物美
WU MART

Wumart Stores,Inc.
北京物美商業集團股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code : 1025

HKEX 01025

Annual Report 2012

Corporate Vision

A dream we share — a dream of establishing an everlasting retail chain that Chinese people love patronizing, and that mingles with their daily lives — Wumart, thereby to provide the public with satisfying products and service and dedicate our wisdom and power to the pursuit of developing modern circulation industry and improving the life quality of the public.

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Company Information

BOARD OF DIRECTORS

Executive Directors

Dr. Wu Jian-zhong *(Chairman)*
Madam Xu Ying *(President)*
Dr. Meng Jin-xian *(Vice President)* Note
Dr. Yu Jian-bo *(Vice President)*

Non-executive Directors

Mr. Wang Jian-ping
(Vice Chairman) Note
Mr. John Huan Zhao
Madam Ma Xue-zheng

Independent Non-executive Directors

Mr. Han Ying
Mr. Li Lu-an
Mr. Lu Jiang
Mr. Wang Jun-yan

SUPERVISORY COMMITTEE

Mr. Fan Kui-jie *(Chairman)*
Madam Xu Ning-chun
Mr. Zhang Zheng-yang

SENIOR MANAGEMENT

Mr. Xu Shao-chuan
(Vice President, General Manager of Wumart Beijing Supermarket Business Unit)
Mr. Chong Xiao-bing
(Assistant President and Vice General Manager of Wumart Beijing Supermarket Business Unit)
Mr. Zhang Yu
(Executive Director of Finance Department)

Company Information

Mr. Wu Du-qing
(Director of Procurement Department)
Mr. Guo Tu-wei
(Director of Data Management Centre and Director of Assets Management Department)

COMPANY SECRETARY AND SECRETARY TO THE BOARD

Madam Xie Dong

AUDIT COMMITTEE

Mr. Han Ying *(Chairman)*
Mr. Li Lu-an
Mr. Lu Jiang

REMUNERATION COMMITTEE

Mr. Li Lu-an *(Chairman)*
Mr. Han Ying
Madam Xu Ying

NOMINATION COMMITTEE

Mr. Han Ying *(Chairman)*
Mr. Li Lu-an
Madam Xu Ying

COMPLIANCE OFFICER

Dr. Wu Jian-zhong

AUTHORIZED REPRESENTATIVES

Dr. Wu Jian-zhong
Madam Xie Dong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

As to Hong Kong Law:
DLA Piper Hong Kong

As to PRC Law:
Haiwen & Partners

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China Merchants Bank
China Minsheng Banking
Beijing Rural Commercial Bank

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
Rooms 1712–1716
17/Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRC LEGAL ADDRESS

Room 5610,
1 Shixingdong Street
Badachu HighTech
Park District
Shijingshan District
Beijing
The PRC

HEAD OFFICE

Wumart Commercial Building,
158-1 West 4th Ring North Road,
Haidian District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

WEBSITE

www.wumart.com

STOCK CODE

1025

Note: On 22 March 2013, Mr. Wang Jian-ping resigned as a non-executive Director and Vice Chairman of the Company. Dr. Meng Jin-xian was redesignated as a non-executive Director.

Chairman's Statement

TO PROVIDE AFFORDABLE GOODS OF
PREMIUM QUALITY TO THE GENERAL PUBLIC
TO CREATE WEALTH AND VALUE FOR SHAREHOLDERS

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am presenting to you the results of operations of Wumart Stores, Inc. (the "Company") and its subsidiaries (collectively the "Group") for the year 2012 (the "Reporting Period").

2012 was a very difficult year for retail enterprises in China. With the slowdown of the pace of economic growth, the shrinkage in consumption, the continual upsurge in staff costs and rental costs, the swift and robust development of electronic commerce, and the entry of other industries to the retail sector, retail enterprises experienced unprecedentedly fierce competition. Being encountered by the severe economic conditions and competitive landscape, the Group adhered to its principle of prudency, and continued to maintain stable results of operations. It achieved a total revenue of RMB17,334.077 million which represented 5.7% growth from that recorded in 2011. The net profit attributable to owners of the Group amounted to RMB601.706 million, an increase of 2.7% from 2011.

During the Reporting period, adhering to the strategy of national expansion with regional prioritization, the Group continued to grow bigger and stronger in Beijing, Tianjin and Zhejiang province markets, and move on to tap Hebei province market. In 2012, 61 new stores were opened, meeting perfectly the pre-determined target for store network expansion and building Wumart brand in a wider geographical scope.

In 2012, boosting operational capability in fresh merchandises was regarded by the Group as new opportunity for development under the new competitive landscape. The Group confirmed that "core competence represented by fresh fruits and vegetables" became the key operational target in 2012. During the Reporting Period, the Group strenuously uplifted its technology in fruits and vegetables operations, optimized the model of fresh items operations, increased the investments in human resources, physical resources and equipment, and established model shops. By adopting such measures, the Group achieved staged goals in its fruits and vegetables operations in 2012, with an excellent results of after-tax sales of comparable store growing by 21.1% and consolidated gross profit comparable growing by 46.8%.

