

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

**UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**

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

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

**Consolidated statement of comprehensive income for the third quarter (“3Q 2017”) and nine months ended 30 September 2017 (“9M 2017”)**

	← Group →					
	3 months ended		Change	9 months ended		Change
	30/9/2017	30/9/2016	+/(-) %	30/9/2017	30/9/2016	+/(-) %
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<b>Revenue</b> <sup>(1)</sup>	241,848	206,796	17.0	734,231	637,593	15.2
Cost of sales	<u>(176,269)</u>	<u>(142,555)</u>	23.6	<u>(517,312)</u>	<u>(416,295)</u>	24.3
<b>Gross profit</b>	65,579	64,241	2.1	216,919	221,298	(2.0)
Other income	19,791	18,116	9.2	65,328	132,347	(50.6)
Interest income	315	244	29.1	3,935	4,352	(9.6)
Selling and distribution expenses	(50,761)	(47,427)	7.0	(154,743)	(160,324)	(3.5)
Administrative expenses	<u>(19,534)</u>	<u>(16,385)</u>	19.2	<u>(58,972)</u>	<u>(68,435)</u>	(13.8)
<b>Profit before taxation and share of results of joint venture and associate</b>	15,390	18,789	(18.1)	72,467	129,238	(43.9)
Share of results of joint venture	(209)	-	n.m.	(209)	-	n.m.
Share of results of associate	<u>(96)</u>	<u>(55)</u>	74.5	<u>(169)</u>	<u>(122)</u>	38.5
<b>Profit before taxation</b> <sup>(2)</sup>	15,085	18,734	(19.5)	72,089	129,116	(44.2)
Income tax expense	<u>(5,303)</u>	<u>(6,440)</u>	(17.7)	<u>(22,280)</u>	<u>(42,393)</u>	(47.4)
<b>Profit after taxation</b>	<u>9,782</u>	<u>12,294</u>	(20.4)	<u>49,809</u>	<u>86,723</u>	(42.6)
<b>Other comprehensive income:</b>						
<b>Items that may be reclassified subsequently to profit or loss</b>						
Currency translation gain/(loss)	<u>(47)</u>	<u>(219)</u>	(78.5)	<u>1,430</u>	<u>304</u>	370.4
Other comprehensive income, net of tax	<u>(47)</u>	<u>(219)</u>	(78.5)	<u>1,430</u>	<u>304</u>	370.4
<b>Total comprehensive income for the period attributable to the owners of the Company</b>	<u>9,735</u>	<u>12,075</u>	(19.4)	<u>51,239</u>	<u>87,027</u>	(41.1)

n.m. – Not meaningful

## Notes to the consolidated statement of comprehensive income

### 1. Revenue

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

	← Group →					
	3 months ended		Change	9 months ended		Change
	30/9/2017	30/9/2016	+ / (-)	30/9/2017	30/9/2016	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<b>Revenue:</b>						
- Direct sales	199,615	164,290	21.5	587,445	478,954	22.7
- Commission from concessionaire sales	28,489	25,522	11.6	105,585	96,884	9.0
- Rental income	10,103	11,827	(14.6)	30,443	42,106	(27.7)
- Managed rental	3,641	5,157	(29.4)	10,758	19,649	(45.2)
	<u>241,848</u>	<u>206,796</u>	17.0	<u>734,231</u>	<u>637,593</u>	15.2
Gross revenue from concessionaire sales	<u>140,880</u>	<u>127,143</u>	10.8	<u>498,748</u>	<u>455,795</u>	9.4
Gross sales proceeds*	<u>354,239</u>	<u>308,417</u>	14.9	<u>1,127,394</u>	<u>996,504</u>	13.1

