中闽百汇
ZHONGMINBAIHUI

百汇购物　温馨倍至

ZHONGMIN BAIHUI RETAIL GROUP LTD.

Annual Report

2016

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Zhongmin Baihui Retail Group Ltd. (the "Group" or "ZMBH") is principally engaged in the ownership, operation and management of department stores and supermarkets in the People's Republic of China (the "PRC") under the name "**中闽百汇**". From its first store in Anxi County, Quanzhou City, Fujian Province in 1997, the Group has expanded its footprint in Fujian to operate 11 self-owned stores and three managed stores spanning an aggregate gross floor area of 182,000 sq m (self-owned store GFA 154,000 sq m) as at 31 December 2016. The Group's revenue is mainly derived from four sources, namely, direct sales, commissions from concessionaire sales, rental income and income from managed rental.

ZMBH was incorporated in Singapore on 17 September 2004, listed on the Catalist Board of the Singapore Exchange ("SGX") on 20 January 2011 and subsequently transferred to the Mainboard on 3 September 2013.

The Group has two self-owned stores in Xiamen City, Fujian. Its flagship Xiamen Wucun Store, 28,700 sq m in size, occupies three floors of a building and boasts a large underground shopping area. Strategically located in the heart of a major transportation hub and beneath a major bustling street, the underground shopping area is linked by a network of walking paths and underground pedestrian crossings to bus terminals, a bus rapid transit station and the Xiamen Railway Station. The Xiamen Lvcuo, 23,300 sq m in size, is situated in the heart of a residential area with high traffic flow and right next to the future subway interchange station, which is expected to be ready in 2017.

The Group has a strong presence in Quanzhou, with a total of ten stores (eight self-owned, two managed stores) occupying gross sales area of 111,800 sq m (95,500 sq m self-owned stores). Besides the prefectures of Quanzhou and Xiamen, the Group has a managed store in Zhangzhou and a self-owned store in Putian.

With nearly 20 years of strong retail reputation under the "**中闽百汇**" brand, the Group offers a colourful shopping experience with a wide variety of quality merchandise, lifestyle products and customer-oriented services catering to the middle income bracket consumers. Its stores also have sizeable supermarkets which provide an extensive range of groceries. By developing strong relationships with well-known international and domestic brands, the Group constantly optimizes its product mix to bring more retail value to consumers. The Group's philosophy is to be people-oriented, have a positive worth ethic, provide service with a smile, and to contribute to society. This brings all employees together and fosters the values of Unity, Dedication, Faithfulness, and Service within the entire team. The Group adheres strongly to the importance of quality, understanding the consumer, having commitment and integrity, and not prioritising short-term gain at the expense of long-term goals. With all its actions grounded in integrity, Zhongmin Baihui aims to provide quality goods and services to its customers with a spirit of innovation. As a testament to the high quality of service and customer satisfaction that the Group is able to provide, ZMBH was named as a top ten brand enterprise for the year 2015 at the Quanzhou Annual Economic Conference.

In line with rising consumption levels and increased tourist arrivals to Fujian, the Group will continue with its expansion through the opening of new stores, acquisitions, joint ventures, and strategic alliances. The Group will continue to seek out suitable sites both within and beyond Fujian to set up new department stores and supermarkets, and build up the network and brand equity of Zhongmin Baihui, with the goal of establishing itself as the leading department store chain in Fujian and beyond.

Corporate Profile
公司简介

中闽百汇零售集团主要于中国以“中闽百汇”品牌经营及管理连锁商场。从 1997 年福建省泉州市安溪县开设第一家“中闽百汇”，本集团扩大在中国的业务，目前经营十一家商场和管理三家商场，总店面积截至 2016 年 12 月 31 日为尺 182,000 平方米（经营商场为 154,000 平方米）。本集团的收入主要来自“自营”，“联营”，“出租”和“承包”。

中闽百汇零售集团于 2004 年 9 月 17 日在新加坡注册成立，并于 2011 年 1 月 20 日在新加坡挂牌上市。本集团随后于 2013 年 9 月 3 日从凯利板块升级至主板。

本集团在福建省厦门市拥有两家商场。厦门梧村旗舰店地面三层，并附设大型地下购物区，面积达 28,700 平方米。该购物中心位于厦门市交通枢纽的中心地带，设有行人隧道连接公交车站、长途汽车站和厦门火车站。中闽百汇吕厝商场（原嘉禾折扣商场）面积为 23,300 平方，位于厦门市湖里区嘉禾路与吕岭路交汇处（公交吕厝站），有多条公交线路到达各处，交通十分的便捷，吕厝地铁站是将于 2017 年开通。

集团还在泉州市拥有十家商场（八家经营店，两家管理店），总店面积为 118,600 平方米（经营店为 95,500 平方米）。在福建省，集团还有一家在莆田市仙游县的经营店和一家在漳州的管理店。

集团经营“中闽百汇”近二十年，为中高收入阶层消费者提供各种各样的优质商品，让客户享受多元化的购物体验。集团商场里也有大型超市，提供不同种类的新鲜食品。通过和国内外知名品牌建立良好关系，不断地优化产品组合，带给消费者更多零售价值。本集团的核心价值观就是“以人为本，快乐工作；乐于助人，奉献社会”，给员工主人翁的认同感，从而打造团结、敬业、忠诚、服务的团队。集团倡导的质量第一，明白消费；信守承诺，今天不赚明天的钱的经营理念，并以诚信经营、开拓创新的质量方针为消费者提供优质的商品和服务，中闽百汇还在泉州经济年会被评为“2015 年度十佳市民最喜爱的品牌企业”。

随着消费水平的不断提高，以及到访福建省内的国内外游客日益的增加，中闽百汇计划通过开设新商场、收购、合资及策略联盟的方式，继续在省内外寻找合适的场所开设购物中心及中小型民生超市，并致力与品牌的拓建，打造了“中闽百汇”知名品牌，努力实现成为在福建省内领先的购物中心的愿景。

Location of Department Stores
商场位置分布图

开业进程
Store Opening Timeline

01 1997年10月1日，泉州安溪商场开业
Oct 1, 1997, opened Quanzhou Anxi Store

02 1999年10月1日，泉州涂门商场开业
Oct 1, 1999, opened Quanzhou Tumen Store

03 2003年9月30日，泉州泉港商场开业
Sep 30, 2003, opened Quanzhou Quangang Store

04 2003年11月29日，漳州商场开业
Nov 29, 2003, opened Zhangzhou Zhongshan Store

05 2006年9月30日，泉州泉秀商场开业
Sep 30, 2006, opened Quanzhou Quanxiu Store

06 2009年4月30日，泉州惠兴商场开业
Apr 30, 2009, opened Quanzhou Huixing Store

07 2009年12月19日，厦门梧村商场开业
Dec 19, 2009 opened Xiamen Wucun Store

08 2011年10月1日，厦门吕厝商场开业
Oct 1, 2011, opened Xiamen Lvcuo Store

09 2013年4月28日，泉州新华商场开业
Apr 28, 2013, opened Quanzhou Xinhua Store

10 2014年9月5日，泉州桥南商场开业
Sep 5, 2014, opened Quanzhou Qiaonan Store

11 2014年11月28日，泉州城南商场开业
Nov 28, 2014, opened Quanzhou Chengnan Store

12 2015年12月18日，莆田仙游商场开业
Dec 18, 2015, opened Putian Xianyou Store

13 2016年1月1日，泉州万祥店（超市）开业
Jan 1, 2016, opened Quanzhou Wanxiang Store

14 2016年9月30日，泉州泉港新店开业
Sep 30, 2016, opened Quanzhou Quangang Store

15 2016年11月18日 安溪火车站店开业
Nov 18, 2016, opened Anxi Railway Station Store

16 2017年1月1日 福建省厦门市海沧项目第一期开业
Jan 1, 2017, opened Xiamen Haicang Commercial Project phase one

福建省厦门市**梧村店**
Xiamen Wucun Store

面积：　28,700平方米
开业年份：　2009年12月
地理环境：　厦门梧村店位于厦门市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 sq m
Commencement: Dec 2009
Description: The store is one of the largest underground retail malls in Fujian, located in the commercial centre of Xiamen, linked by walkways and underground pedestrian crossings to the Xiamen Railway Station, bus terminals, a bus transit station and a metro station (expected 2017).

福建省厦门市**吕厝店**
Xiamen Lvcuo Store

面积：23,300平方米
开业年份：　2011年10月
地理环境：　厦门吕厝店位于厦门市人口密集的住宅区中心，正在施工的地铁1号线及2号线交叉点。

Gross floor area: 23,300 sq m
Commencement: Oct 2011
Description: Location in a densely populated area in the Siming district in Xiamen, this underground store will be right next to the future subway interchange station for line 1 and line 2 (expected 2017).

福建省 莆田市**仙游店**
Putian Xianyou Store

面积：　6,700平方米
开业年份：　2015年12月
地理环境：　莆田仙游店位于仙游鲤中文体绿化广场，在仙游县中心公园广场范围内，人流稠密，集购物、休闲、娱乐一站式消费地点。

Gross floor area: 6,700 sq m
Commencement: Dec 2015
Description: The store is located in the busy Xianyou Lizhong Wenti Lvhua Square, which is part of the central park of Xianyou.

福建省泉州市安溪**火车站店**
Quanzhou Anxi Railway Station Store

面积：3,700平方米
开业年份： 2016年11月
地理环境：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 sq m
Commencement: Nov 2016
Description: The store is located near the Anxi Railway Station in the downtown area of Anxi in Anxi Specialty City. Anxi is famous for the production of fine tea.

福建省泉州市**泉港店**
Quanzhou Quangang Store

面积： 16,884平方米
开业年份： 2016年9月
地理环境： 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: 16,884 sq m
Commencement: Sept 2016
Description: The store is located in the town centre of Quangang District, Quanzhou City. Petrochemical is a major industry in Quangang.

福建省泉州市**涂门店**
Quanzhou Tumen Store

面积： 16,400平方米
开业年份： 1999年10月
地理环境： 泉州涂门店位于人流旺盛的泉州市市中心。

Gross floor area: 16,400 sq m
Commencement: Oct 1999
Description: The store is situated in a popular shopping belt in the city centre of Quanzhou City and very near several historic sites.

福建省泉州市泉秀店
Quanzhou Quanxiu Store

面积：　10,400平方米
开业年份：　2006年10月
地理环境：　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 sq m
Commencement: Oct 2006
Description: This store serves a densely populated area, which is connected by a public transportation network.

福建省泉州市新华店
Quanzhou Xinhua Store

面积：　14,400平方米
开业年份：　2013年4月
地理环境：　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 sq m
Commencement: Apr 2013
Description: The Xinhua Store is situated in a historic district of Quanzhou City, near places of attraction for visitors.

福建省泉州市桥南店
Quanzhou Qiaonan Store

面积：　6,300平方米
开业年份：　2014年9月
地理环境：　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 sq m
Commencement: Sep 2014
Description: The store is located at the intersection to several city centres such as Jinjiang District, Quanzhou Development District and South District of Quanzhou Bridge.