As a leading unit under the project of Fruits and Vegetables Farm-Supermarket Links Supply Chain System Integration and Application Demonstration, a scientific pillar project under the PRC's Twelfth Five-Year Plan, the Group completed the research and integrated development of the information systems of quality traceability, electronic transactions, logistics and transportation optimization relating to Farm-Supermarket Links, in collaboration with four institutions namely Zhejiang University, Nankai University, Wuhan University of Technology and Research Institute of Forestry, Chinese Academy of Forestry, in addition to the compilation of the standards applicable to logistics tools and the standards applicable to professional technology, all of which explored ways for the future advancement of the Group's work in its Farm-Supermarket Links initiatives. Meanwhile, the Group confirmed that Beijing Yongshunhua Vegetable Planting Co. Ltd and Shandong Zibo Zhongdeli Vegetables Specialized Cooperatives would become the cooperation bases in terms of thematic study and the study of organic vegetables. From theory to practice, the study will probe into the design proposals, planned applications of future key technologies and the proposals for information systems for the Group's Farm-Supermarket Links business. While completing a nation-level technology project, it is meant to actively create the Farm-Supermarket business links which is more modernized and standardized.

Chairman's Statement

The formation of the Group's supply chain system is currently on track in terms of the highly-attained standardization and professionalism, with the Group's North China Distribution Centre receiving approximately 700,000 items of goods and having a throughput of 1.4 million items, delivering approximately 23,000 items of merchandise to superstores by means of cross-docking and approximately 3,500 items by "within-warehouse" mode. In 2012, Group's North China Distribution Centre completed the change from the "within-warehouse" mode to "cross-docking" mode with the adoption of certain "within-warehouse" processes and the extension of the radius of distribution of the centre from 170 km to 300 km. This represented a radical change and new breakthrough in the entire supply chain model. In 2012, the logistics centre focused on enhancing service delivery to suppliers and stores. Quality and efficiency of service delivery to suppliers and stores were uplifted in terms of such basics as framework, processes, and systems. It effectively improved the efficiency of the Group's supply chain and lowered the logistics costs involved, and laid an important foundation for the Group's regional development in a larger scope.

It is the Group's long-term development strategy of focusing on "Technological Excellence" of Wumart as a primary goal of its work. Leveraging upon information technology, the Group adopted IT system management for all of the six items namely "Comprehensive Budget Management Project", "Enterprise Warehouse Management Project", "Order Approval Platform Project", "WRF Mobile Store Management Project", "Human Resources Management Project" and "Mobile OA Office Project", thereby effectively uplifting the operational efficiency and quality in the Group's operation and management. With the support of information technology, the Group achieved its marketing innovation by establishing its new network sales and marketing system which was based on O2O (online to offline) e-commerce. Through electronic means, marketing information would be directly pushed to the targeted consumer groups, which is an effective, precise and low-cost means of marketing. Not only did it actively apply technologies in supporting its operations and management, the Group also converted technologies into productivity, by applying information technology in creating value-added services. In 2012, the Group's new business which was based on electronic coupons generated a revenue of RMB300 million.

Chairman's Statement

During the Reporting Period, in response to the continual upsurge in human resources costs, the Group focused on optimizing human resources structure of the stores, uplifting the efficiency of organization, raising the per capita effectiveness of labour force, and reasonably improved the remuneration to low-ranking staff members in 2012. By adopting measures including substantially adjusting human resources structures, adopting a multitude of employment terms, increasing proportion of part-time staff members, and optimizing operational processes, the Group succeeded in enhancing its human resources system, exercising reasonable control over the headcount of staff members, and maintaining sufficient manpower for peak-hour work thereby raising the operational efficiency. In 2012, the per capita effectiveness of labour force for the Group's stores in Beijing region increased by 10.4% from that in 2011. Such active, rapid and reasonable measures effectively curbed the excessive growth of human resources costs of the Group.

PROSPECTS

The complicated year of 2012 is past and over. In 2013, with the nation's macroeconomic conditions being expected to remain severe, and given that low-cost labour force for business expansion is no longer abundantly available, foreign-invested enterprises are trying by all means to capture market share in second- and third-tier and even fourth-tier cities in China, and electronic commerce is exerting increasingly greater impact on the traditional retail mode, Chiina's retail sector is seeing a critical period and is posed with challenges, adversity and crisis from a multitude of perspectives. That having said, challenges come with opportunities. The sustainable stability in the economic development of China, together with the Chinese government's ongoing concerns over the issues of boosting domestic demand, raising income of consumers, creating favorable environment, improving industrial structure and so forth, will bring room and opportunities for the continual health development of the retail chain enterprises in China.

Chairman's Statement

In 2013, with the vision of creating an "everlasting brand", the Group will uplift the core competence of Wumart with its positive mindset and pragmatic deeds. Adhering to its long-term strategic goal of growing its fresh-item operations stronger, the Group will continue to focus on creating its core strengths of freshness as represented by fresh fruits and vegetables, as an operational target in 2013. At the same time, the Group will change its model of procurement. It will embark upon a number of operations activities with the core focus on procurement, establishing a procurement system which fit into the scale of sales network and regional sales of Wumart. It will organically link together the respective segments of procurement, logistics and operations, to create greater interests.