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

## 2. Profit before taxation

	← Group →					
	3 months ended		Change	9 months ended		Change
	30/9/2017	30/9/2016	+ / (-)	30/9/2017	30/9/2016	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Profit before tax is arrived at after (charging)/crediting the following:						
Inventories written down	(58)	(665)	(91.3)	(137)	(977)	(86.0)
<b>Other income:</b>						
Advertisement and promotion fees	16,645	14,473	15.0	47,043	46,519	1.1
Exchange gain	218	(106)	n.m.	218	1,448	(84.9)
Leisure facilities charges	45	259	(82.6)	236	669	(64.7)
Management fees	1,238	1,540	(19.6)	3,691	4,722	(21.8)
Net gain on disposal of property, plant and equipment	-	-	n.m.	-	381	n.m.
Write-back of free-rent incentives and step rental provision	-	-	n.m.	9,570	73,980	(87.1)
Write-back of allowance for impairment of property, plant and equipment	-	438	n.m.	-	-	n.m.
<b>Selling and distribution expenses:</b>						
Employee benefit expenses						
- Defined contribution plans	(2,575)	(2,051)	25.5	(7,567)	(6,990)	8.3
- Salaries, wages, bonuses and other costs	(13,670)	(11,217)	21.9	(42,950)	(38,669)	11.1
Rental expenses*	(21,375)	(21,669)	(1.4)	(66,885)	(77,464)	(13.7)
Utilities	(8,114)	(8,961)	(9.5)	(21,821)	(21,827)	(0.0)
Amortisation of intangible assets	(119)	(152)	(21.7)	(358)	(456)	(21.5)
Advertisement and promotion fees	(1,453)	(376)	286.4	(3,864)	(1,856)	108.2
Business tax and surcharges	(1,732)	(1,524)	13.6	(6,258)	(9,139)	(31.5)
<b>Administrative expenses:</b>						
Employee benefit expenses						
- Defined contribution plans	(1,371)	(1,184)	15.8	(3,891)	(4,124)	(5.6)
- Salaries, wages, bonuses and other costs	(11,702)	(11,572)	1.1	(37,497)	(35,315)	6.2
Accrued step rental income written off	-	-	n.m.	-	(1,496)	n.m.
Bank charges	(1,022)	(791)	29.2	(3,387)	(2,402)	41.0
Director fees	(184)	(186)	(1.1)	(551)	(612)	(10.0)
Depreciation of property, plant and equipment	(3,309)	(1,601)	106.7	(7,475)	(5,190)	44.0
Office supplies	(214)	(301)	(28.9)	(795)	(936)	(15.1)
Impairment loss on property, plant and equipment	-	-	n.m.	-	(13,691)	n.m.
Receivables written off	-	(970)	n.m.	-	(970)	n.m.

\* Inclusive of operating lease charges of RMB20.7 million in 3Q 2017 (RMB19.8 million) and RMB64.6 million 9M 2017 (RMB63.2 million) and a straight-line recognition of the lease expenses over the lease term, aggregate of rent-free incentives and step rental provision, of RMB0.7 million in 3Q 2017 (RMB1.9 million) and RMB2.3 million in 9M 2017 (RMB14.3 million) respectively.

n.m. – Not meaningful

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

	← Group →		← Company →	
	30/9/2017	31/12/2016	30/9/2017	31/12/2016
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	166,138	45,975	11	12
Intangible assets	5,959	6,318	-	-
Investment in subsidiaries	-	-	48,378	48,378
Investment in an joint venture	1,791	-	-	-
Investment in an associate	24,507	24,676	-	-
Long-term investment	3,800	3,800	-	-
Prepayments	-	-	-	-
Deferred tax assets	12,689	14,184	-	-
Other assets	3,565	3,565	-	-
	<u>218,449</u>	<u>98,518</u>	<u>48,389</u>	<u>48,390</u>
<b>Current assets</b>				
Inventories	108,105	113,774	-	-
Prepayments	27,426	22,143	75	46
Trade and other receivables	30,349	28,640	46	45
Amount due from an associate	6,900	4,200	-	-
Amount due from related parties	11,167	6,507	-	-
Cash and cash equivalents	174,918	287,832	29,055	61,276
	<u>358,865</u>	<u>463,096</u>	<u>29,176</u>	<u>61,367</u>
<b>Less: Current liabilities</b>				
Trade and other payables	332,359	303,505	21	1
Other liabilities	18,836	27,842	1,850	1,662
Amount due to related parties	1,048	2,022	-	-
Income tax payable	15,571	12,941	-	-
	<u>367,814</u>	<u>346,310</u>	<u>1,871</u>	<u>1,663</u>
<b>Net current (liabilities)/assets</b>	<u>(8,949)</u>	<u>116,786</u>	<u>27,305</u>	<u>59,704</u>
<b>Non-current liabilities</b>				
Other liabilities	42,754	49,995	-	-
Deferred tax liabilities	3,854	4,873	2,426	3,355
	<u>46,608</u>	<u>54,868</u>	<u>2,426</u>	<u>3,355</u>
<b>Net assets</b>	<u>162,892</u>	<u>160,436</u>	<u>73,268</u>	<u>104,739</u>
<b>Equity attributable to the holders of the Company</b>				
Share capital	67,148	67,148	67,148	67,148
Treasury shares	(24,606)	(9,011)	(24,606)	(9,011)
Statutory common reserve	24,409	24,409	-	-
Currency translation reserve	(528)	(1,958)	(538)	(1,968)
Revenue reserve	96,469	79,848	31,264	48,570
<b>Total equity</b>	<u>162,892</u>	<u>160,436</u>	<u>73,268</u>	<u>104,739</u>

