

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

**UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

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

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

Consolidated statement of comprehensive income for the third quarter (“3Q 2018”) and nine months ended 30 September 2018 (“9M 2018”)

	← Group →					
	3 months ended		Change	9 months ended		Change
	30/9/2018	30/9/2017	+ / (-)	30/9/2018	30/9/2017	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<b>Revenue</b> <sup>(1)</sup>	247,788	241,848	2.5	728,900	734,231	(0.7)
Cost of sales	<u>(185,168)</u>	<u>(176,269)</u>	5.0	<u>(521,646)</u>	<u>(517,312)</u>	0.8
<b>Gross profit</b>	62,620	65,579	(4.5)	207,254	216,919	(4.5)
Other income	22,575	19,791	14.1	77,949	65,328	19.3
Interest income	245	315	(22.2)	2,394	3,935	(39.2)
Selling and distribution expenses	(48,305)	(50,761)	(4.8)	(143,480)	(154,743)	(7.3)
Finance costs	-	-	n.m.	(40)	-	n.m.
Administrative expenses	<u>(22,527)</u>	<u>(19,534)</u>	15.3	<u>(77,246)</u>	<u>(58,972)</u>	31.0
<b>Profit before taxation and share of results of joint venture and associates</b>	14,608	15,390	(5.1)	66,831	72,467	(7.8)
Share of results of joint venture	-	(209)	n.m.	-	(209)	n.m.
Share of results of associates	<u>(634)</u>	<u>(96)</u>	560.4	<u>(1,620)</u>	<u>(169)</u>	858.6
<b>Profit before taxation</b> <sup>(2)</sup>	13,974	15,085	(7.4)	65,211	72,089	(9.5)
Income tax expense	<u>(4,351)</u>	<u>(5,303)</u>	(18.0)	<u>(17,524)</u>	<u>(22,280)</u>	(21.3)
<b>Profit after taxation</b>	<u>9,623</u>	<u>9,782</u>	(1.6)	<u>47,687</u>	<u>49,809</u>	(4.3)
<b>Other comprehensive income:</b>						
<b>Items that may be reclassified subsequently to profit or loss</b>						
Currency translation (loss)/gain	<u>124</u>	<u>(47)</u>	n.m.	<u>(161)</u>	<u>1,430</u>	n.m.
Other comprehensive income, net of tax	<u>124</u>	<u>(47)</u>	n.m.	<u>(161)</u>	<u>1,430</u>	n.m.
<b>Total comprehensive income for the period attributable to the owners of the Company</b>	<u>9,747</u>	<u>9,735</u>	0.1	<u>47,526</u>	<u>51,239</u>	(7.2)

n.m. – Not meaningful

## Notes to the consolidated statement of comprehensive income

### 1. Revenue

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

	← Group →					
	3 months ended		Change + / (-) %	9 months ended		Change + / (-) %
	30/9/2018 RMB'000	30/9/2017 RMB'000		30/9/2018 RMB'000	30/9/2017 RMB'000	
<b>Revenue:</b>						
- Direct sales	207,165	199,615	3.8	587,543	587,445	0.0
- Commission from concessionaire sales	27,429	28,489	(3.7)	100,342	105,585	(5.0)
- Rental income	9,908	10,103	(1.9)	30,301	30,443	(0.5)
- Managed rental	3,286	3,641	(9.8)	10,714	10,758	(0.4)
	<u>247,788</u>	<u>241,848</u>	2.5	<u>728,900</u>	<u>734,231</u>	(0.7)
Gross revenue from concessionaire sales	<u>138,771</u>	<u>140,880</u>	(1.5)	<u>490,975</u>	<u>498,748</u>	(1.6)
Gross sales proceeds*	<u>359,130</u>	<u>354,239</u>	1.4	<u>1,119,533</u>	<u>1,127,394</u>	(0.7)