The Group will expedite the construction of its new logistics centre, and expedite the research and planning of its Process Center and Transfer Center, forming a logistics network with professional collaboration, to support the Group's rapid and long-distance opening of new stores. At the same time, working around the focused goal of "enhancing service, and ongoing creation of a transparent supply chain", the Group will create a highly effective and modern supply chain system.

In 2013, the Group will be in full gear in delivering excellent consumption experience which is available solely from traditional retail enterprises. It will work thoroughly pragmatically on basic management and operation work, uplift the standards of indicators in operations and service delivery, implement detailed management on the shopping environment, service delivery and sales and marketing of outlets, and uplift the technological attainment in the operation and management of retail chain stores by way of technological innovation and application. All these will contribute to the uniqueness of the Group to attract more consumer groups, raise the merchandise operation capability and gross margin of the Group, thereby truly converting the competitive edge enjoyed by traditional retail enterprises into actual effectiveness and profitability.

Chairman's Statement

"Technology Excellence" of Wumart is an inevitable choice under the trend of using high technologies in retail enterprises. In 2013, the Group will expedite the full application of information technology to uplift the operational and management efficiency of the Group. By adopting professional solutions of information technology, it will lower human resources costs, operational costs and management costs. Innovation in information technology, on the other hand, can lead us to probe into new business models an profit models, create values, and raise our competitiveness with high technology, thereby supporting the development of the Group into a stronger enterprise of a greater scale in a faster pace.

In 2013, the Group will make every effort to build up a team of highly efficient workforce of Wumart who offer premium quality. It will enhance the formation of organizational models, establish the appraisal system "combining operational assessment and performance management and human resources planning", and expedite the recruitment and training of talents, so as to build and create a cadre team of integrity free from corruption, for securing a pool of high-calibre human resources for the Group's ongoing and rapid development.

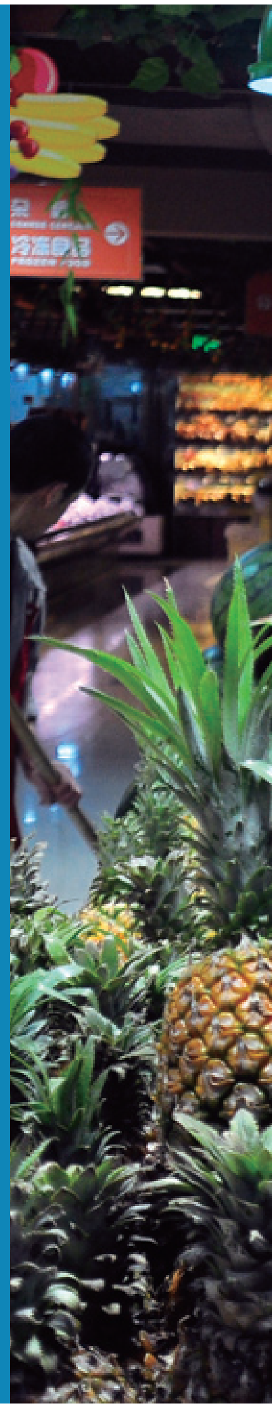
"Evaluating the reality, innovating for new growth, focusing on future, and being earnest and down-to-earth". 2013 will be an important year for the retail sector, and also a new starting point for Wumart. With our industry experience, scale, and the strenuous efforts and dedication of our staff, we are confident that we will create greater value for our shareholders. On behalf of the Board, I would like to extend my heartfelt gratitude to our cadre team members and staff members, and to those who rendered support to Wumart.

Dr. Wu Jian-zhong
Chairman

26 March 2013

Management Discussion and Analysis

EVALUATING THE REALITY,
INNOVATING FOR
NEW GROWTH,
FOCUSING ON FUTURE,
AND BEING EARNEST
AND DOWN-TO-EARTH.
IN 2013,
WE WILL CREATE
GREATER VALUE FOR
OUR SHAREHOLDERS.
WE ARE CONFIDENT!

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Scaledesk
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菠萝
¥1.99

Management Discussion and Analysis

FINANCIAL REVIEW

Five-Year Financial Summary

RMB'000	**2012**	2011	2010	2009	2008
Annual results:					
Total revenue[Note 1]	**17,334,077**	16,395,645	14,246,881	11,782,009	9,749,790
Consolidated gross profit[Note 2]	**3,386,124**	3,151,877	2,800,588	2,201,218	1,762,457
Consolidated gross profit margin[Note 3]	**19.50%**	19.20%	19.70%	18.70%	18.10%
Net profit	**601,706**	586,041	529,837	437,764	361,339
Net profit margin	**3.50%**	3.60%	3.70%	3.70%	3.70%
Earnings per share (RMB)	**0.47**	0.46	0.42	0.36	0.30
Dividend per share (RMB)	**0.21**	0.20	0.20	0.18	0.15
As at 31 December:					
Total assets	**10,067,317**	8,439,080	7,448,710	6,411,690	6,366,034
Total liabilities	**6,355,427**	5,094,084	4,453,180	4,030,910	3,729,204
Minority interests	**180,279**	157,999	138,319	118,617	194,616
Equity attributable to owners of the Company	**3,531,611**	3,186,997	2,857,211	2,262,163	2,442,214
Major financial indicators:					
Return on net assets	**17.90%**	19.40%	20.70%	18.60%	15.90%
Gearing ratio[Note 4]	**14.10%**	7.50%	6.70%	19.20%	23.60%
Trade payable turnover	**77 days**	73 days	73 days	77 days	75 days
Inventory turnover	**31 days**	33 days	33 days	30 days	27 days
Net cashflow from operating activities	**1,694,019**	1,233,935	681,600	1,105,246	733,130

Note 1: Total revenue represents revenue and other revenues.