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

**Amount repayable in one year or less, or on demand**

None.

**Amount repayable after one year**

None.

**Details of any collateral**

Not applicable.

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

	← Group →			
	3 months ended		9 months ended	
	30/9/2017	30/9/2016	30/9/2017	30/9/2016
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>				
Profit before taxation	15,085	18,734	72,089	129,116
Adjustments for:				
Depreciation of property, plant and equipment	3,309	1,601	7,475	5,190
Amortisation of intangible assets	119	152	358	456
Impairment loss on property, plant and equipment	-	-	-	13,691
Write-back of allowance for impairment of property, plant	-	(438)	-	-
Net gain on disposal of property, plant and equipment	-	-	-	(381)
Receivables written off	-	970	-	970
Rent-free incentives and step rental provision	682	1,923	2,329	14,277
Write-back of free-rent incentives and step rental provision	-	-	(9,570)	(73,980)
Accrued step rental income written off	-	-	-	1,496
Inventories written down	58	665	137	977
Interest income	(315)	(244)	(3,935)	(4,352)
Share of results of joint venture	209	-	209	-
Share of results of associate	96	55	169	122
<b>Operating cash flows before changes in working capital</b>	<u>19,243</u>	<u>23,418</u>	<u>69,261</u>	<u>87,582</u>
Decrease/(increase) in inventories	(7,268)	(2,238)	5,532	(5,567)
Increase in prepayments	(11,026)	(1,557)	(5,282)	(4,945)
(increase)/decrease in trade and other receivables	28	(846)	(6,365)	2,593
Increase/(decrease) in trade and other payables	<u>13,883</u>	<u>(4,057)</u>	<u>18,837</u>	<u>(16,359)</u>
<b>Cash flows generated from operation</b>	14,860	14,720	81,983	63,304
Interest received	315	244	3,935	4,352
Tax paid	<u>(4,330)</u>	<u>(8,705)</u>	<u>(19,246)</u>	<u>(29,070)</u>
<b>Net cash flows generated from operating activities</b>	<u>10,845</u>	<u>6,259</u>	<u>66,672</u>	<u>38,586</u>
<b>Cash flows from financing activities</b>				
Dividends paid	(4,685)	(9,705)	(33,188)	(33,086)
Increase in amount due from an associate	-	-	(2,700)	(600)
Purchase of treasury shares	<u>(941)</u>	<u>-</u>	<u>(15,594)</u>	<u>-</u>
<b>Net cash flows used in financing activities</b>	<u>(5,626)</u>	<u>(9,705)</u>	<u>(51,482)</u>	<u>(33,686)</u>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(4,580)	(8,168)	(127,637)	(13,316)
Investment in a joint venture	(2,000)	-	(2,000)	-
Long-term investment	-	(950)	-	(2,850)
Proceeds from disposal of property, plant and equipment	<u>-</u>	<u>305</u>	<u>-</u>	<u>1,113</u>
<b>Net cash flows used in investing activities</b>	<u>(6,580)</u>	<u>(8,813)</u>	<u>(129,637)</u>	<u>(15,053)</u>
Net decrease in cash and cash equivalents	(1,361)	(12,259)	(114,447)	(10,153)
Effect of exchange rate changes on cash and cash equivalents	(69)	(204)	1,533	424
Cash and cash equivalents at beginning of financial period	<u>176,348</u>	<u>270,883</u>	<u>287,832</u>	<u>268,149</u>
<b>Cash and cash equivalents at end of financial period</b>	<u>174,918</u>	<u>258,420</u>	<u>174,918</u>	<u>258,420</u>
For the purpose of the consolidated statement of cash flows, the cash and cash equivalents comprise the following:				
Cash on hand	6,702	5,977	6,702	5,977
Bank balances	<u>168,216</u>	<u>252,443</u>	<u>168,216</u>	<u>252,443</u>
	<u>174,918</u>	<u>258,420</u>	<u>174,918</u>	<u>258,420</u>