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

## 2. Profit before taxation

	← Group →					
	3 months ended		Change	9 months ended		Change
	30/9/2018	30/9/2017	+ / (-)	30/9/2018	30/9/2017	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Profit before tax is arrived at after (charging)/crediting the following:						
Inventories written back/(down)	52	(58)	n.m.	134	(137)	n.m.
<b>Other income:</b>						
Advertisement and promotion fees	18,841	16,645	13.2	50,321	47,043	7.0
Exchange (loss)/gain	(8)	218	n.m.	(8)	218	n.m.
Leisure facilities charges	263	45	484.4	633	236	168.2
Management fees	1,238	1,238	-	3,686	3,691	(0.1)
Net gain on disposal of investment in joint venture	-	-	n.m.	726	-	n.m.
Write-back of free-rent incentives and step rental provision	-	-	n.m.	17,033	9,570	78.0
<b>Selling and distribution expenses:</b>						
Employee benefit expenses						
- Defined contribution plans	(2,511)	(2,575)	(2.5)	(7,424)	(7,567)	(1.9)
- Salaries, wages, bonuses and other costs	(13,865)	(13,670)	1.4	(41,375)	(42,950)	(3.7)
Rental expenses*	(20,083)	(21,375)	(6.0)	(61,106)	(66,885)	(8.6)
Utilities	(6,804)	(8,114)	(16.1)	(17,825)	(21,821)	(18.3)
Amortisation of intangible assets	(119)	(119)	-	(358)	(358)	-
Advertisement and promotion fees	(905)	(1,453)	(37.7)	(3,096)	(3,864)	(19.9)
Business tax and surcharges	(1,560)	(1,732)	(9.9)	(5,375)	(6,258)	(14.1)
<b>Administrative expenses:</b>						
Employee benefit expenses						
- Defined contribution plans	(1,309)	(1,371)	(4.5)	(4,084)	(3,891)	5.0
- Salaries, wages, bonuses and other costs	(12,890)	(11,702)	10.2	(37,857)	(37,497)	1.0
Bank charges	(1,059)	(1,022)	3.6	(3,481)	(3,387)	2.8
Director fees	(191)	(184)	3.8	(580)	(551)	5.3
Depreciation of property, plant and equipment	(3,353)	(3,309)	1.3	(10,187)	(7,475)	36.3
Office supplies	(199)	(214)	(7.0)	(696)	(795)	(12.5)
Impairment on long-term investment	-	-	n.m.	(3,800)	-	n.m.
Impairment on property, plant and equipment	-	-	n.m.	(1,900)	-	n.m.
Impairment on deposits	-	-	n.m.	(1,988)	-	n.m.
Net loss on disposal of property, plant and equipment	(1)	-	n.m.	(1)	-	n.m.
Provision for termination of lease	-	-	n.m.	(4,832)	-	n.m.

\* Inclusive of rental payments of RMB21.1 million and RMB 64.0 million in 3Q 2018 and 9M 2018 (RMB20.7 million and RMB64.6 million in 3Q 2017 and 9M 2017) and reversal of provision for rent-free incentives and step rental of RMB1.0 million and RMB2.9 million in 3Q 2018 and 9M 2018 (provision for rent-free incentives and step rental of RMB0.7 million and RMB2.3 million in 3Q 2017 and 9M 2017) which were accounted for under a straight-line recognition of the lease expenses over the lease term.