Note 2: Consolidated gross profit represents total revenue less cost of sales.

Note 3: Consolidated gross profit margin represents consolidated gross profit as a percentage of total revenue.

Note 4: Gearing ratio is the ratio between total borrowings and total equity of the Group at the end of the Reporting Period.

Total Revenue

For the Reporting Period, the Group recorded a total revenue of approximately RMB17,334,077,000 which grew by 5.7% compared to RMB16,395,645,000 of 2011. The growth in total revenue was attributable to:

(1) Total revenue growth driven by newly opened stores;

(2) The rental income has increased due to increase in rental areas as a result of newly opened stores and store renovation, as well as increase in rental rates;

(3) For the Reporting Period, comparable growth in comparable store sales was 2.1%.

Consolidated Gross Profit and Consolidated Gross Profit Margin

During the Reporting Period, the Group's consolidated gross profit amounted to RMB3,386,124,000, representing a growth of 7.4% compared to RMB3,151,877,000 of 2011. During the Reporting Period, the Group's consolidated gross profit margin was 19.5%, growing from 19.2% in 2011. The increase in consolidated gross profit margin was caused by:

(1) Growth in gross profit margin of merchandises as a result of the ongoing optimization of product mix. During the Reporting Period, the Group's gross profit margin of merchandise was 9.2%, growing by 0.2 percentage points from 9.0% recorded for the same period in 2011. The ongoing optimization in product mix and the increase in gross profit margin of fresh merchandises was the primary cause for the overall growth in gross profit margin of the Group's merchandises.

(2) The ongoing expansion in the scale of procurement resulted in an increase in consolidated gross profit margin.

Distribution and Selling Expenses

For the Reporting Period, the Group recorded an aggregate distribution and selling expenses (which primarily comprises staff costs and operating expenses) of RMB2,394,258,000, representing a growth of 13.8% as compared to RMB2,104,200,000 of 2011 and accounting for 13.8% of the total revenue, which was 1.0 percentage point above 12.8% recorded for the same period in 2011. The increase was resulted from:

(1) the ongoing increase in human resources costs and the increase in staff number as new stores opened, resulted in the increase in staff costs during the Reporting Period. In response to the rigid growth in staff costs, the Group took a proactive role adopting measures including enhancement of work processes and thus enhancing efficiency in order to streamline and adjust human resources structure and the expanded recruitment of part-time staff members being remunerated in hourly wages, to respond to the rapid growth in staff costs.

(2) the ongoing growth in rental costs of stores. The rapid growth in rental costs was a result of the increase in newly opened stores, plus the rise in rental rate of about 10% to 20% in respect of rental renewals.

Management Discussion and Analysis

Administrative Expenses

During the Reporting Period, the Group recorded administrative expenses (primarily comprising headquarters expenses of the Group) of RMB388,152,000, growing by 20.2% from RMB322,843,000 recorded for the same period in 2011, and accounting for 2.2% of the total revenue, which was 0.2 percentage points above 2.0% recorded for 2011. It was primarily attributable to the Group's preparation for manpower in its cadre team as well as trainees to be deployed to newly opened stores.

Finance Costs

For the Reporting Period, finance costs of the Group amounted to approximately RMB27,312,000, representing an increase of 71.3% compared to RMB15,941,000 for 2011. The increase in finance costs was due to the increase in the scale of borrowings including the issuance of short term debenture of RMB500 million at an interest rate of 5.88% during the Reporting Period.

Net Profit

During the Reporting Period, net profit attributable to owners of the Group amounted to RMB601,706,000, growing by 2.7% compared to RMB586,041,000 for the same period in 2011.

Liquidity and Financial Resources

During the Reporting Period, net cashflow generated from operating activities amounted to RMB1,694,019,000, representing a growth of 37.3% compared to RMB1,233,935,000 of 2011. As at 31 December 2012, the Group's cash and bank balances amounted to RMB2,158,841,000.

As at 31 December 2012, the Group's total equity was approximately RMB3,711,890,000 with a gearing ratio, which is defined as the ratio between total borrowings and total equity of the Group at the end of Reporting Period, of 14.1% (31 December 2011: 7.5%).

As at 31 December 2012, the Group recorded current assets of approximately RMB4,983,239,000, which mainly comprised cash and bank balances of approximately RMB2,158,841,000, inventories of approximately RMB1,111,511,000 and trade and other receivables of approximately RMB1,036,977,000.

As at 31 December 2012, the Group had non-current assets of approximately RMB5,084,078,000, which mainly included property, plant and equipment of approximately RMB3,409,876,000, goodwill of approximately RMB844,964,000, rental deposits of approximately RMB249,508,000 and prepaid lease payments of approximately RMB143,386,000.