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

	Attributable to equity holders of the Company					Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Currency translation reserve RMB'000	Revenue reserve RMB'000	Statutory common reserve RMB'000	
<b>Group</b>						
<b>Balance at 1 January 2017</b>	67,148	(9,011)	(1,958)	79,848	24,409	160,436
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	1,410	-	-	1,410
Profit for the period	-	-	-	20,807	-	20,807
Total comprehensive income for the period	-	-	1,410	20,807	-	22,217
Purchase of treasury shares	-	(12,961)	-	-	-	(12,961)
<b>Balance at 31 March 2017</b>	67,148	(21,972)	(548)	100,655	24,409	169,692
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	67	-	-	67
Profit for the period	-	-	-	19,220	-	19,220
Total comprehensive income for the period	-	-	67	19,220	-	19,287
Purchase of treasury shares	-	(1,692)	-	-	-	(1,692)
Dividends paid	-	-	-	(28,503)	-	(28,503)
<b>Balance at 30 June 2017</b>	67,148	(23,664)	(481)	91,372	24,409	158,784
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	(47)	-	-	(47)
Profit for the period	-	-	-	9,782	-	9,782
Total comprehensive income for the period	-	-	(47)	9,782	-	9,735
Purchase of treasury shares	-	(942)	-	-	-	(942)
Dividends paid	-	-	-	(4,685)	-	(4,685)
<b>Balance at 30 September 2017</b>	67,148	(24,606)	(528)	96,469	24,409	162,892

	Attributable to equity holders of the Company					
	Share capital	Treasury shares	Currency translation reserve	Revenue reserve	Statutory common reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>						
<b>Balance at 1 January 2016</b>	67,148	-	(1,336)	26,457	22,502	114,771
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	1,067	-	-	1,067
Profit for the period	-	-	-	20,404	-	20,404
Transfer to statutory common reserve	-	-	-	(719)	719	-
Total comprehensive income for the period	-	-	1,067	19,685	719	21,471
<b>Balance at 31 March 2016</b>	67,148	-	(269)	46,142	23,221	136,242
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	(544)	-	-	(544)
Profit for the period	-	-	-	54,025	-	54,025
Total comprehensive income for the period	-	-	(544)	54,025	-	53,481
Dividends paid	-	-	-	(23,381)	-	(23,381)
<b>Balance at 30 June 2016</b>	67,148	-	(813)	76,786	23,221	166,342
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	(219)	-	-	(219)
Profit for the period	-	-	-	12,294	-	12,294
Total comprehensive income for the period	-	-	(219)	12,294	-	12,075
Dividends paid	-	-	-	(9,705)	-	(9,705)
<b>Balance at 30 September 2016</b>	67,148	-	(1,032)	79,375	23,221	168,712



	Attributable to equity holders of the Company				
	Share capital	Treasury shares	Currency translation reserve	Revenue reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Company</b>					
<b>Balance at 1 January 2017</b>	67,148	(9,011)	(1,968)	48,570	104,739
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	1,410	-	1,410
Loss for the period	-	-	-	(2,175)	(2,175)
Total comprehensive income for the period	-	-	1,410	(2,175)	(765)
Purchase of treasury shares	-	(12,961)	-	-	(12,961)
<b>Balance at 31 March 2017</b>	67,148	(21,972)	(558)	46,395	91,013
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	67	-	67
Loss for the period	-	-	-	(1,628)	(1,628)
Total comprehensive income for the period	-	-	67	(1,628)	(1,561)
Purchase of treasury shares	-	(1,692)	-	-	(1,692)
Dividends paid	-	-	-	(28,503)	(28,503)
<b>Balance at 30 June 2017</b>	67,148	(23,664)	(491)	16,264	59,257
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	(47)	-	(47)
Profit for the period	-	-	-	19,685	19,685
Total comprehensive income for the period	-	-	(47)	19,685	19,638
Purchase of treasury shares	-	(942)	-	-	(942)
Dividends paid	-	-	-	(4,685)	(4,685)
<b>Balance at 30 September 2017</b>	67,148	(24,606)	(538)	31,264	73,268

