Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Zhongmin Baihui Retail Group Ltd.

Stock code: 5SR

Meeting details:
Date: 24 Nov 2023
Time: 10.00 a.m.
Venue: Grand Mercure Singapore Roxy Hotel, 50 East Coast Road, Roxy Square, Singapore 428769

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Q1. For the financial year ended 30 June 2023, the group reported revenue of RMB967.6 million, with gross profit margin of approximately 11.3%. With COVID-19 restrictions being lifted in December 2022, the group reported a stronger second half in FY2023, marking a reversal from the losses incurred in the initial six months of the financial year.

(i) **Could management provide additional insights into the prevailing sentiments on the ground in Fujian, Hunan, and Jiangsu provinces, particularly focusing on consumer spending given that China's GDP growth rate for the first six month of 2023 has slowed down to 5.5%? Are there any bright spots in the operating environment?**

(ii) **How much of the group's revenue could be considered as non-discretionary in nature?**

(iii) **What are some of the performance metrics, such as footfall and tenant sales, for Wuxi Yueshang Outlets? Has the performance of the outlet mall met management's expectations?**

(iv) **What were the key contributing factors to the underperformance of the three closed stores, namely Lvcuo Store, Qingyang Store, and Wanxiang Store? Has the management gleaned valuable insights from the challenges encountered by these underperforming stores?**

(v) **Similarly, could management offer shareholders more detailed insights into the operational and financial performance of the Xiamen Haicang Commercial Project, developed by the group's 30%-owned associate, Citi-base Commerce Logistics (Xiamen) Co.? Specifically, who is the target group for the 668-unit apartment block? Can management also elaborate further on the reasons that the net assets of Citi-Base Commerce Logistics (Xiamen) Co., Ltd. increased from RMB181.1 million to RMB196.8 million when it reported a loss of RMB(14.23) million in FY2023?**

The group has terminated joint venture agreements with several partners, such as Mingfa (Longhai) Real Estate Co., Ltd. and Quanzhou Mingfa Commercial City Development and Construction Co., Ltd. In addition, the group also divested its interests in four joint venture companies, namely Guangan Shi Yueshang Commercial Management Co., Ltd., Lu'an Shi Yueshang Cheng Commercial Management Co., Ltd., Beijing Yueshang Commercial Co., Ltd and Nanjing Shi Yueshang Commercial Management Co., Ltd, for RMB0.91 million in August 2022. A 51%-owned joint venture, Zibo Shi Yueshang Commercial Management Co., Ltd, was also de-registered during the year.

(vi) **What were the underlying reasons that led the group to divest the joint ventures? Has the board further finetuned its investment criteria and made changes to it? If so, can management provide shareholders with an overview of the (updated) growth strategy and capital allocation framework?**

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Q2. At the company level, investments in subsidiaries and amount due from a subsidiary have decreased significantly from RMB105.0 million to RMB59.0 million and from RMB42.4 million to RMB27.3 million as at 30 June 2023 respectively (See below; highlighted in red).

Statements of financial position

as at 30 June 2023

	Note	The Group		The Company	
		30 June 2023 RMB	30 June 2022 RMB	**30 June 2023 RMB**	30 June 2022 RMB
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	**126,326,512**	149,932,837	**33,636**	14,219
Right-of-use assets	6(a)	**259,752,303**	352,096,156	**257,060**	483,515
Intangible assets	7	**3,809,553**	3,809,553	**–**	–
Investment in subsidiaries	8	**–**	–	**58,988,269**	104,994,336
Investment in joint ventures	9	**1,481,438**	2,977,753	**–**	–
Investment in associates	10	**77,219,576**	76,695,710	**–**	–
Other receivables	14	**10,822,110**	11,314,187	**77,353**	66,664
Deferred tax assets	11	**11,112,718**	7,940,987	**1,023**	1,263
Other assets	26	**45,496**	2,402,884	**–**	–
		490,569,706	607,170,067	**59,357,341**	105,559,997
Current Assets					
Inventories	12	**161,549,261**	169,749,086	**–**	–
Prepayments	13	**8,307,036**	19,770,192	**55,236**	30,696
Trade and other receivables	14	**24,902,630**	32,785,845	**375**	38,986
Amount due from a subsidiary	15	**–**	–	**27,322,306**	42,352,103
Amount due from associates	16	**38,400,000**	15,900,000	**–**	–
Amount due from a joint venture	17	**207,522,724**	193,010,472	**–**	–
Amount due from related parties	18	**4,468,764**	8,649,372	**–**	–
Cash at banks and fixed deposits	19	**192,237,249**	189,770,127	**6,509,053**	2,723,552
Restricted cash at bank and fixed deposits	20	**40,100,000**	40,000,000	**–**	–
		677,487,664	669,635,094	**33,886,970**	45,145,337
Total assets		**1,168,057,370**	1,276,805,161	**93,244,311**	150,705,334
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	21	**67,147,926**	67,147,926	**67,147,926**	67,147,926
Treasury shares	22	**(25,092,662)**	(25,092,662)	**(25,092,662)**	(25,092,662)
Reserves	23	**137,192,563**	118,823,053	**(21,282,096)**	38,168,699
Total equity		**179,247,827**	160,878,317	**20,773,168**	80,223,963

(Source: company annual report; emphasis added)

In Note 8 Investment in subsidiaries (page 123), the company disclosed that, following an impairment assessment, the carrying amounts of its investments in subsidiaries was reduced by impairment losses totalling RMB(46,006,067).