As at 31 December 2012, the Group recorded net current liabilities of approximately RMB1,358,741,000 and current liabilities of approximately RMB6,341,980,000, mainly comprising trade and other payables of approximately RMB5,571,517,000, short term debenture payable of RMB524,500,000 and tax payable of approximately RMB206,489,000.

During the Reporting Period, the average trade payable turnover of the Group was 77 days (2011: 73 days), and inventory turnover was 31 days (2011: 33 days).

Management Discussion and Analysis

Capital Structure

The Group's borrowings, cash and cash equivalents were mainly denominated in RMB. As at 31 December 2012, the principal and interest of the short term debenture payable amounted to RMB524,500,000 in total, which is repayable within one year and carrying interests at fixed rate of 5.88% per annum, which was lower than bank lending rate prevailing in the same period.

Distributable Reserve

The distributable reserve of the Group as at 31 December 2012 amounted to approximately RMB1,876,263,000 (2011: RMB1,562,458,000).

Pledge of Assets

As at 31 December 2012, leasehold land and buildings with a carrying amount of approximately RMB217,847,000 (2011: RMB224,039,000) have been pledged to secure general banking facilities granted to the Group.

Substantial Acquisition and Disposal

During the Reporting Period, the Group had no substantial acquisition or disposal.

Contingent Liability

As at 31 December 2012, the Group had no significant contingent liability.

Future Investment Plans

As at 31 December 2012, the Group did not have any significant investment plans.

Exchange Rate Risk

The income and expenses of the Group are mostly denominated in RMB. During the Reporting Period, the Group had not been subject to any significant difficulties and its working capital or liquidity had not been affected as a result of fluctuations in exchange rates.

Dividend Appropriation

The Board recommended the payment of a final dividend of RMB0.21 (before tax) per share to shareholders subject to approval by shareholders at the 2012 annual general meeting ("AGM").

Management Discussion and Analysis

BUSINESS REVIEW

Expansion of retail network

The Group further penetrated in Beijing, Tianjin and Zhejiang province markets under persistent implementation of the national expansion strategy with regional prioritization during the Reporting Period, thereby tapping Hebei province market. As at 31 December 2012, we had a retail network of 538 stores (31 December 2011: 519 stores) comprising 141 superstores and 397 mini-marts, which were either directly operated or operated and managed through franchise agreements and management agreements entered into by the Group, its associates (other than Beijing Chao Shifa Company Limited ("Chao Shifa")) and a jointly controlled entity. The Group's retail network occupied an aggregate saleable area of 747,637.86 square metres, excluding stores operated by associates and under franchise.

During the Reporting Period, 19 directly-owned new superstores were opened while 3 were closed down due to demolition and relocation. For mini-marts, 32 directly-owned new stores were opened while 25 were closed down due to demolition and relocation or expiry of lease. For franchised stores, 10 new stores were opened while 10 were closed down. For managed superstores, the cooperation with 2 managed superstores and that with 2 managed mini-marts were terminated.

Stores operated and managed by the Group, its associates and a jointly controlled entity (except the stores of Chao Shifa) as at 31 December 2012 were as follows:

	Number of Superstores	Number of Mini-marts	Total	Distribution
Directly-owned	138	282	420	Beijing, Tianjin, Hebei, Zhejiang
Franchised	—	80	80	Zhejiang
Managed	3	35	38	Tianjin, Shanghai
Total	**141**	**397**	**538**	

Note: Mini-marts comprise Everyday Shops, high-end supermarkets and convenience stores.

Management Discussion and Analysis

Continue to optimize the supply chain operation model and build an enterprise of supply chain

After the focused implementation of all-categories distribution and cross-docking in 2011, the Group targeted the establishment of fully-functioned logistics with both the existence of cross-docking and within-warehouse elements in 2012. It continued to optimize the business model of supply chain, operation model and working processes, to enhance logistics efficiency and lower logistics costs. During the Reporting Period, the Group has basically formulated, in its North China Distribution Centre, a coordinated distribution model comprising national distribution centres, regional distribution centres and depot. The Group reasonably planned its locations of distribution centres and enhanced the distribution efficiency of the supply chain, extending the radius of distribution of the distribution centres from 170 km in 2011 to approximately 300 km. Such enlargement in the radial scope of coverage strengthened the Group's capacity in distributing merchandises to distant stores and laid a foundation in terms of logistics for future opening of distant stores.

It has been the Group's focus in the Reporting Period to vastly enhance the service provided by the distribution centres to suppliers. As such, the Group established a framework to regulate the communication between logistics centres and suppliers together with operation standards system and appraisal system, optimized the working processes of its logistics centres, continually uplifted the fill rate for the goods delivered by suppliers and the efficiency of receiving goods at stores, gaining suppliers' recognition and support.

During the Reporting Period, the Group formed a system of delivery at fixed appointed time and a system of reverse logistics appointments. Delivery at fixed appointed time was implemented to raise the efficiency and accuracy of shipment from logistics centres to stores. Reverse logistics appointments system was implemented to raise the efficiency of return of goods at stores, expedite the turnover rate of venue at logistics centres where return of goods takes place, thereby lowering the distribution costs and time costs incurred in reverse logistics.