福建省泉州市惠安**城南店**
Quanzhou Huian Chengnan Store

面积：　25,400平方米
开业年份：　2014年11月
地理环境：　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: 25,400 sq m
Commencement: Nov 2014
Description: The store is in Hongyi Baihui Centre, which is 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

面积：　1,000平方米
开业年份：　2016年1月
地理环境：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 sq m
Commencement: Jan 2016
Description: The Wanxiang Store, located in a busy residential area, is our first localised store. The store carries supermarket products and caters to the local community shopping needs.

福建省泉州市惠安**惠兴店**（管理店）
Quanzhou Huian Huixing Store (managed store)

面积：10,900平方米
开业年份：　2009年4月
地理环境：　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 sq m
Commencement: Apr 2009
Description: This managed store is located in the heart of Hui'an County, in a densely populated residential area.

福建省泉州市安溪店（管理店）
Quanzhou Anxi Store (managed store)

面积：　6,400平方米
开业年份：　1997年10月（2006年搬至新店）
地理环境：　泉州安溪店位于安溪县商业中心，人流稠密。

Gross floor area: 6,400 sq m
Commencement: Oct 1997 (relocated in 2006)
Description: The Quanzhou Anxi Store, a managed store, is located in a lively commercial and residential area in Anxi County.

福建省漳州市中山店（管理店）
Zhangzhou Zhongshan Store (managed store)

面积：　11,100平方米
开业年份：　2003年11月
地理环境：　漳州中山店位于漳州市市中心，人流稠密。

Gross floor area: 11,100 sq m
Commencement: Nov 2003
Description: The Zhangzhou Zhongshan Store is located in the city centre of Zhangzhou City with a high pedestrian flow.

福建省厦门市海沧项目
Xiamen Haicang Commercial Project

开业年份：　2017年1月(第一期)
地理环境：　港基百汇商业物流（厦门）有限公司（控股30%），第一期于2017年1月开业，共有三层，面积31000平方，位于海沧区繁华的商业区。

Commencement: Jan 2017 (phase one)
Description: Citi-base Commerce Logistics (Xiamen) Co, a 30%-owned associate, completed the first phase of the complex in Jan 2017, which comprises three floors of commercial space with a total floor area of 31,000 sq m. The complex is located in a busy part of Haicang District in Xiamen.

Chairman's Statement
主席致词

I am pleased to present the Company's Annual Report for 2016. Despite operating in a difficult environment, we were able to achieve better results for the fiscal year 2016 compared to 2015. To reward our shareholders, we are paying out dividends of SGD5 cents per share for the fiscal year 2016, an improvement from SGD4.5 cents in the previous year. We will try to reward our shareholders with good dividends if we can maintain or improve our strong performance.

The Chinese economy continued to grow in 2016, albeit at a slower pace than previous years. According to the National Bureau of Statistics of China, the Chinese nominal GDP grew by 6.7% in 2016, slower than the 6.9% achieved in 2015. Retail sales of consumer goods grew 10.4% in 2016, a slowdown from 10.7% in 2015. A recent forecast by the International Monetary Fund puts the Chinese GDP growth for 2017 at 6.5%. The Chinese economy and consumer spending should continue to grow at a moderate but slower pace over the next few years. Despite the moderately positive economic outlook, the physical store retail business remains challenging due to the lower rate of growth and competition from e-commerce.

The Group remains cautious in our business expansion. After adding three stores and closing one store in 2016, the Group will consolidate its efforts in improving the operations and profitability of the existing stores. We are actively looking at suitable sites to expand our store network even though we have no new stores scheduled to be opened in 2017. The two opened towards the later part of 2016 will be able to make a full-year contribution in 2017 so that on a weighted average basis, the gross floor area of the Group will be higher in 2017.

We are expanding our footprint in Zhangzhou by signing two 15-year leases for a 1,413 sq m store (opening in 2018) and a 15,152 sq m store (opening in 2019). The Group currently manages a store in Zhangzhou, which has been in operation since 2003. We will be adding a 6,416 sq m store in Anxi county in 2019. The completion of this new store roll-out plan will increase our current gross floor area by 15%. As profitability is our utmost concern, we prefer to be selective on new store expansion and we urge patience from our shareholders.

I am confident that our performance this year will be satisfactory and I hope our shareholders will continue to give us their support. Thank you.

Mr Lee Swee Keng
Executive Chairman

28 March 2017

主席致词

我很高兴在此呈现公司 2016 年度的年报。尽管在困难的环境下，我们依然在 2016 财政年取得较好的业绩。在奖励我们的股东上，我们支付股息每股 SGD5c（2015 年 SGD4.5c）。如果更好地表现我们将奖励我们的股东更良好的分红。

中国经济持续增长，尽管速度比前几年放缓。根据中国国家统计局，中国 2016 年国内生产总值增长 6.7%，比 2015 的 6.9% 慢。2016 零售销售年度增长 10.4%，比 2015 的 10.7% 放缓。国际货币基金组织预测未来 2017 国内生产总值增长 6.5%。中国经济和消费支出将继续以温和但缓慢的速度增长。尽管适度乐观的经济前景，但由于较低的增长率和电子商务的竞争，实体商店零售业务仍然具有挑战性。

本集团在我们的业务扩展仍然是谨慎的。在 2016 年，我们添加了 3 个商店和关闭一家商店。本集团将会巩固其努力，改善经营和盈利能力。 我们正在积极寻找合适的地点扩展。虽然目前我们没有新门店计划在 2017 年开业，但是我们在去年底新开的两家门店，泉港店和安溪火车站店在 2016 年最后一个季度有颇大的贡献，以及在 2017 年将会作出满意的贡献。

我们最近分别签下了漳州一家 1,413 平方米和一家 15,152 平方米门店 15 年的租赁协议，这会是我们在漳州第一家自营店。比较小将会在 2018 年开业，比较大的会再过一年后开业。此外，我们也在泉州安溪签下了一家 6,416 平方米门店 20 年的租赁协议，将在 2019 年开业。以上整个新门店的推出计划会在我们现有的总建筑面积 154,000 平方米额外增加 22,981 平方米或大约增加 15%。如无意外，预计我们来年的业绩会保持满意。我希望各位股东能支持我们，面对即将到来的挑战和不确定性。只要我们同心同德，我们的企业一定会更强大。谢谢！

李瑞庆
执行主席

2017 年 3 月 28 日

CEO's Statement
总裁致词

We are pleased to announce that we achieved record net profit of RMB98 million for the fiscal year 2016, an 86% increase from 2015. Our dividend for the fiscal year 2016 is SGD5 cents, up from SGD4.5 cents in 2015.

In 2Q2015, we closed down the Nanjing Nanzhan Store, our only store outside the Fujian province. The closure of the Nanjing store resulted in a net profit recognition of RMB42 million, arising from the reversal of past rental charges and related items. If we exclude the gains in Nanjing, which were mostly non-cash in nature, net profit in 2016 would have risen 6% to RMB56 million. The underlying improvement in earnings is encouraging. Moving forward, the negative contribution from the Nanjing store will end and resources can be re-deployed to other stores.

Revenue in 2016 grew by 5.1% to RMB872 million due to the addition of the Quangang Store and the Anxi Railway Station Store, as well as an improvement in sales in some stores. The new stores added a total of 15.5% of additional GFA post the closure of the Nanjing store.

Commissions from concessionaire sales grew 3.8% to RMB135 million on the back of a 5.8% growth in gross sales proceeds from concessionaire sales to RMB645 million. Direct sales revenue grew 11.1% to RMB662 million. Due to a change in our sales mix, revenue from rental income and managed rental income were lower by 24% and 34% respectively. Direct sales gross profit margin dipped slightly to 13.0% (from 13.3%) while commissions from concessionaire sales as a percentage of proceeds from concessionaire sales also showed a slight decline to 21.0% (from 21.4%).

Despite adding new stores in FY2016, selling and distribution expenses declined 12% to RMB213 million in FY2016 due to improvement in operating efficiency, VAT reform and the Nanjing Store closure. Administrative expenses for FY2016 grew by only 1% if we exclude the one-off non-cash items due to the Nanjing store closure. Otherwise, the reported administrative expenses rose 22% to RMB90 million.

In FY2016, the Group generated RMB93.8 million from its operating activities while using only RMB18.5 million for its investments, resulting in a strong positive free cash flow in 2016. Our generous dividend payout and the implementation of our share buyback mandate explained most of the financing cash outflow of RMB55.1 million. The Group remains debt-free with our cash on-hand rising RMB20 million to RMB288 million.

We are upgrading our IT system this year to enable several initiatives to be implemented. We are implementing self-check-out counters and mobile payment capability in many of our stores to reduce labour cost, cut waiting time and improve customers' satisfaction. Promotional and marketing activities are carried out via smartphones. The Group will constantly look at ways to improve our work force productivity, reduce costs and improve our marketing effectiveness.

We are confident that 2017 will be another good year for the Group.

Mr Chen Kaitong
CEO

28 March 2017

总裁致词

我们很高兴地宣布，我们在 2016 年财政年度创下人民币 9,800 万元的净利润记录，同比增长 86%。

集团于 2016 年第二季度结束南京南站店经营亏损的业务，这对 2016 年的财务表现和状况具有一定的影响，但大部分是非现金性质。扣除南京 2016 年非现金性质人民币 4,200 万实际上升 6% 至人民币 5,600 万；南京店结业不仅会避免其营业亏损，还能把资源转移到其他门店。

2016 年集团收入上升 5.1% 至人民币 8.72 亿元，主要因为来自 2016 年第四季度新开门店的贡献。联营收入上升 3.8% 至人民币 1.35 亿元，自营收入上升 11.1% 至人民币 6.62 亿元。2016 年自营毛利率全年同比则稍为下降 0.3% 至 13.0%（13.3%），主要由于南京南站店于 2016 年第二季度清货特卖，对毛利率有所影响。

我们的成本控制措施有效，2016 年销售费用同比下降 12% 至人民币 2.13 亿元。主要是集团通过扁平化管理减少人员、南京南站店结业，同时福建省增值税改革于 2016 年 5 月开始生效。尽管南京南站店结业导致 2016 年全年的营运销售费用同比上升 22% 至人民币 9,000 万元。

我们拥有健康的现金流态势。经营活动带来的净现金流为人民币 9,380 万元。投资活动耗用的净现金流为人民币 1,850 万元，主要用于开设新门店增添固定资产。资金运作耗用的净现金流为人民币 5,510 万元，主要用作于派发股息和股票回购。现金款在 2016 年全年增加人民币 1,970 万元至人民币 2.88 亿元。

2017 年我们会通过升级软件系统，在集团公司运营上充分利用互联网的优势，增加自助收款机，及互联网功能的营销模式，提升市场营销，减少人工，方便顾客，提高工作效率，提升集团运营效率和竞争力。在拓展门店方面，虽然我们保持谨慎的方式，但我们也在积极寻找新的购物中心，并着重寻找中小型超市。我们认为经济放缓将有更多的机会。