n.m. – Not meaningful

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

	← Group →		← Company →	
	30/9/2018 RMB'000	31/12/2017 RMB'000	30/9/2018 RMB'000	31/12/2017 RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	149,738	160,098	87	9
Intangible assets	5,482	5,840	-	-
Investment in subsidiaries	-	-	48,378	48,378
Investment in a joint venture	-	1,274	-	-
Investment in associates	27,633	24,503	-	-
Long-term investment	-	3,800	-	-
Deferred tax assets	12,277	13,830	-	-
Other assets	4,591	4,591	-	-
	<u>199,721</u>	<u>213,936</u>	<u>48,465</u>	<u>48,387</u>
<b>Current assets</b>				
Inventories	102,274	104,722	-	-
Prepayments	27,758	18,501	77	24
Trade and other receivables	32,283	31,475	82	46
Amount due from associates	11,400	8,400	-	-
Amount due from related parties	11,985	11,506	-	-
Cash and cash equivalents	201,178	186,598	3,122	27,829
	<u>386,878</u>	<u>361,202</u>	<u>3,281</u>	<u>27,899</u>
<b>Less: Current liabilities</b>				
Trade and other payables	314,299	307,912	22	1
Other liabilities	32,141	30,826	1,822	2,438
Amount due to related parties	1,397	1,444	-	-
Income tax payable	13,833	18,713	-	-
	<u>361,670</u>	<u>358,895</u>	<u>1,844</u>	<u>2,439</u>
<b>Net current assets</b>	<u>25,208</u>	<u>2,307</u>	<u>1,437</u>	<u>25,460</u>
<b>Non-current liabilities</b>				
Other liabilities	22,627	42,543	-	-
Deferred tax liabilities	7,202	7,365	5,636	5,710
	<u>29,829</u>	<u>49,908</u>	<u>5,636</u>	<u>5,710</u>
<b>Net assets</b>	<u>195,100</u>	<u>166,335</u>	<u>44,266</u>	<u>68,137</u>
<b>Equity attributable to the holders of the Company</b>				
Share capital	67,148	67,148	67,148	67,148
Treasury shares	(24,853)	(24,741)	(24,853)	(24,741)
Statutory common reserve	26,299	26,299	-	-
Currency translation reserve	(818)	(657)	(829)	(667)
Revenue reserve	127,324	98,286	2,800	26,397
<b>Total equity</b>	<u>195,100</u>	<u>166,335</u>	<u>44,266</u>	<u>68,137</u>

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

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

None.

**Amount repayable after one year**

None.

**Details of any collateral**

Not applicable.

