequently in other cities outside Fujian.

With over 20 years of strong retail reputation under the "中闽百汇" brand, the Group offers a quality shopping experience with a wide variety of quality merchandise, lifestyle products and customer-oriented services catering to the middle-income consumers. By developing strong relationships with well-known international and domestic brands, the Group constantly optimizes its product mix to bring more value to its consumers. The Group adheres to the principles of Unity, Dedication, Faithfulness and Service (团结、敬业、忠诚、服务) to our employees, customers and community. ZMBH aims to offer quality goods and services to its customers with a spirit of innovation. ZMBH was named as a top ten brand enterprise in Quanzhou in the year 2015 as a testament to the high quality of service and customer satisfaction that the Group provided.

/Corporate Profile

公司简介

中闽百汇零售集团（以下简称“本集团”或“ZMBH”）是一家投资、经营与管理百货商场及超市为一体的大型零售集团，经营范围位于中华人民共和国境内。集团在福建省以经营“中闽百汇”商场为主，福建省外集团在湖南省长沙市的奥特莱斯商场管理业务。ZMBH 于 2004 年 9 月 17 日在新加坡注册成立，于 2011 年 1 月 20 日在新加坡交易所（SGX）的 Catalist Board 上市，并于 2013 年 9 月 3 日转移至 SGX 主板。

本集团在 1997 年，福建省泉州市安溪县开设了第一家现代化门店。截至 2020 年 1 月 1 日，本集团在福建的业务范围已扩大至 15 家自营店和 3 家管理店，总建筑面积为 211400 平方米，包括 183000 平方米自营店和 28400 平方管理店。在 15 家自营店中，5 家以超市为主，营业面积从 1000 平方米至 4000 平方米不等，其余为大型综合百货兼超市店，营业面积从 6300 平方米至 28700 平方米不等。许多较大的商店提供食品和饮料选择以及其他基本服务，以增强我们客户的购物体验。

自营销售主要是超市产品，占集团 2019 财年总销售收入的 55%。黄金销售是自营销售的一小部分。本集团负责自营货品的采购、销售和库存管理。该集团的现代化超市有大量优质和新鲜商品，大多数的超市都有生鲜出售。

集团的百货商场有各种各样国内和国际品牌的男女儿童服装和配件，是由特许公司提供的。该集团从特许公司销售中获得佣金。特许公司销售，也称联营销售，占总销售收入的很大一部分（2019 财年为 41%）。

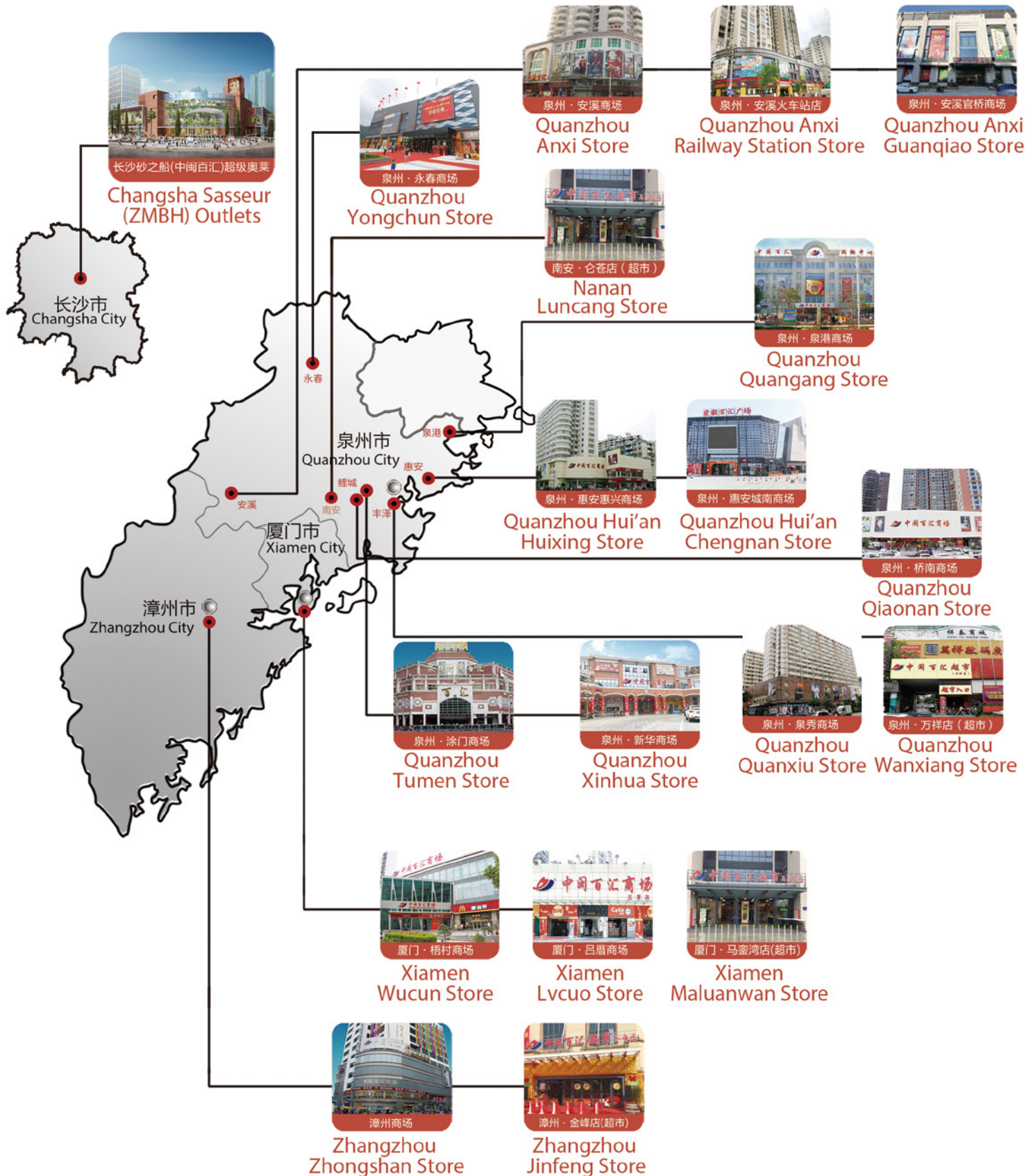
租赁收入，主要来自我们大型商店的餐饮店，和承包收入占我们总销售收入的一小部分（2019 财年为 3%）。餐饮选择从快餐店到餐厅店，应有尽有。

大型购物中心在中国有一定的吸引力，所以集团正在这方面以参与这一领域。该集团在一家湖南省长沙市，于 2018 年 12 月开业，21.1 万平方米大的长沙砂之船（中闽百汇）奥莱管理公司拥有 24% 的有效股份。该集团计划扩大零售商场运营和管理业务，在无锡市，和福建省外的其他城市。

集团经营“中闽百汇”品牌将近 20 年，期间不断为中等收入顾客提供多元化的优质商品、生活用品，为顾客带来了舒适的购物体验。集团不断优化产品组合，为消费者带来更多价值。集团本着“团结、敬业、忠诚、服务”的原则，善待员工、服务顾客、回报社会。ZMBH 以创新精神为客户提供优质的产品和服务。2015 年，ZMBH 被评为泉州市十大品牌企业，证明了集团提供的优质服务和客户满意度。

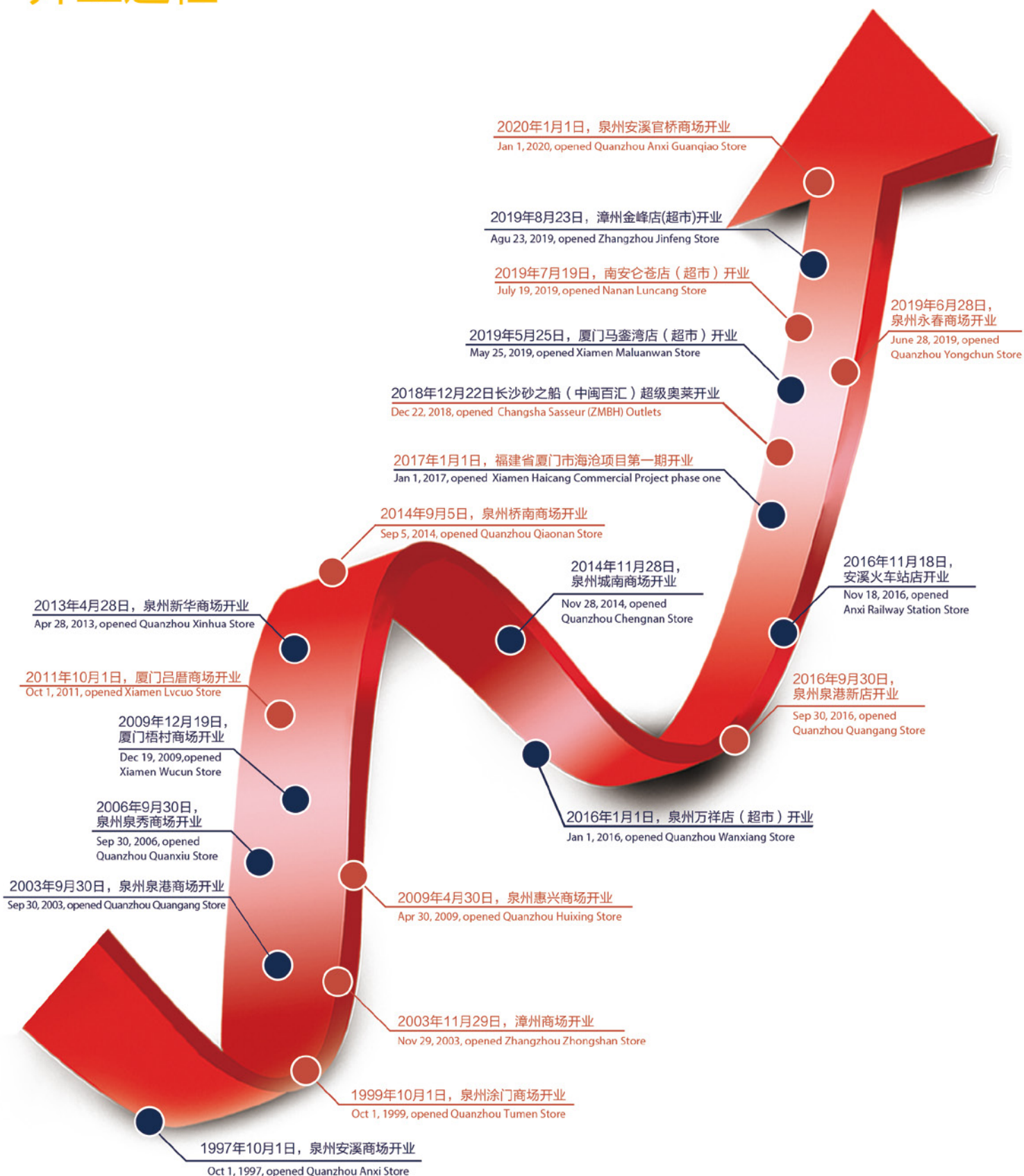
/Location of Stores

商场位置分布图



/Store Opening Timeline

开业进程





福建省厦门市梧村店

Xiamen Wucun Store

商业面积：28,700平方米

开业年份：2009年12月（租赁终止2022年9月）

项目介绍：厦门梧村店位于厦门市思明区最繁华的梧村商圈中心，为福建省最大的地下购物中心之一，设有行人隧道连接厦门高速列车，长途汽车站，公交车站和BRT站点，为厦门市交通枢纽的人流中心地带。

Gross floor area: 28,700 sqm

Commencement: Dec 2009 (lease ends Sep 2022)

Description: Xiamen Wucun Store, one of the largest underground retail malls in Fujian, is located in the commercial centre of Siming District in Xiamen City and is linked by walkways and underground pedestrian crossings to the Xiamen Railway Station, bus terminals and BRT station.

福建省厦门市吕厝店

Xiamen Lvcuo Store

商业面积：23,300平方米

开业年份：2011年10月（租赁终止2026年6月）

项目介绍：厦厦门吕厝店位于厦门市思明区人口密集的住宅区中心，地铁1号线及2号线交叉点。

Gross floor area: 23,300 sqm

Commencement: Oct 2011 (lease ends Jun 2026)

Description: Xiamen Lvcuo Store is an underground store located next to Lvcuo Station in Siming District, which is also the Xiamen metro interchange station for line 1 and line 2.



福建省厦门市马銮湾店

Xiamen Maluanwan Store

商业面积：1,400平方米

开业年份：2019年5月（租赁终止2031年7月）

项目介绍：马銮湾店是间超市，位于人口密集的厦门市海沧区马銮湾生活广场。

Gross floor area: 1,400 sqm

Commencement: May 2019 (lease ends Jul 2031)

Description: Maluanwan Store is a supermarket located in Maluanwan Square in Haicang District.

福建省泉州市安溪火车站店

Quanzhou Anxi Railway Station Store

商业面积：3,700平方米

开业年份：2016年11月（租赁终止2031年6月）

项目介绍：安溪火车站店座落于安溪特产城、中国茶都旁，周边住宅密集，主要以超市业态为主，满足周边社区居民购物需求。

Gross floor area: 3,700 sqm

Commencement: Nov 2016 (lease ends Jun 2031)

Description: This largely supermarket store is near the Anxi Railway Station in the downtown area of Chengxiang Town, Anxi County, Quanzhou City.



福建省泉州市泉港店

Quanzhou Quangang Store

营业面积：16,900平方米

开业年份：2016年9月（租赁终止2031年9月）

项目介绍：泉州泉港店位于泉港区中心处的石油化工工业区，也是人流稠密的住宅中心。

Gross floor area: 16,900 sqm

Commencement: Sept 2016 (lease ends Sep 2031)

Description: Quangang Store is located in the town centre of Quangang District, a major petrol chemical area in Quanzhou City.



福建省泉州市涂门店

Quanzhou Tumen Store

商业面积：16,400平方米

开业年份：1999年10月（租赁终止2022年3月）

项目介绍：泉州涂门店位于人流旺盛的泉州市市中心。

Gross floor area: 16,400 sqm

Commencement: Oct 1999 (lease ends Mar 2022)

Description: The store is situated in a popular shopping belt in the city centre of Quanzhou City and in proximity to several popular historic sites.





福建省泉州市泉秀店

Quanzhou Quanxiu Store

商业面积：10,400平方米

开业年份：2006年10月（租赁终止2022年4月）

项目介绍：泉州泉秀店位于人口密集的泉州市市中心，连接公交网络，人流稠密。

Gross floor area: 10,400 sqm

Commencement: Oct 2006 (lease ends Apr 2022)

Description: This store serves a densely populated area in the city centre of Quanzhou City.

福建省泉州市新华店

Quanzhou Xinhua Store

商业面积：14,400平方米

开业年份：2013年4月（租赁终止2021年6月）

项目介绍：泉州新华店位于泉州市的一个老城区里，紧邻几个旅游景点和住宅区。

Gross floor area: 14,400 sqm

Commencement: Apr 2013 (lease ends Jun 2021)

Description: Xinhua Store is situated in a historic and tourist district of Quanzhou City.



福建省泉州市桥南店

Quanzhou Qiaonan Store

商业面积：6,300平方米

开业年份：2014年9月（前5年确定，租赁终止2022年9月）

项目介绍：泉州桥南店位于连接中心市区、晋江、泉州开发区和江南片区的中心地带。

Gross floor area: 6,300 sqm

Commencement: Sep 2014 (only first 5 years confirmed, lease ends Jun 2031)

Description: The store is at the intersection to several city centres - Jinjiang District, Quanzhou Development District and Jiangnan District.

福建省泉州市惠安城南店

Quanzhou Hui'an Chengnan Store

商业面积：25,500平方米

开业年份：2014年11月（拥有店面的产权）

项目介绍：泉州惠安城南店位于惠安县城南部，一座综合Mall的宏毅百汇广场内，紧邻惠安县螺阳镇城区。

Gross floor area: 25,500 sqm

Commencement: Nov 2014 (store property is owned)

Description: The store is in Hongyi Baihui Centre, an integrated shopping mall adjacent to the Luoyang town area in Hui'an County.



福建省泉州市万祥店

Quanzhou Wanxiang Store

商业面积：1,000平方米

开业年份：2016年1月（租赁终止2026年1月）

项目介绍：万祥店位于一个繁华的住宅区，是我们的第一家社区超市。主要以生鲜和超市业态为主，满足当地社区居民购物需求。

Gross floor area: 1,000 sqm

Commencement: Jan 2016 (lease ends Jan 2026)

Description: Wanxiang Store is the Group's first supermarket-only store, catering to the needs of the local community.



福建省漳州市金峰店

Zhangzhou Jinfeng Store

商业面积：1,400平方米

开业年份：2019年8月（租赁终止2034年11月）

项目介绍：位于人口密集的住宅区和教府。

Gross floor area: 1,400 sqm

Commencement: Aug 2019 (lease ends Nov 2034)

Description: Jinfeng Store is a supermarket located near residential and educational districts





福建省泉州市永春店

Quanzhou Yongchun Store

商业面积：23,200平方米

开业年份：2019年6月（租赁终止2039年6月）

项目介绍：位于永春县主城区，是县城主要的生活居住区，人口密集，也是政府主要机构、文化、体育、科技等服务设施的集中区。

Gross floor area: 23,200 sqm

Commencement: Jun 2019 (lease ends Jun 2039)

Description: The store serves a densely populated area in the town area, in proximity to cultural, sports, government, science and technology entities.

福建省泉州市南安仑苍店

Quanzhou Nanan Luncang Store

商业面积：4,000平方米

开业年份：2019年7月（租赁终止2034年7月）

项目介绍：仑苍店是间南安市仑苍镇的社区超市。

Gross floor area: 4,000 sqm

Commencement: Jul 2019 (lease ends Jul 2034)

Description: Luncang Store is a supermarket catering to the needs of residents in Luncang town in the county-level city of Nan'an.



福建省泉州市安溪官桥店

Quanzhou Anxi Guanqiao Store

商业面积：6,400平方米

开业年份：2020年1月（租赁终止2040年6月）

项目介绍：位于人口密集的官桥镇中心。

Gross floor area: 6,400 sqm

Commencement: Jan 2020 (lease ends Jun 2040)

Description: The store is located in the densely populated town of Guanqiao Town, Anxi County.

福建省泉州市惠安惠兴店（管理店）

Quanzhou Huian Huixing Store (managed store)

商业面积：10,900平方米

开业年份：2009年4月

项目介绍：泉州惠安惠兴店位于人口密集的惠安县中心处，四周为住宅。

Gross floor area: 10,900 sqm

Commencement: Apr 2009

Description: The store is located in the heart of Hui'an County in a densely populated area.



福建省泉州市安溪店（管理店）

Quanzhou Anxi Store (managed store)

商业面积：6,400平方米

开业年份：1997年10月（2006年搬至新店）

项目介绍：泉州安溪店位于安溪县凤城镇商业中心，人流稠密。

Gross floor area: 6,400 sqm

Commencement: Oct 1997 (relocated in 2006)

Description: The store is located in a lively commercial and residential area in Fengcheng Town, Anxi County.



福建省漳州市中山店（管理店）

Zhangzhou Zhongshan Store (managed store)

商业面积：11,100平方米

开业年份：2003年11月

项目介绍：漳州中山店位于漳州市市中心，人流稠密。

Gross floor area: 11,100 sqm

Commencement: Nov 2003

Description: The store is located in downtown Zhangzhou City.





长沙砂之船（中闽百汇）奥莱

Changsha Sasseur (ZMBH) Outlets

商业面积：211,000平方米

开业年份：2018年12月(合约终止2038年12月)

项目介绍：该项目是与砂之船（奥莱）集团合作的大型购物广场，位于湖南省长沙市望城区，金星路与月亮岛路交汇处，临近城市三环线，交通便捷，人口稠密。

Gross floor area: 211,000 sqm

Commencement: Dec 2018 (contract ends Dec 2038)

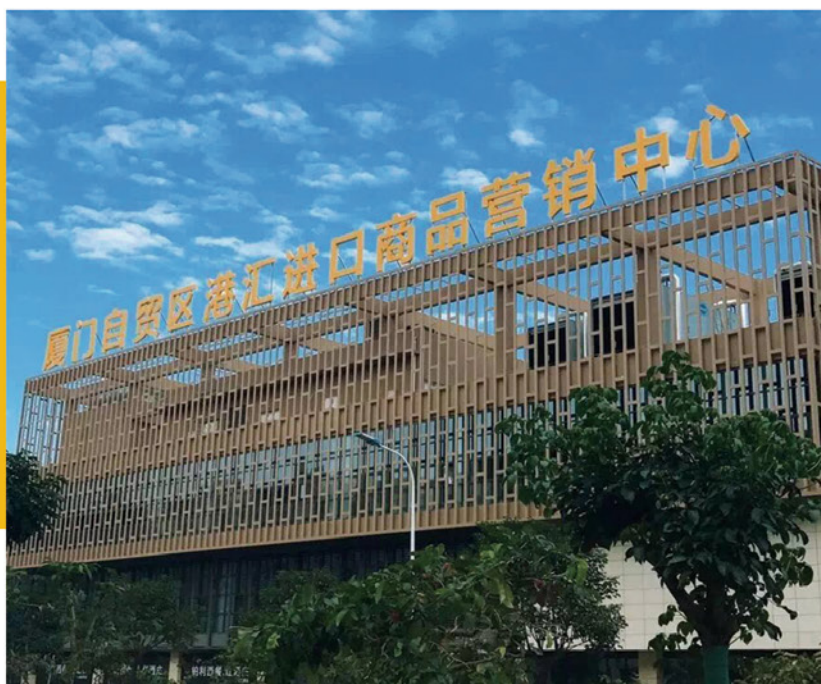
Description: The mega mall is located at the junction of Jinxing Road and Yueliangdao Road in Wangcheng District, Changsha City, Hunan Province. The Group has an effective 24% associate stake in the entity that manages and operates the mall.