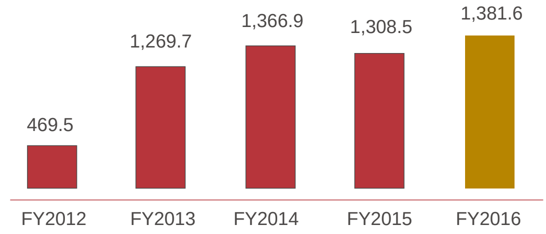
我们将继续改善我们整体的营运方式，改进生产力。只要我们继续努力，2017 年及未来，我们和所有利益相关者将有更好的前景。

陈开通
总裁

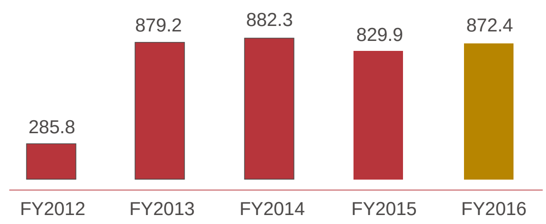
2017 年 3 月 28 日

Financial Highlights
财务摘要

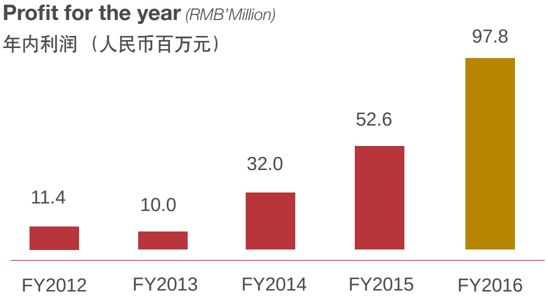
Gross sales proceeds *(RMB'Million)*
销售所得款项总额（人民币百万元）



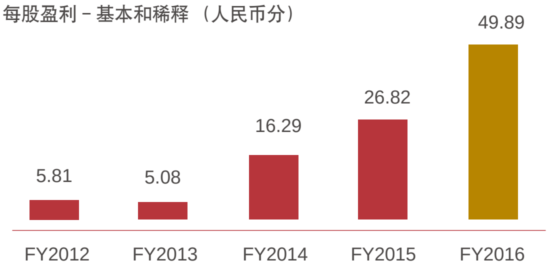
Revenue *(RMB'Million)*
收入（人民币百万元）



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）



	FY2012	FY2013	FY2014	FY2015	**FY2016**
Financial Results (RMB'000) 财务业绩（人民币'000）					
Gross sales proceeds 销售所得款项总额 *	469,541	1,269,709	1,366,916	1,308,535	**1,381,641**
Revenue 收入	285,795	879,188	882,350	829,924	**872,400**
Profit before taxation 税前利润	22,991	28,277	50,476	77,393	**149,093**
Profit for the year 年内利润	11,406	9,982	31,983	52,644	**97,823**
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	10,803	10,775	31,803	53,062	**97,201**
Financial Position (RMB'000) 财务状况（人民币'000）					
Non-current assets 非流动资产	50,079	88,103	110,059	118,120	**98,516**
Current assets 流动资产	210,462	374,819	395,785	425,917	**463,099**
Current liabilities 流动负债	(119,835)	(295,597)	(322,646)	(317,723)	**(346,310)**
Net current assets 净流动资产	90,627	79,222	73,139	108,194	**116,789**
Non-current liabilities 非流动负债	(62,022)	(77,505)	(81,183)	(111,543)	**(54,869)**
Total equity 总权益	78,684	89,460	102,015	114,771	**160,436**
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	5.81	5.08	16.29	26.82	**49.89**
Net asset value per share 每股净资产值	40.08	45.57	51.96	58.46	**82.37**

* 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。


02 02
火车站

泉州万祥店 Grand Opening of Wanxiang Store in Quanzhou City on 1 January 2016
2016年1月1日隆重开业

泉港商场 Grand Opening of Quangang Store in Quanzhou City on 30 September 2016
2016年9月30日隆重开业

安溪火车站店 Grand Opening of Anxi Railway Station Store in Quanzhou City on 18 November 2016
2016年11月18日隆重开业

Board of Directors
董事会

Lee Swee Keng

Executive Chairman

Mr Lee was appointed to the Board in September 2004. He is responsible for charting and steering the Group's business direction, as well as the 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 and its group of stores. Mr Lee was conferred PBM in 2015.

Chen Kaitong

CEO and Executive Director

Mr Chen Kaitong is a key founder of the Group and was appointed Director and CEO of the Company 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 the Chairman of the Quanzhou City Chain Store & Franchise Association. He has also been a member of the National People's Congress representing Quanzhou City since 2007.

Mr Andrew Lim Kok-Kin

Executive Director

Mr Lim was appointed to the Board as a non-executive director in Jan 2012 and re-designated as an executive director in May 2015. Mr Lim is a CFA charterholder 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 Jianli

Deputy CEO (Marketing and Operations) and Executive Director

Mr Su was appointed to the Board in 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.

Board of Directors
董事会

Su Caiye

Non-Executive Director

Mr Su was appointed as Director in December 2008 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 apparel shop in 1992. He was involved in the establishment of Xiamen Zhongmin Baihui.

Dr Ong Seh Hong

Independent Director

Dr Ong was appointed to the Board as an independent director in December 2010. He 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 conferred PBM in 2001.

Mr Koh Lian Huat

Independent Director

Mr Koh was appointed to the Board as an independent director in December 2010. He was a sole-proprietor of Koh Lian Huat & Co, an accounting firm, for 17 years till 1999. He was a partner at Ng, Lee & Associates–DFK from 2000 to 2003. He established Huat Associates in 2004 and was a partner from 2007 to 2010. Mr Koh is a Justice of the Peace, was conferred PBM, BBM and BBM(L) in 1985, 1993 and 2007 respectively and serves as Patron of the Tampines East Citizens' Consultative Committee. Mr Koh is an Independent Director of Hock Lian Seng Holdings Ltd. Mr Koh holds a degree in Bachelor of Commerce (Accountancy) from Nanyang University and is a fellow member of CPA Australia, the Institute of Singapore Chartered Accountants, the ACCA and the Chartered Management Institution (UK).

Ms Xu Ruyu

Independent Director

Ms Xu was appointed to the Board as an independent director in December 2010. Possessing more than ten years of experience in legal practice in China, Ms Xu is presently a partner of Grandall Legal Group (Shanghai). Ms Xu's main areas of practice include IPOs, mergers, acquisitions and restructuring, reverse mergers or refinancing in overseas stock exchanges and corporate practices. Ms Xu holds a Bachelor of Law from Shanghai Jiao Tong University and a Master of Laws in International & Comparative Law (Honours) from Chicago- Kent College of Law, USA. She was admitted to the New York State Bar in February 2010.

Key Management
高级管理层

Ms Wang Liyu

Deputy CEO (Administration and Human Resources)

Ms Wang 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.

Mr Jeffrey Kan Kai Hi

Chief Financial Officer

Mr 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 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.

Ms Jian Aihong

Operations Manager

Ms Jian joined the Group in 2010 as Operations Manager and assists the Deputy CEO in general operations and coordination efforts in new store opening. She is also responsible for quality assurance, safety management and administrative functions of the Group. Prior to joining the Group, Ms Jian served as manager at Unipay Management, and personal assistant to the general manager of Quanzhou Chuangxian Computer Science Co., Ltd. She joined Quanzhou Zhongmin Baihui in 2001 as an on-site manager and was subsequently promoted to office manager, store manager and operations manager. Ms Jian holds a Diploma in Music Education from Xiamen Normal College, China.

Ms Huang Pingping

Human Resource Manager

Ms Huang joined the Group in 2010 and assists the Deputy CEO (Administration and Human Resources) in administrative and human resource matters. She joined Quanzhou Zhongmin Baihui in 1999 and previously held posts in the Group as head of children wear department, on-site supervisor, on-site manager, assistant to operations manager, office manager and store manager. Ms Huang holds a Diploma in Business Administration and Management from The Open University of China.

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 2016 ("**FY2016**"), with specific reference made to each of the principles of the Code of Corporate Governance 2012 (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: Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the long-term success of the company. The board works with the management to achieve this objective and the management remains accountable to the board.

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 provide for telephonic meetings.

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

	Board	Board Committees		
		Audit	Nominating	Remuneration
Number of meetings held	**4**	**4**	**1**	**1**
	Number of meetings attended			
Mr Lee Swee Keng	4	4*	1*	1*
Mr Chen Kaitong	4	4*	1*	1*
Mr Su Jianli	3	3*	1*	1*
Mr Su Caiye	1	1*	1*	1*
Mr Andrew Lim Kok-Kin	4	4*	1*	1*
Dr Ong Seh Hong	4	4	1	1
Mr Koh Lian Huat	4	4	1	1
Ms Xu Ruyu	3	3	1	1

** By Invitation*

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;

[1] Pursuant to the prevailing 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

- 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), 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.

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.

The Board ensures that 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. The Directors have received trainings, which were arranged by the Company during the year mainly in several areas including corporate governance and directorship.

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 regime which have an important bearing on the Company and the Directors' obligations to the Company.

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.

Principle 2: There should be a strong and independent element on the board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the board's decision making.

Corporate Governance Report
企业治理

The Board currently comprises eight (8) members, four (4) of whom hold executive positions, one (1) of whom is a non-executive non-independent Director and three (3) of whom are Independent Directors:

Mr Lee Swee Keng	Executive Chairman
Mr Chen Kaitong	Executive Director and Chief Executive Officer
Mr Su Jianli	Executive Director
Mr Andrew Lim Kok-Kin	Executive Director
Mr Su Caiye	Non-executive non-independent Director
Dr Ong Seh Hong	Independent Director
Mr Koh Lian Huat	Independent Director
Ms Xu Ruyu	Independent Director

The Company endeavours to maintain a strong and independent element on the Board. As there are three (3) Independent Directors on the Board, the prevailing applicable requirement of the Code that at least one-third of the Board be comprised of Independent Directors is satisfied. The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company 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. All the Board committee meetings are chaired by the Independent Directors.

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 10% 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.

There are no Independent Directors who have served on the Board beyond nine (9) years from the date of his or her first appointment.

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 capabilities required for the Board to be effective. Details of the Board members' qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

The Independent Directors will constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, the Independent Directors will have discussions amongst themselves without the presence of the Management.

Principle 3: There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

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.

Corporate Governance Report
企业治理

The Executive Chairman, Mr Lee Swee Keng, plays a vital role in charting and steering the corporate direction of our 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 our Group as well as the overall aspects of our Group. He plays an important role in determining the opening and location of our new stores and formulating our 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 Koh Lian Huat, an Independent Director, 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 has failed to resolve or is inappropriate.

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the board.