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

	← Group →			
	3 months ended		9 months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>				
Profit before taxation	13,974	15,085	65,211	72,089
Adjustments for:				
Depreciation of property, plant and equipment	3,353	3,309	10,187	7,475
Amortisation of intangible assets	119	119	358	358
Impairment on long-term investment	-	-	3,800	-
Impairment on property, plant and equipment	-	-	1,900	-
Impairment on deposits	-	-	1,988	-
Net gain on disposal of investment in joint venture	-	-	(726)	-
Net loss on disposal of property, plant and equipment	1	-	1	-
(Reversal of)/provision for rent-free incentives and step rental	(997)	682	(2,883)	2,329
Write-back of free-rent incentives and step rental provision	-	-	(17,033)	(9,570)
Provision for termination of lease	-	-	4,832	-
Inventories written (back)/down	(52)	58	(134)	137
Interest income	(245)	(315)	(2,394)	(3,935)
Finance costs	-	-	40	-
Share of results of joint venture	-	209	-	209
Share of results of associates	634	96	1,620	169
<b>Operating cash flows before changes in working capital</b>	<u>16,787</u>	<u>19,243</u>	<u>66,767</u>	<u>69,261</u>
Decrease/(increase) in inventories	1,304	(7,268)	2,582	5,532
Increase in prepayments	(558)	(11,026)	(9,255)	(5,282)
(Increase)/decrease in trade and other receivables	356	28	(3,272)	(6,365)
Increase/(decrease) in trade and other payables	(11,249)	13,883	2,767	18,837
<b>Cash flows generated from operation</b>	<u>6,640</u>	<u>14,860</u>	<u>59,589</u>	<u>81,983</u>
Interest received	245	315	2,394	3,935
Interest paid	-	-	(40)	-
Tax paid	(3,332)	(4,330)	(21,183)	(19,246)
<b>Net cash flows generated from operating activities</b>	<u>3,553</u>	<u>10,845</u>	<u>40,760</u>	<u>66,672</u>
<b>Cash flows from financing activities</b>				
Dividends paid	(9,525)	(4,685)	(18,649)	(33,188)
Purchase of treasury shares	-	(941)	(112)	(15,594)
Proceeds from loans and borrowings	-	-	40,000	-
Repayment of loans and borrowings	-	-	(40,000)	-
<b>Net cash flows used in financing activities</b>	<u>(9,525)</u>	<u>(5,626)</u>	<u>(18,761)</u>	<u>(48,782)</u>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(115)	(4,580)	(1,726)	(127,637)
Investment in a joint venture	-	(2,000)	2,000	(2,000)
Investment in associates	-	-	(4,750)	-
Amount due from associates	(1,500)	-	(3,000)	(2,700)
<b>Net cash flows used in investing activities</b>	<u>(1,615)</u>	<u>(6,580)</u>	<u>(7,476)</u>	<u>(132,337)</u>
Net increase/(decrease) in cash and cash equivalents	(7,587)	(1,361)	14,523	(114,447)
Effect of exchange rate changes on cash and cash equivalents	378	(69)	57	1,533
Cash and cash equivalents at beginning of financial period	<u>208,387</u>	<u>176,348</u>	<u>186,598</u>	<u>287,832</u>
<b>Cash and cash equivalents at end of financial period</b>	<u>201,178</u>	<u>174,918</u>	<u>201,178</u>	<u>174,918</u>
For the purpose of the consolidated statement of cash flows, the cash and cash equivalents comprise the following:				
Cash on hand	4,114	6,702	4,114	6,702
Bank balances	<u>197,064</u>	<u>168,216</u>	<u>197,064</u>	<u>168,216</u>
	<u>201,178</u>	<u>174,918</u>	<u>201,178</u>	<u>174,918</u>

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

	Attributable to equity holders of the Company					
	Share capital RMB'000	Treasury shares RMB'000	Currency translation reserve RMB'000	Revenue reserve RMB'000	Statutory common reserve RMB'000	Total equity RMB'000
<b>Group</b>						
<b>Balance at 1 January 2018</b>	67,148	(24,741)	(657)	98,286	26,299	166,335
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	(323)	-	-	(323)
Profit for the period	-	-	-	23,755	-	23,755
Total comprehensive income for the period	-	-	(323)	23,755	-	23,432
Purchase of treasury shares	-	(35)	-	-	-	(35)
<b>Balance at 31 March 2018</b>	67,148	(24,776)	(980)	122,041	26,299	189,732
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	38	-	-	38
Profit for the period	-	-	-	14,309	-	14,309
Total comprehensive income for the period	-	-	38	14,309	-	14,347
Purchase of treasury shares	-	(77)	-	-	-	(77)
Dividends paid	-	-	-	(9,124)	-	(9,124)
<b>Balance at 30 June 2018</b>	67,148	(24,853)	(942)	127,226	26,299	194,878
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	124	-	-	124
Profit for the period	-	-	-	9,623	-	9,623
Total comprehensive income for the period	-	-	124	9,623	-	9,747
Dividends paid	-	-	-	(9,525)	-	(9,525)
<b>Balance at 30 September 2018</b>	67,148	(24,853)	(818)	127,324	26,299	195,100