福建省厦门市海沧项目

Xiamen Haicang Commercial Project

项目介绍：港基百汇商业物流（厦门）有限公司（控股30%），计划建立113500平方米的商业面积，位于海沧区繁华的商业区。

Description: Citi-base Commerce Logistics (Xiamen) Co, a 30%-owned associate, plans to build 113,500 sqm of office and commercial space. The complex is located in a busy part of Haicang District in Xiamen.



/Chairman's Statement 主席致词



On behalf of the Board of Directors of Zhongmin Baihui Retail Group Ltd, it is my pleasure to present Zhongmin Baihui Retail Group Annual Report for the financial year ended 2019.

In 2019, the retail sector in China remained competitive even though the Chinese economy stayed reasonably healthy. The Group managed to perform within our expectations and achieved profit after taxation of RMB52.2 million, a respectable growth of 29.0% from 2018. In view of the positive performance and to reward our shareholders, we are proposing a final dividend of SGD1.5 cents per share or a total of SGD3.0 cents per share for the year, which is higher than the total dividends of SGD2.5 cents per share in the previous year.

Like many others, the Group suffered from the effects of COVID-19. Fortunately, the supermarkets in our stores remained operational and mitigated the adverse effects on our department store sales.

The Group added four new stores in 2019 and closed one underperforming store, bringing the total self-owned stores to 14. In 2020, we plan to add four new stores, about 55,000 sqm GFA, bringing our self-owned store GFA to 231,400 sqm with 18 self-owned stores. Together with three managed stores, the Group will have a total of 21 stores in Fujian.

The Group is pursuing a rent-free strategy in some of our stores, whereby the landlord will jointly participate in the economic benefits from the store. At the moment, about 13% of the store in terms of gross floor area is under this strategy. This proportion is expected to rise to 38% in 2021. Our strategy of having income from department store, direct sales, rental and managed rental gives us flexibility in managing our stores.

The 211,000 sqm outlet mall in Changsha was opened in December 2018 and has achieved positive results. We are working on another outlet mall with GFA of about 300,000 sqm in Wuxi in Jiangsu Province, which is expected to be operational in 2021. Besides the Wuxi project, our pipeline of projects outside Fujian Province comprises two large malls in Guang'an, Szechuan Province with a total GFA of 63,000 sqm and a 43,000 sqm mall in Zibo, Shandong Province, which are expected to be ready after 2022.

We have confidence that the Group will continue to deliver satisfactory results this year and I thank our shareholders for their patience and support.

Mr Lee Swee Keng
Executive Chairman

9 June 2020

/Chairman's Statement 主席致词

我谨代表中闽百汇零售集团有限公司董事会发布 2019 年度年报。

2019 年零售业竞争依然激烈，中国增长依然强劲，集团成功地实现了我们预期的目标，2019 年税后利润人民币 5219 万元，增长 29%。公司业绩良好，我们建议本季派发股息新币 1.5 分，合年每股新币 3 分（2018 年合年 2.5 分）。

COVID-19 冠状病毒对我们也有很大的影响。幸运的是集团属下的所有超市都在运营，弥补我们在百货方面的损失。

集团在福建省 2019 增加 4 家新店、关闭 1 家，门店总称达到 14 家。2020 年会增加 4 家新店（约 5.5 万平方米），门店面积达 23.14 万平方米。集团在福建省的门店总数达 21 家（包括 3 家管理门店）。

集团目前的策略是以免租金条件和业主以不同合作方式经营商场，这些免付租金的商场合作可长达 10 年以上。目前免租商场面积占零售集团总营业面积为大约 13%，到 2021 年占比会到 38%。集团自营、联营和招商出租的多样化商业模式给我们和合作伙伴有更大的灵活性和活动发展空间。

湖南长沙奥特莱斯 211,000 平方米商场在 2018 年 12 月开始营业，取得很好的业绩，我们在江苏无锡的奥特莱斯 300,000 平方米预计 2021 年投入运营。

集团在四川广安的 2 个大型商场总面积约为 63,000 平方米和山东淄博 43,000 平方米，在 2022 年后投入营业。

我们相信集团今年会继续取得不错的业绩。我感谢股东和团队的支持。

李瑞庆
执行主席

2020 年 6 月 9 日



/CEO's Statement

总裁致词



We started 2019 with the ambitious goals of profitably growing our core department store cum supermarket business in Fujian and gaining traction in our new mall operation management business outside Fujian. I am pleased to report that our diligent team has met these goals in 2019 and we are now ready to move further ahead.

Our salient achievements in 2019 are:

1. Improved positive same store sales growth from -3.0% to 0.7%
2. Attained higher gross profit margin of 12.7%, up 1.3%
3. Added four new stores, an increase of 30,000 sqm of self-owned GFA, up 20%
4. Achieved RMB5.9 million net profit from managing the Changsha mall
5. Achieved profit after taxation of RMB52.2 million, up 29.0%

The Group has focused on improving sales in each of our existing stores. With better store management, we managed to improve same store sales growth from a negative 3.0% in 2018 to a positive 0.7% in 2019. We closed an underperforming store in Putian City in August 2019 so that it will no longer be a burden to our overall

performance. Renovation works at our Xiamen Lvcao Store will feature a food street to capitalise on the opening of the interchange station in 2H2020. Efforts are constantly been made to improve sales at every store.

Gross profit margin from direct sales improved slightly from 11.4% to 12.7% in 2019, a reversal from a declining trend over the past three years. Direct sales, mostly from the sales of supermarket products and from sales of gold jewellery, totalled RMB862 million, up 11.3% year-on-year and accounted for 54.6% of total gross sales proceeds in 2019. Direct sales figures have been trending up over the past years.

Our 2019 new store rollout in Fujian Province was fully executed. We added three stores that are primarily supermarkets – the 1,400 sqm Maluanwan Store in Haicang District, Xiamen City, the 4,000 sqm Luncang Store in Quanzhou City and the 1,400 sqm Jinfeng Store in Zhangzhou City. We also added a large 23,200 sqm integrated store in Yongchun, Quanzhou City. The

/CEO's Statement

总裁致词

Yongchun store has a large department store, a modern supermarket and food and beverage outlets, which is typical of our large stores. Untypical though is that the Yongchun store employs a new profit-sharing scheme with the landlord whereby rents will only be charged if the store is profitable, hence lowering our downside. This arrangement at the Yongchun Store avoids the onerous non-cash effects from the lease accounting rules under SFPS (I) 16, which capitalise leases as assets with associated liabilities and writing down the assets should the stores be non-profitable. The four new stores boosted our total revenue in 2019, particularly the revenue from direct sales.

Our current new store rollout plan in 2020 will see two stores that are primarily supermarkets - a 3,500 sqm store in Anxi County, Quanzhou City and a 1,200 sqm store in Quangang, Quanzhou City and two large integrated stores - a 43,700 sqm store in Longwen, Zhangzhou City and a 6,400 sqm Guangqiao Store in Quanzhou City, which opened in January 2020. With the addition of these two integrated stores, the Group will look to grow the concessionaire sales segment, which stagnated in 2019 at RMB661 million, down 0.7% year-on-year. In aggregate, our store rollout target in 2020 is four new stores representing 54,800 sqm, an increase of 31% to 231,400 sqm of self-owned store gross sales area. The Group will have 18 self-owned stores and 3 managed stores by end 2020 should our rollout plan be fully implemented.

Our large mall management business outside Fujian Province is currently the 211,000 sqm outlet in Changsha. The Changsha outlet contributed net profit of RMB5.9 million in 2019 versus a loss of RMB4.8 million in 2018. The losses in 2018 came largely from pre-operating expenses as expenses were incurred while the outlet was not yet operating. We are working on our next outlet project in Wuxi City, Jiangsu Province, which we

have a 50% stake in the outlet management company while the developer of the mall has the other 50%. The project will have about 300,000 sqm of commercial space and a large number of underground carpark lots and abundant uncovered carpark lots. The targeted operational date is late 2021. We are quite excited by the prospects of these mega malls as they offer more comprehensive shopping experiences. Focusing on mall management business outside Fujian allows the Group to reap the economic benefits of the popularity of large malls outside Fujian without significant capital expenditure and the accompanying financial and operating risks.

During the unfortunate COVID-19 pandemic that became widespread in China from late January 2020, the Group's supermarkets remained open, albeit on shorter operating hours. Larger supermarkets were allowed to be opened in China and this helped to mitigate the fall in sales of department store products. Economic activities in China returned to normality in phases from late March and our stores were largely back to normal operating hours by April 2020. During this pandemic, our supply lines were largely unaffected, measures to ensure the safety of our staff and customers were successfully implemented and the Group's finances and operations were largely unaffected. Our expansion plan is largely on schedule, slight delay notwithstanding.

As we all move on from this unfortunate period, it is my sincere wish that our stakeholders have confidence in our plans for a brighter future.

Mr Chen Kaitong
CEO

9 June 2020



/CEO's Statement 总裁致词

我们从 2019 年开始，按计划目标是在福建发展我们的核心百货商店和超市业务，并在福建以外的运营奥莱管理业务中获得牵引力。我很高兴地报告，我们勤奋的团队在 2019 年实现了这些目标，我们现在准备进一步向前迈进。

我们在 2019 年取得的显著成就：

1. 同店销售增长率由 -3.0% 提高到 0.7%
2. 毛利率提高到 12.7%，增长 1.3%
3. 新增门店 4 家，自营建筑面积增加 3 万平方米，增长 20%
4. 经营长沙奥莱实现净利润 590 万元
5. 税后利润 5219 万元，增长 29.0%

集团致力于提高现有各门店的销售额。通过更好的门店管理，我们取得了同店销售额增长率从 2018 年的负 3.0% 提高到 2019 年的正 0.7%。2019 年 8 月，我们关闭了莆田市一家表现不佳的门店，这样就不会再成为我们整体业绩的负担。2020 年的下半年吕厝店的装修工程将以一条美食街为特色，以利用 2020 年下半年开放的换乘站带来的商机。我们各个门店都在不断提高销售额。

2019 年，自营毛利率从 11.4% 小幅上升至 12.7%，与过去三年的下降趋势相反。自营销售主要来自超市产品销售和黄金首饰销售，共 8.62 亿元人民币，同比增长 11.3%，占 2019 年总销售收入的 54.6%。过去几年，自营数字呈上升趋势。

我们 2019 年在福建省的新店推出全面执行。我们增加了三家以超市为主的门店，分别是厦门市海沧区 1400 平方米的马銮湾店、泉州市 4000 平方米的仓苍店和漳州市 1400 平方米的金峰店。我们还在泉州市永春县增加了一个 23200 平方米的大型购物中心。公司在永春开设大型购物中心有现代化的超市和餐饮店，这是我们在县城大型商店的典型。比较特殊的是，永春店与房东采用了一种新的利润分享方案，即只有在门店盈利的情况下才会支付租金，从而降低了我们的不确定的风险。永春店的这种模式减轻了 SFRS (I) 16 下租赁会计准则带来的沉重的非现金影响，SFRS (I) 16 将租赁资本化为具有相关负债的资产，并在门店不盈利的情况下减记资产。四间新店增加了我们 2019 年的总收入，特别是自营收入。

我们 2020 年的新店推出计划是：两家以超市为主的门店——泉州市安溪县一家 3500 平方米的门店和泉港区一家 1200 平

方米的门店；两家大型综合商店——漳州市龙文区一家 43700 平方米的商店将于 2020 年投入运营，加上 2020 年 1 月开张的泉州市安溪县的 6400 平方米的官桥店。随着这两家综合门店的增加，集团将致力于扩大百货联营销售。联营销售在 2019 年达到 6.61 亿元人民币，同比下降 0.7%。总的来说，我们在 2020 年推出的门店目标是 4 家新店，共 54800 平方米，增加 31%，达到 23.14 万平方米的自营门店总销售面积。若 2020 计划全面实施，集团将有 18 家自营店和 3 家管理店。

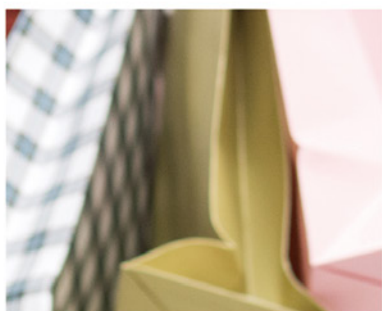
我们在福建省外的大型商场管理业务是目前在长沙的 21.1 万平方米的奥莱。长沙分店 2019 年净利润 590 万元人民币，2018 年亏损 480 万元人民币。2018 年的亏损主要来自营业前支出的。我们正在江苏省无锡市进行下一个奥莱项目，我们在该门店管理公司拥有 50% 的股份，而商场的开发商拥有另外 50% 的股份。该项目将拥有约 30 万平方米的商业空间，并有超大型的地下停车场和超大型的露天停车场。目标运营日期是 2021 年。我们对这些大型购物中心的前景感到十足的信心，因为它们提供了更全面的购物体验。专注于福建以外的大型商场管理业务，使集团能够在没有重大资本支出和伴随的财务和运营风险的情况下，从福建以外大型商场的发展中获得经济效益。

不幸的 COVID-19 大流行病从 2020 年 1 月下旬开始在中国蔓延期间，集团的超市仍然营业，尽管营业时间较短。大型超市不停顿的营业，有助于缓解百货公司产品销量的下降。从 3 月下旬开始，中国的经济活动逐步恢复正常，到 2020 年 4 月，我们的商店基本恢复正常营业时间。在这疫情流行期间，我们的供应链受到影响较小，确保员工和客户安全的措施得到了成功实施，集团的财务和运营基本没有受到大的影响。我们的扩建计划大体上是按计划进行的，尽管时间稍有延误。

在我们大家都摆脱这一不幸的“黑天鹅”之际，我真诚地希望，我们的利益攸关方对我们实现更光明未来的计划给予支持。我们相信危中有机，让我们做得更好！

陈开通
总裁

2020 年 6 月 9 日

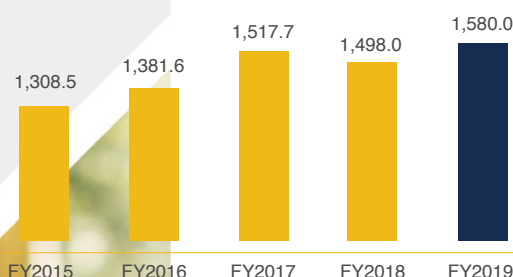


/Financial Highlights

财务摘要

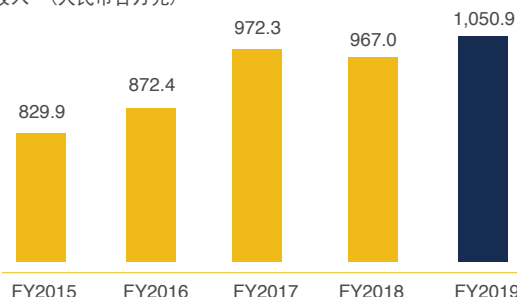
Gross sales proceeds (RMB' Million)

销售所得款项总额 (人民币百万元)



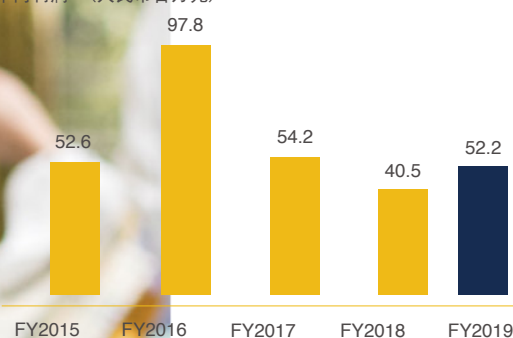
Revenue (RMB' Million)

收入 (人民币百万元)



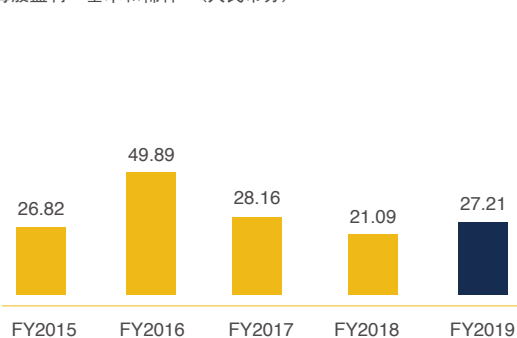
Profit for the year (RMB' Million)

年内利润 (人民币百万元)



Earnings per share-Basic and diluted (RMB cents)

每股盈利—基本和稀释 (人民币分)



	FY2015	FY2016	FY2017	FY2018	FY2019
Financial Results (RMB'000) 财务业绩 (人民币'000)					
Gross sales proceeds 销售所得款项总额 *	1,308,535	1,381,641	1,517,687	1,498,022	1,580,035
Revenue 收入	829,924	872,400	972,340	966,975	1,050,935
Profit before taxation 税前利润	77,393	149,093	82,132	65,169	77,832
Profit for the year 年内利润	52,644	97,823	54,200	40,458	52,187
Total comprehensive income for the year attributable to equity holders of the Company 公司权益所有者应占全面收入总额	53,062	97,201	55,500	40,922	52,622

Financial Position (RMB'000) 财务状况 (人民币'000)

Non-current assets 非流动资产	118,120	97,752	212,814	200,128	491,932
Current assets 流动资产	425,917	463,099	361,203	394,368	457,013
Current liabilities 流动负债	(317,723)	(339,278)	(350,952)	(363,435)	(505,856)
Net current assets 净流动资产	108,194	123,821	10,251	30,933	(48,843)
Non-current liabilities 非流动负债	(111,543)	(55,862)	(50,772)	(36,607)	(260,409)
Total equity 总权益	114,771	165,711	172,293	194,454	182,680

Financial Ratios (RMB cents) 财务比率 (人民币分)

Earnings per share					
- Basic and diluted 每股盈利 - 基本和稀释	26.82	49.89	28.16	21.09	27.21
Net asset value per share 每股净资产值	58.46	82.37	89.81	101.37	95.23

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

销售所得款项总额指来自自营及联营的销售所得款项、出租及承包的租金收入。

/Up and Coming Stores in Fujian 福建省内筹备店



中闽百汇 —— 漳州港项目

商业面积： 15,200平方米

项目介绍： 位于南厦门中央核心位置，漳州港行政科教商住区中心，是漳州港的行政、文化、商业中心。

Zhangzhou Port Store, CMZD, Zhangzhou City

Gross floor area: 15,200 sqm

Description: The store is located in CMZD, which is a state economic development zone in Zhangzhou City created to serve as the administrative, cultural and commercial centre of Zhangzhou Port.

中闽百汇 —— 漳州龙文明发项目

商业面积： 43,700平方米

项目介绍： 位于漳州市龙文区人口密集

Zhangzhou Longwen Store, Zhangzhou City

Gross floor area: 43,700 sqm

Description: A large integrated store in Longwen district in Zhangzhou City.



中闽百汇 —— 安溪光德项目

商业面积： 3,500平方米

项目介绍： 光德店位于安溪县人口密集的一家社区超市。

Anxi Guangde Store, Anxi County, Quanzhou City

Gross floor area: 3,500 sqm

Description: A supermarket located in a densely populated area in Anxi County, Quanzhou City.



/Up and Coming Malls outside Fujian 福建省外筹备项目



中闽百汇 —— 无锡项目

商业面积：300,000平方米

项目介绍：项目将以“优质生活”为核心打造超级奥莱城，将以国际、国内的顶级名品折扣中心、餐饮美食、大型超市、儿童主题馆、休闲健身娱乐等。2021下半年开业。中闽百汇拥有奥莱管理公司的50%。

Gross floor area: 300,000 sqm

Description: Outlet mall with quality of life as main theme and with offer renowned international and domestic branded goods plus other leisure, entertainment and F&B options. Expected completion 2H2021. ZMBH has an effective 50% stake in the outlet management company.



中闽百汇 —— 淄博项目

商业面积：43,000平方米

项目介绍：位于淄博张店区人民路与上海路交汇处，淄博中闽百汇购物广场以满足顾客的日常生活所需为目的。

Zibo Project, Zibo City, Shandong Province

Gross floor area: 43,000 sqm

Description: Located at the junction of Renmin Road and Shanghai Road, this large mall caters to the daily needs of shoppers.



中闽百汇 —— 广安财富中心项目

商业面积：39,000平方米

项目介绍：坐落于广安市广安区柯家井路28号，广安中闽百汇购物广场（财富中心店）以满足顾客的日常生活所需为目的，贴近当地生活需求，引领消费潮流，全力打造集大型生活超市、时尚流行百货、餐饮美食、电影娱乐等为一体的休闲购物广场，为顾客带来全新的消费体验。

Gross floor area: 39,000 sqm

Description: Located at No 28 Guang'an He Jia Jing Road, the mega mall has goods and services, such as trendy merchandise, grocery items, food & beverages, leisure and entertainment, to serve the needs of its customers.



中闽百汇 —— 广安国际广场项目

商业面积：27,400平方米

项目介绍：坐落于广安市广安区滨江路北段24号，离富贵中心项目6公里，广安中闽百汇购物广场（国际广场店）以满足顾客的日常生活所需为目的，贴近当地生活需求，引领消费潮流，全力打造集大型生活超市、时尚流行百货、餐饮美食、电影娱乐等为一体的休闲购物广场，为顾客带来全新的消费体验。

Gross floor area: 27,400 sqm

Description: Located at No 24 Bing Jiang Road, about 6 km from the Guang'an Fortune Centre Project, this mall has goods and services to serve the needs of its customers.

/Board of Directors 董事会

Lee Swee Keng

Executive Chairman

Mr Lee Swee Keng was appointed to the Board in September 2004. Mr Lee is responsible for charting and steering the Group's business direction, overall management, strategic planning and business development for the Group. He possesses over 30 years of experience as an entrepreneur, establishing and managing businesses in industries ranging from food and beverage to construction machinery and equipment. As a key founder of the Group, Mr Lee partnered Mr Chen Kaitong in setting up and operating small-scale department stores in Anxi, Fujian, before they collaborated to establish Zhongmin Baihui. Mr Lee was being conferred the Public Service Medal (Pingat Bakti Masyarakat or "PBM") in 2014.