The members of the Company's Nominating Committee during the financial period under review are Ms Xu Ruyu, Dr Ong Seh Hong, Mr Koh Lian Huat and Mr Andrew Lim Kok-Kin. The Chairman of the Nominating Committee is Ms Xu Ruyu, an Independent Director. The Nominating Committee meets at least once a year.

The Nominating Committee is responsible for the following:

(a) 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);

(b) to determine annually whether or not a Director is independent;

(c) 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;

(d) to decide how the Board's 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;

(e) the review of board succession plans for Directors;

(f) the review of training and professional development programmes for the Board; 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.

Corporate Governance Report
企业治理

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. 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. 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.

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 Director may hold more than five (5) listed company board representations should the Nominating Committee be satisfied and of the view that such Directors are able to devote sufficient time and attention to the affairs of the Company after taking into account 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 hold 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 ("**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.

The Nominating Committee recommended to the Board that Mr Andrew Lim Kok-Kin, Mr Lee Swee Keng and Mr Koh Lian Huat 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 Andrew Lim Kok-Kin will, upon re-election as a Director, remain as an Executive Director of the Company. Mr Lee Swee Keng will, upon re-election as a Director, remain as Executive Chairman of the Company. Mr Koh Lian Huat will, upon re-election as a Director, remain as an Independent Director of the Company.

Corporate Governance Report
企业治理

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	Directorship in other listed companies
LEE SWEE KENG	57	Executive Chairman	17 September 2004	24 April 2015	NIL
CHEN KAITONG	50	Chief Executive Officer and Executive Director	9 December 2008	25 April 2016	NIL
SU JIANLI	43	Deputy Chief Executive Officer and Executive Director	9 December 2008	24 April 2015	NIL
ANDREW LIM KOK-KIN	53	Executive Director*	1 January 2012	25 April 2014	NIL
SU CAIYE	45	Non-executive non-independent Director	9 December 2008	24 April 2015	NIL
DR ONG SEH HONG	54	Independent Director	23 December 2010	25 April 2016	Dyna-Mac Holdings Ltd Hock Lian Seng Holdings Limited MoneyMax Financial Services Ltd.
KOH LIAN HUAT	76	Independent Director	20 December 2010	24 April 2015	Hock Lian Seng Holdings Limited
XU RUYU	39	Independent Director	20 December 2010	25 April 2016	NIL

Principle 5: There should be a formal assessment of the effectiveness of the board as a whole and its board committees and the contribution of each director to the effectiveness of the board.

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 is 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 discussion and, where appropriate, approved for implementation.

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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.

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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 will, if required, 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, 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 expense of the Company.

REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The members of the Company's Remuneration Committee are Dr Ong Seh Hong, Mr Koh Lian Huat and Ms Xu Ruyu, and the Chairman of the Remuneration Committee is Dr Ong Seh Hong, an Independent Director.

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Our Remuneration Committee will review and recommend to our Board a framework of remuneration for our Directors and key management personnel and determine specific remuneration packages for each Director as well as for the key management personnel. The recommendations of our Remuneration Committee are 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 our Remuneration Committee. In addition, our Remuneration Committee will perform an annual review of the remuneration of employees related to our Directors and Substantial Shareholders to ensure that their remuneration packages are in line with our 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 abstains from voting on any resolution in respect of his remuneration package. Our Remuneration Committee also reviews the Company's obligations arising in the event of termination of the employment of Directors and key management personnel.

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

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.

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 and Executive Director) commencing from the date of admission of our 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.

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 abstains from deciding his or her own remuneration and the remuneration packages of persons related to him/her.

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management, and performance.

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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.

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 $250,000 and Below $500,000				
Mr Lee Swee Keng	72%	–	24%	4%
Below $250,000				
Mr Chen Kaitong	92%	–	8%	–
Mr Su Jianli	90%	–	8%	2%
Mr Su Caiye	–	100%	–	–
Mr Andrew Lim Kok-Kin	83%	–	7%	10%
Mr Koh Lian Huat	–	100%	–	–
Dr Ong Seh Hong	–	100%	–	–
Ms Xu Ruyu	–	100%	–	–

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

Mr Jeffrey Kan Kai Hi	74%	–	18%	8%
Ms Wang Liyu	90%	–	8%	2%
Ms Huang Pingping	89%	–	7%	4%
Ms Jian Aihong	87%	–	7%	6%

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 key management personnel of the Company (who are not Directors or the Chief Executive Officer) for FY2016 is approximately S$408,541.

No employee who was an immediate family member of a Director was paid more than S$50,000 during FY2016. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister, and parent of such person.

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ACCOUNTABILITY AND AUDIT

Principle 10: The board should present a balanced and understandable assessment of the company's performance, position and prospects.

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.

Principle 11: The board is responsible for the governance of risk. The board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.

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.

The Group has established a formal Enterprise Risk Management Framework to facilitate the governance of risks and monitoring the effectiveness of internal controls.

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 FY2016 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 FY2016 (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 12: The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.

The members of the Company's Audit Committee for the financial period under review are Mr Koh Lian Huat, Dr Ong Seh Hong and Ms Xu Ruyu, and the Chairman of the Audit Committee is Mr Koh Lian Huat. At present, all the members of the Audit Committee, including the Chairman of the Audit Committee, are Independent Directors.

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

- review the audit plans of the external auditors and our internal auditors, including the results of our external and internal auditors' review and evaluation of our system of internal controls;
- 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 our Board for approval;
- review the periodic consolidated financial statements comprising the profit and loss statements and the balance sheets and such other information required by the Listing Manual, before submission to our Board for approval;
- 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 our Group's operating results or financial position and our management's response;
- review the co-operation given by our management to our external auditors;
- review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financing, operational, compliance and information technology controls;
- consider the appointment and re-appointment of the external auditors and matters relating to resignation or dismissal thereof;
- review and ratify any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
- 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;
- 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;
- review any potential conflicts of interest;
- review the adequacy and supervision of the finance and accounting team on a regular basis;
- review the procedures by which employees of our 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;
- undertake such other reviews and projects as may be requested by our Board, and will report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee; and
- 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.

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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 our 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 of the Corporate Governance Report. 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 met with the external auditors and internal auditors in the absence of the Management during the financial year.

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 the financial year ended 31 December 2016.

Key audit matters	How the issues were addressed by the Audit Committee
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.

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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 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.

Principle 13: The company should establish an effective internal audit function that is independently resourced and independent of the activities it audits.

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 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.

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 is satisfied that the internal auditors are staffed by qualified and experienced personnel.

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

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.

The Board is mindful of its obligations to provide timely disclosure of material information to shareholders of the Group and does so through:

– annual reports issued to all shareholders. Non-shareholders may access the SGX-ST website for the Company's annual reports;

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– quarterly and full-year announcements of its financial statements on the SGXNet;

– other announcements on the SGXNet; and

– press releases on major developments regarding the Company.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company is committed to regular and proactive communication with its shareholders in line with continuous disclosure obligations of the Company under the Listing Manual. 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. 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.

Shareholders are given the opportunity to vote at general meetings. However, as the authentication of shareholder identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

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

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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 weeks before the announcement of the Company's results for each of the first three quarters of its financial year and the one 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.

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 FY2016 was S$300,700 of which audit fees amounted to approximately S$298,500. 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$2,200 for tax-related services, no other non-audit fees were paid to the Group's Auditor, Ernst & Young LLP for FY2016. 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 FY2016 or still subsisting as at 31 December 2016 which involved the interests of the Chief Executive Officer, any of the Directors or controlling shareholders of the Company.

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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.	RMB5,960,245	–
Sales to a related party: Quanzhou Zhongmin Baihui Shopping Co., Ltd.	RMB2,782,268	–
Commission from concessionaires sales charged to a related party: Fujian Hancai Garments Co., Ltd.	RMB509,727	–
Renewal of lease agreement with a related party: Quanzhou Zhongmin Baihui Shopping Co., Ltd.	RMB16,105,608	–
Acquisition of the retail premises of the Chengnan Store in Hui'an county, Quanzhou city, Fujian province from a related party: Hui'an Hongyi Property Development Co., Ltd.*	RMB122,236,128	–

* *The proposed acquisition of the Chengnan Store was announced on 28 September 2016, disclosed in the shareholders' circular dated 9 March 2017 and duly approved at an extraordinary general meeting of the Company on 24 March 2017.*

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 polices 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 2016.

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 2016 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
Su Jianli
Andrew Lim Kok-Kin
Su Caiye
Koh Lian Huat
Ong Seh Hong
Xu Ruyu

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: At the beginning of financial year	Direct interest: At the end of financial year	Deemed interest: At the beginning of financial year	Deemed interest: At the end of financial year
Ordinary shares of the Company				
Lee Swee Keng	48,241,000	48,241,000	–	–
Chen Kaitong	44,100,680	46,000,680	2,800,000	1,400,000
Su Caiye	22,540,700	22,540,700	1,500,000	1,500,000
Su Jianli	5,629,932	5,629,932	540,000	540,000

There was no change in any of the above-mentioned interest in the Company between the end of the financial year and 21 January 2017.

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, Cap. 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
28 March 2017

Independent Auditor's Report

For the financial year ended 31 December 2016
to the Members of Zhongmin Baihui Retail Group Ltd.

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 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, 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 Financial Reporting Standards in Singapore (FRSs) 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 2016 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 judgement, 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

For the financial year ended 31 December 2016
to the Members of Zhongmin Baihui Retail Group Ltd.

Key audit matters (cont'd)

Cash and bank balances

The Group's cash and bank balances were significant as they represented 51% of the Group's total assets balance. The cash and bank balances held by the Company and its subsidiaries represented 21% and 79% 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, they 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 in China and comparing the bank balances recorded by the subsidiaries to the banks' online banking system. We 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 those material cash floats held as at year end.

We also focused on the adequacy of the disclosures related to cash and bank balances in Note 19 to the consolidated financial statements.

Gold Inventory

The Group's gold inventory balance is material to the financial statements as they represent 9% of the Group's total assets balance. Additionally, gold inventory is subjected to higher inherent risk of theft and pilferage and its price is subjected 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 gold inventory cycle counts at selected stores and the year-end inventory counts at all stores to test the quantity of gold inventory.

We also reviewed management's assessment of the net realisable value of gold inventory at year end by comparing the year end market price of the gold against the cost.

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.

Independent Auditor's Report

For the financial year ended 31 December 2016
to the Members of Zhongmin Baihui Retail Group Ltd.

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 FRSs, 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.

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.

Independent Auditor's Report

For the financial year ended 31 December 2016
to the Members of Zhongmin Baihui Retail Group Ltd.

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

- 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.