WINBOX@EWM, which was backed by the goal of "Transparent, Precise and Highly Efficient Supply Chain with Multi-model Coordination" and based upon best business practice and standard process, went live by the end of 2012 at the Group's North China Distribution Centre. This represented the basic formation of a transparent supply chain system, with reforms in the cross-docking model where "shipment dictates receipt", the reform in the operation model of highly precise combined packing and detached packing, the reform of the operation model where delivered goods dictate transportation, and the highly efficient coordination between the operation model of cross-docking and zero stock and the inventory distribution model.


Management Discussion and Analysis

Development of WINBOX information system with depth and breadth, to achieve technological excellence for Wumart

On the track of "Technological Excellence, Service Excellence, Mobile Excellence and High Added Value for Wumart", the Group fully developed information technology system and applied it in its store operation, human resources, budgeting and supply chain management, to uplift operation technology and efficiency and uplift its management level.

During the Reporting Period, combining mobile technology and wireless networking technology with Wumart's core business system of WINBOX@SAP, the Group completed its in-house research and development of Wumart Radio Frequency, which was a mobile store management project going live throughout the superstores located in Beijing region during the Reporting Period. Under such application, store staff could have access to real-time information on sales, prices, orders, inventories of stores etc. and can conduct real-time stock taking and distant printing of price labels etc, making it possible for store staff members' office work on site, mobile management, thereby raising on-site working efficiency at stores.

To facilitate the establishment of a system of supply chain driven by valid orders, the Group had developed its order approval platform. The technology made it possible for the system to automatically calculate, on a real time and automatic basis, target inventory based on existing inventory and expected sales. Where placed orders exceed the pre-set target or abnormal orders arise, orders would be generated by the system and manually approved before sending to suppliers, thereby screening out erroneous and invalid orders at the outset and improving the validity rate of orders, which would effectively avoid the unreasonably high level of inventory at stores, and reduce the need for reverse logistics.

The HRM information project, which was kicked off by the Group during the Reporting Period, uses fingerprints and ID card technology to strengthen management of staff evaluation by systemizing the management of hourly-waged staff members of a store. With the headquarters' real-time and dynamic management of sales promoters' attendance, management efficiency in terms of human resources can be improved.

Leveraging upon information technology and best budget management practice, the Group implemented its comprehensive budget management project namely WINBOX@EPM, under which the Group's comprehensive budget management and corporate performance management was included under information system management, thereby achieving systemized control over budgeting.

Management Discussion and Analysis

Enhancing the merchandise structure and achieving precise management

With the continual expansion in the Group's procurement scale and regional expansion, in 2012, we focused on precise deployment of merchandise structure and fine differentiation of procurement. During the Reporting Period, the Group renovated its regional merchandise structure. It enhanced the differentiation of store types thereby implementing precise management of its product mix for different types of stores in terms of merchandise structure and the nature of decision-making in branding, pricing and specifications. At the same time, the Group planned the proportion of seasonal merchandises as a percentage of all merchandises, implemented specific control over seasonal merchandises and reduced loss of profit. It managed to improve its gross profit structure and raise competitiveness.

Strengthening "Farm-Supermarket Links" and improving operation skills of fruits and vegetables and establishing core competence

During the Reporting Period, the Group continued to enhance strenuously its "Farm-Supermarket Links" and deepened the direct procurement from production bases of fruits and vegetables. The Group had established various bases of farm-supermarket links and direct procurement, which are located in provinces including Heilongjiang, Shandong, Hebei and Hainan. To satisfy the need for vast scale of sale, and building upon its strengths in direct procurement from production bases in agricultural products and by-products, the Group proactively explored the procurement model of "wholesale market opportune products + bulk-volume purchase of merchandises at 10 thousand tons or above + branded merchandises + seasonal products", and at the same time stepped up its efforts in better securing second-time replenishment and key-opportune single products, with a view to attracting customers with adequate supply of fresh fruits and vegetables.

Management Discussion and Analysis

The Group was in full gear in establishing the core strengths of freshness with particular focus on fruits and vegetables. During the Reporting Period, it established the project group for "enhancing core skill and capability in fruits and vegetables", and strenuously fostered the expansion of the scope of self-operated fresh merchandise items. The Group enhanced its supply chain processes by implementing reforms and renovations on segments including the options of structure of fruit and vegetable merchandises, pricing strategy, precise ordering, distribution of standardized packing, timely replenishment, refined display, graded sales, profit generation by scaled sales etc., and implemented trials and promotions in respect of unified procurement and sale of fruits and vegetables, thereby reducing impairment of merchandises, strengthening surveillance over prices, and exercising control over food safety and quality, and gradually forming a closed-end system of fruits and vegetables supply chain, to ensure the adequate supply and good quality of fruit and vegetable merchandises.

During the Reporting Period, fresh areas in some of the Group's outlets underwent change of layout and replacement of equipment. It also stepped up its efforts in researching technology in respect of the processing of fruits and vegetables, and sought to upgrade the technological expertise in procurement, storage and shipment for those fresh items which are vulnerable to storage and shipment, particularly leaf-based veggies and tropical fruits, so as to secure the quality and freshness of fresh products. In addition, the Group developed, upon its own research, a fresh items pricing system, or WINSP, providing for functions such as impairment anticipation, fixation of gross profit, smoothing selling prices and fixation of price ranges etc, which have simplified and regulated the working processes applicable to fresh products in a store, to enhance the level of operation and management in respect of fresh merchandises.