Chen Kaitong

CEO and Executive Director

Mr Chen Kaitong is a key founder of the Group and was appointed Director and CEO of the Group since December 2008. He is also a director in various companies of the Group. Mr Chen is instrumental to the Group's growth, operations and direction. He is responsible for strategic corporate planning, business development and overseeing the key day-to-day operations of the Group. Mr Chen has more than 30 years of experience in the retail industry in China. He was involved in the early stages in setting and running the first modern department store of the Group in Anxi. He received numerous awards for his contribution to the sector. In 2010, he was elected Chairman of Quanzhou City Chain Store & Franchise Association. He was a member of the National People's Congress ("NPC") representing Quanzhou City from 2002 to 2016 and was elected in 2017 to serve as the Quanzhou City representative in the 16th NPC. He was re-elected Executive Vice President of Quanzhou Federation of Overseas Chinese merchants in 2018.

Andrew Lim Kok-Kin

Executive Director

Mr Andrew Lim was appointed to the Board as Non-Executive Director in Jan 2012 and re-designated as Executive Director in May 2015. Mr Lim is a CFA charter holder since 1993 and has over 18 years of working experience in the investment industry, which includes serving as Director at Azure Capital Pte Ltd, Chief Investment Officer at S.E.A. Asset Management Pte Ltd, Senior Fund Manager at Pheim Asset Management (Asia) Pte Ltd and Senior Portfolio Manager at MMG Investments (Dubai, U.A.E.). Mr Lim also taught at the School of Business, Singapore Polytechnic. Mr Lim graduated with a B Sc (Hons) (Industrial Engineering) degree from the University of Texas (El Paso) and an MBA from the University of Texas (Austin).

Su Caiye

Non-Executive Director

Mr Su Caiye was appointed to the Board in December 2008 as Non-Executive Director and is presently the General Manager and legal representative of Quanzhou Zhongmin Baihui, the parent company of our managed stores. Mr Su has more than 20 years of experience in the retail industry, beginning with an apparel shop in 1992. He was involved in the establishment of Xiamen Zhongmin Baihui.

/Board of Directors 董事会

Choy Bing Choong

Independent Director

Mr Choy was appointed to the Board as Independent Director in December 2019. He is the Chairman of the Audit Committee and Lead Independent Director. Mr Choy is a Fellow Chartered Accountant of Singapore, a member of the Singapore Institute of Directors, and holds a Bachelor's of Accountancy Degree from NUS. Mr Choy has 29 years of experience in a variety of roles in multiple industries and countries and is currently Director and Group Chief Operating Officer at Natural Cool Holdings Limited where he has been for the last 6 years. Prior to that, he spent 8 years with the corporate finance department at CIMB Bank Berhad, Singapore Branch where he last held the position of Director, Corporate Finance. Before CIMB Bank Berhad, he served 3 years in the Corporate and Capital Markets Group at Rajah & Tann. Apart from his home base in Singapore, he has also worked in China, the United Kingdom and Indonesia. Mr Choy is also an Independent Director at Hiap Tong Corporation Ltd and Hoe Leong Corporation Ltd.

Goh Poh Kee

Independent Director

Miss Goh was appointed to the Board as Independent Director in December 2018. She is the Chairman of the Nominating Committee. She is a corporate service provider providing business & management consulting and corporate compliance services. Between 2012 to 2016, she was a director in KPMG Singapore's Advisory unit and moved on to head the Finance and Administration functions of KPMG Singapore firm. Prior to that, Miss Goh was the CFO of SGX Catalyst firm Equation Corp Limited from 2005 to 2009 and a Special Assistant to CEO from 2009 to 2012. She has 30 years of finance, accounting and business management related working experiences with various corporations throughout her career. Miss Goh holds a Bachelor of Accountancy degree from NUS and she is a Fellow Chartered Accountant of Singapore ("FCA (Singapore)").

Dr Ong Seh Hong

Independent Director

Dr Ong was appointed to the Board as Independent Director in December 2010. He is Chairman of the Remuneration Committee. Dr Ong is a practising senior consultant psychiatrist. From 2000 to 2009, Dr Ong was with the Ren Ci Hospital & Medicare Centre where he last held the posts of Clinical Director and Chief Operating Officer. From 1997 to 1999, he was HR Manager and VP (Corp Services), GIC Special Investment, Government of Singapore Investment Corporation Pte Ltd. He was a Member of Parliament from 2001 to 2011. Dr Ong is currently an independent director of Dyna-Mac Holdings Ltd and Hock Lian Seng Holdings Ltd. Dr Ong holds an MBBS from the National University of Singapore ("NUS") in 1987 and a degree in Master of Science in Applied Finance from NUS. Dr Ong was being conferred PBM in 2001.

/Key Management 高级管理层

Su Jianli

Deputy CEO (Marketing and Operations)

Mr Su Jianli joined the Group since December 2008. His responsibilities include assisting the CEO in performing the daily running of the Group, with emphasis on strategic corporate planning and development of Group operations, implementation of quality management policies and marketing and sales. Mr Su possesses more than 17 years of experience at the management level in the power and apparel industries. Mr Su served as Director of the Group from December 2008 to May 2019.

Wang Liyu

Deputy CEO (Administration and Human Resources)

Ms Wang Liyu joined the Group in 2010 and is responsible for managing our Group's administration matters as well as in overseeing the full spectrum of human resource related matters including employee recruitment, training, relations and welfare. Prior to joining the Group, Ms Wang was an accountant at the Fujian Motor Industry Group Co., Ltd, and the financial controller of Quanzhou Zhongmin Baihui from 2000 to 2010. Ms Wang holds a Diploma in Finance and Accounting from Fujian Commercial College.

Anna Li

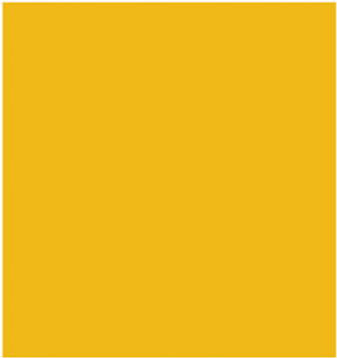
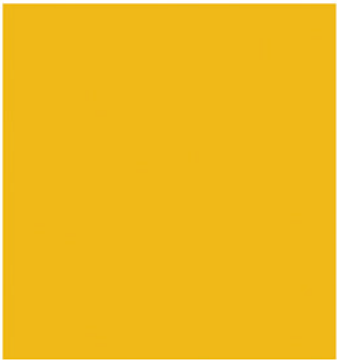
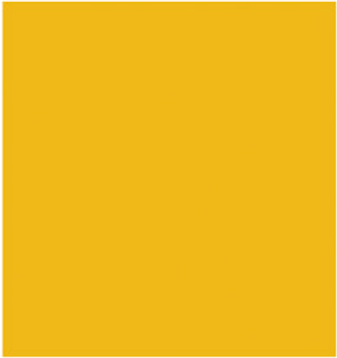
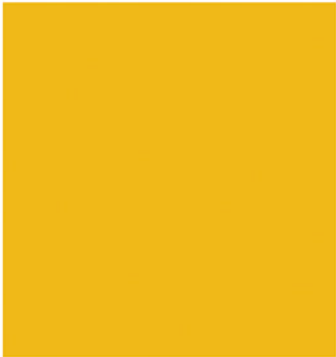
Deputy CEO (Human Resource)

Ms Anna Li is responsible for the human resources of the Group. She is involved in special projects from time to time. She has resigned from the Group with effect from June 2020. Ms Li has an MA from Zhengzhou University and an EMBA from Xiamen University. She previously served as deputy general manager of China Merchants Trading, a part of China Merchants Group, deputy general manager for the human resources at Xiamen Baicheng Construction & Investment Co., Ltd. and head of the administrative center of the East Sea area construction headquarters of the Xiamen municipal government.

Jeffrey Kan Kai Hi

Chief Financial Officer

Mr Jeffrey Kan joined the Group in July 2010 and is responsible for overseeing matters relating to accounting, financial administration and the compliance and reporting obligations of the Group. Prior to joining the Group, Mr Kan held key appointments, including the financial controller of Asia Water Technology Ltd, chief financial officer of Econat Fiber Limited, regional financial controller of BreadTalk Group Limited and financial controller of Ghimli Group where he started as a controlling accountant. He was with several audit firms from 1998 and last held the title of audit senior at KPMG (Singapore). Mr Kan holds a degree in Bachelor of Commerce (Accounting) from Curtin University of Technology, Australia and is a fellow member of CPA Australia.





/ Corporate Governance Report

企业治理

Zhongmin Baihui Retail Group Ltd. (the “**Company**”), together with its subsidiaries (the “**Group**”), recognises the importance and is committed to maintaining a high standard of corporate governance. Good corporate governance provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company’s shareholders and promote investor confidence. This report outlines the Company’s corporate governance practices and structures in the financial year ended 31 December 2019 (“**FY2019**”), with specific reference made to each of the principles of the Code of Corporate Governance 2018 (the “**Code**”). Deviations from the Code are explained. The Company has complied with the principles and guidelines of the Code where appropriate.

BOARD MATTERS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board of Directors (“**Board**”) is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. The constitution of the Company (“**Constitution**”)¹ also provides for telephonic meetings.

The Company was transferred from the Catalist Board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) to the Mainboard of the SGX-ST on 3 September 2013.

The Directors attend and actively participate in Board and Board Committee meetings and where the Directors hold multiple board representation, the Nominating Committee will consider and ensure that they have sufficient time and attention for the affairs of each company. As a general rule, the maximum number of listed company board appointments shall not exceed five (5) companies unless the Nominating Committee decides otherwise.

The number of Board and Board committee meetings held and attended by each Board member of the Company during the financial year under review is as set forth:

	AGM held on 26 April 2019	Board	Board Committees		
			Audit	Nominating	Remuneration
Number of meetings held	1	4	4	1	1
			Number of meetings attended		
Mr. Lee Swee Keng	1	4	4*	1*	1*
Mr. Chen Kaitong	1	4	4*	1*	1*
Mr Su Caiye	1	1	1*	N.A.	N.A.
Mr. Su Jianli ⁽¹⁾	0	0	N.A.	N.A.	N.A.
Mr. Andrew Lim Kok-Kin	1	4	4*	1	N.A.
Mr. Choy Bing Choong ⁽²⁾	N.A.	N.A.	N.A.	N.A.	N.A.
Dr. Ong Seh Hong	1	4	4	1	1
Ms. Goh Poh Kee	1	4	4	1	1
Mr. Koh Lian Huat ⁽³⁾	1	4	4	1	1

*By Invitation

Notes:

⁽¹⁾ Mr. Su Jianli resigned as an Executive Director of the Company with effect from 31 May 2019.

⁽²⁾ Mr. Choy Bing Choong was appointed as a Lead Independent Director of the Company with effect from 31 December 2019, and as such, did not attend any of the meetings for FY2019.

⁽³⁾ Mr. Koh Lian Huat resigned as Lead Independent Director of the Company with effect from 31 December 2019.

¹ Pursuant to the prevailing of the Companies Act (Cap. 50 of Singapore), the Memorandum and Articles of Association of the Company are deemed by law to be merged to form the Constitution of the company.

/ Corporate Governance Report

企业治理

Matters which specifically require the Board's decision or approval are those involving:

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nomination of Board and appointment of key personnel;
- quarterly and full-year results announcement, the annual report and accounts;
- interested person transactions;
- material acquisitions and disposal of assets;
- identification of the key stakeholder groups and recognition that their perceptions affect the Company's reputation;
- setting of the Company's value and standards (including ethical standards, tone-from-the-top and organizational culture), and ensuring that obligations to shareholders and other stakeholders are understood and met;
- consideration of sustainability issues (e.g. environmental and social factors) in the formulation of its strategies; and
- all matters of strategic importance.

Where there are matters in which the Directors face conflicts of interest, the Directors recuse themselves from discussions and decisions involving the issues of conflict.

All other matters are delegated to committees of the Board whose actions are monitored and endorsed by the Board. These committees include the Audit Committee, the Nominating Committee and the Remuneration Committee, all of which operate within clearly defined and written terms of reference and functional procedures, which are reviewed on a regular basis. Each of these committees reports its activities regularly to the Board, and their actions are reviewed by the Board. A summary of each committee's activities, is disclosed in this Annual Report.

The Board ensures that Directors with no prior experience as a Director of a listed company undergo training in the roles and responsibilities of a listed company Director unless the Nominating Committee is of the view that the Director has other relevant experience. The incoming newly-appointed Directors will be given an orientation on the Group's business strategies and operations and governance practices to facilitate the effective discharge of their duties. Newly-appointed Directors will also be provided with a formal letter setting out their duties and obligations.

The Company is responsible for arranging and funding the training of Directors. Board members have been and will be encouraged to attend seminars and receive trainings to improve themselves in the discharge of their duties as Directors. The Company will work closely with professionals to provide its Directors with updates on changes to relevant laws, regulations and accounting standards. During the year, the Directors received trainings which were arranged by the Company in several areas, including anti-money laundering, professional ethics, privacy in the digital era, and listed entity director programme.

Directors are also provided with an insight into the Group's operational facilities and periodically meet with the management of the Company ("**Management**") to gain a better understanding of the Group's business operations. The Board as a whole is updated on risks management and the key changes in the relevant regulatory which have an important bearing on the Company and the Directors' obligations to the Company.

/ Corporate Governance Report

企业治理

The Company recognises that an organisation's success is not based solely on its business achievements, but also by the positive role it plays in community engagement and towards environmental sustainability. The Company strongly encourages its staff to be aware of social issues, to participate in fundraising initiatives, community projects and activities.

Each member of the Board has complete access to such information regarding the Group as may be required for the discharge of his duties and responsibilities. Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations, for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon.

As a general rule, notices are sent to the Directors at least one (1) week in advance of Board meetings, followed by the Board papers in order for the Directors to be adequately prepared for the meetings. Senior management personnel if required, will attend Board meetings to address queries from the Directors. The Directors also have unrestricted access to the Company's senior management. Requests for the Company's information by the Board are dealt with promptly.

The Directors have separate and independent access to the Company Secretary. The Company Secretary or his/her colleague attends all Board meetings and ensures that the Board procedures and the provisions of applicable laws, the Companies Act (Cap. 50 of Singapore), the Constitution and the Listing Manual of the SGX-ST (the "Listing Manual") are observed. The Company Secretary also assists with the circulation of Board papers and updates the Directors on changes in laws and regulations relevant to the Group. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Board (whether as individual members or as a group) has direct access to independent professional advisers, where so requested by them, at the Company's expense.

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

In FY2019, the Board comprised seven (7) members, three (3) of whom hold executive positions, one (1) of whom is a non-executive non-independent Director and three (3) of whom are Independent Directors:

With effect from 31 May 2019, Mr Su Jianli had resigned as an Executive Director of the Company. With effect from 31 December 2019, Mr. Choy Bing Choong has been appointed as a Lead Independent Director of the Company and Mr. Koh Lian Huat had resigned as Lead Independent Director of the Company. At the date of this Annual Report, the Board comprises the following members:

Mr. Lee Swee Keng	Executive Chairman
Mr. Chen Kaitong	Executive Director and Chief Executive Officer
Mr. Andrew Lim Kok-Kin	Executive Director
Mr. Su Caiye	Non-Executive Non-Independent Director
Mr. Choy Bing Choong	Lead Independent Director
Dr. Ong Seh Hong	Independent Director
Ms. Goh Poh Kee	Independent Director

The Company endeavours to maintain a strong and independent element on the Board. The Board considers an Independent Director as one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. There are three (3) Independent Directors on the Board. Whilst the prevailing applicable guideline of the Code would be that majority of the Board be comprised of Independent Directors since the Executive Chairman, Mr. Lee Swee Keng, is not an Independent Director, the Board is satisfied that the Principle that there be a strong and independent element is still adhered to. This is because all the board committee meetings are chaired by the Independent Directors, and majority of the Board is comprised

/ Corporate Governance Report

企业治理

of Non-Executive Directors who have been consistently proven to be exercising independent business judgement with a view to the best interests of the Company. No changes were made to the Board composition noting the effectiveness of the present Board as explained below.

Each of the Independent Directors has confirmed that he/she does not have any relationship with the Company or its related corporations, its officers or its shareholders with shareholdings of 5% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of his/her independent business judgment. The Nominating Committee has reviewed and determined that the said Directors are independent. The independence of each Director has been and will be reviewed annually by the Nominating Committee based on the guidelines set forth in the Code.

Other than Dr Ong Seh Hong, there are no other Independent Directors who have served on the Board beyond nine (9) years from the date of his or her first appointment. The Nominating Committee and the Board have conducted a rigorous review on the independence of Dr Ong Seh Hong and noted that he and his immediate family have no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company.

The Board has examined its size and is satisfied that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The Nominating Committee is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Nominating Committee is of the view that the current Board comprises persons who as a group provide an appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. Details of the Board members' qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

The Non-executive Directors and/or Independent Directors, when necessary led by the Lead Independent Director, will have discussions amongst themselves without the presence of the Management and provide feedback to the Board and/or Chairman as appropriate.

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Executive Chairman of the Company is Mr. Lee Swee Keng. The Chief Executive Officer of the Company is Mr. Chen Kaitong. There is a clear division of responsibilities between the Executive Chairman and the Chief Executive Officer to ensure that there is an appropriate balance of power, increased accountability and sufficient capacity of the Board for independent decision-making. The requirement of the Code that the roles of Chairman and Chief Executive Officer be separate is therefore met in the case of the Company.

The Executive Chairman, Mr. Lee Swee Keng, plays a vital role in charting and steering the corporate direction of the Group and is responsible for the overall management, strategic planning, business development and promoting high standards of corporate governance of the Group.

As the Chief Executive Officer of the Company, Mr. Chen Kaitong is responsible for developing the overall strategic corporate planning and business development of the Group as well as the overall aspects of the Group. He plays an important role in determining the opening and location of the Group's new stores and formulating its business workflow and organisational structure.

The Chief Executive Officer, Mr. Chen Kaitong, is a distant relative of the Executive Chairman, Mr. Lee Swee Keng. The brother of Mr. Lee Swee Keng's grandmother is the father of Mr. Chen Kaitong. The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence. In view that the Executive Chairman, Mr. Lee Swee Keng, is part of the management team, the Company has appointed Mr. Choy Bing Choong, an Independent Director,

/ Corporate Governance Report

企业治理

to be the Lead Independent Director. The Independent Directors will be available to the shareholders where they have concerns and for which contact through the normal channels of the Executive Chairman, the Chief Executive Officer or the Chief Financial Officer are inappropriate or inadequate.

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.

In FY2019, the members of the Company's Nominating Committee during the financial period under review are Ms. Goh Poh Kee, Mr. Koh Lian Huat, Dr. Ong Seh Hong and Mr. Andrew Lim Kok-Kin. With effect from 31 December 2019, Mr. Koh Lian Huat had resigned as Lead Independent Director of the Company and Mr. Choy Bing Choong was appointed as a Lead Independent Director of the Company. As at the date of this annual report, there are three (3) Independent Directors such that a majority of the Nominating Committee, and the Chairman of the Nominating Committee being Ms Goh Poh Kee, are Independent Directors. The Nominating Committee meets at least once a year.

The Nominating Committee is responsible for the following:

- (a) the review of board succession plans for Directors;
- (b) to decide how the Board's, its board committees' and directors' performance may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value;
- (c) the review of training and professional development programmes for the Board;
- (d) to make recommendations to the Board on all board appointments, including re-nominations, having regard to the Director's contribution and performance (for example, attendance, preparedness, participation and candour);
- (e) to determine annually whether or not a Director is independent;
- (f) in respect of a Director who has multiple board representations on various companies, to decide whether or not such Director is able to and has been adequately carrying out his/her duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards; and
- (g) to assess the performance of the Board and contribution of each Director to the effectiveness of the Board.

Each member of the Nominating Committee shall abstain from voting on any resolution relating to the assessment of his performance or his re-nomination as Director.

The Nominating Committee will ensure that there is a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties which will ensure that new directors are aware of their duties and obligations. The Nominating Committee determines on an annual basis, and as and when circumstance require, whether or not a Director is independent, for the purposes of the Code. With reference to Principle 3 above, the Nominating Committee is of the view that the Independent Directors are independent.

In assessing the performance of each individual Director, the Nominating Committee considers whether he has multiple board representations and other principal commitments, and is able to and adequately carried out his duties as a Director notwithstanding such commitments. The Nominating Committee is satisfied that sufficient time and attention to the affairs of the Company has been given by those Directors who have multiple board representations.

/ Corporate Governance Report

企业治理

To address the competing time commitments that are faced when Directors serve on multiple boards, the Nominating Committee has reviewed and the Board has determined and set that as a general rule, the maximum number of listed company board appointments be not more than five (5) companies. However, any Directors may hold more than five (5) listed company board representations should the Nominating Committee be satisfied and is of the view that such Directors are able to devote sufficient time and attention to the affairs of the Company after taking into account of their individual circumstances, contributions, responsibilities and other principal commitments. Non-Executive Directors may consult the Chairman of the Nominating Committee before accepting any appointments as Directors. Currently, none of the Directors holds more than five (5) directorships in listed companies.

Directors are encouraged to attend relevant training programmes conducted by the relevant institutions and organisations. The cost of such training will be borne by the Company.

Regulation 104 of the Constitution requires one-third of the Directors to retire from office at least once every three (3) years at an Annual General Meeting (the “AGM”). Regulation 106 of the Constitution provides that the retiring Directors are eligible to offer themselves for re-election.

Regulation 114 of the Constitution provides that the Directors shall have power at any time and from time to time to appoint any other qualified person as a Director either to fill a casual vacancy or as an addition to the Board. However, any Director so appointed shall hold office only until the next AGM of the Company, and shall be eligible for re-election.

In assessing potential new directors, the Nominating Committee considers selection criterion including integrity, diversity of competencies, expertise, industry experience and financial literacy. The Nominating Committee seeks potential candidates widely and beyond directors/management recommendations and is empowered to engage external parties, such as professional search firms and institutions, to undertake research on or assessment of candidates as it deems necessary.