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 Low Yen Mei.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2017

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2016

	Note	Group 2016 RMB	Group 2015 RMB
Revenue	4	872,400,499	829,923,660
Cost of sales		(575,817,766)	(516,768,727)
Gross profit		296,582,733	313,154,933
Other income		151,604,160	77,631,933
Interest income		4,241,485	3,064,095
Selling and distribution expenses		(213,268,559)	(241,757,380)
Finance costs		–	(383,000)
Administrative expenses		(89,918,644)	(73,865,198)
Profit before tax and share of results of associates		149,241,175	77,845,383
Share of results of associate	11	(147,698)	(452,077)
Profit before tax	5	149,093,477	77,393,306
Income tax expense	6	(51,270,711)	(24,749,716)
Profit for the year		97,822,766	52,643,590
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation (loss)/gain		(621,410)	418,670
Other comprehensive income for the year, net of tax		(621,410)	418,670
Total comprehensive income for the year attributable to the owners of the Company		97,201,356	53,062,260
Earnings per share (cents per share)			
Basic and diluted	7	49.89	26.82

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

Balance Sheets

As at 31 December 2016

	Note	Group 2016 RMB	Group 2015 RMB	Company 2016 RMB	Company 2015 RMB
Non-current assets					
Property, plant and equipment	8	45,974,962	50,334,217	12,070	17,337
Intangible assets	9	6,317,553	6,925,553	–	–
Investment in subsidiaries	10	–	–	48,377,841	80,023,147
Investment in an associate	11	24,675,575	24,823,273	–	–
Long-term investment	12	3,800,000	950,000	–	–
Deferred tax assets	13	14,183,612	28,862,109	–	–
Other assets	21	3,564,692	6,225,045	–	–
		98,516,394	118,120,197	48,389,911	80,040,484
Current assets					
Inventories	14	113,774,465	101,172,527	–	–
Prepayments	15	22,142,903	19,739,528	45,795	66,650
Trade and other receivables	16	28,641,496	32,409,402	44,601	42,658
Amount due from an associate	17	4,200,000	600,000	–	–
Amount due from related parties	18	6,507,978	3,846,466	–	–
Cash and cash equivalents	19	287,831,818	268,149,435	61,275,846	23,279,382
		463,098,660	425,917,358	61,366,242	23,388,690
Less: Current liabilities					
Trade and other payables	20	303,504,434	259,213,563	907	47,568
Other liabilities	21	27,842,055	33,413,183	1,661,070	1,526,108
Amount due to related parties	18	2,022,366	13,178,400	–	–
Income tax payable		12,941,489	11,917,861	–	–
		346,310,344	317,723,007	1,661,977	1,573,676
Net current assets		116,788,316	108,194,351	59,704,265	21,815,014
Non-current liabilities					
Other liabilities	21	49,995,263	109,075,458	–	–
Deferred tax liabilities	13	4,873,428	2,468,318	3,355,255	507,143
Net assets		160,436,019	114,770,772	104,738,921	101,348,355
Equity attributable to the owners of the Company					
Share capital	22	67,147,926	67,147,926	67,147,926	67,147,926
Treasury shares	23	(9,011,258)	–	(9,011,258)	–
Reserves	24	102,299,351	47,622,846	46,602,253	34,200,429
Total equity		160,436,019	114,770,772	104,738,921	101,348,355

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 2016

Group	Equity, total RMB	Share capital (Note 22) RMB	Treasury shares (Note 23) RMB	Reserves, total RMB	Revenue reserve RMB	Statutory reserve fund (Note 24b) RMB	Foreign currency translation reserve (Note 24a) RMB
	Attributable to owners of the Company						
2016							
Opening balance at 1 January 2016	114,770,772	67,147,926	–	47,622,846	26,457,128	22,502,031	(1,336,313)
Profit for the year	97,822,766	–	–	97,822,766	97,822,766	–	–
Other comprehensive income							
Exchange differences on translating foreign operations	(621,410)	–	–	(621,410)	–	–	(621,410)
Total comprehensive income for the year	97,201,356	–	–	97,201,356	97,822,766	–	(621,410)
Contributions by and distributions to owners							
Purchase of treasury shares	(9,011,258)	–	(9,011,258)	–	–	–	–
Dividends (Note 31)	(42,524,851)	–	–	(42,524,851)	(42,524,851)	–	–
Total contributions by and distributions to owners	(51,536,109)	–	(9,011,258)	(42,524,851)	(42,524,851)	–	–
Others							
Transfer to statutory reserve	–	–	–	–	(1,906,981)	1,906,981	–
Closing balance at 31 December 2016	160,436,019	67,147,926	(9,011,258)	102,299,351	79,848,062	24,409,012	(1,957,723)

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 2016

Group	Equity, total RMB	Share capital (Note 22) RMB	Treasury shares (Note 23) RMB	Reserves, total RMB	Revenue reserve RMB	Statutory reserve fund (Note 24b) RMB	Foreign currency translation reserve (Note 24a) RMB
	Attributable to owners of the Company						
2015							
Opening balance at 1 January 2015	102,015,068	67,147,926	–	34,867,142	16,106,764	20,515,361	(1,754,983)
Profit for the year	52,643,590	–	–	52,643,590	52,643,590	–	–
Other comprehensive income							
Exchange differences on translating foreign operations	418,670	–	–	418,670	–	–	418,670
Total comprehensive income for the year	53,062,260	–	–	53,062,260	52,643,590	–	418,670
Contributions by and distributions to owners							
Dividends (Note 31)	(40,306,556)	–	–	(40,306,556)	(40,306,556)	–	–
Others							
Transfer to statutory reserve	–	–	–	–	(1,986,670)	1,986,670	–
Closing balance at 31 December 2015	114,770,772	67,147,926	–	47,622,846	26,457,128	22,502,031	(1,336,313)

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 2016

Company	Equity, total RMB	Share capital (Note 22) RMB	Treasury shares (Note 23) RMB	Reserves, total RMB	Revenue reserve RMB	Foreign currency translation reserve (Note 24a) RMB
2016						
Opening balance at 1 January 2016	101,348,355	67,147,926	–	34,200,429	35,546,866	(1,346,437)
Profit for the year	55,548,085	–	–	55,548,085	55,548,085	–
Other comprehensive income						
Exchange differences on translating foreign operations	(621,410)	–	–	(621,410)	–	(621,410)
Total comprehensive income for the year	54,926,675	–	–	54,926,675	55,548,085	(621,410)
Contributions by and distributions to owners						
Purchase of treasury shares	(9,011,258)	–	(9,011,258)	–	–	–
Dividends (Note 31)	(42,524,851)	–	–	(42,524,851)	(42,524,851)	–
Total contributions by and distributions to owners	(51,536,109)	–	(9,011,258)	(42,524,851)	(42,524,851)	–
Closing balance at 31 December 2016	104,738,921	67,147,926	(9,011,258)	46,602,253	48,570,100	(1,967,847)

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 2016

Company	Equity, total RMB	Share capital (Note 22) RMB	Treasury shares (Note 23) RMB	Reserves, total RMB	Revenue reserve RMB	Foreign currency translation reserve (Note 24a) RMB
2015						
Opening balance at 1 January 2015	89,631,708	67,147,926	–	22,483,782	24,246,493	(1,762,711)
Profit for the year	51,606,929	–	–	51,606,929	51,606,929	–
Other comprehensive income						
Exchange differences on translating foreign operations	416,274	–	–	416,274	–	416,274
Total comprehensive income for the year	52,023,203	–	–	52,023,203	51,606,929	416,274
Contributions by and distributions to owners						
Dividends (Note 31)	(40,306,556)	–	–	(40,306,556)	(40,306,556)	–
Closing balance at 31 December 2015	101,348,355	67,147,926	–	34,200,429	35,546,866	(1,346,437)

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 2016

	2016 RMB	2015 RMB
Cash flows from operating activities		
Profit before taxation	149,093,477	77,393,306
Adjustments for :		
Depreciation of property, plant and equipment (Note 8)	6,787,365	7,459,316
Amortisation of intangible assets (Note 9)	608,000	870,000
Net loss on disposal of property, plant and equipment*	13,309,953	839,876
Receivables written off	970,114	–
Rent-free incentives and step rental provision	14,899,789	30,356,126
Write-back of rent-free incentives and step rental provision	(73,979,984)	–
Amortisation of step rental income	1,164,008	(3,225,728)
Accrued step rental income written off	1,496,345	–
Inventories written down	961,050	394,815
Interest income	(4,241,485)	(3,064,095)
Finance costs	–	383,000
Share of results of associate	147,698	452,077
Unrealised exchange difference	–	362
Operating cash flows before changes in working capital	111,216,330	111,859,055
(Increase)/decrease in inventories	(13,562,988)	14,746,753
(Increase)/decrease in prepayments	(2,400,268)	2,372,629
(Increase)/decrease in trade and other receivables	(608,834)	6,941,976
Increase/(decrease) in trade and other payables	28,244,486	(9,596,128)
Cash flows generated from operation	122,888,726	126,324,285
Interest received	4,241,485	3,064,095
Tax paid	(33,286,767)	(26,779,464)
Net cash flows generated from operating activities	93,843,444	102,608,916
Cash flows from financing activities		
Dividends paid (Note 31)	(42,524,851)	(40,306,556)
Amount due from an associate	(3,600,000)	(600,000)
Purchase of treasury shares	(9,011,258)	–
Net cash flows used in financing activities	(55,136,109)	(40,906,556)
Cash flows from investing activities		
Purchase of property, plant and equipment (Note 8)	(16,747,150)	(7,382,606)
Long-term investment	(2,850,000)	(950,000)
Proceeds from disposal of property, plant and equipment	1,112,725	200,000
Net cash flows used in investing activities	(18,484,425)	(8,132,606)
Net increase in cash and cash equivalents	20,222,910	53,569,754
Effect of exchange rate changes on cash and cash equivalents	(540,527)	418,670
Cash and cash equivalents at beginning of financial year	268,149,435	214,161,011
Cash and cash equivalents at end of financial year (Note 19)	287,831,818	268,149,435

* The loss on disposal of property, plant and equipment impaired during the financial year was computed net of the taxes paid to the China authorities amounting to RMB 102,830 (2015: RMB 56,994).

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 2016

1. Corporate information

Zhongmin Baihui Retail Group Ltd. (the “Company”) is a limited liability company, with its registered office at 143 Cecil Street, Level 10 GB Building, Singapore 069542. The Company is listed on Singapore Exchange Securities Trading Limited (“SGX-ST”).

The principal activity of the Company is that of an investment holding company.

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 Company and its Subsidiaries (“Group”) and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

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

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

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2016. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.3 Standards issued but not yet effective (cont'd)

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

During the year, the Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Group is in a business of operating and managing a chain of department stores. The Group expects the following impact upon adoption of FRS 115:

Identify the performance obligation in the contract

The Group enters into contracts with customer through its loyalty programs. The Group currently accrues the estimated costs of providing free goods that are expected to be redeemed.

The Group determines that a loyalty program creates a performance obligation (because it provides a material right to the customer) and will have to allocate a portion of the transaction price to the loyalty program and recognise when the performance obligation is satisfied (when the loyalty points are redeemed or expired).

The Group does not expect the application of the new methodology to have a material impact on the Group's financial performance upon adoption of FRS 115.