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



	Attributable to equity holders of the Company				
	Share capital	Treasury shares	Currency translation reserve	Revenue reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Company</b>					
<b>Balance at 1 January 2018</b>	67,148	(24,741)	(667)	26,397	68,137
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	(323)	-	(323)
Loss for the period	-	-	-	(2,017)	(2,017)
Total comprehensive income for the period	-	-	(323)	(2,017)	(2,340)
Purchase of treasury shares	-	(35)	-	-	(35)
<b>Balance at 31 March 2018</b>	67,148	(24,776)	(990)	24,380	65,762
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	37	-	37
Loss for the period	-	-	-	(1,481)	(1,481)
Total comprehensive income for the period	-	-	37	(1,481)	(1,444)
Purchase of treasury shares	-	(77)	-	-	(77)
Dividends paid	-	-	-	(9,124)	(9,124)
<b>Balance at 30 June 2018</b>	67,148	(24,853)	(953)	13,775	55,117
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	-	124	-	124
Profit for the period	-	-	-	(1,450)	(1,450)
Total comprehensive income for the period	-	-	124	(1,450)	(1,326)
Dividends paid	-	-	-	(9,525)	(9,525)
<b>Balance at 30 September 2018</b>	67,148	(24,853)	(829)	2,800	44,266

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

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

There were no changes in the share capital of the Company in 3Q 2018.

There were a total of 4,494,300 treasury shares held as at 30 September 2018 (30 September 2017: 4,440,300).

There were no outstanding convertibles issued or subsidiary holdings as at 30 September 2018.

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

The total number of issued shares (excluding treasury shares) as at 30 September 2018 were 191,825,700 (31 December 2017: 191,851,700).

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

	3 months ended		9 months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
Balance at beginning of financial period	4,494,300	4,252,400	4,468,300	1,544,700
Purchase of treasury shares	-	187,900	26,000	2,895,600
Balance at end of financial period	<u>4,494,300</u>	<u>4,440,300</u>	<u>4,494,300</u>	<u>4,440,300</u>

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

Not applicable.

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

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

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2017.

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

The Group adopted the new/revised FRS and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2018. The adoption of the above FRS and INT FRS did not have any significant impact on the financial statements of the Group.

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

	3 months ended		9 months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RMB cents	RMB cents	RMB cents	RMB cents
(a) Based on weighted average no. of shares	5.02	5.10	24.86	25.85
(b) Based on fully diluted basis	5.02	5.10	24.86	25.85
Weighted average no. of shares applicable to basic earnings per share	191,825,700	191,981,842	191,835,466	192,647,790
Weighted average no. of shares based on fully diluted basis	191,825,700	191,981,842	191,835,466	192,647,790

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

	Group		Company	
	30/9/2018	31/12/2017	30/9/2018	31/12/2017
	RMB cents	RMB cents	RMB cents	RMB cents
Net asset value per ordinary share	101.71	86.70	23.08	35.52

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

## **Statement of Comprehensive Income**

A review of the statement of Comprehensive Income for the three-month period ended 30 September 2017 ("3Q 2017") and 3Q 2018 and the nine-month period ended 30 September 2017 ("9M 2017") and 9M 2018 are as follows:-

The Group's revenue rose by 3% to RMB247.8 million (RMB241.8 million) in 3Q 2018 mainly due to higher sales promotions and the festive season beginning in September 2018, a month earlier compared to the previous year. However it declined slightly by 1% to RMB728.9 million (RMB734.2 million) in 9M 2018 mainly due to lower gross profit margin under an increasingly competitive environment. As a result, the Group's gross profit declined by 5% to RMB62.6 million (RMB65.6 million) in 3Q 2018 and 5% to RMB207.3 million (RMB216.9 million) in 9M 2018.

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

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

	← Group →					
	3 months ended		Change + / (-) %	9 months ended		Change + / (-) %
	30/9/2018 RMB'000	30/9/2017 RMB'000		30/9/2018 RMB'000	30/9/2017 RMB'000	
Revenue from direct sales activities	207,165	199,615	3.8	587,543	587,445	0.0
Cost of sales	<u>(185,168)</u>	<u>(176,269)</u>	5.0	<u>(521,646)</u>	<u>(517,312)</u>	0.8
Gross profit from direct sales activities	<u>21,997</u>	<u>23,346</u>	(5.8)	<u>65,897</u>	<u>70,133</u>	(6.0)
Gross profit margin on direct sales activities	10.6%	11.7%	(1.1)	11.2%	11.9%	(0.7)

The gross profit margin for the direct sales activities decreased to 10.6% (11.7%) in 3Q 2018 and 11.2% (11.9%) in 9M 2018 mainly due to higher sales promotions.