Implementation of precision marketing to attract more customers

Supported by its information system, the Group continually innovated on its model of marketing, by conducting member sales, regional sales, festival sales, creative sales etc, to secure and raise customer flow.

During the Reporting Period, the Group established its new network sales and marketing system which was based on O2O (online to offline) e-commerce. Through SMS, email, weibo, mobile phone customer end and group purchase websites, marketing information including electronic posters, electronic coupons, marketing events etc would be directly pushed to the subscribing consumer groups and social groups at which the information is targeted, helping to extend the scope of marketing and promoting, and save marketing costs.

In view of the variations among the Group's different locations of stores in consumption habit of customers resulting from geographical differences, knowledge of brand information, price sensitivity etc, the Group commenced its regional marketing initiatives, namely to commence differentiated marketing events (for example different promotional products and different means of promotion) based on the particular situation of the particular region while getting in tandem with the Group's marketing policies and marketing rhythm, and achieved more satisfactory marketing effect. During festivals, the Group rolled out plans including "gaining 50 RMB with 50 bonus points" and "rebate for customers", to stimulate secondary purchases. Pre-festival campaigns such as "spending your stamps like cash" could stimulate post-festival customer flow. For non-festival periods, the Group collaborated with suppliers to organize commercial activities and charitable events, safety fire drill exercises, "Lu You Ji" weibo on-site activities, baby contest and "showcase your fortune" etc. All such events, campaigns and activities has had positive effects on driving customer flow and raising customer sales value per transaction.

To establish a refined quality management system to safeguard food safety

Food quality and safety has always been a highly regarded task for the Group. During the Reporting Period, the Group refined its supplier admission examination mechanism and incorporated the relevant requirements stipulated by food safety laws into merchandise supply contracts as part of the contract terms. It also established the electronic supplier qualification management system, to update and monitor the validity period of suppliers' qualifications at any time. Pursuant to the requirements of certain regulatory bodies, the Group also established the electronic bill management system and enhanced the system of requiring documentations and bills in a strict and lawful manner, and one which records all incoming food data, so that food safety can be traced and the potential risks against food safety can be eliminated to the fullest extent.

Management Discussion and Analysis

The food safety management division of the Group has fine-tuned and enhanced food safety system and work processes, and established a regular patrolling system for conducting store inspections. At the same time, the quality and food safety management division has joined hands with Wumart Development and Training Institute in forming a food safety training and assessment mechanism, whereby trainings are given to employees to raise employee awareness and management capability of food safety, with a view to continually uplift the work level of food safety of the Group.

During the Reporting Period, the Group spearheaded in establishing a system and processes for recycling and handling abandoned oil and grease, fostered the trial run of the system for the withdrawal of unqualified food and the recycling of residual oil, and promoted such system to each and every one of its superstores, which measures are highly applauded by Beijing Bureau of Industry and Commerce and the State Administration of Industry and Commerce.

To adjust the structure of human resources of the stores, raise the effectiveness of labour force and enhance the establishment of a system for recruitment and training of human resources

In view of the continual increase in human resources costs, the Group further enhanced the work processes of stores and strengthened trainings to achieve higher efficiency in staff members' work. Meanwhile, the Group conducted thorough adjustment on the organizational structure of its outlets during the Reporting Period and adjusted human resources structure by gradually changing from the use of a predominant number of deployed staff members to the use of a mixture of people comprising deployed staff members, part-time staff members, laborers and interns, so as to reasonably control the headcounts, thereby effectively controlling human resources costs.

During the Reporting Period, the Group strenuously enhanced its efforts in campus recruitment. It proactively cooperated with different tertiary institutions to conduct mass recruitment of graduates on campus (management trainees), and adopted multiple channels to recruit senior management members and professional people, to gradually form a framework of formation of high-calibre people. At the same time, the Group stepped up the efforts in training, including its "Hundred-people Scheme" training provided to cadres, training provided to management trainees, training provided to newly-admitted people, training on occupational skills provided to technicians at stores etc. The Beijing and Eastern China branches of the Group's Development and Training Institute organized 308 courses of trainings to a total of 9,647 participants. At the same time, the Development and Training Institute was proactively establishing its role-model training school to strengthen practical training provided to management cadres and staff members in addition to theoretical training.

To actively undertake social responsibilities

The Group has been participating in charitable deeds to shoulder its social responsibilities. In 2012, when there was the problem of “difficult to sell fruits and vegetables” in some regions of China, the Group set up special counters in its major superstores for selling those which were “difficult to sell” and helping those farmers to solve real problems. At the same time, the Group helped farmers and cooperatives at the places of origin of the “difficult to sell” merchandises to adjust the structure of plant varieties and established long-lasting mechanism for long-term stable cooperation with them in respect of procurement, to avoid future occurrences of the same. The Group’s numerous help with the “difficult to sell” problem arising with the agricultural products in Beijing periphery, Shandong and Inner Mongolia obtained recognition from the Ministry of Commerce of the PRC.