Transition

The Group plans to adopt the new standard on the required effective date using either the full retrospective or modified retrospective method and apply all the practical expedients available for full retrospective approach under FRS 115 as listed above.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.3 Standards issued but not yet effective (cont'd)

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

(a) Classification and measurement

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109.

(b) Impairment

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities and EBITDA.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;

– De-recognises the carrying amount of any non-controlling interest;

– De-recognises the cumulative translation differences recorded in equity;

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

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, loans and borrowings 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.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.5 Foreign currency (cont'd)

(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.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, all items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight line basis over the estimated useful lives of the assets as follows:

Electronics	–	3-5 years
Furniture and Fittings	–	3-10 years
Computer software	–	3-10 years
Motor vehicles	–	4 years
Leasehold improvements	–	8-20 years (i.e. lease period)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is included in profit or loss in the year the asset is derecognised.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.7 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use 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 group of assets. Where the carrying amount of an asset on cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.8 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.

2.9 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.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.9 Associates (cont'd)

Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Derecognition

A financial asset is derecognised 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 directly in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.11 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.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.12 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.

2.13 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.

2.14 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Favourable tenancy agreement

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.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.15 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.

2.16 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.

2.17 Leases

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.17 Leases (cont'd)

(a) As lessee (cont'd)

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) 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 2.18(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.18 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payments and excluding taxes or duty.

(a) Direct sales

Revenue from direct sale of goods is recognised upon the transfer of significant risk and rewards of ownership 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 concessionary 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.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.18 Revenue (cont'd)

(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) Revenue from customer loyalty award

The Group operates a customer loyalty programme which allows customers to accumulate points when they purchase products in the Group's stores. The points can be redeemed for free gifts from the Group's stores, subject to a minimum number of points being obtained.

The Group allocates consideration received from the sale of goods to the goods sold and the points issued that are expected to be redeemed.

The consideration allocated to the points issued is measured at the fair value of the points. It is recognised as a liability (other accrued operating expenses) on the balance sheet and recognised as revenue when the points are redeemed, have expired or no longer expected to be redeemed. The amount of revenue recognised is based on the number of points that have been redeemed, relative to the total number expected to be redeemed.

(f) Dividend income

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

2.19 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.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.19 Taxes (cont'd)

(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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.19 Taxes (cont'd)

(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.

2.20 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.

2.21 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.

2.22 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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.23 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.

2.24 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

4. Revenue

	Group	
	2016	**2015**
	RMB	RMB
Direct sales	662,045,043	596,022,550
Commission from concessionaire sales	135,353,985	130,371,474
Rental income	51,864,164	68,338,696
Managed rental	23,137,307	35,190,940
	872,400,499	829,923,660

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

	Group	
	2016	**2015**
	RMB	RMB
Direct sales	662,045,043	596,022,550
Gross proceeds from concessionaire sales	644,594,641	608,981,929
Rental income	51,864,164	68,338,696
Managed rental	23,137,307	35,190,940
Gross sales proceeds*	1,381,641,155	1,308,534,115

* 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 2016

5. Profit before tax

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

	Group 2016 RMB	Group 2015 RMB
Inventories written down	(961,050)	(394,815)
Other income:		
Advertisement and promotional income	63,070,957	62,080,679
Exchange gain	1,202,072	–
Leisure facilities fees	873,180	912,749
Management fees (Note 27b)	5,960,245	6,508,000
Write-back of rent-free incentives and step rental provision	73,979,984	–
Selling and distribution expenses:		
Employee benefit expense		
- Defined contribution plans	(6,978,149)	(9,111,607)
- Salaries, wages, bonuses and other costs	(55,963,720)	(57,934,775)
Rental expenses*	(100,552,992)	(116,312,214)
Utilities	(29,315,002)	(30,801,016)
Amortisation of intangible assets	(608,000)	(870,000)
Advertisement and promotion fees	(3,046,437)	(3,379,175)
Administrative expenses:		
Employee benefit expenses		
- Defined contribution plans	(4,531,941)	(5,489,565)
- Salaries, wages, bonuses and other costs	(51,289,054)	(47,422,279)
Receivables written off	(970,114)	–
Bank charges	(3,554,172)	(3,124,484)
Director fees	(793,584)	(633,108)
Depreciation of property, plant and equipment	(6,787,365)	(7,459,316)
Net loss on disposal of property, plant and equipment	(13,309,953)	(839,876)
Exchange loss	–	(373,167)
Office supplies	(1,358,864)	(1,121,391)
Audit fees:		
- Auditors of the Company	(1,606,512)	(1,569,208)
Non-audit fees:		
- Auditors of the Company	(11,836)	(11,158)

* Inclusive of rental payments of RMB 85,653,203 (2015: RMB 85,956,088) and a straight-line recognition of the lease expenses over the lease term, aggregate of rent-free incentives and step rental provision of RMB 14,899,789 (2015: RMB 30,356,126) respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2016

6. Income tax expense

(a) Major components of income tax expense

The major components of taxation for the years ended 31 December 2016 and 31 December 2015 are:

	Group	
	2016	**2015**
	RMB	RMB
Consolidated income statement:		
Current income tax		
- Current income taxation	33,670,376	30,063,555
Deferred tax credit (Note 13)		
- Origination and reversal of temporary differences	17,600,335	(5,313,839)
Income tax expense recognised in profit or loss	51,270,711	24,749,716

(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 2016 and 2015 are as follows:

	2016	2015
Profit before tax	149,093,477	77,393,306
Tax at the domestic rates applicable to profits in the countries where the Group operates	37,505,552	19,956,294
Adjustments:		
Non-deductible expenses	14,556,527	4,087,158
Income not subject to taxation	(1,091,864)	–
Deferred tax assets not recognised	1,270,499	503,296
Benefits from previously unrecognised tax losses	(1,092,038)	–
Share of associate loss	36,924	113,019
Others	85,111	89,949
Tax expenses recognised in profit or loss	51,270,711	24,749,716

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 196,063,683 (2015: 196,320,000) which has been adjusted for the effects of the sub-division of shares in December 2010.

Notes to the Financial Statements

For the financial year ended 31 December 2016

8. Property, plant and equipment

Group	Electronics RMB	Furniture and fittings RMB	Computer software RMB	Motor vehicles RMB	Leasehold improvements RMB	Total RMB
Cost :						
At 1 January 2015	4,429,729	17,920,860	757,179	2,334,402	47,892,051	73,334,221
Additions	279,852	753,111	–	1,028,519	5,321,124	7,382,606
Disposals	(515,830)	(684,474)	(54,735)	(452,280)	(4,055,490)	(5,762,809)
Currency translation	(240)	(718)	–	–	–	(958)
At 31 December 2015 and 1 January 2016	4,193,511	17,988,779	702,444	2,910,641	49,157,685	74,953,060
Additions	439,670	1,662,511	50,667	1,350	14,592,952	16,747,150
Disposals*	(678,868)	(2,106,104)	(228,098)	(1,809,122)	(16,299,731)	(21,121,923)
Currency translation	1,405	552	–	–	–	1,957
At 31 December 2016	3,955,718	17,545,738	525,013	1,102,869	47,450,906	70,580,244
Accumulated depreciation and impairment loss:						
At 1 January 2015	2,390,625	5,391,977	319,497	1,234,960	12,602,991	21,940,050
Depreciation charge for the year	846,984	2,391,186	126,169	587,271	3,507,706	7,459,316
Disposals	(241,238)	(257,272)	(6,886)	(322,386)	(3,952,145)	(4,779,927)
Currency translation	(272)	(324)	–	–	–	(596)
At December 2015 and 1 January 2016	2,996,099	7,525,567	438,780	1,499,845	12,158,552	24,618,843
Depreciation charge for the year	545,029	2,354,493	98,469	369,209	3,420,165	6,787,365
Disposals*	(544,763)	(1,363,154)	(77,153)	(1,504,466)	(3,312,539)	(6,802,075)
Currency translation	772	377	–	–	–	1,149
At 31 December 2016	2,997,137	8,517,283	460,096	364,588	12,266,178	24,605,282
Net carrying amount :						
At 31 December 2015	1,197,412	10,463,212	263,664	1,410,796	36,999,133	50,334,217
At 31 December 2016	958,581	9,028,455	64,917	738,281	35,184,728	45,974,962

* During the financial year, the Group recognised an impairment loss of RMB 13,691,003 on property, plant and equipment ("PPE") resulting from the closure of its Nanjing Nanzhan store which was disposed at a net loss of RMB 13,309,953 with the proceeds of RMB 1,112,725.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

Company	Electronics RMB	Furniture and fittings RMB	Total RMB
Cost :			
At 1 January 2015	27,034	35,619	62,653
Additions	12,865	–	12,865
Disposals	(8,818)	(22,792)	(31,610)
Currency translation	(240)	(718)	(958)
At 31 December 2015 and 1 January 2016	30,841	12,109	42,950
Additions	395	–	395
Currency translation	1,405	552	1,957
At 31 December 2016	32,641	12,661	45,302
Accumulated depreciation :			
At 1 January 2015	20,601	17,763	38,364
Depreciation charge for the year	4,496	3,907	8,403
Disposals	(7,643)	(12,915)	(20,558)
Currency translation	(272)	(324)	(596)
At 31 December 2015 and 1 January 2016	17,182	8,431	25,613
Depreciation charge for the year	3,931	2,539	6,470
Currency translation	772	377	1,149
At 31 December 2016	21,885	11,347	33,232
Net carrying amount :			
At 31 December 2015	13,659	3,678	17,337
At 31 December 2016	10,756	1,314	12,070

Notes to the Financial Statements

For the financial year ended 31 December 2016

9. Intangible assets

Group	Favourable lease agreements RMB	Goodwill RMB	Total RMB
Cost :	5,436,000	3,809,553	9,245,553
Accumulated amortisation :			
At 1 January 2015	1,450,000	–	1,450,000
Amortisation during the year	870,000	–	870,000
At 31 December 2015 and 1 January 2016	2,320,000	–	2,320,000
Amortisation during the year	608,000	–	608,000
At 31 December 2016	2,928,000	–	2,928,000
Net carrying amount :			
At 31 December 2015	3,116,000	3,809,553	6,925,553
At 31 December 2016	2,508,000	3,809,553	6,317,553

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.

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 lease period or a three-year period whichever is shorter. The pre-tax discount rate applied to the cash flow projections is 13% (2015: 13%) and the forecasted growth rates used to extrapolate the cash flows projections beyond the three-year period is up to 6% (2015: 5%) till the end of their lease periods.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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	
	2016	**2015**
	RMB	RMB
Shares, at cost	48,377,841	80,023,147

Name (Country of incorporation and place of business)	**Principal activities**	**Proportion (%) of ownership interest 2016**	**2015**
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 Development Pte. Ltd. (Singapore)	Struck off [(2)]	–	100
Zhongmin Baihui (Nanjing) Commercial Co., Ltd. [(1)] (People's Republic of China (PRC))	Ownership and operation of department stores	100	100
Zhongmin Baihui (Quanzhou) Commercial Management Co., Ltd. [(1)] (People's Republic of China (PRC))	Ownership, operation and management of a chain of department stores	100	100
Zhongmin Baihui (Fujian) Logistics Co., Ltd. [(1)] (People's Republic of China (PRC))	Logistics and procurement service provider	100	100

(1) A member firm of EY Global had performed the audit for the subsidiary's financial statement for the financial years ended 31 December 2016 and 2015 for Group reporting purposes.

