



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

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Issuer: Zhongmin Baihui Retail Group Ltd.

Security: Zhongmin Baihui Retail Group Ltd.

Meeting details:

Date: 26 April 2019

Time: 9.30 a.m.

Venue: Peach Garden, 65 Chulia Street, #33-01 OCBC Centre, Singapore 049513

Company Description

Zhongmin Baihui Retail Group Ltd. is an investment holding company. The Company is principally engaged in the ownership, operation and management of department stores in the People's Republic of China. The Company operates approximately 10 self-owned stores and over four managed stores in Fujian province and Jiangsu province. It has approximately two self-owned stores in Xiamen City, Fujian province, including Xiamen Wucun Store and Xiamen Jiahe Store. It also has approximately six self-owned stores and over three managed stores in Quanzhou. It also has a self-owned Nanjing Nanzhan Store in Nanjing, Jiangsu province. The Company's others Fujian stores include a managed store in Zhangzhou and a self-owned store in Putian. Its subsidiaries include Xiamen Shi Zhongmin Baihui Commercial Co., Ltd., Zhongmin Baihui (Quanzhou) Commercial Management Co., Ltd., and Zhongmin Baihui (Fujian) Logistics Co., Ltd., which is a logistics and procurement service provider.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5SR)

1. As shown on page 4 of the annual report (Store opening timeline), the group has ventured into the outlet store operation and management business with the opening of its maiden outlet store, Changsha Sasseur (ZMBH) Outlets, in Changsha City, Hunan Province in December 2018.

This marks a shift in the group's operations as the store is located outside of Fujian Province, and the outlet store format is also a first for the group. The store is also the first store in almost two year. Before Changsha Sasseur, the group's last new mall was Xiamen Haicang Commercial Project (Phase 1) that opened on 1 January 2017.

As part of the outlet strategy, the group will be introducing a new outlet in Wuxi City, Jiangsu Province and another outlet in Shanghai, the latter a second co-managed mall with CQ Sasseur.

- (i) Would the board/management help shareholders understand the level of due diligence carried out prior to the diversification to outlet malls?**
- (ii) How correlated is the performance of the outlet mall business to the group's core business?**
- (iii) What are the projected returns from the outlet mall business relative to the core business?**
- (iv) Two more outlet malls will be opened by the end of 2020. Can management provide shareholders with an overview of its long term plans for the outlet mall business? How much capital will the group be allocating to this segment?**
- (v) How much oversight and influence does the group have over the outlet malls?**

2. For the group's core business, new stores that will be operational in the next 12 months will increase the group's gross floor area by over 30%:

- Zhangzhou City: 1,400 sqm store in Xiangcheng District
- Zhangzhou City: 15,200 sqm store in the Zhangzhou China Merchants Economic and Technological Development Zone
- Quanzhou City: 23,200 sqm store in Yongchun County
- Quanzhou City: 6,400 sqm store in Anxi County
- Quanzhou City: 4,000 sqm store in Nan'an County
- Xiamen City: 1,400 sqm new in Haicang County

As noted in the chairman's message, the overall Chinese economy grew by 6.6% while retail sales of consumer goods grew by a stronger 9.0%. Yet gross sales proceeds for the group in the year fell from RMB1.517 billion to RMB1.498 billion.

- (i) Can management help shareholders understand the sentiments on the ground, and especially in Fujian?**

- (ii) What were the reasons for the drop in gross sales proceeds?**
- (iii) How much commitment/pre-leasing has been obtained/signed especially for the larger new malls?**
- (iv) How is the group pro-actively addressing the threat of online shopping?**

3. The directors have proposed a final one-tier tax exempt dividend of 1.5 Singapore cents per ordinary share for the financial year ended 31 December 2018. This would make the total dividend for the year to add up to 2.5 cents per share.

The dividend paid since FY2014 has been:

FY2014 – 2.5 cents
FY2015 – 4.5 cents
FY2016 – 5.0 cents
FY2017 – 2.5 cents
FY2018 – 2.5 cents

As at 31 December 2018, the cash and cash equivalent has increased to RMB207 million, up from RMB186.6 million a year ago.

In the past two years, the total cash flow generated from operating activities RMB156.9 million.

The group has no interest-bearing debt or borrowing as at the end of 2018

- (i) Has the board evaluated the optimal capital structure for the group given its current asset base, earnings, cash flow projection and growth plans?**
- (ii) Has the board evaluated how it could gradually increase its dividends on a sustainable basis as the scale of the group's network increases?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Zhongmin%20Baihui%20Retail%20Group%20Ltd&cid=6571,4292>

The company's response could be found here: -----