	<b>Attributable to equity holders of the Company</b>				
	<b>Share capital</b>	<b>Treasury shares</b>	<b>Currency translation reserve</b>	<b>Revenue reserve</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Company</b>					
<b>Balance at 1 January 2016</b>	67,148	-	(1,346)	35,546	101,348
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	1,067	-	1,067
Profit for the period	-	-	-	6,219	6,219
Total comprehensive income for the period	-	-	1,067	6,219	7,286
<b>Balance at 31 March 2016</b>	67,148	-	(279)	41,765	108,634
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	(545)	-	(545)
Profit for the period	-	-	-	10,293	10,293
Total comprehensive income for the period	-	-	(545)	10,293	9,748
Dividends paid	-	-	-	(23,381)	(23,381)
<b>Balance at 30 June 2016</b>	67,148	-	(824)	28,677	95,001
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	(218)	-	(218)
Profit for the period	-	-	-	14,756	14,756
Total comprehensive income for the period	-	-	(218)	14,756	14,538
Dividends paid	-	-	-	(9,705)	(9,705)
<b>Balance at 30 September 2016</b>	67,148	-	(1,042)	33,728	99,834

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

There were no changes in the share capital of the Company in 3Q 2017.

There were a total of 4,440,300 treasury shares held as at 30 September 2017 (30 September 2016: Nil).

There were no outstanding convertibles issued or subsidiary holdings as at 30 September 2017.

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

The total number of issued shares (excluding treasury shares) as at 30 September 2017 were 191,879,700 (31 December 2016: 194,775,300).

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

	3 months ended		9 months ended	
	30/9/2017	30/9/2016	30/9/2017	30/9/2016
Balance at beginning of financial period	4,252,400	-	1,544,700	-
Purchase of treasury shares	<u>187,900</u>	<u>-</u>	<u>2,895,600</u>	<u>-</u>
Balance at end of financial period	<u>4,440,300</u>	<u>-</u>	<u>4,440,300</u>	<u>-</u>

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

Not applicable.

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

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

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2016.

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

The Group adopted the new/revised FRS and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2017. The adoption of the above FRS and INT FRS did not have any significant impact on the financial statements of the Group.

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

	3 months ended		9 months ended	
	30/9/2017	30/9/2016	30/9/2017	30/9/2016
	RMB cents	RMB cents	RMB cents	RMB cents
(a) Based on weighted average no. of shares	5.10	6.26	25.85	44.17
(b) Based on fully diluted basis	5.10	6.26	25.85	44.17
Weighted average no. of shares applicable to basic earnings per share	191,981,842	196,320,000	192,647,790	196,320,000
Weighted average no. of shares based on fully diluted basis	191,981,842	196,320,000	192,647,790	196,320,000

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

	Group		Company	
	30/9/2017	31/12/2016	30/9/2017	31/12/2016
	RMB cents	RMB cents	RMB cents	RMB cents
Net asset value per ordinary share	84.89	82.37	38.18	53.77

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

## **Statement of Comprehensive Income**

A review of the statement of Comprehensive Income for the three-month period ended 30 September 2016 ("3Q 2016") and 3Q 2017 and the nine-month period ended 30 September 2016 ("9M 2016") and 9M 2017 are as follows:-

The Group revenue rose by 17% to RMB241.8 million (RMB206.8 million) in 3Q 2017 and 15% to RMB734.2 million (RMB637.6 million) in 9M 2017 mainly due to contribution from its additional stores opened at the end of 3Q 2016 and the following quarter.

Despite higher revenue achieved this year, the Group's gross profit remained relatively unchanged at RMB65.6 million (RMB64.2 million) in 3Q 2017 and RMB216.9 million (RMB221.3 million) in 9M 2017 mainly due to lower revenue from rental and managed rental segments. The revenue from rental and managed rental segments, however, has been relatively stable throughout each of the three quarters of 2017.