(i) **Can management provide a detailed breakdown of the impairment amounts by subsidiary and by the underlying asset? What are the reasons for the impairments?**

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(ii) **In addition, can the board or audit committee provide clarity on the apparent contradiction of the group's total equity increasing from RMB160.9 million to RMB179.2 million as at 30 June 2023 when total equity decreased from RMB80.2 million to RMB20.8 million at the company level? Please show the main factors that led to the increase at the group level and contrast it to the decrease at the company level.**

(iii) As disclosed in Note 16 Amount due from associates and Note 17 Amount due from a joint venture (page 133), the non-trade amounts due are RMB38.4 million and RMB207.6 million respectively (2022: RMB15.9 million and RMB193.0 million respectively). **What are the entities in question and what are the respective amounts owed by each? Specifically for the joint venture, does the board consider it prudent to progressively reduce the amounts due from the joint venture? How did the board assess the ability of the associates and joint venture to repay the amounts?**

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Q3. The company had asked for and obtained an extension of time to hold the annual general meeting for the financial year ended 30 June 2023. This is the third consecutive year/financial period that the company has asked for an extension of time.

For FY2020[1] and FP2022[2], the reasons given were COVID-19 and personnel-based (CFO resignation). For FY2023[3], the reasons given were the appointment of the new external auditors, Foo Kon Tan LLP ("FKT"), on 25 November 2022 and the auditors requiring more time to review and work in coordinating with the group's finance team in the PRC before issuing the audited financial statement for the financial year ended 30 June 2023.

In the circular to shareholders in relation to the proposed change of auditors from Ernst & Young LLP to Foo Kon Tan LLP (dated 10 November 2022), the following was disclosed by the company [emphasis added]:

> *"The Audit Committee, in its evaluation process, had reviewed and deliberated on the various proposals received from each of the audit firms and had taken into consideration the requirements set out under Rules 712 and 715 of the Listing Manual, the Audit Quality Indicators Disclosure Framework issued by ACRA, and various factors such as the* ***adequacy of resources and experience of the audit firms*** *and the audit engagement partner to be assigned to the audit, other audit engagements of the audit firms, the Group's audit requirements (taking into consideration the size and complexity of the Group's business and operations), and the* ***number and experience of supervisory and professional staff to be assigned to the audit****. After evaluation, the Audit Committee recommended the appointment of Foo Kon Tan LLP as auditors of the Company in place of Ernst & Young LLP on the basis that it best suits the current business and operational needs of the Group."*

(i) **Considering that the new auditors were aware of the group's PRC's operations and the audit committee (AC) had evaluated FKT's adequacy of resources and experience, what extenuating circumstances, if any, contributed to the delay in the audit?**

(ii) **Can the AC provide shareholders with a clearer understanding of how they facilitated the audit process?**

[1] https://links.sgx.com/1.0.0/corporate-announcements/VL6TT8NWK57JW0F1/f40e5ef7fdbd89bc7fcebeabb5bf4812289fd8216b5a02ec1efebf72d690a9c3
[2] https://links.sgx.com/1.0.0/corporate-announcements/H80Z7MLHPOEF2CD4/ae16b53986df61786a4873661265b3fe06a927bcf39dbe2dc8372ee858f3ad39
[3] https://links.sgx.com/1.0.0/corporate-announcements/YPBNMFEEML5SGY1H/c98d6854f41e294e0f9f159878ebb728d12027292d9c651dd53bac2bb9e1a6ec

(iii) **How will the nominating committee and the AC be reviewing the AC's effectiveness given that the audit has been delayed for three consecutive financial years/period? What improvements have been made/will be made?**

Rule 704(7a) of the SGX rulebook requires that listed companies to ***immediately*** announce any appointment or cessation of service of key persons such as director, chief executive officer, chief financial officer, chief operating officer, general manager or, qualified person or other executive officer of equivalent authority, company secretary, registrar or ***auditors of the issuer*** [emphasis added].

(iv) **Can the company assist shareholders in understanding whether it has made the required announcement concerning the change of auditors on SGXNet? If not, what are the reasons for this, and are the directors familiar with SGX listing rules?**

At the annual general meeting scheduled to be held on 24 November 2023, Mr Yee Chia Hsing will be seeking his appointment to the board pursuant to Regulation 114 of the company's constitution. Mr Choy Bing Choong, the lead independent director and the AC chairman, will be stepping down at the conclusion of the AGM. Should Mr Yee Chia Hsing be elected, Mr Yee Chia Hsing will be appointed as the chairman of the AC.

Additional information on directors proposed to be appointed/re-elected as directors can be found on pages 163 to 168 of the annual report.

	Mr. Lee Swee Keng	Mr. Yee Chia Hsing	Mr. Zou Qige
OTHER PRINCIPAL COMMITMENTS INCLUDING DIRECTORSHIPS			
Past (for the last 5 years)	Hancai Fashion (S) Pte Ltd	1. Datapulse Technology Limited 2. Ezion Holdings Limited	Nil
Present	1. Singapore Hokkien Huay Kuan 2. The Hokkien Foundation 3. Singapore Hokkien Huay Kuan Cultural Academy Pte Ltd 4. Ee Hoe Hean Club 5. Yunnan Realty Pte Ltd 6. Lee Bin Hong Pigs Supplier Pte Ltd	1. First Sponsor Group Limited 2. Beng Kuang Marine Limited 3. Ren-Ci Hospital (Audit Committee member, non-director role)	1. AllBright Law Offices (Partner)

(Adapted from company annual report)

(v) **Could the proposed director clarify whether he is still the CEO of Datapulse Technology Limited? If so, in the event of his appointment as a director, how does he plan to allocate sufficient time, energy, and attention to the group's matters, considering his current full-time job and three director appointments?**

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(vi) **Can the director provide insights into how he envisions contributing to the effectiveness of the board and the AC if appointed?**

(vii) **Separately, how familiar is Mr Zou Qige with the roles and responsibilities of a director of a listed issuer on SGX?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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