Other income increased by 14% to RMB22.6 million (RMB19.8 million) in 3Q 2018 and 19% to RMB77.9 million (RMB65.3 million) in 9M 2018 mainly due to higher advertisement and promotion income. In addition, the write-back of rent-free incentives and step rental provision, amounting to RMB17.0 million, being recognised under the new lease for Quanzhou Qiaonan Store and Quanzhou Xinhua Store with the removal of their step rental terms in 1H 2018. The write-back of Quanzhou Hui'an Chengnan Store's rent-free incentives and step rental provision, amounting to RMB9.6 million, in relation to the acquisition of its retail premises, was recognised in 1H 2017.

Selling and distribution expenses declined by 5% to RMB48.3 million (RMB50.8 million) in 3Q 2018 and 7% to RMB143.5 million (RMB154.7 million) in 9M 2018 mainly due to lower rental expenses and reduction in utilities usage resulting from using efficient lighting.

For rental expenses, most of our stores operate on leased premises on a fixed tenure and rental is charged on an increasing basis over their lease periods. Based on the Group's accounting policy, rental expenses on increasing basis are amortised equally over the entire period of any lease. As such, apart from the actual rental expense charged by the landlords, reversal of provision for rent-free incentives and step rental of RMB1.0 million and RMB2.9 million were reflected in 3Q 2018 and 9M 2018 and were non-cash in nature.

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Administrative expenses increased by 15% to RMB22.5 million (RMB19.5 million) in 3Q 2018 and 31% to RMB77.2 million (RMB59.0 million) in 9M 2018 mainly due to higher staff costs, upkeep of retail premises, increase in depreciation arising from the acquisition of Quanzhou Chengnan Store's premises, and impairment charges of RMB3.8 million on investment of 19% interest in Xiamen Ganghui Commercial Co., Ltd. ("Xiamen Ganghui") which has downsized its operation to mitigate its losses while actively exploring other business opportunities. In addition, impairment charges of RMB3.9 million on property, plant and equipment and rental deposits, and provision for termination of lease amounting to RMB4.8 million were recognised in relation to the early termination of the old Quanzhou Xinhua Store's lease in 1Q 2018.

The tax expenses of the Group decreased by 18% to RMB4.4 million (RMB5.3 million) in 3Q 2018 and 21% to RMB17.5 million (RMB22.3 million) in 9M 2018 mainly due to deferred tax income resulting from the impairment on long-term investment in Xiamen Ganghui and the termination of the old Quanzhou Xinhua Store's lease, and the write-back of over-provision of taxation.

As a result of the preceding factors mentioned, net profit for the Group remained largely unchanged at RMB9.6 million (RMB9.8 million) in 3Q 2018. However it declined by 4% to RMB47.7 million (RMB49.8 million) in 9M 2018 mainly due to the positive financial impact of RMB7.2 million arising from the write-back of Quanzhou Chengnan Store's rent-free incentives and step rental provision, being recognised in 1H 2017. The positive financial impact of RMB3.4 million from Quanzhou Qiaonan Store, Quanzhou Xinhua Store and Xiamen Ganghui, was recognised in 1H 2018.

### **Balance Sheet**

A review of the balance sheet items as at 31 December 2017 and 30 September 2018 are as follows:-

Non-current assets decreased by RMB14.2 million or 7% to RMB199.7 million (RMB213.9 million) as at 30 September 2018 mainly due to (i) decrease in property, plant and equipment by RMB10.4 million attributable to the depreciation charges of RMB10.2 million for the financial period and impairment charges of RMB1.9 million on property, plant and equipment in relation to the termination of the old Quanzhou Xinhua Store's lease; and (ii) the impairment of RMB3.8 million on long-term investment in Xiamen Ganghui, offset by (iii) investment in a new associate of the Group, Changsha City Shamin Enterprise Management Co., Ltd. ("Changsha Shamin") for a new project in Changsha, Hunan.