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

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

	← Group →					
	3 months ended		Change	9 months ended		Change
	30/9/2017	30/9/2016	+ / (-)	30/9/2017	30/9/2016	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue from direct sales activities	199,615	164,290	21.5	587,445	478,954	22.7
Cost of sales	(176,269)	(142,555)	23.6	(517,312)	(416,295)	24.3
Gross profit from direct sales activities	<u>23,346</u>	<u>21,735</u>	7.4	<u>70,133</u>	<u>62,659</u>	11.9
Gross profit margin on direct sales activities	11.7%	13.2%	(1.5)	11.9%	13.1%	(1.2)

The gross profit margin for the direct sales activities decreased to 11.7% (13.2%) in 3Q 2017 and 11.9% (13.1%) in 9M 2017 mainly due to higher sales promotions in 2017.

Other income rose by 9% to RMB19.8 million (RMB18.1 million) in 3Q 2017 mainly due to higher advertisement and promotion income recognised in 3Q 2017. However it fell 51% to RMB65.3 million (RMB132.3 million) in 9M 2017 mainly due to lower non-recurring income being recognised. The reversal of rent-free incentives and step rental provision, amounting to RMB74.0 million, arising from Nanjing Nanzhan Store closure was recognised in 1H 2016 while the reversal of Quanzhou Hui'an Chengnan Store's rent-free incentives and step rental provision, amounting to RMB9.6 million, in relation to the acquisition of its retail premises, was recognised in 1H 2017.

Selling and distribution expenses increased by 7% to RMB50.8 million (RMB47.4 million) in 3Q 2017 mainly due to higher costs to support the growth in sales activities, however, declined by 4% to RMB154.7 million (RMB160.3 million) in 9M 2017 mainly due to lower rental expenses resulting from the acquisition of Quanzhou Hui'an Chengnan Store's premises.

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For rental expenses, most of our stores operate on leased premises on a fixed tenure and rental is charged on an increasing basis over their lease periods. Based on the Group's accounting policy, rental expenses on increasing basis are amortised equally over the entire period of any lease. As such, apart from the actual rental expense charged by the landlords, rent-free incentives and step rental provision of RMB0.7 million and RMB2.3 million were accrued in 3Q 2017 and 9M 2017 and were non-cash in nature.

Administrative expenses increased by 19% to RMB19.5 million (RMB16.4 million) in 3Q 2017 mainly due to additional administrative expenses for the operation of the additional stores and depreciation of Quanzhou Chengnan Store's premises. However, it decreased by 14% to RMB59.0 million (RMB68.4 million) in 9M 2017 mainly due to impairment loss on property, plant and equipment amounting to RMB13.7 million and accrued step rental income written off amounting to RMB1.5 million for Nanjing Nanzhan Store in 1H 2016.

The tax expenses of the Group decreased by 18% to RMB5.3 million (RMB6.4 million) in 3Q 2017 and 47% to RMB22.3 million (RMB42.4 million) in 9M 2017 mainly due lower withholding tax on payment of dividends from the its subsidiaries in the respective financial periods and reversal of deferred tax assets amounting to RMB18.5 million in relation to the reversal of rent-free incentives and step rental provision for Nanjing Nanzhan Store in 1H 2016. This was offset by the reversal of deferred tax assets amounting to RMB2.4 million in relation to the reversal of rent-free incentives and step rental provision for Quanzhou Hui'an Chengnan Store in 1H 2017.

As a result of the preceding factors mentioned, net profit for the Group declined by 20% to RMB9.8 million (RMB12.3 million) in 3Q 2017 and 43% to RMB49.8 million (RMB86.7 million) in 9M 2017 mainly due to (i) some stores being less well-performed in their rental and managed rental segments which was offset by the contribution from the additional stores; and (ii) the financial impact from the Nanjing Nanzhan Store closure amounting to RMB42.1 million in 1H 2016.

### **Balance Sheet**

A review of the balance sheet items as at 31 December 2016 and 30 September 2017 are as follows:-

Non-current assets increased by RMB119.9 million or 122% to RMB218.4 million (RMB98.5 million) as at 30 September 2017 mainly due to increase in property, plant and equipment by RMB120.2 million arising mainly from the acquisition of Quanzhou Hui'an Chengnan Store's retail premises, which was partly offset by depreciation charges of RMB7.5 million for the financial period.