The Nominating Committee recommended to the Board that Mr. Chen Kaitong, Mr. Su Caiye and Dr. Ong Seh Hong be nominated for re-election at the forthcoming AGM. In making the recommendation, the Nominating Committee has considered the Directors’ overall contributions and performance.

Mr Chen Kaitong will, upon re-election, remain as Executive Director and Chief Executive Officer of the Company. Mr Su Caiye will, upon re-election, remain as Non-Executive Non-Independent Director of the Company. Dr. Ong Seh Hong will, upon re-election, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

/ Corporate Governance Report

企业治理

As at the date of this Annual Report, the date of initial appointment and last re-election of each Director, together with their directorships in other listed companies are set out below:

Name	Age	Appointment	Date of initial appointment	Date of last re-election or re-appointment	Directorship in other listed companies
LEE SWEE KENG	60	Executive Chairman	17 September 2004	26 April 2019	NIL
CHEN KAITONG	53	Chief Executive Officer and Executive Director	9 December 2008	25 April 2016	NIL
ANDREW LIM KOK-KIN	56	Executive Director	1 January 2012	26 April 2019	NIL
SU CAIYE	48	Non-executive non-independent Director	9 December 2008	27 April 2018	NIL
CHOY BING CHOONG ⁽⁴⁾	53	Lead Independent Director	31 December 2019	NIL	Hiap Tong Corporation Ltd Hoe Leong Corporation Ltd Natural Cool Holdings Limited
DR ONG SEH HONG	57	Independent Director	23 December 2010	25 April 2016	Dyna-Mac Holdings Ltd Hock Lian Seng Holdings Limited
GOH POH KEE	53	Independent Director	31 December 2018	26 April 2019	NIL

⁽⁴⁾ Mr Choy Bing Choong was appointed as a Lead Independent Director of the Company with effect from 31 December 2019.

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors

The Nominating Committee had adopted processes for the evaluation of the Board's performance and effectiveness as a whole and the performance of individual Directors, based on performance criteria which were recommended by the Nominating Committee and approved by the Board. For the evaluation of the Board performance, the criteria include return on assets, return on equity and the Company's share price performance which allow the Company to make comparisons with its industry peers and are linked to long-term shareholders' value. The Nominating Committee also takes into consideration the feedback from individual Directors on areas relating to the Board's competencies and effectiveness. The results of the overall evaluation of the Board by the Nominating Committee including its recommendation, if any, for improvements are presented to the Board.

The assessment process involves and includes inputs from Board members, applying the performance criteria of the Nominating Committee and approved by the Board. These inputs are collated and reviewed by the Chairman of the Nominating Committee, who presents a summary of the overall assessment to the Nominating Committee for review. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvements are then submitted to the Board for discussions and, where appropriate, approval for implementation.

/ Corporate Governance Report

企业治理

The individual performance criteria include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, level of participation at meetings and attendance record.

The annual evaluation process for each individual Director's performance comprises three (3) parts: (a) background information concerning the Directors including their attendance records at Board and Board Committee meetings; (b) questionnaires for completion by each individual Board member; and (c) Nominating Committee's evaluation based on certain assessment parameters. The questionnaires and the assessment parameters were recommended by the Nominating Committee and approved by the Board. The completed questionnaires are then reviewed by the Nominating Committee before the Nominating Committee completes its evaluation of the individual Directors. When deliberating on the performance of a particular Director who is also a member of the Nominating Committee, that member abstains from the discussions in order to avoid any conflict of interests.

The Nominating Committee has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory. Although some of the Board members have multiple board representations, the Nominating Committee is satisfied that sufficient time and attention has been given by the Directors to the Group.

REMUNERATION MATTERS

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

In FY2019, the members of the Company's Remuneration Committee during the financial period under review are Ms Goh Poh Kee, Dr Ong Seh Hong and Mr Koh Lian Huat. With effect from 31 December 2019, Mr Koh Lian Huat had resigned as Lead Independent Director of the Company and Mr Choy Bing Choong was appointed as a Lead Independent Director of the Company. As at the date of this Annual Report, the members of the Company's Remuneration Committee are Dr Ong Seh Hong, Ms Goh Poh Kee and Mr Choy Bing Choong. The Remuneration Committee is entirely constituted by Independent Directors, and the Chairman of the Remuneration Committee is Dr Ong Seh Hong, an Independent Director.

Our Remuneration Committee will review and recommend to the Board a framework of remuneration for the Directors and key management personnel and determine specific remuneration packages for each Director as well as for the key management personnel. The recommendations of the Remuneration Committee should be submitted for endorsement by the Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives, awards and benefits-in-kind shall be covered by the Remuneration Committee to ensure that they are fair. In addition, the Remuneration Committee will perform an annual review of the remuneration of employees related to the Directors and Substantial Shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotion for these employees. Each member of the Remuneration Committee shall abstain from voting on any resolution in respect of his remuneration package. The Remuneration Committee shall also review the Company's obligations arising in the event of termination of the employment of Directors and key management personnel. The Remuneration Committee may access expert advice regarding executive compensation matters relating to Directors and key management personnel if required. There was no necessity for the engagement of external remuneration consultant in FY2019.

/ Corporate Governance Report

企业治理

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

In setting remuneration packages, the Remuneration Committee will ensure that the Directors are adequately but not excessively remunerated as compared to the industry and comparable companies and that the remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.

The remuneration packages for Executive Directors and key management personnel take into account the performance of the Group and the individual. The Director's fees for non-executive Directors are based on the effort, time spent and responsibilities of the non-executive Directors, and are subject to approval at AGMs. The Company has entered into service agreements with Mr Lee Swee Keng (the Executive Chairman), Mr Chen Kaitong (the Chief Executive Officer and Executive Director), Mr Su Jianli (the Deputy Chief Executive Officer) commencing from the date of admission of the Company to the Catalist Board, and with Mr Andrew Lim Kok-Kin (the Executive Director) commencing 31 May 2015. They are valid for an initial period of three (3) years (the "Initial Term") each and upon the expiry of the initial period of three (3) years, the employment of the respective appointee shall be automatically renewed on a year-to-year basis on such terms and conditions as the parties may agree. The service agreements may be terminated by either the Company or the respective Directors giving to the other party six (6) calendar months' notice in writing or payment of six (6) months' basic salary in lieu of notice. Revisions to the terms of the service agreements will be reviewed by the Remuneration Committee, which, upon taking into consideration the employment conditions within the retail industry and comparable companies, will recommend the same to the Board where such revisions are in order.

The remuneration packages for the Executive Directors and key management personnel includes a fixed salary and a variable performance related bonus which is designed to align their interests with those of the shareholders and other stakeholders and promotes the long-term success of the Company.

The Company does not have in place any share-based compensation schemes or any long-term scheme involving the offer of shares.

All revisions to the remuneration packages for the Directors and key management personnel are subject to the review by and approval of the Board. Directors' fees are further subject to the approval of shareholders at the AGM. Each member of the Remuneration Committee will abstain from deciding his or her own remuneration and the remuneration packages of persons related to him/her.

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The Remuneration Committee recommends to the Board a framework of remuneration for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate key management personnel to run the Company successfully in order to maximize shareholders' value. The recommendations of the Remuneration Committee on the remuneration of Directors and key management will be submitted for endorsement by the Board. The members of the Remuneration Committee do not participate in any decisions concerning their own remuneration.

/ Corporate Governance Report

企业治理

The breakdown showing the level and mix of each individual Director's remuneration in the financial period under review by percentage (%) is as follows:

Remuneration Band and Name of Director	Base / Fixed salary	Directors fees	Variable or performance benefits related income / Bonus	Other Benefits
Above S\$250,000 and Below S\$500,000				
Mr Lee Swee Keng	72%	–	24%	4%
Mr Chen Kaitong	75%	–	25%	–
Below S\$250,000				
Mr Su Jianli	62%	–	37%	1%
Mr Andrew Lim Kok-Kin	79%	–	13%	8%
Mr Su Caiye	–	100%	–	–
Mr Choy Bing Choong ⁽⁵⁾	–	–	–	–
Mr Koh Lian Huat	–	100%	–	–
Dr Ong Seh Hong	–	100%	–	–
Ms Goh Poh Kee	–	100%	–	–

⁽⁵⁾ Mr Choy Bing Choong was appointed as a Lead Independent Director of the Company with effect from 31 December 2019 and has agreed not to receive any Directors' fees for FY2019.

There are only four (4) management personnel whom the Company considered to be key management personnel (who were not Directors). Accordingly, these two (2) key management personnel of the Group during the financial year under review fell within the remuneration band of below S\$250,000:

Mr Su Jianli	98%	–	–	2%
Ms Wang Liyu	79%	–	20%	2%
Ms Anna Li ⁽⁶⁾	100%	–	–	–
Mr Jeffrey Kan Kai Hi	74%	–	18%	8%

⁽⁶⁾ Ms Anna Li has resigned from the Group with effect from 5 June 2020.

The Company has not disclosed exact details of the remuneration of each individual Director as it is not in the best interests of the Company and employees to disclose such details due to the sensitive nature of such information.

In considering the disclosure of remuneration of these four (4) key management personnel of the Company, the Company considered the overall quantum received by each individual executive as well as the confidential nature of the key management personnel's remuneration and believes that a full disclosure as recommended by the Code would be prejudicial to the Company's interest. The annual aggregate remuneration paid to these four (4) key management personnel of the Company (who are not Directors or the Chief Executive Officer) for FY2019 is approximately S\$494,407.

The Company currently does not participate in any employee share schemes or any share-based compensation schemes.

No employee who was an immediate family member of a Director was paid more than S\$100,000 during FY2019. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister, and parent of such person.

/ Corporate Governance Report

企业治理

ACCOUNTABILITY AND AUDIT

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

In line with the continuing disclosure obligations of the Company under the Listing Manual, the Board's policy is that shareholders shall be informed of all major developments of the Company. Information is presented to shareholders on a timely basis through SGXNet and/or the press. In presenting the annual financial statements and quarterly and full-year result announcements to its shareholders, it is the objective of the Board to provide its shareholders with a reasonable understanding of the Group's financial position, performance and prospects.

The Management currently provides the Board with management accounts of the Group's performance, position and prospects on a monthly basis.

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of its assets.

Accordingly, to facilitate the compliance of Rule 1207(10) of the Listing Manual, the Board has engaged an external consultant to review the adequacy and effectiveness of the Company's internal control system in FY2019 to assist the Board and the Audit Committee in their review of the Group's risk management and internal control systems focusing on financial, operational and compliance controls.

The Chief Executive Officer and the Chief Financial Officer have provided assurance that as at the end of FY2019 (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems are effective.

With the concurrence of the Audit Committee, the Board is of the opinion that the Company has in place a robust and effective system of internal controls addressing financial, operational and compliance risks to safeguard shareholders' interests and the Group's assets. In the absence of any evidence to the contrary, the Board is further of the view that the system of internal controls maintained by the Management provides reasonable assurances against material financial misstatements or losses, safeguarding of assets, maintenance of proper accounting records, reliability of financial information, compliance with legislation regulations and best practices and the identification and management of business risks. The Board recognises that no cost-effective internal control system will preclude all errors and irregularities, as such a system is designed to manage (rather than eliminate the risk of failure) and achieve its business objectives. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

In FY2019, the members of the Company's Audit Committee during the financial period under review are Mr Koh Lian Huat, Dr Ong Seh Hong and Ms Goh Poh Kee. With effect from 31 December 2019, Mr Koh Lian Huat had resigned as an Independent Director of the Company and Mr Choy Bing Choong was appointed as a Lead Independent Director of the Company and Chairman of the Audit Committee. As at the date of this Annual Report, the members of the Company's Audit Committee for the financial period under review are Mr Choy Bing Choong, Dr Ong Seh Hong and Ms Goh Poh Kee, with at least 2 members having recent and relevant accounting or related financial management expertise or experience. The Audit Committee is entirely constituted by Independent Directors who do not have any financial interest in and are not former partners or directors of the Company's Auditor, Ernst & Young LLP, and the Chairman of the Audit Committee is Mr Choy Bing Choong, an Independent Director.

/ Corporate Governance Report

企业治理

The principal role and functions of the Audit Committee are as follows:

- (a) review the annual consolidated financial statements and the external auditors' report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with international financial reporting standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;
- (b) review and report to the Board at least annually the adequacy and effectiveness of the Company's risk management systems and internal controls, including financing, operational, compliance and information technology controls;
- (c) review the periodic consolidated financial statements comprising the assurance from CEO and CFO, the profit and loss statements and the balance sheets and such other information required by the Listing Manual, before submission to the Board for approval;
- (d) consider the appointment and re-appointment of the external auditors including matters relating to resignation or dismissal thereof and the remuneration and terms of engagement of the external auditors;
- (e) review the audit plans of the external auditors and the internal auditors, including the results of the external and internal auditors' review and evaluation of the system of internal controls in the course of the audit of the Group's financial statements and internal control audit respectively;
- (f) review the procedures by which employees of the Group may, in confidence, report to the Chairman of the Audit Committee, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions in relation thereto;
- (g) review and discuss with external and internal auditors (if any), any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the management's response;
- (h) review the co-operation given by the management to the external auditors;
- (i) review and ratify any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
- (j) review the guidelines and review procedures set out in the "Interested Person Transactions and Potential Conflicts of Interests" section of the Company's Offer Document and future interested person transactions, if any;
- (k) monitor the undertaking described in the "Interested Person Transactions and Potential Conflicts of Interests – Potential Conflicts of Interest" section of the Company's Offer Document;
- (l) review any potential conflicts of interest;
- (m) review the adequacy and supervision of the finance and accounting team on a regular basis;
- (n) undertake such other reviews and projects as may be requested by the Board, and will report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and
- (o) undertake generally such other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time.

/ Corporate Governance Report

企业治理

Apart from the duties listed above, the Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the Audit Committee shall abstain from voting on any resolutions in respect of matters in which he is interested.

The Audit Committee has adopted written terms of reference defining its membership, administration and duties.

The Audit Committee has explicit authority to investigate any matter within its terms of reference and is authorised to obtain independent professional advice. It has full access to and co-operation of the management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any director or executive officer or any other person to attend its meetings.

The members of the Audit Committee have sufficient financial and/or management expertise, as assessed by the Board in its business judgment, to discharge the Audit Committee's functions.

The Audit Committee met four (4) times during the year under review. Details of members' attendance at the meetings are set out on page one. The Chief Financial Officer, Company Secretary, internal auditors and external auditors are invited to these meetings. Other members of the senior management are also invited to attend as appropriate to present reports.

The Audit Committee meet with the external auditors and internal auditors in the absence of the Management at least once in every financial year.

The aggregate amount of fees paid to the external auditors have been reviewed by the Audit Committee, such that the Audit Committee is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The fees paid to the external auditors are presented in this Annual Report under "Auditor and Audit Fees" and "Non-Audit Fees" headings in respect of Principle 13.

The Audit Committee met on a quarterly basis and reviewed the quarterly and full-year announcements, material announcements and all related disclosures to the shareholders before submission to the Board for approval. In the process, the Audit Committee reviewed the audit plan and audit committee report presented by the external auditors. The external auditors provide regular updates and briefing to the Audit Committee on changes or amendments to accounting standards to enable the members of the Audit Committee to keep abreast of such changes and its corresponding impact on the financial statements, if any.

The Audit Committee also reviewed the annual financial statements and discussed with the management, the Chief Financial Officer and the external auditors the significant accounting policies, judgment and estimate applied by the Management that might affect the integrity of the financial statements and considered the clarity of key disclosures in the financial statements. The Audit Committee reviewed, amongst other matters, the following significant matters identified by the external auditors for FY2019.

/ Corporate Governance Report

企业治理

Key audit matters	How the issues were addressed by the Audit Committee
SFRS (I) 16 Leases	The Audit Committee reviewed and discussed with the Management and the external auditors the approach and methodology being used in this area, in particular the identification of lease contracts, the completeness on the population of leases and the determination of lease term, lease payments and discount rates. No significant issue came to the attention of the Audit Committee in the course of its review.
Cash and bank balances	The Audit Committee reviewed and discussed with the Management and the external auditors the key internal and financial controls in this area, in particular the cash and bank reconciliations, cash counting and handling procedures, authorisation and segregation of duties, as well as security and surveillance measures. No significant issue came to the attention of the Audit Committee in the course of its review.
Gold inventory	The Audit Committee reviewed and discussed with the Management and the external auditors the key internal and financial controls in this area, in particular periodic and random stock-taking procedures, inventory reconciliations, security and surveillance measures, inventory level control, as well as the cost recognition at net realisable value against market price. No significant issue came to the attention of the Audit Committee in the course of its review.
Impairment of property, plant and equipment and right-of-use assets	The Audit Committee reviewed and discussed with the Management and the external auditors the approach and methodology being used in this area, in particular the cash flows projections, growth rate and discount rate. No significant issue came to the attention of the Audit Committee in the course of its review.

Following the review and discussions, the Audit Committee then recommended to the Board for approval of the audited annual financial statements.

The Company has put in place a whistle-blowing policy, which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. The Audit Committee exercises the overseeing function over the administration of the whistle-blowing policy. Details of the whistle-blowing policies and arrangements are publicly disclosed and have been made available to all employees of the Company.

The external auditors provided regular updates and periodic briefings to the Audit Committee on changes or amendments to accounting standards to enable the members of the Audit Committee to keep abreast of such changes and its corresponding impact on the financial statements, if any.

Internal Audit Function

The Board recognises the importance of maintaining a system of internal controls to safeguard the shareholders' investments and the Company's assets.

The objective of the internal audit function is to provide an independent review of the effectiveness of the Group's internal controls and provide reasonable assurance to the Audit Committee and the management that the Group's risk management, controls and governance processes are adequate and effective.

In order to strengthen further the Group's internal audit function, the Audit Committee has recommended and the Board has approved the appointment of an external audit professional firm to undertake the internal audit function of the Group. These audit professionals primarily report to the Audit Committee. The internal audit plan is submitted to the Audit Committee for approval prior to the commencement of the internal audit, and the Audit Committee oversees and monitors the implementation or improvements as required. The internal auditors have unrestricted direct access to all of the Company's documents, records, properties and personnel and a direct and primary reporting line to the Audit Committee.

/ Corporate Governance Report

企业治理

The Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors are used as a reference and guide by the Company's internal auditors. The Audit Committee reviews at least annually, the adequacy and effectiveness of the internal auditors and is satisfied that the internal auditors are staffed by qualified and experienced personnel.

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

All shareholders are treated fairly and equitably to facilitate their ownership rights. The Board recognises the importance of maintaining transparency and accountability to its shareholders. The Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. The Constitution allows all shareholders to appoint proxy/proxies to attend general meetings and vote on his/her/their behalf. In particular, Relevant Intermediaries, as defined under the Companies Act (Cap. 50 of Singapore), may appoint more than two (2) proxies.

In line with the continuing disclosure obligations of the Company under the Listing Manual, shareholders are informed of all major developments of the Company. The information is presented to shareholders on a timely basis through SGXNet and/or the press. In presenting the annual financial statements and quarterly and full-year result announcements to its shareholders, it is the objective of the Board to provide its shareholders with a reasonable understanding of the Group's financial position, performance and prospects.

Pertinent information will be disclosed to shareholders in a timely, fair and equitable manner. The Company does not practise selective disclosure. Price sensitive information is first publicly released before the Company meets with any group of investors or analysts.

Pertinent information is communicated to shareholders through:

- (1) quarterly and full-year results announcements which are published on the SGXNet and in news releases;
- (2) the Company's annual reports that are prepared and issued to all shareholders;
- (3) notices of and explanatory memoranda, for AGMs and extraordinary general meetings; and
- (4) press releases on major developments of the Group.

AGMs are the main forum for communication with shareholders. Annual reports and notices of the AGMs are sent to all shareholders. However, pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, printed copies of the Notice of AGM and the Annual Report for FY2019 will not be sent to shareholders. Instead, the Notice of AGM and the Annual Report for FY2019 have been made available on the Company's website at www.zhongminbaihui.com.sg/NewsList.aspx and the SGXNET. The members of the Audit Committee, Nominating Committee and Remuneration Committee will be present at AGMs to answer questions relating to the work of these committees. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders. The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis.

/ Corporate Governance Report

企业治理

Where there are substantial or relevant comments or queries by the shareholders relating to the agenda of the general meeting, the queries or comments of the shareholders and the response from the Directors and Management are recorded in the minutes of the general meetings. The minutes will be made available to shareholders on the Company's corporate website for FY2019 onwards.

Shareholders are given the opportunity to vote at general meetings. Previously, as the authentication of shareholder identity information and other related integrity issues were a concern, the Company had decided not to implement voting in absentia by mail or electronic means. However, the voting at AGM for FY2019 will be done by proxy and all shareholders who wish to vote on any or all of the resolutions at the AGM for FY2019 must appoint the Chairman of the Meeting as their proxy to do so on their behalf pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

Resolutions are as far as possible, structured separately and may be voted upon independently. In line with the new Rule 730A of the Listing Manual, with effect from 1 August 2015, all resolutions at general meetings will be voted by way of poll.

The Group has specifically entrusted an investor relations team comprising the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and an executive director with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns. The investor relations team generally communicates with shareholders and analysts via email, telephone and face-to-face conference. Communication of relevant announcements of the Group is generally made through annual reports, press releases, SGXNet announcements and its corporate website.

The Group currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the above, any declaration of dividends is clearly communicated to the shareholders via SGXNet.

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company has its materiality assessment process to identify its key stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. For more information on the Company's identification and engagement with its key stakeholders and the Company's strategy and key areas of focus in relation to the management of stakeholder relationships in FY2019, please refer to the Company's Sustainability Report which was published on 29 May 2020.

The Company maintains a corporate website to communicate and engage with its stakeholders.

DEALINGS IN SECURITIES

The Company has adopted the best practices on dealings in securities set out in Rule 1207(19) of the Listing Manual and made known the best practices to Directors and officers. In line with the best practices, Directors and officers are not allowed to deal in the Company's shares during the two (2) weeks before the announcement of the Company's results for each of the first three quarters of its financial year and the one (1) month before the announcement of the Company's full year results, or when they are in possession of unpublished price sensitive information on the Group.