(2) The Company was struck off during financial year 2016.

Notes to the Financial Statements

For the financial year ended 31 December 2016

11. Investment in an associate

	Group 2016 RMB	Group 2015 RMB
Shares, at cost	27,000,000	27,000,000
Share of results of associate	(2,324,425)	(2,176,727)
At end of year	24,675,575	24,823,273

Name (Country of incorporation)	Principal activities	Proportion (%) of ownership interest 2016	Proportion (%) of ownership interest 2015
Citi-Base Commerce Logistics (Xiamen) Co., Ltd. [1] (People's Republic of China (PRC))	Operation of logistics centre	30	30

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

Citi-Base Commerce Logistics (Xiamen) Co., Ltd., 30% owned by a Group's wholly-owned subsidiary, Xiamen Shi Zhongmin Baihui Commercial Co., Ltd, was incorporated in January 2011. The associate has commenced operation subsequent to the financial year ended 31 December 2016. The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group 2016 RMB	Group 2015 RMB
Summarised balance sheet		
Non-current assets	143,434,255	101,907,194
Current assets	13,335,358	47,542,490
Total assets	156,769,613	149,449,684
Current liabilities	(14,517,696)	(6,705,441)
Non-current liabilities	(60,000,000)	(60,000,000)
Total liabilities	(74,517,696)	(66,705,441)
Net assets	82,251,917	82,744,243
Proportion of the Group's ownership	30%	30%
Group's share of net assets	24,675,575	24,823,273
Summarised statement of comprehensive income		
Loss after tax, representing total comprehensive income for the year	(492,326)	(1,506,923)

Notes to the Financial Statements

For the financial year ended 31 December 2016

12. Long-term investment

A 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 investment had commenced operation subsequent to the financial year ended 31 December 2016.

13. Deferred tax assets/(liabilities)

	Group				Company	
	Consolidated balance sheet		Consolidated income statement			
	2016	2015	2016	2015	2016	2015
	RMB	RMB	RMB	RMB	RMB	RMB
Deferred tax assets:						
Differences in rent-free incentives and step rental provision	12,498,816	27,268,865	(14,770,049)	7,589,032	–	–
Differences due to pre-opening expenses	557,491	690,779	(133,288)	(133,289)	–	–
Impairment loss	–	–	–	(921,996)	–	–
Others	1,127,305	902,465	224,840	(265,799)	–	–
	14,183,612	28,862,109	(14,678,497)	6,267,948	–	–
Deferred tax liabilities:						
Difference arising from the expected remittance of dividend from subsidiary	3,364,840	500,000	(3,364,840)	(500,000)	3,364,840	500,000
Differences in step rental income	891,173	1,182,175	291,002	(671,609)	–	–
Differences arising from the recognition favourable lease agreements	627,000	779,000	152,000	217,500	–	–
Currency translation	(9,585)	7,143	–	–	(9,585)	7,143
	4,873,428	2,468,318	(2,921,838)	(954,109)	3,355,255	507,143
Deferred income tax credit			(17,600,335)	5,313,839		

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

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 interests in the PRC company, or 10% if it holds less than 25% interests in the PRC company.

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2015: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to nil (2015: RMB 72,748,000). The deferred tax liability is estimated to be nil (2015: RMB 3,637,000).

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately RMB 7,645,000 (2015: RMB 34,983,000) 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 (2015: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 31).

Notes to the Financial Statements

For the financial year ended 31 December 2016

14. Inventories

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Balance sheet:				
Finished goods (at lower of cost or net realisable value)	113,774,465	101,172,527	–	–
Income statement:				
Inventories recognised as an expense in cost of sales	575,817,766	516,768,727	–	–
Inclusive of the following charge:				
Inventories written off	961,050	394,815	–	–

Included in the inventories is RMB 49,525,762 (2015: RMB 48,887,812) of gold. The gold relates to gold jewellery.

15. Prepayments

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Prepaid rent	12,234,280	10,932,459	–	–
Advance payments for property, plant and equipment	956,529	1,098,941	–	–
Advance payments to suppliers	5,358,464	4,016,585	–	–
Other prepayments	3,593,630	3,691,543	45,795	66,650
	22,142,903	19,739,528	45,795	66,650

Notes to the Financial Statements

For the financial year ended 31 December 2016

16. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Trade receivables	756,290	4,780,077	–	–
Rental deposits *	21,651,880	23,468,411	44,601	42,658
Other deposits	96,000	96,000	–	–
Other receivables	6,137,326	2,780,616	–	–
VAT receivable	–	1,284,298	–	–
	28,641,496	32,409,402	44,601	42,658
Add:				
Amount due from a associate (Note 17)	4,200,000	600,000	–	–
Amount due from related parties (Note 18)	6,507,978	3,846,466	–	–
Cash and cash equivalents (Note 19)	287,831,818	268,149,435	61,275,846	23,279,382
Less:				
VAT receivable	–	(1,284,298)	–	–
Total loans and receivables	327,181,292	303,721,005	61,320,447	23,322,040

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

Trade receivables

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.

17. Amount due from an associate

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Amount due from an associate (non-trade)	4,200,000	600,000	–	–

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

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18. Amount due from/due to related parties

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Amount due from a related party (trade) *	321,324	–	–	–
Amount due from a related party (non-trade) *	6,186,654	3,846,466	–	–
	6,507,978	3,846,466	–	–
Amount due to related parties (trade) *	1,307,899	7,813,027	–	–
Amount due to related parties (non-trade) *	714,467	5,365,373	–	–
	2,022,366	13,178,400	–	–

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

19. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Cash and short-term deposits	287,831,818	268,149,435	61,275,846	23,279,382

Bank balances earn interests at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods from one to six 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 2016 for the Group and the Company were 0.30% (2015: 0.34%) and 1.15% (2015: 1.30%) respectively.

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

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
United States Dollars	13	7,750	–	–

Notes to the Financial Statements

For the financial year ended 31 December 2016

20. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Trade:				
External parties	215,208,204	161,564,336	–	–
Add: Other payables	88,296,230	97,649,227	907	47,568
	303,504,434	259,213,563	907	47,568
Add:				
Other accrued operating expenses (Note 21)	27,842,055	33,413,183	1,661,070	1,526,108
Amount due to related parties (Note 18)	2,022,366	13,178,400	–	–
Less:				
Advances from customers	(72,395,666)	(81,976,104)	–	–
Total financial liabilities carried at amortised cost	260,973,189	223,829,042	1,661,977	1,573,676

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

21. Other assets/(liabilities)

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Non-current:				
Rent-free incentives and step rental provision	3,564,692	6,225,045	–	–
Current:				
Other accrued operating expenses	(27,842,055)	(33,413,183)	(1,661,070)	(1,526,108)
Non-current:				
Rent-free incentives and step rental provision	(49,995,263)	(109,075,458)	–	–
	(77,837,318)	(142,488,641)	(1,661,070)	(1,526,108)

Notes to the Financial Statements

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22. Share capital

	Group and Company			
	2016		2015	
	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.

23. Treasury shares

	Group and Company			
	2016		2015	
	No. of shares	RMB	No. of Shares	RMB
At 1 January	–	–	–	–
Acquired during the financial year	1,544,700	9,011,258	–	–
At 31 December	1,544,700	9,011,258	–	–

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

The Company acquired 1,544,700 (2015: nil) shares in the Company through purchase on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was RMB 9,011,258 (2015: nil) and this was presented as a component within shareholders' equity.

24. 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 currencies.

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2016

25. Employee benefits

	Group	
	2016	**2015**
	RMB	RMB
Employee benefits expenses (including directors)		
Salaries and bonuses	107,252,774	105,357,054
Defined contribution plans	11,510,090	14,601,172
	118,762,864	119,958,226

26. Operating lease commitments – as lessee

The Group leases certain properties from non-related parties under non-cancellable operating lease agreements which do not have any purchase options and expire at various dates till 20 August 2034 with renewal rights and contain provision for rental adjustments. There are no restrictions placed upon the lessee by entering into these leases.

Minimum lease payments recognised in profit or loss for the financial year ended 31 December 2016 amounted to RMB 100,552,992 (2015: RMB 116,312,214).

Future minimum lease payments under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RMB	RMB	RMB	RMB
No later than one year	98,337,246	115,752,519	184,738	176,684
Later than one year but no later than five years	322,505,494	421,880,336	69,277	242,939
Later than five years	341,663,790	574,442,278	–	–
	762,506,530	1,112,075,133	254,015	419,623

27. Related party transactions

(a) Sale and purchase of goods and services

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or

(ii) it is subject to common control or common significant influence.

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For the financial year ended 31 December 2016

27. Related party transactions

(a) Sale and purchase of goods and services (cont'd)

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	
	2016	2015
	RMB	RMB
Rental income from a company in which Directors have an interest	–	1,172,097
Concessionaire income from a company in which Directors have an interest	1,523,620	1,398,254
Sale of goods to a company in which Directors have an interest	2,782,268	–
Advertisement fees received from companies in which Directors have an interest	1,730,000	4,230,000
Management fees received from a company in which Directors have an interest	5,960,245	6,508,000
Rental expense to companies in which Directors have an interest	17,224,593	17,999,236

(b) Compensation of key management personnel

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Short-term employee benefits	5,502,056	5,285,452	2,958,866	2,742,262
Defined contribution plans	255,405	211,263	214,441	163,731
	5,757,461	5,496,715	3,173,307	2,905,993
Comprise amounts paid to:				
Directors of the Company	3,792,542	3,681,089	2,155,249	2,042,334
Other key management personnel	1,964,919	1,815,626	1,018,058	863,659
	5,757,461	5,496,715	3,173,307	2,905,993

Notes to the Financial Statements

For the financial year ended 31 December 2016

28. 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 Group does not speculate in the currency markets or hold or issue derivatives financial instruments. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the 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 trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

<u>Exposure to credit risk</u>

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 on the balance sheets.