Current assets increased by RMB25.7 million or 7% to RMB386.9 million (RMB361.2 million) as at 30 September 2018 mainly due to (i) increase in prepayment by RMB9.3 million mainly relating to prepaid rent; and (ii) increase in cash and cash equivalents by RMB14.6 million resulting from the cash generated from the Group's operations which was partly offset by cash dividend payout and investment in Changsha Shamin.

Current liabilities slightly increased by RMB2.8 million or 1% to RMB361.7 million (RMB358.9 million) as at 30 September 2018 mainly due to (i) increase in trade and other payables by RMB6.4 million resulting from the sales of prepaid cash cards to consumers, offset by (ii) payment of income tax.

Non-current liabilities decreased by RMB20.1 million or 40% to RMB29.8 million (RMB49.9 million) as at 30 September 2018 mainly due to decrease in other liabilities by RMB19.9 million resulting from the write-back of rent-free incentives and step rental provision for Quanzhou Qiaonan Store and Quanzhou Xinhua Store.

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### **Cash flow statement**

The Group reported a net increase of RMB14.6 million in cash and cash equivalents in 9M 2018 mainly due to:

- 1 Net cash generated from operating activities amounting to RMB40.8 million in 9M 2018. This was attributable mainly to (i) operating cash flows before working capital changes of RMB66.8 million in 9M 2018 after adjustment mainly for depreciation of property, plant and equipment and amortisation of intangible assets of RMB10.5 million, impairment charges of RMB7.7 million in relation to the investment in Xiamen Ganghui and the termination of Quanzhou Xinhua Store's lease, provision for the termination of lease amounting to RMB4.8 million, reversal of provision for rent-free incentives and step rental of RMB2.9 million and its write-back of RMB17.0 million, which were non-cash in nature, offset by (ii) increase in prepayment by RMB9.3 million mainly relating to prepaid rent; and (iii) payment of income tax of RMB21.2 million in 9M 2018.

Offset by:

- 2 Net cash used in financing activities amounting to RMB18.8 million in 9M 2018 mainly for distribution of dividends amounting to RMB18.6 million.
- 3 Net cash used in investing activities amounting to RMB7.5 million in 9M 2018 mainly for the investment of RMB4.8 million for the new project in Changsha and advance to an associate amounting to RMB3.0 million.

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

The Group's performance in 3Q 2018 is largely in line with what was previously reported or disclosed.

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

According to the National Bureau of Statistics of China, for the first nine months of 2018, the Chinese GDP grew by 6.7% while retail sales of consumer goods grew by 9.3%. Competition in the retail environment remains intense despite the strong economic data.

Sasseur (Changsha) Outlets, which is managed by a joint venture company formed between Chongqing Sasseur Outlets and the Group, is expected to be operational around the end of 2018. We are also planning to add around two more stores within the next 12 months.

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

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**11 Dividend**

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

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

No interim dividend recommended for 3Q 2018.

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

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

No interim dividend recommended for 3Q 2017.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

No dividend has been declared/recommended for 3Q 2018.

**13 Interested person transactions**

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Management fees charged to a related party: Quanzhou Zhongmin Baihui Shopping Co., Ltd.	RMB 3,686,321	-

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



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

The Board of Directors confirms that to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the financial results for the third quarter and nine months ended 30 September 2018 of the Group and the Company to be false or misleading in any material aspect.

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

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

**BY ORDER OF THE BOARD**

**ZHONGMIN BAIHUI RETAIL GROUP LTD.**

**LEE SWEE KENG**

**EXECUTIVE CHAIRMAN**

**12 November 2018**