/ Corporate Governance Report

企业治理

The Group has reminded its Directors and officers that it is an offence under the Securities and Futures Act, Chapter 289, for a listed issuer or its key executives to deal in the listed issuer's securities as well as securities of other listed issuers when the officers are in possession of unpublished material price-sensitive information in relation to those securities. Directors and executives are expected and reminded to observe insider-trading laws at all times even when dealing in securities within permitted trading periods. The Group has further reminded its Directors and officers not to deal in the Company's securities on short-term considerations.

AUDITOR AND AUDIT FEES

The aggregate amount of fees paid to Ernst & Young LLP in FY2019 was S\$337,400 of which audit fees amounted to approximately S\$335,000. The Group confirms that it has complied with Rule 712 and Rule 715 of the Listing Manual in relation to its auditing firms.

NON-AUDIT FEES

Save for a fee of S\$2,400 for tax-related services, no other non-audit fees were paid to the Group's Auditor, Ernst & Young LLP for FY2019. The Audit Committee, having reviewed such non-audit services, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

MATERIAL CONTRACTS

Save for the following interested person transactions, there are no material contracts entered into by the Company and its subsidiaries during the FY2019 or still subsisting as at 31 December 2019 which involved the interests of the Chief Executive Officer, any of the Directors or controlling shareholders of the Company.

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.	RMB4,924,528	–

When a potential conflict of interest arises, the Director concerned does not participate in discussion and refrains from exercising any influence over other members of the Board.

The Company has established internal control policies to ensure that interested person transactions are properly reviewed and approved and are conducted at arm's length basis.

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

/ Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Zhongmin Baihui Retail Group Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:-

Lee Swee Keng
Chen Kaitong
Andrew Lim Kok-Kin
Su Caiye
Choy Bing Choong (appointed on 31 December 2019)
Ong Seh Hong
Goh Poh Kee

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

/ Directors' Statement

Directors' interest in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Ordinary shares of the Company				
Lee Swee Keng	48,290,700	48,290,700	–	–
Chen Kaitong	47,400,680	47,400,680	–	–
Su Caiye	24,040,700	24,040,700	–	–
Andrew Lim Kok-Kin	800,000	892,900	–	–

There was no change in any of the above-mentioned interest in the Company between the end of the financial year and 21 January 2020.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year.

Options

There is presently no option scheme on unissued shares of the Company.

Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter. 50, including the following:-

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

/ Directors' Statement

Audit Committee (cont'd)

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditors;
- Reviewed the nature and extent of non-audit services provided by the external auditors;
- Recommended to the board of directors the external auditors to be nominated, approved the compensation of the external auditors, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the financial year with attendance as shown in the Corporate Governance Report. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance in the Annual Report of the Company.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Lee Swee Keng
Director

Chen Kaitong
Director

Singapore
9 June 2020

/ Independent Auditor's Report

to the Members of Zhongmin Baihui Retail Group Ltd.
For the financial year ended 31 December 2019

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zhongmin Baihui Retail Group Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS (I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

/ Independent Auditor's Report

to the Members of Zhongmin Baihui Retail Group Ltd.
For the financial year ended 31 December 2019

Key Audit Matters (cont'd)

SFRS (I) 16 Leases

SFRS (I) 16 introduces a new lease accounting model, where lessees are required to recognise a right-of-use (ROU) asset and a lease liability arising from a lease on its balance sheet.

The Group applied SFRS (I) 16 on 1 January 2019 using the modified retrospective approach. Therefore, the cumulative effect on adoption of SFRS (I) 16 had been recognised as an adjustment to the opening balance of the retained earnings at 1 January 2019, with no restatement of comparative information.

Significant judgement is required in the assumptions and estimates made in order to determine the ROU asset and lease liability. The assumption and estimates include the determination of appropriate discount rates. As such, we deem this to be a key audit matter.

We have obtained understanding on the Group's process in identifying lease contracts and their quantification of the ROU assets and lease liabilities. We have reviewed the contracts to assess whether the leases have been appropriately identified. For the assessment on the appropriateness of the discount rates, we have involved our valuation specialists. We have also performed completeness checks on the ROU assets and lease liabilities. In addition, we assessed whether the disclosures in Note 24 to the financial statements are appropriate.

Cash and bank balances

The Group's cash and bank balances were significant as they represented 28% of the Group's total assets balance. The cash and bank balances held by the Company and its subsidiaries represented 2% and 98% of the total cash and bank balances respectively. A significant portion of the cash and bank balances were held by the Group's subsidiaries in China for the operation of the retail malls which involve voluminous cash transactions. Additionally, cash are subjected to higher inherent risk of theft and pilferage. As such we determined this to be a key audit matter.

Our audit procedures include, among others, obtaining bank confirmations directly from the banks and comparing the bank balances recorded by the subsidiaries for those bank accounts. We have also reviewed the bank reconciliations prepared by management as at year end and tested the reconciling items for selected samples. For the cash floats held by the employees, we performed surprise cash counts on a sample basis for selected cash floats held as at year end.

We also focused on the adequacy of the disclosures related to cash and bank balances in Note 21 to the consolidated financial statements.

Gold Inventory

The Group's gold inventory balance represents 8% of the Group's total current assets balance. Additionally, gold inventory is subject to higher inherent risk of theft and pilferage and its price is subject to market volatility. As such we determined this to be a key audit matter.

As part of our audit, we evaluated the design and operating effectiveness of internal controls with respect to physical safeguards over gold inventory. We attended and observed year-end gold inventory counts at all stores to test the quantity of gold inventory.

We have also assessed the net realisable value of the gold inventory at year end by comparing the year end gold market prices against the carrying amounts.

/ Independent Auditor's Report

to the Members of Zhongmin Baihui Retail Group Ltd.
For the financial year ended 31 December 2019

Key Audit Matters (cont'd)

Impairment of property, plant and equipment and right-of-use assets

The Group operates several department stores in China and its total property, plant and equipment and right-of-use assets represent 16% and 28% of the Group's total assets balance respectively. For the financial year ended 31 December 2019, the Group has assessed the loss making stores to have indicators of impairment and recorded impairment loss of RMB 1.2 million on the property, plant and equipment and RMB0.8mil on the right-of-use assets for certain department stores. The impairment assessment involves significant judgements and estimates in determination of the recoverable amount, in particular those relating to gross margin, growth rates as well as overall market and economic conditions of the industry. Due to the significance of the amounts and the judgement involved in the impairment assessment, we considered this as a key audit matter.

Our audit procedures included, amongst others, engaged our valuation specialists to assess the appropriateness of management's assumptions applied in the value-in-use model based on our knowledge of the store operations and performance. This included obtaining an understanding of management's planned strategy on revenue growth, gross profit margin, discount rate and cost initiatives. In addition, we reviewed management's analysis of the sensitivity of the recoverable amount to changes in certain key assumptions. We have also assessed the adequacy of the disclosures in Notes 8 and 24 of the financial statements.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS (I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

/ Independent Auditor's Report

to the Members of Zhongmin Baihui Retail Group Ltd.
For the financial year ended 31 December 2019

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

/ Independent Auditor's Report

to the Members of Zhongmin Baihui Retail Group Ltd.
For the financial year ended 31 December 2019

Auditor's responsibilities for the audit of the financial statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ho Shyan Yan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

9 June 2020

/ Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2019

		Group	
	Note	2019 RMB	2018 RMB
Revenue	4	1,050,935,101	966,975,064
Cost of sales		(752,749,598)	(686,680,767)
Gross profit		298,185,503	280,294,297
Other income		92,526,468	94,070,894
Interest income		3,874,913	3,514,514
Selling and distribution expenses		(194,697,556)	(198,639,397)
Finance costs		(15,898,102)	(39,583)
Impairment loss on financial assets	17	(2,523,900)	(3,987,800)
Administrative expenses		(106,772,621)	(105,141,348)
Profit before tax and share of results of joint ventures and associates		74,694,705	70,071,577
Share of results of joint ventures	11	(1,508,162)	–
Share of results of associates	12	4,645,846	(4,902,111)
Profit before tax	5	77,832,389	65,169,466
Income tax expense	6	(25,645,363)	(24,711,348)
Profit for the year		52,187,026	40,458,118
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gain		436,006	464,007
Other comprehensive income for the year, net of tax		436,006	464,007
Total comprehensive income for the year attributable to the owners of the Company		52,623,032	40,922,125
Earnings per share (cents per share)			
Basic and diluted	7	27.21	21.09

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

/ Balance Sheets

As at 31 December 2019

		Group		Company	
	Note	2019 RMB	2018 RMB	2019 RMB	2018 RMB
Non-current assets					
Property, plant and equipment	8	149,715,101	145,279,163	50,566	79,678
Right-of-use assets	24	266,059,182	–	467,632	–
Intangible assets	9	3,809,553	5,362,353	–	–
Investment in subsidiaries	10	–	–	48,377,841	48,377,841
Investment in joint ventures	11	3,531,838	–	–	–
Investment in associates	12	33,746,630	29,100,784	–	–
Long-term investment	13	–	–	–	–
Other receivables	17	11,008,163	1,000,000	71,701	–
Deferred tax assets	14	19,321,284	12,024,771	1,628	–
Other assets	25	4,740,226	7,361,234	–	–
		491,931,977	200,128,305	48,969,368	48,457,519
Current assets					
Inventories	15	117,804,452	100,132,192	–	–
Prepayments	16	13,957,255	9,414,269	23,548	26,151
Trade and other receivables	17	15,626,508	31,424,324	2,477	82,448
Amount due from a subsidiary	18	–	–	18,947,368	25,500,000
Amount due from an associate	19	29,700,000	14,400,000	–	–
Amount due from related parties	20	9,885,054	10,873,055	–	–
Cash and cash equivalents	21	260,040,551	207,024,261	5,355,273	2,174,599
Restricted cash	22	10,000,000	21,100,000	–	–
		457,013,820	394,368,101	24,328,666	27,783,198
Less: Current liabilities					
Trade and other payables	23	363,744,114	304,137,290	907	979
Lease liabilities	24	63,963,572	–	335,435	–
Other liabilities	25	37,753,860	38,840,015	2,503,720	2,479,414
Amount due to related parties	20	24,854,339	3,862,401	–	–
Income tax payable		15,540,474	16,595,229	31	32
		505,856,359	363,434,935	2,840,093	2,480,425
Net current (liabilities)/assets		(48,842,539)	30,933,166	21,488,573	25,302,773
Non-current liabilities					
Lease liabilities	24	247,925,726	–	141,771	–
Other liabilities	25	–	24,986,913	–	–
Deferred tax liabilities	14	12,483,289	11,620,613	9,698,567	8,520,319
Net assets		182,680,423	194,453,945	60,617,603	65,239,973
Equity attributable to the owners of the Company					
Share capital	26	67,147,926	67,147,926	67,147,926	67,147,926
Treasury shares	27	(24,853,005)	(24,853,005)	(24,853,005)	(24,853,005)
Reserves	28	140,385,502	152,159,024	18,322,682	22,945,052
Total equity		182,680,423	194,453,945	60,617,603	65,239,973

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

/ Statements of Changes in Equity

For the financial year ended 31 December 2019

Group	Attributable to owners of the Company						
	Equity, total RMB	Share capital (Note 26) RMB	Treasury shares (Note 27) RMB	Reserves, total RMB	Revenue reserve RMB	Statutory reserve fund (Note 28b) RMB	Foreign currency translation reserve (Note 28a) RMB
2019							
Opening balance at 1 January 2019	194,453,945	67,147,926	(24,853,005)	152,159,024	125,000,477	27,352,359	(193,812)
Cumulative effects of adopting SFRS (I) 16	(35,165,339)	-	-	(35,165,339)	(35,165,339)	-	-
Opening balance at 1 January 2019	159,288,606	67,147,926	(24,853,005)	116,993,685	89,835,138	27,352,359	(193,812)
Profit for the year	52,187,026	-	-	52,187,026	52,187,026	-	-
Other comprehensive income							
Exchange differences on translating foreign operations	436,006	-	-	436,006	-	-	436,006
Total comprehensive income for the year	52,623,032	-	-	52,623,032	52,187,026	-	436,006
Contributions by and distributions to owners							
Purchase of treasury shares	-	-	-	-	-	-	-
Dividends (Note 35)	(29,231,215)	-	-	(29,231,215)	(29,231,215)	-	-
Total contributions by and distributions to owners	(29,231,215)	-	-	(29,231,215)	(29,231,215)	-	-
Closing balance at 31 December 2019	182,680,423	67,147,926	(24,853,005)	140,385,502	112,790,949	27,352,359	242,194

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

/ Statements of Changes in Equity

For the financial year ended 31 December 2019

Group	Attributable to owners of the Company					Foreign currency translation reserve (Note 28a) RMB
	Equity, total RMB	Share capital (Note 26) RMB	Treasury shares (Note 27) RMB	Reserves, total RMB	Revenue reserve RMB	Statutory reserve fund (Note 28b) RMB
2018						
Opening balance at 1 January 2018 (FRS framework)	166,334,564	67,147,926	(24,740,592)	123,927,230	98,285,824	26,299,225
Cumulative effects of adopting SFRS (I)	5,958,613	-	-	5,958,613	5,958,613	-
Opening balance at 1 January 2018 (SFRS (I) framework)	172,293,177	67,147,926	(24,740,592)	129,885,843	104,244,437	26,299,225
Profit for the year	40,458,118	-	-	40,458,118	40,458,118	-
<u>Other comprehensive income</u>						
Exchange differences on translating foreign operations	464,007	-	-	464,007	-	464,007
Total comprehensive income for the year	40,922,125	-	-	40,922,125	40,458,118	-
<u>Contributions by and distributions to owners</u>						
Purchase of treasury shares	(112,413)	-	(112,413)	-	-	-
Dividends (Note 35)	(18,648,944)	-	-	(18,648,944)	(18,648,944)	-
Total contributions by and distributions to owners	(18,761,357)	-	(112,413)	(18,648,944)	(18,648,944)	-
<u>Others</u>						
Transfer to statutory reserve fund	-	-	-	-	(1,053,134)	1,053,134
Closing balance at 31 December 2018	194,453,945	67,147,926	(24,853,005)	152,159,024	125,000,477	27,352,359

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

/ Statements of Changes in Equity

For the financial year ended 31 December 2019

Company	Equity, total RMB	Share capital (Note 26) RMB	Treasury shares (Note 27) RMB	Reserves, total RMB	Revenue reserve RMB	Foreign currency translation reserve (Note 28a) RMB
2019						
Opening balance at 1 January 2019	65,239,973	67,147,926	(24,853,005)	22,945,052	23,148,988	(203,936)
Cumulative effects of adopting SFRS (I) 16	(15,937)	-	-	(15,937)	(15,937)	-
Opening balance at 1 January 2019	65,224,036	67,147,926	(24,853,005)	22,929,115	23,133,051	(203,936)
Profit for the year	24,188,776	-	-	24,188,776	24,188,776	-
<u>Other comprehensive income</u>						
Exchange differences on translating foreign operations	436,006	-	-	436,006	-	436,006
Total comprehensive income for the year	24,624,782	-	-	24,624,782	24,188,776	436,006
<u>Contributions by and distributions to owners</u>						
Purchase of treasury shares	-	-	-	-	-	-
Dividends (Note 35)	(29,231,215)	-	-	(29,231,215)	(29,231,215)	-
Total contributions by and distributions to owners	(29,231,215)	-	-	(29,231,215)	(29,231,215)	-
Closing balance at 31 December 2019	60,617,603	67,147,926	(24,853,005)	18,322,682	18,090,612	232,070

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

/ Statements of Changes in Equity

For the financial year ended 31 December 2019

Company	Equity, total RMB	Share capital (Note 26) RMB	Treasury shares (Note 27) RMB	Reserves, total RMB	Revenue reserve RMB	Foreign currency translation reserve (Note 28a) RMB
2018						
Opening balance at 1 January 2018	68,137,462	67,147,926	(24,740,592)	25,730,128	26,398,071	(667,943)
Profit for the year	15,399,861	-	-	15,399,861	15,399,861	-
<u>Other comprehensive income</u>						
Exchange differences on translating foreign operations	464,007	-	-	464,007	-	464,007
Total comprehensive income for the year	15,863,868	-	-	15,863,868	15,399,861	464,007
<u>Contributions by and distributions to owners</u>						
Purchase of treasury shares	(112,413)	-	(112,413)	-	-	-
Dividends (Note 35)	(18,648,944)	-	-	(18,648,944)	(18,648,944)	-
Total contributions by and distributions to owners	(18,761,357)	-	(112,413)	(18,648,944)	(18,648,944)	-
Closing balance at 31 December 2018	65,239,973	67,147,926	(24,853,005)	22,945,052	23,148,988	(203,936)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

/ Consolidated Cash Flow Statement

For the financial year ended 31 December 2019

	Note	2019 RMB	2018 RMB
Cash flows from operating activities			
Profit before taxation		77,832,389	65,169,466
Adjustments for:			
Depreciation of property, plant and equipment	8	12,254,293	12,579,066
Depreciation of right-of-use assets	24	65,730,310	–
Amortisation of intangible assets	9	–	477,600
Impairment on long-term investment		–	3,800,000
Impairment on property, plant and equipment	8	1,175,919	4,157,713
Impairment on right-of-use assets	24	866,471	–
Impairment on other receivables	17	2,523,900	2,000,000
Impairment on deposits	17	–	1,987,800
Net gain on disposal of investment in joint venture		–	(726,064)
Net (gain)/ loss on disposal of property, plant and equipment		(17,805)	550
Reversal of rent-free incentives and step rental		–	(522,713)
Write-back of impairment on deposits	17	(1,987,800)	–
Write-back of lease liabilities	5	(3,834,012)	–
Write-back of rent-free incentives and step rental provision		–	(17,033,229)
Amortisation of step rental income		(825,984)	(2,769,980)
Accrued step rental income written off	5	3,446,992	–
Provision for termination of lease	5	2,001,048	4,832,367
Inventories written back		–	(259,108)
Interest income		(3,874,913)	(3,514,514)
Finance costs		15,898,102	39,583
Share of results of joint ventures		1,508,162	–
Share of results of associates		(4,645,846)	4,902,111
Unrealised exchange difference		215,215	–
Operating cash flows before changes in working capital		168,266,441	75,120,648
(Increase)/decrease in inventories		(17,672,260)	4,849,376
(Increase)/decrease in prepayments		(8,009,185)	9,087,449
Increase in trade and other receivables		(577,807)	(4,301,050)
Increase in trade and other payables		79,188,382	9,682,233
Cash flows generated from operation		221,195,571	94,438,656
Interest received		3,874,913	3,514,514
Interest paid		–	(39,583)
Tax paid		(23,442,859)	(23,035,283)
Net cash flows generated from operating activities		201,627,625	74,878,304
Dividends paid	35	(29,231,215)	(18,648,944)
Interest on lease liabilities paid		(14,626,449)	–
Purchase of treasury shares		–	(112,413)
Proceeds from loans and borrowings		–	40,000,000
Repayment of loans and borrowings		–	(40,000,000)
Repayment of lease liabilities		(78,196,417)	–
Net cash flows used in financing activities		(122,054,081)	(18,761,357)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(17,864,736)	(1,916,446)
(Investment in)/disposal of a joint venture	11	(5,040,000)	2,000,000
Investment in associates		–	(9,500,000)
Amount due from an associate		(15,300,000)	(6,000,000)
Proceeds from disposal of property, plant and equipment		20,120	–
Bank deposit pledged	22	11,100,000	(21,100,000)
Net cash flows used in investing activities		(27,084,616)	(36,516,446)
Net increase in cash and cash equivalents		52,488,928	19,600,501
Effect of exchange rate changes on cash and cash equivalents		527,362	825,815
Cash and cash equivalents at beginning of financial year		207,024,261	186,597,945
Cash and cash equivalents at end of financial year	21	260,040,551	207,024,261

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

1. Corporate information

Zhongmin Baihui Retail Group Ltd. (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office of the Company is located at 160 Robinson Road, SBF Center #15-06, Singapore 068914.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS (I)).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Chinese Renminbi (RMB).

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2019. Except for the adoption of SFRS (I) 16 *Leases* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

SFRS (I) 16

SFRS (I) 16 supersedes SFRS (I) 1-17 *Leases*, SFRS (I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS (I) INT 1-15 *Operating Leases-Incentives* and SFRS (I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS (I) 16 is substantially unchanged from SFRS (I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS (I) 1-17. Therefore, SFRS (I) 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SFRS (I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the Group elected on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.2 Adoption of new and amended standards and interpretations (cont'd)

SFRS (I) 16 (cont'd)

The effect of adoption SFRS (I) 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

Group

	RMB
Assets	
Right-of-use assets	321,745,350
Deferred tax assets	9,936,837
Prepayments	(3,466,816)
Intangible assets	(1,552,800)
Trade and other receivables (non-current)	11,008,163
Trade and other receivable (current)	(17,829,656)
Liabilities	
Trade and other payables	(274,132)
Lease liabilities	381,737,000
Other liabilities	(26,456,452)
Equity	
Retained earnings	(35,165,339)

Company

	RMB
Assets	
Right-of-use assets	771,661
Deferred tax assets	1,528
Trade and other receivables (non-current)	71,701
Trade and other receivables (current)	(80,178)
Liabilities	
Lease liabilities	(780,649)
Equity	
Retained earnings	(15,937)

Trade and other receivables relate to the fair value of the security deposit which was reclassified from current to non-current to align with the lease term.

Upon adoption of SFRS (I) 16, the difference in carrying amount and fair value of the security deposit has been accounted for as right-of-use assets (prepaid lease payment).