Current assets decreased by RMB104.2 million or 23% to RMB358.9 million (RMB463.1 million) as at 30 September 2017 mainly due to decrease in cash and cash equivalents by RMB112.9 million resulting from the full settlement for the acquisition of Quanzhou Hui'an Chengnan Store's retail premises, cash dividend payout and the Company's share buyback which was offset by the cash generated from the Group's operations.

Current liabilities increased by RMB21.5 million or 6% to RMB367.8 million (RMB346.3 million) as at 30 September 2017 mainly due to (i) increase in trade and other payables by RMB28.9 million as a result of higher procurement activities and advances from consumers for sales of prepaid cash cards, offset by (ii) decrease in other liabilities by RMB9.0 million as a result of lower accruals of operating expenses.

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Non-current liabilities decreased by RMB8.3 million or 15% to RMB46.6 million (RMB54.9 million) as at 30 September 2017 mainly due to the reversal of rent-free incentives and step rental provision for Quanzhou Hui'an Chengnan Store.

#### **Cash flow statement**

The Group reported a net decrease of RMB112.9 million in cash and cash equivalents in 9M 2017 mainly due to:

- 1 Net cash used in financing activities amounting to RMB51.5 million in 9M 2017 mainly for distribution of dividends amounting to RMB33.2 million and the Company's share buyback of RMB15.6 million.
- 2 Net cash used in investing activities amounting to RMB129.6 million in 9M 2017 mainly for acquisition of Quanzhou Hui'an Chengnan Store's retail premises.

Offset by:

- 3 Net cash generated from operating activities amounting to RMB66.7 million in 9M 2017. This was attributable mainly to (i) operating cash flows before working capital changes of RMB69.3 million in 9M 2017 after adjustment mainly for rental-free incentives and step rental provision of RMB2.3 million and its write-back of RMB9.6 million which were non-cash in nature, and depreciation of property, plant and equipment and amortisation of intangible assets of RMB7.8 million; and (ii) an increase in trade and other payables by RMB18.8 million as a result of higher procurement activities and advances from consumers for sales of prepaid cash cards which were partly offset by lower accruals of operating expenses; offset by (iii) payment of income tax of RMB19.2 million in 9M 2017.

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

The Group's performance in 3Q 2017 is largely in line with what was previously reported or disclosed.

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

According to the National Bureau of Statistics of China, the Chinese GDP grew 6.8% in the third quarter of 2017 after rising 6.9% in the first half of the year and retail sales of consumer goods for the first nine months of 2017 grew by 10.4% year-on-year. The strength in the Chinese economy and the positive growth in retail sales are encouraging factors for the Group despite the generally competitive retail landscape.

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The Group continues to seek suitable sites for our store expansion. From the six leases we have signed, three stores are scheduled to be operational in 2018, contributing a total of 24,600 sq m in gross floor area (“GFA”) or an increase of 16% in our total self-owned GFA from 153,600 sq m in 3Q2017. Two of these stores are expected to open around mid-2018 and the third in the second half of 2018. Three other stores are expected to be operational in 2019. All the new stores will be in Fujian. In addition to the new stores in Fujian, the 200,000 sq m complex in Changsha, Hunan, operated by our joint venture company, is expected to begin operations in late 2018.

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

**11 Dividend**

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

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

No interim dividend recommended for 3Q 2017.

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

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

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

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

No dividend has been declared/recommended for 3Q 2017.



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**13 Interested person transactions**

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Management fees charged to a related party: Quanzhou Zhongmin Baihui Shopping Co., Ltd.	RMB3,691,038	-

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

**14 Negative confirmation pursuant to Rule 705(5).**

The Board of Directors confirms that to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the financial results for the second quarter and half year ended 30 September 2017 of the Group and the Company to be false or misleading in any material aspect.

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

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

**BY ORDER OF THE BOARD**

**ZHONGMIN BAIHUI RETAIL GROUP LTD.**

**LEE SWEE KENG**

**EXECUTIVE CHAIRMAN**

**13 November 2017**