<u>Financial assets that are neither past due nor impaired</u>

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

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

(b) Liquidity risk (cont'd)

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	1 year or less	1 to 5 years	Total
	RMB	RMB	RMB
31 December 2016			
Financial assets:			
Trade and other receivables	6,893,616	–	6,893,616
Deposits	21,747,880	–	21,747,880
Amount due from an associate	4,200,000	–	4,200,000
Amount due from related parties	6,507,978	–	6,507,978
Cash and cash equivalents	287,831,818	–	287,831,818
Total undiscounted financial assets	327,181,292	–	327,181,292
Financial liabilities:			
Trade and other payables	231,108,768	–	231,108,768
Other accrued operating expenses	27,842,055	–	27,842,055
Amount due to related parties	2,022,366	–	2,022,366
Total undiscounted financial liabilities	260,973,189	–	260,973,189
Total net undiscounted financial assets	66,208,103	–	66,208,103
31 December 2015			
Financial assets:			
Trade and other receivables	7,560,693	–	7,560,693
Deposits	23,564,411	–	23,564,411
Amount due from an associate	600,000	–	600,000
Amount due from related parties	3,846,466	–	3,846,466
Cash and cash equivalents	268,149,435	–	268,149,435
Total undiscounted financial assets	303,721,005	–	303,721,005
Financial liabilities:			
Trade and other payables	177,237,459	–	177,237,459
Other accrued operating expenses	33,413,183	–	33,413,183
Amount due to related parties	13,178,400	–	13,178,400
Total undiscounted financial liabilities	223,829,042	–	223,829,042
Total net undiscounted financial assets	79,891,963	–	79,891,963

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

(b) Liquidity risk (cont'd)

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

Company	**1 year or less** RMB	**1 to 5 Years** RMB	**Total** RMB
31 December 2016			
Financial assets:			
Deposits	44,601	–	44,601
Cash and cash equivalents	61,275,846	–	61,275,846
Total undiscounted financial assets	61,320,447	–	61,320,447
Financial liabilities:			
Trade and other payables	907	–	907
Other accrued operating expenses	1,661,070	–	1,661,070
Total undiscounted financial liabilities	1,661,977	–	1,661,977
Total net undiscounted financial assets	59,658,470	–	59,658,470
31 December 2015			
Financial assets:			
Deposits	42,658	–	42,658
Cash and cash equivalents	23,279,382	–	23,279,382
Total undiscounted financial assets	23,322,040	–	23,322,040
Financial liabilities:			
Trade and other payables	47,568	–	47,568
Other accrued operating expenses	1,526,108	–	1,526,108
Total undiscounted financial liabilities	1,573,676	–	1,573,676
Total net undiscounted financial assets	21,748,364	–	21,748,364

Notes to the Financial Statements

For the financial year ended 31 December 2016

29. Fair values of assets and liabilities

(a) 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 that 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 2016 and 2015.

(b) Assets not measured at fair value, for which fair value is disclosed

	2016		2015	
	Carrying Amount	Fair Value Amount	Carrying Amount	Fair Value Amount
	RMB	RMB	RMB	RMB
Assets:				
Long-term investment	3,800,000	*	950,000	*

* Investment in long-term investment carried at cost

Fair value information has not been disclosed for the Company's long-term investment that are carried at cost because fair value cannot be measured reliably. Long-term investment represent 19% interest in Xiamen Citi-Base Commerce Co., Ltd that is not quoted on any market and does not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Company does not intend to dispose of this investment in the foreseeable future.

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and cash equivalents, trade and other receivables, amount due from an associate, amount due from/to related parties, trade and other payables and other accrued operating expenses approximate their fair values due to their short-term nature.

Notes to the Financial Statements

For the financial year ended 31 December 2016

30. 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 2016 and 31 December 2015.

As disclosed in Note 24, 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 2016 and 31 December 2015.

The Group is not subjected to any external imposed capital requirements.

31. Dividends

	Group and Company	
	2016	**2015**
	RMB	RMB
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2015: SGD 1.5 cents (2014: 1.5 cent) per share*	14,028,320	13,535,772
- Interim exempt (one-tier) dividend for 2016: SGD 3.0 cents (2015: 3.0 cent) per share	28,496,531	26,770,784
	42,524,851	40,306,556
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 2016: SGD 2.0 cents (2015: SGD 1.5 cents) per share	18,689,000	13,507,000

* The difference between the dividend declared at the end of the financial year 2015 and the actual dividend paid in the financial year 2016 was due to translation differences.

32. Authorisation of financial statements for issue

The audited financial statements for financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 28 March 2017.

Statistics of Shareholdings

As at 13 March 2017

Issue and fully paid-up capital	:	SGD 13,620,000
Number of shares (excluding treasury shares)	:	193,950,000
Number of treasury shares held	:	2,370,000
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	–	–	–	–
100 - 1,000	33	11.96	28,200	0.01
1,001 - 10,000	93	33.69	560,400	0.29
10,001 - 1,000,000	133	48.19	20,150,900	10.39
1,000,001 AND ABOVE	17	6.16	173,210,500	89.31
TOTAL	**276**	**100.00**	**193,950,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	LEE SWEE KENG	48,241,000	24.87
2	CHEN KAITONG	47,400,680	24.44
3	SU CAIYE	23,540,700	12.14
4	CIMB SECURITIES (SINGAPORE) PTE. LTD.	14,630,300	7.54
5	LIM KOK TONG	6,577,588	3.39
6	SU JIANLI	5,629,932	2.90
7	DBS NOMINEES (PRIVATE) LIMITED	4,897,600	2.53
8	RAFFLES NOMINEES (PTE) LIMITED	4,629,500	2.39
9	LOW CHUI HENG	3,240,000	1.67
10	SING INVESTMENTS & FINANCE NOMINEES (PTE.) LTD.	2,700,000	1.39
11	LINGCO HOLDINGS PTE LTD	2,500,000	1.29
12	SEAH CONSTRUCTION PTE LTD	2,000,000	1.03
13	WEE CHOO CHUAN	2,000,000	1.03
14	SIA LING SING	1,542,000	0.80
15	LINGCO MARINE PTE LTD	1,500,000	0.77
16	CHUA KIAN LIN	1,160,000	0.60
17	CITIBANK NOMINEES SINGAPORE PTE LTD	1,021,200	0.53
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	**176,210,500**	**90.87**

Statistics of Shareholdings

As at 13 March 2017

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 13 March 2017)

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Lee Swee Keng	48,241,000	24.87	–	–
Chen Kaitong	47,400,680	24.44	–	–
Su Caiye	23,540,700	12.14	500,000	0.26
Lim Kok Tong	18,577,588	9.58	2,200,000	1.13

FREE FLOAT

Based on the information available to the Company as at 13 March 2017, approximately 24.33% of the issued ordinary shares of the Company was held by the public. Accordingly, Rule 723 of the Listing Manual 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 held at Peach Garden, 65 Chulia Street, #33-01 OCBC Centre, Singapore 049513 on Wednesday 26 April 2017 at 9:30 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 2016 together with the Directors' Statement and Auditor's Report thereon. **(Resolution 1)**

2. To declare a final one-tier tax exempt dividend of S$0.02 per ordinary share for the financial year ended 31 December 2016. **(Resolution 2)**

3. To approve the payment of S$150,000 as Directors' fees for the financial year ended 31 December 2016. **(Resolution 3)**

4. To re-elect the following Directors retiring pursuant to Regulation 104 of the Company's Constitution[1]:

   (a) Mr Andrew Lim Kok-Kin (Regulation 104) **(Resolution 4)**
   (b) Mr Lee Swee Keng (Regulation 104) **(Resolution 5)**
   (c) Mr Koh Lian Huat (Regulation 104) **(Resolution 6)**
   [See Explanatory Note 1]

5. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. 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:

7. <u>General authority to issue and allot shares</u>

   "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

   (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,

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.

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."

[See Explanatory Note 2] **(Resolution 8)**

Notice of Annual General Meeting

年度股东大会通告

8. 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);

Notice of Annual General Meeting
年度股东大会通告

"**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;

"**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 9)**

By Order of the Board

Chia Foon Yeow
Company Secretary
10 April 2017

Explanatory Notes:

1. Mr Andrew Lim Kok-Kin will, upon re-election, remain as a Director of the Company.

   Mr Lee Swee Keng will, upon re-election, remain as a Director of the Company.

   Mr Koh Lian Huat will, upon re-election as Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. The Board considers Mr Koh Lian Huat to be independent for the purpose of Rule 704(8) of the Listing Manual.

2. Under the Listing Manual of the SGX-ST, a share issue mandate approved by shareholders as a 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).

Notice of Annual General Meeting
年度股东大会通告

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 fund raising exercises or other arrangements or transactions involving the capital of the Company.

Ordinary Resolution 8, 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.

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act (Chapter 50) of Singapore (the “Act”), a member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote instead of him/her.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

4. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

5. 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.

6. The instrument appointing a proxy must be deposited the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for holding the Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

ZHONGMIN BAIHUI RETAIL GROUP LTD.

(Incorporated in the Republic of Singapore)

PROXY FORM

ANNUAL GENERAL MEETING

Important:

1 For investors who have used their CPF monies to buy the Shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

2 This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

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 or:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held at Peach Garden, 65 Chulia Street, #33-01 OCBC Centre, Singapore 049513, on Wednesday, 26 April 2017 at 9:30 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, or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

In respect of the corporate information at the final page of the annual report, the telephone number and fax number stated under "Registered Office" is not that of our office. Please confirm whether the telephone and fax numbers are meant to be our office's. If so, please refer to our amendments in the attached document.

No.	Resolutions relating to:	For*	Against*
1.	Adoption of Audited Financial Statements, Directors' Statement and Auditor's Report		
2.	To declare a final one-tier tax exempt dividend of S$0.02 per ordinary share for the financial year ended 31 December 2016		
3.	Approval of proposed Directors' Fees of S$150,000 for the financial year ended 31 December 2016		
4.	Re-election of Mr Andrew Lim Kok-Kin as a Director		
5.	Re-election of Mr Lee Swee Keng as a Director		
6.	Re-election of Mr Koh Lian Huat as a Director		
7.	Re-appointment of Messrs Ernst & Young LLP as Auditors		
8.	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
9.	Approval of the proposed Share Buyback Mandate		

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

Dated this day of , 2017.

TOTAL NUMBER OF SHARES IN :	
(a) CDP Register	
(b) Register of Members	

Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder

(Please see notes overleaf before completing this form)

Notes

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act (Chapter 50) of Singapore (the "**Act**"), a member entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his stead.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

3. A proxy need not be a member of the Company.

4. 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.

5. This proxy form must be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the Meeting.

6. 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.

7. 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.

8. 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 a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

Corporate Information
企业资讯

Board of Directors

Lee Swee Keng
Executive Chairman

Chen Kaitong
Chief Executive Officer

Su Jianli
Deputy CEO

Andrew Lim Kok-Kin
Executive Director

Su Caiye
Non-Executive Director

Koh Lian Huat
Independent Director

Dr Ong Seh Hong
Independent Director

Xu Ruyu
Independent Director

Company Secretary

Chia Foon Yeow

Registered Office

143 Cecil Street
Level 10 GB Building
Singapore 069542
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:
Low Yen Mei
(Appointed since financial year
ended 31 December 2015)

Bankers

DBS Bank Ltd.
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

中闽百汇
ZHONGMIN BAIHUI RETAIL GROUP LTD.

(Co.Registration No.:200411929C)
80 Marine Parade Road #13-08 Parkway Parade Singapore 449269