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.2 Adoption of new and amended standards and interpretations (cont'd)

SFRS (I) 16 (cont'd)

The Group has lease contracts for various items of leasehold building. Before the adoption of SFRS (I) 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Refer to Note 2.18 (d) Leases for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS (I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	Group RMB	Company RMB
Operating lease commitments at 31 December 2018 recognised on a straight-line basis over the lease term	422,059,951	829,313
Add: Step-up rental adjustments	25,322,359	–
Operating lease commitments at 1 January 2019 recognised based on actual rental payments over the remaining lease term	447,382,310	829,313
Weighted average incremental borrowing rate as at 1 January 2019*	3.89%	3.52%
Discounted operating lease commitments as at 1 January 2019	383,460,146	780,649
Less:		
Prepayments	(3,466,816)	–
Add:		
Rental payables	1,743,670	–
Lease liabilities at 1 January 2019	381,737,000	780,649

* In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.3 *Standard issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to SFRS (I) 3 <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS (I) 10 and SFRS (I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined
Amendments to SFRS (I) 1-1 and SFRS (I) 1-8 <i>Definition of Material</i>	1 January 2020

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations and goodwill (cont'd)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.5 *Functional and foreign currency*

(a) *Functional currency*

The management has determined the currency of the primary economic environment in which the Company operates ie. functional currency, to be Singapore dollars (SGD). Cost of investment in subsidiary and major operating expenses are primarily influenced by fluctuation in SGD.

(b) *Presentation currency*

The financial statements have been presented in Renminbi (RMB) as it is the currency that the Directors of the Group use when controlling and monitoring the performance and financial position of the Group. The Group's main operational subsidiary's sales, purchases, receipts, payments are traded primarily in RMB, the Directors are of the opinion that choosing RMB as the presentation currency best reflects the primary economic environment in which the Group operates.

(c) *Consolidated financial statements*

For consolidation purposes, the assets and liabilities of the Company's operations are translated into RMB at the rate of exchange ruling at the end of the reporting period and its profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(d) *Foreign currency transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.6 *Property, plant and equipment*

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Electronics	– 3-5 years
Furniture and fittings	– 3-10 years
Computer software	– 3-10 years
Motor vehicles	– 4 years
Leasehold improvements	– 3-20 years (i.e. lease period)
Leasehold building	– 20 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.7 *Intangible assets (other than goodwill)*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Favourable tenancy agreement (prior to adoption of SFRS (I) 16)

Following initial recognition of the favourable tenancy agreement as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when the asset is available for use. The intangible assets arising from the favourable tenancy agreement have a finite useful life and are amortised over the lease period (3-8 years) on a straight line basis.

2.8 *Impairment of non-financial assets*

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.9 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.10 Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.11 Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SFRS (I) 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Debt instruments

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, trade and other payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.13 *Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.13 *Impairment of financial assets (cont'd)*

Financial assets carried at amortised cost

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, and short-term deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These exclude pledged deposits with financial institutions.

2.15 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs of finished goods is determined on a weighted average basis and includes all costs of bringing the inventories to their present location and condition.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 Employee benefits

(a) Defined contribution plans

Singapore

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

People's Republic of China ("PRC")

The subsidiaries incorporated and operating in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. The above contributions are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.18 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.18 Leases (cont'd)

(a) *Right-of-use assets*

The Group recognises right-of-use assets upon the adoption of SFRS (I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Right-of-use assets are measured at cost less any accumulated impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold building	–	3 - 20 years
Prepaid land lease payments	–	50 years

The right-of-use assets are also subject to impairment. Refer to accounting policies in Note 2.8 Impairment of non-financial assets.

(b) *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(d) *Prior to adoption of SFRS (I) 16*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.18 Leases (cont'd)

(e) **Group as lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.19(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.19 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) **Direct sales**

Revenue from direct sale of goods is recognised when the performance obligation is satisfied upon the transfer of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) **Managed rental**

Revenue from managed rental is recognised on a fixed sum on a straight-line basis over the contracted period.

(c) **Concessionaire sales**

Revenue from concessionaire sales is recognised on a net basis based on either a fixed sum or a commission amounting to a certain agreed percentage of tenants' revenue from the sale of their products. Concessionaire sales inclusive of maintenance fees charges to tenants.

(d) **Rental income**

Rental income from operating leases (net of any incentives given to the lessee) from the letting of premises is recognised on a straight-line basis over the lease terms. Rental income are also received from temporary and seasonal leases of spaces in the department store where suppliers lease them for conducting promotional activities. Rental income includes maintenance fees charges to lessees.

(e) **Dividend income**

Dividend income is recognised when the Group's right to receive payment is established.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.20 Taxes

(a) **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) **Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.20 Taxes (cont'd)

(b) **Deferred tax (cont'd)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) **Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.21 **Share capital and share issuance expenses**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.22 **Treasury shares**

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.23 **Contingencies**

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.23 Contingencies (cont'd)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.24 Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

The Group is substantially in one business segment, namely ownership, operation and management of a chain of department stores in China, accordingly, no segment reporting is presented.

3. Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of the revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of property, plant and equipment and right-of-use asset

The Group recognised impairment loss in respect of the property, plant and equipment and right-of-use asset of its subsidiaries. The impairment assessment involves significant judgements and estimates in determination of the recoverable amount, in particular those relating to gross margin, growth rates as well as overall market and economic conditions of the industry. The carrying amount of the Group's property, plant and equipment and right-of-use asset and their impairment loss recognised at the end of the reporting period are disclosed in Note 5 and 24 of the financial statement.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

3. Significant accounting estimates and judgements (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to borrow over a similar lease term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. Revenue

The Group is substantially in one business segment, namely ownership, operation and management of a chain of department stores in China, accordingly, no segment reporting is presented.

	Group	
	2019	2018
	RMB	RMB
Direct sales	862,384,930	775,034,414
Commission from concessionaire sales	132,180,940	134,946,783
Rental income	42,564,061	42,809,540
Managed rental	13,805,170	14,184,327
	<u>1,050,935,101</u>	<u>966,975,064</u>

Revenue from direct sales and commission from concessionaire sales are recognised at a point in time while revenue from rental and managed rental are recognised over time.

For illustration purpose, gross sales proceeds are arrived as follows:

	Group	
	2019	2018
	RMB	RMB
Direct sales	862,384,930	775,034,414
Gross proceeds from concessionaire sales	661,280,557	665,994,053
Rental income	42,564,061	42,809,540
Managed rental	13,805,170	14,184,327
Gross sales proceeds*	<u>1,580,034,718</u>	<u>1,498,022,334</u>

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

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

4. Revenue (cont'd)

Judgement and methods used in estimating revenue

In estimating the variable consideration relating to the breakage that arise from the sale of prepaid cards and customer loyalty program, management relies on historical experience from the utilisation of the prepaid cards and the redemption of the loyalty points respectively for the past 5 years. Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price.

A portion of the estimated variable consideration is subjected to the constraint based on past experience with the customer as it is highly probable that a significant reversal in the cumulative amount of revenue recognised will occur. Hence, it would not be recognised as revenue.

5. Profit before tax

Profit before tax is stated after (charging)/crediting:

	Group	
	2019 RMB	2018 RMB
Inventories written back	–	259,108
Other income:		
Advertisement and promotional income	66,972,138	63,063,564
Leisure facilities fees	1,356,147	813,500
Management fees (Note 31a)	4,924,528	4,924,528
Net gain on disposal of investment in joint venture	–	726,064
Net gain on disposal of property, plant and equipment	17,805	–
Write-back of impairment on rental deposits (Note 17)	1,987,800	–
Write-back on termination of lease, net (Note 24)	3,834,012	–
Write-back of rent-free incentives and step rental provision	–	17,033,229
Selling and distribution expenses:		
Employee benefit expense		
- Defined contribution plans	(10,359,328)	(12,025,055)
- Salaries, wages, bonuses and other costs	(65,649,399)	(57,296,294)
Rental expenses*	–	(83,930,891)
Utilities	(21,918,018)	(22,646,392)
Amortisation of intangible assets (Note 9)	–	(477,600)
Advertisement and promotion fees	(8,667,396)	(4,400,177)
Depreciation of right-of-use assets (Note 24)	(65,730,310)	–
Impairment loss on financial assets:		
- Other receivables (Note 17)	(2,523,900)	(2,000,000)
- Rental deposits (Note 17)	–	(1,987,800)
Administrative expenses:		
Employee benefit expenses		
- Defined contribution plans	(6,625,067)	(6,814,809)
- Salaries, wages, bonuses and other costs	(60,771,174)	(55,150,827)
Accrued step rental income written off	(3,446,992)	–
Bank charges	(4,083,418)	(4,540,480)
Directors' fees	(779,486)	(773,916)

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

5. Profit before tax (cont'd)

	Group	
	2019	2018
	RMB	RMB
Depreciation of property, plant and equipment (Note 8)	(12,254,293)	(12,579,066)
Exchange loss, net	(556,457)	(735,999)
Impairment on long-term investment (Note 13)	–	(3,800,000)
Impairment on property, plant and equipment (Note 8)	(1,175,919)	(4,157,713)
Impairment on right-of-use assets (Note 24)	(866,471)	–
Net loss on disposal of property, plant and equipment	–	(550)
Office supplies	(1,453,569)	(917,214)
Provision for termination of lease	(2,001,048)	(4,832,367)
Audit fees:		
- Auditors of the Company	(1,772,899)	(1,654,345)
Non-audit fees:		
- Auditors of the Company	(13,572)	(13,129)

* Inclusive of (i) rental payments of nil (2018: RMB 84,453,604) and (ii) reversal of provision of rent-free incentives and step rental nil (2018: RMB 522,713) respectively.

6. Income tax expense

(a) Major components of income tax expense

The major components of taxation for the years ended 31 December 2019 and 31 December 2018 are:

	Group	
	2019	2018
	RMB	RMB
Consolidated income statement:		
Current income tax		
- Current income taxation	20,642,658	20,672,895
Deferred tax expense (Note 14)		
- Origination and reversal of temporary differences	5,002,705	4,038,453
Income tax expense recognised in profit or loss	25,645,363	24,711,348

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

6. Income tax expense (cont'd)

(b) *Relationship between tax expense and accounting profit*

A reconciliation between tax and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

	Group	
	2019 RMB	2018 RMB
Profit before tax	77,832,389	65,169,466
Tax at the domestic rates applicable to profits in the countries where the Group operates	20,123,991	17,941,714
Adjustments:		
Non-deductible expenses	6,133,551	5,741,403
Deferred tax assets not recognised	335,453	1,028,231
Share of associate and joint venture profit	(784,421)	–
Others	(163,211)	–
Tax expenses recognised in profit or loss	25,645,363	24,711,348

The corporate income tax rate applicable to Singapore and China companies of the Group is 17% and 25% respectively.

7. Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the year, net of tax, attributable to owners of the Company for the year by the weighted average number of ordinary shares outstanding of 191,825,700 (2018: 191,833,004).

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

8. Property, plant and equipment

Group	Electronics RMB	Furniture and fittings RMB	Computer software RMB	Motor vehicles RMB	Leasehold improvements RMB	Leasehold building RMB	Total RMB
Cost:							
At 1 January 2018	5,393,197	17,303,009	614,918	1,445,903	55,298,916	119,968,939	200,024,882
Additions	279,104	1,041,712	–	–	595,630	–	1,916,446
Disposals	(11,000)	–	–	–	–	–	(11,000)
Currency translation	1,485	746	–	–	2,028	–	4,259
At 31 December 2018 and 1 January 2019	5,662,786	18,345,467	614,918	1,445,903	55,896,574	119,968,939	201,934,587
Additions	434,070	4,617,275	598,290	2,385,975	9,829,126	–	17,864,736
Disposals	(98,300)	(821,693)	(89,905)	–	(5,031,385)	–	(6,041,283)
Currency translation	1,155	611	–	–	1,868	–	3,634
At 31 December 2019	5,999,711	22,141,660	1,123,303	3,831,878	60,696,183	119,968,939	213,761,674
Accumulated depreciation and impairment loss:							
At 1 January 2018	3,531,950	10,500,040	502,950	685,647	21,189,626	3,516,966	39,927,179
Depreciation charge for the year	709,037	1,959,774	25,879	326,202	3,799,665	5,758,509	12,579,066
Impairment loss	29,143	1,034,384	73,422	–	3,020,764	–	4,157,713
Disposals	(10,450)	–	–	–	–	–	(10,450)
Currency translation	1,090	488	–	–	338	–	1,916
At December 2018 and 1 January 2019	4,260,770	13,494,686	602,251	1,011,849	28,010,393	9,275,475	56,655,424
Depreciation charge for the year	772,634	1,593,155	212,097	573,814	3,344,084	5,758,509	12,254,293
Impairment loss	153,668	416,306	–	–	605,945	–	1,175,919
Disposals	(98,300)	(821,693)	(89,905)	–	(5,031,385)	–	(6,041,283)
Currency translation	957	418	–	–	845	–	2,220
At 31 December 2019	5,089,729	14,682,872	724,443	1,585,663	26,929,882	15,033,984	64,046,573
Net carrying amount:							
At 31 December 2018	1,402,016	4,850,781	12,667	434,054	27,886,181	110,693,464	145,279,163
At 31 December 2019	909,982	7,458,788	398,860	2,246,215	33,766,301	104,934,955	149,715,101

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

8. Property, plant and equipment (cont'd)

Company	Electronics RMB	Furniture and fittings RMB	Leasehold improvements RMB	Total RMB
Cost:				
At 1 January 2018	35,748	12,848	–	48,596
Additions	6,564	9,551	68,763	84,878
Currency translation	1,485	746	2,028	4,259
At 31 December 2018 and 1 January 2019	43,797	23,145	70,791	137,733
Currency translation	1,155	611	1,868	3,634
At 31 December 2019	44,952	23,756	72,659	141,367
Accumulated depreciation:				
At 1 January 2018	26,425	12,848	–	39,273
Depreciation charge for the year	4,585	820	11,461	16,866
Currency translation	1,090	488	338	1,916
At 31 December 2018 and 1 January 2019	32,100	14,156	11,799	58,055
Depreciation charge for the year	4,865	1,975	23,686	30,526
Currency translation	957	418	845	2,220
At 31 December 2019	37,922	16,549	36,330	90,801
Net carrying amount:				
At 31 December 2018	11,697	8,989	58,992	79,678
At 31 December 2019	7,030	7,207	36,329	50,566

Impairment of assets

During the financial year, the Group undertook a comprehensive review to assess the viability of underperforming stores. As a result of the review, the Group recorded impairment charges on the property, plant and equipment and the right-of-use assets of certain underperforming stores of RMB 1,175,919 (2018: RMB 4,157,713) and RMB 866,471 respectively in “Administrative expenses” line item of profit or loss for the financial year ended 31 December 2019. The recoverable amounts of the property, plant and equipment and the right-of-use assets for these stores are based on their value-in-use and the discount rate used was 13% (2018: 13%).

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

9. Intangible assets

Group	Favourable lease agreements RMB	Goodwill RMB	Total RMB
Cost :			
At 1 January and 31 December 2018	5,436,000	3,809,553	9,245,553
Adoption of SFRS (1) 16 (Note 24)	(5,436,000)	–	(5,436,000)
At 1 January 2019	–	3,809,553	3,809,553
Accumulated amortisation:			
At 1 January 2018	3,405,600	–	3,405,600
Amortisation during the year	477,600	–	477,600
At 31 December 2018	3,883,200	–	3,883,200
Adoption of SFRS (I) 16 (Note 24)	(3,883,200)	–	(3,883,200)
At 31 December 2019	–	–	–
Net carrying amount:			
At 31 December 2018	1,552,800	3,809,553	5,362,353
At 31 December 2019	–	3,809,553	3,809,553

On 1 May 2013 (the “acquisition date”), the Group acquired two stores from a related party.

Goodwill arising from the acquisition

The goodwill of RMB 3,809,553 relates to the acquisition of the two stores located within the long established vicinity of Tumen and Quanxiu. None of the goodwill recognised is expected to be deductible for income tax purposes.

Amortisation expense

The amortisation of favourable lease agreements is included in selling and distribution expenses line item in the consolidated income statement. With the adoption of SFRS (I) 16, on 1 January 2019, the intangible assets relating to favourable lease agreements have been reclassified to right-of-use assets and the depreciation of the right-of-use assets is included in selling and distribution expenses line item in the consolidated income statement.

Impairment testing of goodwill

The recoverable amounts of the two stores have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering their remaining lease period. The discount rate applied to the cash flow projections is 13% (2018: 13%) and the forecasted growth rates used to extrapolate the cash flows projections is 0% (2018: 0%).

Management determined budgeted gross margin based on past performance and its expectations of the market development. The discount rate reflects specific risks relating to the relevant retail industry and derived from its weighted average cost of capital (WACC). The forecasted growth rates are based on published industry research and do not exceed the long term average growth rates for the relevant retail industry in china.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

9. Intangible assets (cont'd)

Sensitivity to changes in assumptions

With regards to the assessment of value in use for the goodwill, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the goodwill to materiality exceed its recoverable amount.

10. Investment in subsidiaries

	Company	
	2019 RMB	2018 RMB
Shares, at cost	80,023,137	80,023,137
Write off	(31,645,296)	–
Impairment losses	–	(31,645,296)
	<u>48,377,841</u>	<u>48,377,841</u>

Name (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest	
		2019	2018
Xiamen Shi Zhongmin Baihui Commercial Co., Ltd. ⁽¹⁾ (People's Republic of China ("PRC"))	Ownership, operation and management of a chain of department stores	100	100
Zhongmin Baihui (Nanjing) Commercial Co., Ltd. ⁽²⁾ ("PRC")	Struck off	–	100
Zhongmin Baihui (China) Retail Group Co., Ltd. (formerly known as Zhongmin Baihui (Quanzhou) Commercial Management Co., Ltd.) ⁽¹⁾ ("PRC")	Ownership, operation and management of a chain of departmental stores	100	100
Zhongmin Baihui (Fujian) Shopping Centre Co., Ltd. (formerly known as Zhongmin Baihui (Fujian) Logistics Co., Ltd.) ⁽¹⁾ ("PRC")	Ownership, operation and management of retail stores	100	100
Zhangzhou Zhongmin Baihui Business Service Co., Ltd. ⁽³⁾ ("PRC")	Ownership and operation of department stores	100	–
Zhangzhou Zhongmin Baihui Supermarket Co., Ltd. ⁽³⁾ ("PRC")	Ownership and operation of department stores	100	–

⁽¹⁾ A member firm of EY Global had performed the audit for the subsidiary's financial statement for each of the reporting period for Group reporting purposes.

⁽²⁾ The company was struck off during financial year 2019 and hence the investment in this company has been written off.

⁽³⁾ The Company was incorporated during financial year 2019. As at date of the report, it has not commenced operation and no capital has been injected.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

11. Investment in joint ventures

	Group	
	2019 RMB	2018 RMB
Shares, at cost	3,275,100	–
Share of results of joint ventures	(1,508,162)	–
	1,766,938	–
Add: Amount due from other shareholders	1,764,900	–
At end of year	3,531,838	–

Name (Country of incorporation)	Principal activities	Proportion (%) of ownership interest	
		2019	2018
Wuxi Shi Yueshang Outlets Co., Ltd. ⁽¹⁾ (“PRC”)	Operation and management of retail malls	50	–
Guangan Shi Yueshang Commercial Management Co., Ltd. ⁽¹⁾ (“PRC”)	Operation and management of retail malls	51	–

⁽¹⁾ Management accounts have been used for the preparation of the consolidated financial statements of the Group.

In February 2019, Wuxi Shi Yueshang Outlets Co., Ltd. (50% owned by the Group’s wholly-owned subsidiary, Zhongmin Baihui (Fujian) Shopping Centre Co., Ltd.), was incorporated. The Group jointly controls the joint venture with other partner under the contractual agreement that requires unanimous consent for all major decisions over the relevant activities. As at 31 December 2019, the Group has injected RMB 4,530,000 into the joint venture which has not commenced operations, the other shareholder who holds 50% interest in Wuxi Shi Yueshang Outlets Co., Ltd has contributed RMB 1,500,000.

In April 2019, Guangan Shi Yueshang Commercial Management Co., Ltd. (51% owned by the Group’s wholly-owned subsidiary, Zhongmin Baihui (Fujian) Shopping Centre Co., Ltd.), was incorporated. The Group jointly controls the joint venture with other partner under the contractual agreement that requires unanimous consent for all major decisions over the relevant activities. The Group has injected RMB 510,000 into the joint venture which has not commenced operation. No capital contribution has been made by the other shareholder who holds the remaining 49% interest in Guangan Shi Yueshang Commercial Management Co., Ltd.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

11. Investment in joint ventures (cont'd)

The summarised financial information of the joint ventures, not adjusted for the proportion of ownership interest held by the Group in 2019, is as follows:

	Wuxi Shi Yueshang Outlets Co., Ltd.		Guangan Shi Yueshang Commercial Management Co., Ltd.	
	2019	2018	2019	2018
	RMB	RMB	RMB	RMB
Summarised balance sheet				
Non-current assets	403,832	–	–	–
Current assets	2,609,883	–	510,000	–
Total assets	3,013,715	–	510,000	–
Current liabilities	39	–	–	–
Net assets	3,013,676	–	510,000	–
Proportion of the Group's ownership	50%	–	51%	–
Group's share of net assets	1,506,838	–	260,100	–
	Wuxi Shi Yueshang Outlets Co., Ltd.		Guangan Shi Yueshang Commercial Management Co., Ltd.	
	2019	2018	2019	2018
	RMB	RMB	RMB	RMB
Summarised statement of comprehensive income				
Loss after tax, representing total comprehensive income for the year	(3,016,324)	–	–	–

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

12. Investment in associates

	Group	
	2019 RMB	2018 RMB
Shares, at cost	36,500,000	36,500,000
Share of results of associates	(2,753,370)	(7,399,216)
At end of year	33,746,630	29,100,784

Name (Country of incorporation)	Principal activities	Proportion (%) of ownership interest	
		2019	2018

Held through subsidiaries:

Citi-Base Commerce Logistics (Xiamen) Co., Ltd. ⁽¹⁾ ("PRC")	Property development	30.0	30.0
Changsha City Shamin Enterprise Management Co., Ltd. ⁽¹⁾ ("PRC")	Operation and management of retail malls	47.5	47.5
Shanghai Shamin Commercial Management Co., Ltd. ⁽³⁾ ("PRC")	Dormant	40.0	–

Held by Citi-Base Commerce Logistics (Xiamen) Co., Ltd.:

Xiamen Citi-Base Commerce Co., Ltd. ⁽¹⁾ ("PRC")	Operation of exhibition and promotion of imported goods	30.0	–
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Held by Changsha City Shamin Enterprise Management Co., Ltd.:

Changsha Sasseur Zhongmin Baihui Outlets Commercial Management Co., Ltd. ⁽²⁾ ("PRC")	Operation and management of retail malls	24.2	24.2
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⁽¹⁾ Management accounts have been used for the preparation of the consolidated financial statements of the Group.

⁽²⁾ A member firm of EY Global had performed the audit for this entity for Group reporting purposes.

⁽³⁾ The Company was incorporated during financial year 2019. It has not commenced operation and no capital injection since the date of incorporation.

Citi-Base Commerce Logistics (Xiamen) Co., Ltd., ("CBCL") 30% owned by a Group's wholly-owned subsidiary, Xiamen Shi Zhongmin Baihui Commercial Co., Ltd, was incorporated in January 2011. It acquired 100% interest in Xiamen Citi-Base Commerce Co., Ltd. ("XMCB") in July 2019 under common control. Hence, the Group's effective proportion of ownership interest in XMCB is 30%.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

12. Investment in associates (cont'd)

Changsha City Shamin Enterprise Management Co., Ltd. ("CSSM"), 47.5% owned by a Group's wholly-owned subsidiary, Zhongmin Baihui (Fujian) Shopping Centre Co., Ltd., was incorporated in January 2018. This associate is strategic to the Group's activities. It acquired 51% interest in Changsha Sasseur Zhongmin Baihui Outlets Commercial Management Co., Ltd. ("CSO") from Zhongmin Baihui (Fujian) Shopping Centre Co., Ltd. in March 2018. Hence, the Group's effective proportion of ownership interest in CSO is 24.2%. The associate jointly controls CSO with other partner under the contractual agreement that requires unanimous consent for all major decisions over the relevant activities. CSSM and CSO commenced operations in 2018.

The summarised financial information in respect of Citi-Base Commerce Logistics (Xiamen) Co., Ltd. and CSSM not adjusted for the proportion of ownership interest held by the Group, are as follows:

	Citi-Base Commerce Logistics (Xiamen) Co., Ltd.		Changsha City Shamin Enterprise Management Co., Ltd.	
	2019	2018	2019	2018
	RMB	RMB	RMB	RMB
Summarised balance sheet				
Non-current assets	239,819,503	174,388,891	22,896,422	10,426,808
Current assets	11,232,738	15,256,011	1,920	3,105
Total assets	251,052,241	189,644,902	22,898,342	10,429,913
Current liabilities	(119,397,457)	(55,155,996)	–	(203)
Non-current liabilities	(48,000,000)	(54,000,000)	–	–
Total liabilities	(167,397,457)	(109,155,996)	–	(203)
Net assets	83,654,784	80,488,906	22,898,342	10,429,710
Less: Merger reserve arising from acquisition under common control	(7,421,727)	–	–	–
Proportion of the Group's ownership	30%	30%	47.5%	47.5%
Group's share of net assets	22,869,917	24,146,672	10,876,713	4,954,112
Summarised statement of comprehensive income				
Revenue	254,694	–	–	–
Profit/(loss) after tax, representing total comprehensive income for the year	(4,255,850)	(1,187,412)	12,468,632	(9,570,290)

13. Long-term investment

The Group's wholly-owned subsidiary, Xiamen Shi Zhongmin Baihui Commercial Co., Ltd entered into a joint venture agreement for an investment of 19% interest in Xiamen Citi-Base Commerce Co., Ltd. in June 2015. The Group does not possess the ability (directly or indirectly) to control or exercise significant influence over its operating and financial decisions. The long-term investment in Xiamen Citi-Base Commerce Co., Ltd. was fully impaired in 2018 as it has substantially ceased its operation and was subsequently acquired by CBCL in July 2019.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

14. Deferred tax assets/(liabilities)

	Group				Company	
	Consolidated income statement		Consolidated Balance sheet		Balance sheet	
	31 December 2019	31 December 2018	2019	2018	31 December 2019	31 December 2018
	RMB	RMB	RMB	RMB	RMB	RMB
Deferred tax assets:						
Differences in rent-free incentives and step rental provision	–	6,246,729	–	(4,388,986)	–	–
Differences due to pre-opening expenses	157,624	290,913	(133,289)	(133,289)	–	–
Differences due to recognition of right-of-use assets and the corresponding lease liabilities	14,305,915	–	(1,877,729)	–	1,628	–
Impairment loss	4,121,976	3,611,378	510,598	2,486,378	–	–
Others	735,769	1,875,751	(1,139,982)	1,352,520	–	–
	<u>19,321,284</u>	<u>12,024,771</u>	<u>(2,640,402)</u>	<u>(683,376)</u>	<u>1,628</u>	<u>–</u>
Deferred tax liabilities:						
Withholding tax from the expected remittance of dividend from subsidiary	(9,698,567)	(8,520,319)	(2,677,875)	(2,774,165)	(9,698,567)	(8,520,319)
Differences in step rental income	(1,185,056)	(1,840,309)	655,253	(692,495)	–	–
Differences arising from the recognition favourable lease agreements	(268,800)	(388,200)	119,400	119,400	–	–
Accrued breakage gain from sale of prepaid cards	(1,330,866)	(871,785)	(459,081)	(7,817)	–	–
	<u>(12,483,289)</u>	<u>(11,620,613)</u>	<u>(2,362,303)</u>	<u>(3,355,077)</u>	<u>(9,698,567)</u>	<u>(8,520,319)</u>
Deferred income tax expense			<u>(5,002,705)</u>	<u>(4,038,453)</u>		

Deferred taxation

According to the Applicable Enterprise Income Tax (“EIT”) laws and regulations, income such as rental, royalty and profits from the PRC derived by a foreign enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Applicable EIT Laws and regulations.

Pursuant to a tax treaty between the PRC and the Republic of Singapore, which became effective on 1 January 2008, a company incorporated in Singapore will be subject to a withholding tax at the rate of 5% on dividends it receives from a company incorporated in the PRC if it holds 25% or more interest in the PRC company, or 10% if it holds less than 25% interests in the PRC company.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

14. Deferred tax assets/(liabilities) (cont'd)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, there are no unrecognised temporary differences relating to investments in subsidiaries on the undistributed earnings of certain Group's subsidiaries.

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately RMB 7,003,000 (2018: RMB 5,633,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences (2018: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 35).

15. Inventories

	Group		Company	
	2019	2018	2019	2018
	RMB	RMB	RMB	RMB
Balance sheet:				
Finished goods (at lower of cost or net realisable value)	117,804,452	100,132,192	—	—

	Group	
	2019	2018
	RMB	RMB
Income statement:		
Inventories recognised as an expense in cost of sales	752,749,598	686,680,767
Inclusive of the following charge:		
Inventories written back	–	259,108

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amount in 2018.

Included in the inventories is RMB 38,704,663 (2018: RMB 38,673,400) of gold which relates to gold jewellery.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

16. Prepayments

	Group		Company	
	2019	2018	2019	2018
	RMB	RMB	RMB	RMB
Prepaid rent	–	3,466,816	–	–
Advance payments for property, plant and equipment	–	91,130	–	–
Advance payments to suppliers	11,829,293	2,107,138	–	–
Other prepayments	2,127,962	3,749,185	23,548	26,151
	13,957,255	9,414,269	23,548	26,151

17. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	RMB	RMB	RMB	RMB
<i>Current:</i>				
Trade receivables	4,169,479	1,983,931	–	–
Rental deposits *	3,522,116	21,349,656	–	80,179
Other deposits #	193,530	93,269	2,477	2,269
Other receivables ##	7,741,383	7,997,468	–	–
	15,626,508	31,424,324	2,477	82,448
<i>Non-current:</i>				
Other receivables	3,585,699	1,000,000	1,943	–
Rental deposits	7,422,464	–	69,758	–
	11,008,163	1,000,000	71,701	–
<i>Add:</i>				
Amount due from a subsidiary (Note 18)	–	–	18,947,368	25,500,000
Amount due from an associate (Note 19)	29,700,000	14,400,000	–	–
Amount due from related parties (Note 20)	9,885,054	10,873,055	–	–
Cash and cash equivalents (Note 21)	260,040,551	207,024,261	5,355,273	2,174,599
Restricted cash (Note 22)	10,000,000	21,100,000	–	–
Total financial assets held at amortised cost	336,260,276	285,821,640	24,376,819	27,757,047

* The operating lease agreements for the department stores contain options for early termination by either party.

Net of impairment of nil (2018: RMB 1,987,800).

Net of impairment of RMB 4,523,900 (2018: RMB 2,000,000).

Trade receivables are non-interest bearing and are generally on 30 to 60 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

17. Trade and other receivables (cont'd)

The movement in allowance for rental deposits and other receivables are as follow:

	Group	
	Rental deposits RMB	Other receivables RMB
Movement in allowance accounts:		
At 1 January 2018	–	–
Charge for the year	1,987,800	2,000,000
At 31 December 2018/ 1 January 2019	1,987,800	2,000,000
Charge for the year	–	2,523,900
Write-back for the year	(1,987,800)	–
At 31 December 2019	–	4,523,900

Impairment of rental deposits in relation to the early termination of lease is recognised in accordance with the lease agreements.

Other receivables mainly relates to (i) interest receivables from banks, (ii) amount due from long term investment in Xiamen Citi-Base Commerce Co., Ltd. which is repayable upon demand and (iii) recoverable from staff and supplier.

18. Amount due from a subsidiary

	Company	
	2019 RMB	2018 RMB
Amount due from a subsidiary (non-trade)	18,947,368	25,500,000

Amount due from a subsidiary is unsecured, non-interest bearing and is repayable on demand.

19. Amount due from an associate

	Group		Company	
	2019 RMB	2018 RMB	2019 RMB	2018 RMB
Amount due from an associate (non-trade)	29,700,000	14,400,000	–	–

Amount due from an associate is unsecured, non-interest bearing and is repayable on demand.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

20. Amount due from/due to related parties

	Group	
	2019 RMB	2018 RMB
Amount due from a related party (trade) *	–	850,116
Amount due from a related party (non-trade) *	9,885,054	10,022,939
	<u>9,885,054</u>	<u>10,873,055</u>
Amount due to related parties (trade) *	1,087,878	20,369
Amount due to related parties (non-trade) **	23,766,461	3,842,032
	<u>24,854,339</u>	<u>3,862,401</u>

* Amounts due from/to related parties are unsecured, non-interest bearing and are repayable on demand.

Amounts due to related parties (non-trade) arise when customers made purchases using the Group's prepaid cards at the managed stores under the related parties.

21. Cash and cash equivalents

	Group		Company	
	2019 RMB	2018 RMB	2019 RMB	2018 RMB
Cash and short-term deposits	<u>260,040,551</u>	<u>207,024,261</u>	<u>5,355,273</u>	<u>2,174,599</u>

Bank balances earn interests at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods from one to three months, depending on the immediate cash requirements, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2019 for the Group and the Company were 0.30% (2018: 0.30%) and 0.25% (2018: 0.87%) per annum respectively.

Cash and cash equivalents denominated in foreign currency as 31 December is as follows:

	Group		Company	
	2019 RMB	2018 RMB	2019 RMB	2018 RMB
United States Dollars	<u>13</u>	<u>13</u>	<u>–</u>	<u>–</u>

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

22. Restricted cash

Short-term deposits of RMB 10,000,000 (2018: RMB 21,100,000) are pledged to a bank for facilities granted to an associate. The weighted average effective interest rates as at 31 December 2019 for the Group were 0.30% (2018: 0.30%).

23. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	RMB	RMB	RMB	RMB
Trade:				
External parties	248,874,507	207,788,831	–	–
Other payables	114,869,607	96,348,459	907	979
	363,744,114	304,137,290	907	979
Add:				
Accrued operating expenses (Note 25)	37,753,860	38,840,015	2,503,720	2,479,414
Amount due to related parties (Note 20)	24,854,339	3,862,401	–	–
Less:				
Advances from customers	(95,653,193)	(78,614,245)	–	–
Total financial liabilities carried at amortised cost	330,699,120	268,225,461	2,504,627	2,480,393

Trade and other payables are non-interest bearing and are generally on 30 to 60 days' terms.

24. Leases

The Group has lease contracts of properties for its operations. The leases of properties have lease terms ranging between 3 to 20 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Group	Company
	RMB	RMB
As at 1 January 2019	321,745,350	771,661
Additions	34,761,188	–
Depreciation charge	(65,730,310)	(317,020)
Impairment loss	(866,471)	–
Write-off *	(23,863,566)	–
Currency translation	12,991	12,991
At 31 December 2019	266,059,182	467,632

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

24. Leases (cont'd)

Set out below are the carrying liabilities and the movements during the period:

	Group RMB	Company RMB
As at 1 January 2019	381,737,000	780,649
Additions	34,761,189	–
Accretion of Interest	15,898,102	27,558
Payments	(92,822,866)	(344,452)
Write-off *	(27,697,578)	–
Currency translation	13,451	13,451
At 31 December 2019	311,889,298	477,206
Current	63,963,572	335,435
Non-current	247,925,726	141,771

* Write off arise from the termination of a lease

25. Other assets/(liabilities)

	Group		Company	
	2019 RMB	2018 RMB	2019 RMB	2018 RMB
Non-current:				
Rent-free incentives and step rental provision	4,740,226	7,361,234	–	–
Current:				
Accrued operating expenses	(37,753,860)	(38,840,015)	(2,503,720)	(2,479,414)
Non-current:				
Rent-free incentives and step rental provision	–	(24,986,913)	–	–
	(37,753,860)	(63,826,928)	(2,503,720)	(2,479,414)

26. Share capital

	Group and Company			
	2019		2018	
	No. of shares	RMB	No. of Shares	RMB
Issued and fully paid ordinary shares				
At 1 January and 31 December	196,320,000	67,147,926	196,320,000	67,147,926

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

27. Treasury shares

	Group and Company			
	2019		2018	
	No. of shares	RMB	No. of Shares	RMB
At 1 January	4,494,300	24,853,005	4,468,300	24,740,592
Acquired during the financial year	–	–	26,000	112,413
At 31 December	4,494,300	24,853,005	4,494,300	24,853,005

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired nil (2018: 26,000) shares in the Company through purchase on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was nil (2018: RMB 112,412) and this was presented as a component within shareholders' equity.

28. Other reserves

(a) *Foreign currency translation reserve*

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(b) *Statutory reserve fund*

In accordance with the Foreign Enterprise Law applicable to subsidiaries in the People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to the approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

29. Employee benefits

	Group	
	2019 RMB	2018 RMB
Employee benefits expenses (including directors)		
Salaries and bonuses	126,420,573	112,447,121
Defined contribution plans	16,984,395	18,839,864
	<u>143,404,968</u>	<u>131,286,985</u>

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

30. Commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2019	2018
	RMB	RMB
Contracted but not provided for:		
Capital contribution payable to associate	7,500,000	–

31. Related party transactions

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2019	2018
	RMB	RMB
Concessionaire income from a company in which Directors have an interest	1,571,155	1,675,438
Advertisement income received from companies in which Directors have an interest	80,001	202,503
Management fees from a company in which Directors have an interest	4,924,528	4,924,528
Rental expense to companies in which Directors have an interest	–	5,112,891
Depreciation of right to use lease properties owned by a company in which Directors have an interest	4,484,377	–
Interest on payment of lease liabilities for use of lease properties owned by a company in which Directors have an interest	558,015	–

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

31. Related party transactions (cont'd)

(b) *Compensation of key management personnel*

	Group		Company	
	2019	2018	2019	2018
	RMB	RMB	RMB	RMB
Short-term employee benefits	6,426,656	5,940,484	3,340,656.	3,200,484
Defined contribution plans	243,181	256,135	211,909	226,767
	6,669,837	6,196,619	3,552,565	3,427,251
<i>Comprise amounts paid to:</i>				
Directors of the Company	3,782,002	4,389,822	2,416,377	2,335,579
Other key management personnel	2,887,835	1,806,797	1,136,188	1,091,672
	6,669,837	6,196,619	3,552,565	3,427,251

32. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk. The board of directors reviews and agrees on policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been, throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short-term deposits), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy to monitor receivable balances on an ongoing basis with the result that the Group's exposure to bad debts is not unduly significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 60 days when they fall due, which are derived based on the Group and the Company's historical information.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

32. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

The Group consider available reasonable and supportive forwarding-looking information which includes the following indicators:

- Credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.
- Significant increases in credit risk on other financial instruments of the same borrower.
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The Group measured the impairment loss allowance using provision matrix and determined that the ECL is insignificant.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

32. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 to the financial statements.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's cash and operating cash flows, availability of banking facilities and debt maturity profile are actively managed to ensure adequate working capital requirements and that repayment and funding needs are met.

The Group is currently dependent on its cash flow generated from operations and advances from its shareholder to support its working capital.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	One year or less RMB	More than one year RMB	Total RMB
2019			
Financial assets:			
Trade and other receivables	11,910,862	–	11,910,862
Deposits	3,715,646	17,829,656	21,545,302
Amount due from an associate	29,700,000	–	29,700,000
Amount due from related parties	9,885,054	–	9,885,054
Restricted cash	10,000,000	–	10,000,000
Cash and cash equivalents	260,040,551	–	260,040,551
Total undiscounted financial assets	325,252,113	17,829,656	343,081,769
Financial liabilities:			
Trade and other payables	268,090,921	–	268,090,921
Accrued operating expenses	37,753,860	–	37,753,860
Amount due to related parties	24,854,339	–	24,854,339
Lease liabilities	77,248,405	183,731,682	260,980,087
Total undiscounted financial liabilities	407,947,525	183,731,682	591,679,207
Total net undiscounted financial liabilities	(82,695,412)	(165,902,026)	(248,597,438)

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

32. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities (cont'd)

Group	One year or less RMB	One to five years RMB	Total RMB
2018			
Financial assets:			
Trade and other receivables	9,981,399	1,000,000	10,981,399
Deposits	21,442,925	–	21,442,925
Amount due from an associate	14,400,000	–	14,400,000
Amount due from related parties	10,873,055	–	10,873,055
Restricted cash	21,100,000	–	21,100,000
Cash and cash equivalents	207,024,261	–	207,024,261
Total undiscounted financial assets	284,821,640	1,000,000	285,821,640
Financial liabilities:			
Trade and other payables	225,523,045	–	225,523,045
Accrued operating expenses	38,840,015	–	38,840,015
Amount due to related parties	3,862,401	–	3,862,401
Total undiscounted financial liabilities	268,225,461	–	268,225,461
Total net undiscounted financial assets	16,596,179	1,000,000	17,596,179
Company			
2019			
Financial assets:			
Deposits	2,477	80,178	82,655
Amount due from a subsidiary	18,947,368	–	18,947,368
Cash and cash equivalents	5,355,273	–	5,355,273
Total undiscounted financial assets	24,305,118	80,178	24,385,296
Financial liabilities:			
Trade and other payables	907	–	907
Accrued operating expenses	2,503,720	–	2,503,720
Lease liabilities	352,218	146,757	498,975
Total undiscounted financial liabilities	2,856,845	146,757	3,003,602
Total net undiscounted financial assets/(liabilities)	21,448,273	(66,579)	21,381,694

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

32. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities (cont'd)

Company	One year or less RMB	One to five years RMB	Total RMB
2018			
Financial assets:			
Deposits	82,448	–	82,448
Amount due from a subsidiary	25,500,000	–	25,500,000
Cash and cash equivalents	2,174,599	–	2,174,599
Total undiscounted financial assets	27,757,047	–	27,757,047
Financial liabilities:			
Trade and other payables	979	–	979
Accrued operating expenses	2,479,414	–	2,479,414
Total undiscounted financial liabilities	2,480,393	–	2,480,393
Total net undiscounted financial assets	25,276,654	–	25,276,654

33. Fair values of assets and liabilities

Fair value hierarchy

The Group categorizes fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Company have no financial assets and liabilities measured at fair value at 31 December 2019 and 31 December 2018.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

34. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

As disclosed in Note 27(b), subsidiaries in PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilization is subject to approval by relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2019 and 31 December 2018.

Apart from the above, the Group is not subjected to any externally imposed capital requirements.

35. Dividends

Group and Company

2019 2018

RMB RMB

Declared and paid during the financial year:

Dividends on ordinary shares:

- Final exempt (one-tier) dividend for 2018: SGD 1.5 cent (2017: 1.0 cent) per share*
- Interim exempt (one-tier) dividend for 2019: SGD 1.5 cent (2018: 1.0 cent) per share

14,406,684 9,124,075

14,824,531 9,524,869

29,231,215 18,648,944

Proposed but not recognised as a liability as at 31 December:

Dividends on ordinary shares, subject to shareholders' approval at the AGM:

- Final exempt (one-tier) dividend for 2019: SGD 1.5 cent (2018: SGD 1.5 cent) per share

14,892,527 14,509,708

* The difference between the dividend declared at the end of the financial year 2018 and the actual dividend paid in the financial year 2019 was due to translation differences.

/ Notes to the Financial Statements

For the financial year ended 31 December 2019

36. Events occurring after the reporting period

The emergence of COVID-19 became widespread from late January 2020 and has impacted the Group's operations in China. During the pandemic, most of the Group's supermarkets remained open, albeit on shorter operating hours. This helped to mitigate the fall in sales of department store products. Economic activities in China returned to normality in phases from late March and the Group's businesses were back to normal operating hours by April 2020. The Group's supply lines were largely unaffected and measures to ensure the safety of the staff and customers were implemented. As the situation is still evolving, the full effect of the outbreak is subject to uncertainty and could not be ascertained yet.

On 15 May 2020, the Company has obtained a S\$5 million banking facilities for 5 years. Subsequently on 28 May 2020, the Company has issued a S\$8 million non-convertible bond to the bond subscribers with a coupon rate of 6.5% over 3 years. The proceeds from the bond issue shall be used for such purposes as the Company deems fit, including, but not limited to, for the financing of construction of the Wuxi outlet mall project (under Zhongmin Baihui (Fujian) Shopping Centre Co., Ltd) and for its working capital use.

37. Authorisation of financial statements for issue

The audited financial statements for financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 9 June 2020.

Statistics of Shareholdings

As at 12 May 2020

Issue and fully paid-up capital	:	SGD 13,620,000
Number of shares(excluding treasury shares)	:	191,795,700
Number of treasury shares held	:	4,524,300
Class of shares	:	Ordinary
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	36	13.23	27,800	0.02
1,001 - 10,000	95	34.93	545,500	0.28
10,001 - 1,000,000	124	45.59	18,157,300	9.47
1,000,001 AND ABOVE	17	6.25	173,065,100	90.23
TOTAL	272	100.00	191,795,700	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	LEE SWEE KENG	48,290,700	25.18
2	CHEN KAITONG	47,400,680	24.71
3	SU CAIYE	24,040,700	12.53
4	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	10,350,100	5.40
5	LIM KOK TONG	6,326,088	3.30
6	SU JIANLI	6,169,932	3.22
7	LIM CHIN HIAN	5,000,000	2.61
8	RAFFLES NOMINEES (PTE.) LIMITED	4,645,200	2.42
9	DBS NOMINEES (PRIVATE) LIMITED	3,729,700	1.94
10	LIM CHIN KEONG JASON	3,300,000	1.72
11	CITIBANK NOMINEES SINGAPORE PTE LTD	3,206,500	1.67
12	LINGCO HOLDINGS PTE LTD	2,500,000	1.30
13	SEAH CONSTRUCTION PTE LTD	2,000,000	1.04
14	WEE CHOO CHUAN	2,000,000	1.04
15	LINGCO MARINE PTE LTD	1,500,000	0.78
16	SIA LING SING	1,445,500	0.75
17	CHUA KIAN LIN	1,160,000	0.60
18	LIM SOO SENG & SONS (PTE) LTD	1,000,000	0.52
19	SEAH CHONG POK	1,000,000	0.52
20	TAN KHENG SOON	1,000,000	0.52
	TOTAL	176,065,100	91.77

Statistics of Shareholdings

As at 12 May 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 12 May 2020)

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Lee Swee Keng	48,290,700	25.18	–	–
Chen Kaitong	47,400,680	24.71	–	–
Su Caiye	24,040,700	12.53	–	–

FREE FLOAT

Based on the information available to the Company as at 12 May 2020, approximately 37.04% of the issued ordinary shares of the Company was held by the public. Accordingly, Rule 723 of the Rules of Mainboard has been complied with.

/ Notice of Annual General Meeting

年度股东大会通告

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Zhongmin Baihui Retail Group Ltd. (the “**Company**”) will be convened and held by way of electronic means on Monday, 29 June 2020, at 10:00 a.m., for the purpose of transacting the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2019 together with the Directors’ Statement and Auditor’s Report thereon. **(Resolution 1)**
2. To declare a final one-tier tax exempt dividend of 1.5 Singapore cents per ordinary share for the financial year ended 31 December 2019. **(Resolution 2)**
3. To approve the payment of S\$154,000.00 as Directors’ fees for the financial year ended 31 December 2019. **(Resolution 3)**
4. To re-appoint Mr. Choy Bing Choong as a Director pursuant to Paragraph 9(b) of Appendix 2.2 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). **(Resolution 4)**
[See Explanatory Note 10]
5. To re-elect the following Directors retiring pursuant to Regulation 104 of the Company’s Constitution¹:

(a)	Mr. Chen Kaitong	(Regulation 104)	(Resolution 5)
(b)	Mr. Su Caiye	(Regulation 104)	(Resolution 6)
(c)	Dr. Ong Seh Hong	(Regulation 104)	(Resolution 7)

[See Explanatory Notes 11 to 13]
6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. General authority to issue and allot shares

“That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, and subject to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), authority be and is hereby given to the Directors of the Company to: -

- (A) (i) issue and allot shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or

¹ Pursuant to the recent amendments of the Companies Act (Cap. 50 of Singapore), the Memorandum and Articles of Association of the Company are deemed by law to be merged to form the Constitution of the Company.

/ Notice of Annual General Meeting

年度股东大会通告

- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (B) (notwithstanding that this authority may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this authority was in force, provided that: -

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed twenty per cent (20%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below):-

- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares) at the time this authority is given, after adjusting for: -

- (i) new Shares arising from the conversion or exercise of convertible securities;
- (ii) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing of the Resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
- (iii) any subsequent bonus issue, consolidation or sub-division of Shares;

- (3) in exercising the authority conferred by this Resolution, the Directors shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

- (4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

(Resolution 9)

[See Explanatory Note 14]

/ Notice of Annual General Meeting

年度股东大会通告

9. Proposed Share Buyback Mandate

“That:

(A) For the purposes of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued ordinary shares fully paid in the capital of the Company (“**Shares**”) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (i) on-market purchases, transacted on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) through the SGX-ST’s Central Limit Order Book (CLOB) trading system or through one or more duly licensed stockbrokers appointed by the Company for the purpose (“**Market Purchase**”); and/or
- (ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the rules of the SGX-ST Listing Manual (“**Off-Market Purchases**”),

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the SGX-ST Listing Manual as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (“**Share Buyback Mandate**”);

(B) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on:

- (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
- (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
- (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Shareholders in a general meeting,

whichever is the earlier;

(C) in this Resolution:

“**Prescribed Limit**” means 10% of the total number of Shares in the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which even the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

“**Relevant Period**” means the period commencing from the date on which the resolution authorizing the Share Buyback Mandate is passed and expiring on the date the next Annual General Meeting is held or required by law to be held, whichever is the earlier, after the date of this Resolution;

/ Notice of Annual General Meeting

年度股东大会通告

“Maximum Price” in relation to a Share to be purchased, means an amount (excluding applicable brokerage, stamp duties, goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase: 105% of the Average Closing Price;
- (ii) in the case of an Off-Market Purchase: 120% of the Highest Last Dealt Price,

where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five market days on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase and deemed to be adjusted for any corporate action that occurs after the relevant five market days;

“Highest Last Dealt Price” means the higher price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

- (D) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient, incidental, necessary or in the interest of the Company to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.” **(Resolution 10)**

By Order of the Board

Chia Foon Yeow
Company Secretary
11 June 2020

Explanatory Notes:

1. The Annual General Meeting (“AGM”) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM will not be sent to members. This Notice will also be made available on the Company’s website at www.zhongminbaihui.com.sg/NewsList.aspx and the SGXNET.
2. Shareholders will NOT be able to attend the AGM in person. All shareholders or their corporate representatives (in the case of shareholders which are legal entities) will be able to participate in the AGM proceedings by accessing a live audio-and-visual webcast and/or live audio only stream. To do so, shareholders are required to pre-register their participation in the AGM (“Pre-registration”) by 5:00 p.m. on 23 June 2020 (“Registration Deadline”) by downloading the Pre-registration Form which will be made available on the Company’s website at www.zhongminbaihui.com.sg/NewsList.aspx and the SGXNET, and emailing the completed and signed Pre-registration Form to AGM@zhongminbaihui.com.sg for verification of their status as shareholders (or the corporate representatives of such shareholders).
3. Upon successful verification, each such shareholder or its corporate representative will receive an email by 3:00 p.m. on 25 June 2020 from the Company’s webcast vendor, Activeo Singapore Pte Ltd. The email will contain instructions to access the live audio-and-visual webcast and/or live audio only stream of the AGM proceedings. Shareholders or their corporate representatives must not forward the email to other persons who are not shareholders or their corporate representatives who have pre-registered by the Registration Deadline in accordance with paragraph 2 above but do not receive an email by 3:00 p.m. on 25 June 2020 should contact the Company at AGM@zhongminbaihui.com.sg by 3.00 p.m. on 26 June 2020.

/ Notice of Annual General Meeting

年度股东大会通告

Voting by proxy

4. Shareholders may only exercise their voting rights at the AGM via proxy voting (see paragraphs 5 to 8 below).
5. Shareholders who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the Meeting as their proxy to do so on their behalf. The proxy form for the AGM may be accessed at the Company's website at www.zhongminbaihui.com.sg/NewsList.aspx and on SGXNET.
6. The duly executed proxy form must be deposited at the office of the Company Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 or sent by email to AGM@zhongminbaihui.com.sg not less than 48 hours before the time appointed for the holding of the AGM (i.e. no later than 10:00 a.m. on 27 June 2020).
7. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

Submission of questions prior to the AGM

8. Shareholders will be able to ask questions "live" at the AGM during the live audio-and-video webcast and/or live audio only stream via the chat box function. However, shareholders are encouraged to submit questions related to the resolutions to be tabled at the AGM during Pre-registration by email to AGM@zhongminbaihui.com.sg or by post to Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 by 5:00 p.m. on 23 June 2020, so that they may be addressed during the AGM proceedings.
9. The Company shall only address relevant and substantial questions (as may be determined by the Company in its sole discretion) received. The Company will publish the minutes of the AGM on SGXNET and the Company's website within one month after the date of AGM.
10. Mr. Choy Bing Choong will, upon re-appointment, remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. The Board considers Mr. Choy Bing Choong to be independent for the purpose of Rule 704(8) of the Listing Manual.
11. Mr. Chen Kaitong will, upon re-election, remain as Executive Chairman of the Company.
12. Mr. Su Caiye will, upon re-election, remain as Executive Director of the Company.
13. Dr. Ong Seh Hong will, upon re-election, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. The Board considers Dr. Ong Seh Hong to be independent for the purpose of Rule 704(8) of the Listing Manual.
14. Under the Listing Manual of the SGX-ST, a share issue mandate approved by shareholders as an ordinary resolution will enable directors of an issuer to issue an aggregate number of new shares and convertible securities of the issuer of up to fifty per cent (50%) of the issued share capital of the issuer (excluding treasury shares) as at the time of passing of the resolution approving the share issue mandate, of which the aggregate number of new shares and convertibles securities issued other than on a pro-rata basis to existing shareholders must be not more than twenty per cent (20%) of the issued share capital of the issuer (excluding treasury shares).

The Directors are of the opinion that the proposed share issue mandate will enable the Company to respond faster to business opportunities and to have greater flexibility and scope in negotiating with third parties in potential fundraising exercises or other arrangements or transactions involving the capital of the Company.

Ordinary Resolution 9, if passed, will empower the Directors from the date of the above Annual General Meeting until the date of the next annual general meeting, to issue and allot Shares and/or Instruments. The aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted) which the Directors may issue and allot under this Resolution, shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares). For issues of Shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed twenty per cent (20%) of the total number of issued Shares (excluding treasury shares). This authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue Shares pursuant to any convertible securities issued under this authority.

/ Notice of Annual General Meeting

年度股东大会通告

Personal Data Privacy:

By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, or (b) completing the Pre-registration in accordance with this Notice, or (c) submitting any question prior to the AGM in accordance with this Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the Meeting as a proxy for the AGM (including any adjournment thereof);
- (ii) the processing of the Pre-registration for purposes of granting access to members (or their corporate representatives in the case of members which are legal entities) to the live audio-and-visual webcast and/or live audio only stream of the AGM proceedings and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;
- (iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

Important Reminder:

Due to the constantly evolving COVID-19 situation in Singapore, the Company may be required to change its AGM arrangements at short notice. Shareholders are advised to regularly check the Company's website or announcements released on SGXNET for updates on the AGM. Further, in light of the current COVID-19 measures, which may make it difficult for shareholders to submit completed proxy forms by post, shareholders are strongly encouraged to submit completed proxy forms electronically via email.

Additional Information on Directors Standing For Election as a Director for the First Time and Existing Directors Seeking Re-Election to the Board

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, we set out below the additional information on Mr Choy Bing Choong, who is standing for election as a Director for the first time at the forthcoming Annual General Meeting, and Mr Chen Kaitong, Mr Su Caiye, and Dr Ong Seh Hong, all of whom are seeking re-appointment as Directors at the forthcoming Annual General Meeting. The information shall be read in conjunction with their respective biographies on pages 20 to 21.

	Mr Choy Bing Choong	Mr Chen Kaitong	Mr Su Caiye	Dr Ong Seh Hong
Date of Appointment	31 December 2019	9 December 2008	9 December 2008	23 December 2010
Date of last re-appointment	N.A.	25 April 2016	27 April 2018	25 April 2016
Age	53	53	48	57
Country of Principal Residence	Singapore	China	China	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Nominating Committee (the "NC") formally assessed the appointment of Mr Choy as a Lead Independent Director of the Company. On the recommendation of the NC and having considered the strength of his calibre and experience, the Board of Directors is of the view that the Company will be able to leverage on Mr Choy's qualifications and accounting expertise, and that the appointment of Mr Choy as an Independent Director will be beneficial to the Board and to the Company. Mr Choy has abstained from the deliberation of the NC as well as that of the Board pertaining to his re-election.	The re-election of Mr Chen as an Executive Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. Mr Chen has abstained from the deliberation of the Board pertaining to his re-election.	The re-election of Mr Su as a Non-Executive Non-Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. Mr Su has abstained from the deliberation of the NC as well as that of the Board pertaining to his re-election.	The re-election of Dr Ong as a Lead Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. Dr Ong has abstained from the deliberation of the NC as well as that of the Board pertaining to his re-election.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of Audit Committee, and a Member of Nominating Committee and Remuneration Committee	Executive Director and Chief Executive Officer	Non-Executive Non-Independent Director	Independent Director, Chairman of Remuneration Committee, and a Member of Audit Committee and Nominating Committee

	Mr Choy Bing Choong	Mr Chen Kaitong	Mr Su Caiye	Dr Ong Seh Hong
Professional qualifications	1. Bachelor of Accountancy, National University of Singapore 2. Member, Institute of Singapore Chartered Accountants 3. Member, Singapore Institute of Directors	Nil	Nil	1. Bachelor of Medicine and Bachelor of Surgery (MBBS) 2. Master of Science in Applied Finance, National University of Singapore 3. Member of the Royal College of Psychiatrists in the United Kingdom 4. A fellow of The Academy of Medicine, Singapore
Working experience and occupation(s) during the past 10 years	Please refer to Mr Choy's biography set out under the section "Board of Directors" of the Annual Report.	Please refer to Mr Chen's biography set out under the section "Board of Directors" of the Annual Report.	Please refer to Mr Su's biography set out under the section "Board of Directors" of the Annual Report.	Please refer to Dr Ong's biography set out under the section "Board of Directors" of the Annual Report.
Shareholding interest in the Company and its subsidiaries	None	Please refer to the information disclosed in the Directors' Statement which can also be found in the Annual Report.	Please refer to the information disclosed in the Directors' Statement which can also be found in the Annual Report.	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the Company or of any of its principal subsidiaries	No	Mr Chen Kaitong is a distant relative of Mr Lee Swee Keng. Mr Lee Swee Keng's grandmother's brother is Mr Chen Kaitong's father. The spouses of Mr Chen Kaitong and Mr Su Caiye (our Non-Executive Director) are sisters.	Mr Su Caiye is the brother-in-law of Mr Su Jianli. The spouses of Mr Chen Kaitong and Mr Su Caiye (our Non-Executive Director) are sisters.	No
Conflict of interest (including any competing business)	No	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes	Yes
OTHER PRINCIPAL COMMITMENTS INCLUDING DIRECTORSHIPS				
Past (for the last 5 years)	Nil	Nil	Nil	Nil
Present	Hiap Tong Corporation Ltd Hoe Leong Corporation Ltd Natural Cool Holdings Limited	Nil	Nil	Dyna-Mac Holdings Ltd Hock Lian Seng Holdings Ltd.

	Mr Choy Bing Choong	Mr Chen Kaitong	Mr Su Caiye	Dr Ong Seh Hong
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	Yes. Mr Choy was appointed a Non-Executive, Independent Director of Hoe Leong Corporation Ltd ("Hoe Leong") on 1 September 2019. On 2 October 2019, Hoe Leong received an Originating Summons without a supporting affidavit filed by United Overseas Bank ("UOB") to place the Company under judicial management pursuant to Section 227B of the Companies Act (Cap. 50, 2006 Rev Ed) ("JM Application"). On 7 November 2019, leave was granted by the High Court for UOB to wholly discontinue and/or withdraw the JM Application and UOB has accordingly filed the Notice of Discontinuance / Withdrawal accordingly to wholly discontinue / withdraw the JM Application.	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No

	Mr Choy Bing Choong	Mr Chen Kaitong	Mr Su Caiye	Dr Ong Seh Hong
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No

	Mr Choy Bing Choong	Mr Chen Kaitong	Mr Su Caiye	Dr Ong Seh Hong
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No

	Mr Choy Bing Choong	Mr Chen Kaitong	Mr Su Caiye	Dr Ong Seh Hong
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No

ZHONGMIN BAIHUI RETAIL GROUP LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No.: 200411929C)

PROXY FORM ANNUAL GENERAL MEETING

Important:

1. This AGM (as defined below) will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM and this proxy form will not be sent to members. Instead, the Notice of AGM and this proxy form will be sent to members by electronic means via publication on the Company's website at www.zhongminbaihui.com.sg/NewsList.aspx and the SGXNet.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-and-video webcast) are set out in Notice of AGM and the accompanying Company's announcement dated 11 June 2020. This announcement may be accessed at the Company's website at www.zhongminbaihui.com.sg/NewsList.aspx and the SGXNet.
3. **Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must appoint the Chairman as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The Chairman, as proxy, need not be a member of the Company.**
4. Members who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the Meeting as their proxy to do so on their behalf.
5. This proxy form is not valid for use by investors holding shares in the Company ("Shares") through relevant intermediaries (as defined in Section 181 of the Companies Act (Chapter 50 of Singapore)) ("Investors") (including investors holding through Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") ("CPF/SRS investors")) and shall be ineffective for all intents and purposes if used or purported to be used by them. For investors who have used their CPF/SRS monies to buy the Shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. This report is forwarded at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY. CPF/SRS investors who wish to appoint the Chairman of the Meeting as their proxy should contact their respective CPF Agent Banks or SRS Operators to submit their votes by 10 a.m. on 17 June 2020.

I/We, _____ (Name)

_____ (NRIC/Passport No.)

of _____ (Address)

being a member/members of ZHONGMIN BAIHUI RETAIL GROUP LTD. (the "**Company**"), hereby appoint the Chairman of the Meeting as *my/our proxy/proxies, to attend, speak and vote for *me/us on *my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be convened and held by way of electronic means on Monday, 29 June 2020 at 10:00 a.m. and at any adjournment thereof. I/We direct *my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*	Abstain*
1	Adoption of Audited Financial Statements, Directors' Statement and Auditor's Report			
2	To declare a final one-tier tax exempt dividend of 1.5 Singapore cent per ordinary share for the financial year ended 31 December 2019			
3	Approval of proposed Directors' Fees of S\$154,000 for the financial year ended 31 December 2019			
4	Re-appointment of Mr. Choy Bing Choong as a Director, pursuant to Paragraph 9(b) of Appendix 2.2 of Listing Manual of the Singapore Exchange Securities Trading Limited			
5	Re-election of Mr. Chen Kaitong as a Director (Regulation 104)			
6	Re-election of Mr. Su Caiye as a Director (Regulation 104)			
7	Re-election of Dr. Ong Seh Hong as a Director (Regulation 104)			
8	Re-appointment of Messrs Ernst & Young LLP as Auditors			
9	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50.			
10	Approval of the proposed Share Buyback Mandate			

*Please indicate your vote "For" or "Against" or "Abstain" with a tick (✓) within the box provided.

Dated this _____ day of _____, 2020.

Signature(s) of Member(s) or
Common Seal of Corporate Member(s) or
Duly Authorised Attorney/Officer of Member(s)

(Please see notes overleaf before completing this form)

TOTAL NUMBER OF SHARES IN:

(a) CDP Register

(b) Register of Members



Notes

1. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
2. Shareholders may only exercise their voting rights at the AGM via proxy voting.
3. Shareholders who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the Meeting as their proxy to do so on their behalf. The proxy form for the AGM may be accessed at the Company's website at www.zhongminbaihui.com.sg/NewsList.aspx and on SGXNET.
4. The duly executed proxy form must be deposited at the office of the Company Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 or sent by email to AGM@zhongminbaihui.com.sg not less than 48 hours before the time appointed for the holding of the AGM (i.e. no later than 10:00 a.m. on 27 June 2020).
5. In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.
6. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
7. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
8. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.
9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing the Chairman of the Meeting as a proxy to vote at the Meeting and/or any adjournment thereof, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 June 2020.

/Corporate Information

企业资讯

Board of Directors

Lee Swee Keng
Executive Chairman

Chen Kaitong
Chief Executive Officer

Andrew Lim Kok-Kin
Executive Director

Su Caiye
Non-Executive Director

Choy Bing Choong
Independent Director

Dr Ong Seh Hong
Independent Director

Goh Poh Kee
Independent Director

Company Secretary

Chia Foon Yeow

Registered Office

160 Robinson Road
SBF Center #15-06
Singapore 068914
Tel: (65) 6440 5297
Fax: (65) 6440 5274

Share Registrar

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Quay
#32-01 Singapore Land Tower
Singapore 048623

Auditors

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner In-charge:
Ho Shyan Yan
(Appointed since financial year
ended 31 December 2019)

Bankers

Overseas-Chinese Banking Corporation Limited
United Overseas Bank Limited
Bank of China
China Construction Bank Corporation
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China
Agricultural Bank of China
China Citic bank
Ping An Bank
China Minsheng Bank
Haixia Bank of Fujian

中闽百汇零售集团有限公司

ZHONGMIN BAIHUI RETAIL GROUP LTD.

(Co.Registration No.:200411929C)

80 Marine Parade Road #13-07 Parkway Parade Singapore 449269