After the occurrence of the 7.21 in 2012 massive rainstorm catastrophe in Beijing, the Group immediately raised daily necessities including rice, noodles, grains and oil, mineral water, instant noodles, washing powder etc which were urgently needed at the time by the affected regions, and arranged its own fleet of disaster-relieving vehicles to transport all those necessities to the gravely affected regions of Mentougou and Shijingshan, and released those necessities to the people there, trying to help those victims.

The Group proactively participated in charitable campaigns and social activities, and sent love and care to single elderly people, handicapped people, orphans and families with low insurance coverage. Some handicapped people had been recruited for some posts. It was via such means that the Group shouldered its social responsibilities.

PROSPECTS

In 2013, the Group will continue to adhere to its national development strategy with regional prioritization by fostering the balanced development among stores of various formats. We shall also continue to develop the Beijing market with our strenuous efforts and expedite the opening of new stores in Tianjin, Zhejiang province, Hebei province regions, so as to expand the Group’s regional scale and brand strengths.

In 2013, the Group will continue to strengthen the leading role of its fresh food operations which are mainly represented by fruits and vegetables, whereby the fresh merchandises will be strengthened and expand in scale, so as to raise the procurement capability in respect of general merchandises and other merchandises, and provide consumers with a wide varieties of merchandises and services. Additionally, the Group will continually enhance its model of procurement. The Group will further enhance its operational standards and standardize and normalize the various operational work including management and service tendering. Further, the Group will boost its space management and product mix management, expedite the reforms in its marketing, and establish a marketing model which is consistent with the sales network system and scale of the Group. The Group will also: foster fine marketing to build its Wumart brand; continually enhance and utilize its information technology and explore new business models. Meanwhile, the Group will expedite the formation of its logistics centres and enhance key segments along the supply chain to enhance supply chain efficiency. Enhancement will continually be made to organizational structure and human resources structure; Improvement will be made to the appraisal system and our people cultivation system, for building up a cadre team of integrity free from corruption, for securing a pool of high-calibre people for the Group’s ongoing development.

Year 2013 will be one in which we have important missions to achieve. After the exploration and experience accumulated in 2012, we are more firmly confident, have clearer goal and more mature measures. Notwithstanding the challenges ahead, we know how to surmount them. With full passion and confidence, we look forward to creating greater value for shareholders, shouldering more responsibilities for society, and achieving new breakthroughs for realizing the dream for an everlasting brand.

Profile of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Dr. Wu Jian-zhong, aged 55, Chairman of the Board of the Company. Dr. Wu obtained his bachelor's degree in engineering at Fuzhou University in July 1982 and Ph.D. degree in engineering at the Institute of Automation, Chinese Academy of Sciences in December 1989. He pursued postdoctoral research at the University of Michigan in the United States from 1993 to 1994. Dr. Wu joined Wumei Holdings, Inc. ("Wumei Holdings") in October 1994 and served as a Vice President, responsible for automation software and planning. He served as a Director, Vice Chairman and Vice President of the Company since August 2000. Since November 2006, Dr. Wu has acted as the Chairman of the Board of the Company. In addition, Dr. Wu is currently the Chairman of Wumei Holdings and Beijing Wangshang Shijie E-business Co., Ltd ("Wangshang Shijie E-business"). Dr. Wu holds senior positions in subsidiaries of the Company.

Madam Xu Ying, aged 48, Executive Director, President and Chief Financial Officer of the Company. She obtained her bachelor's degree in arts at Tianjin University in July 1985 and MBA degree at the Meinders School of Business of Oklahoma City University in May 2002. Madam Xu has extensive knowledge in business logistics and supply chain management. She worked with Tianjin International Trust and Investment Corporation as an investment manager from August 1987 to July 2001, and served as a director and vice president of LG Company, a jointly controlled entity co-established by the Tianjin International Trust and Investment Corporation, from October 1996 to July 2001. In August 2001, she was recruited as an associate professor with Tianjin University of Finance & Economics, conducting teaching and research on business logistics and supply chain management. Madam Xu joined the Company since October 2004 and acted as Chief Financial Officer and Vice President. She has served as President of the Company since 28 June, 2011. She has served as an Executive Director of the Company since June 2007. Madam Xu holds senior positions in subsidiaries of the Company.

Dr. Meng Jin-xian, aged 56, Executive Director and Vice President of the Company. Dr. Meng earned his bachelor's degree in engineering at the China University of Mining and Technology in December 1981, master's degree in engineering at China University of Mining and Technology in October 1987 and doctorate at the Beijing University of Science and Technology in July 1994. From April 1994 to June 1997, Dr. Meng served as a general manager of Enterprise Development Co. Ltd. of Beijing International Business Federation Co.. From June 1997 to August 2000, Dr. Meng served as a Vice President of Wumei Holdings, mainly responsible for business development and operations. He has served as a Vice President of the Company from August 2000, responsible for operation management, and procurement and logistics management. Since November 2002, he has acted as a Director of the Company. Dr. Meng holds senior positions in subsidiaries of the Company. Since 23 December 2010, Dr. Meng has acted as the chairman of Yinchuan Xinhua Commercial Group Co Ltd. ("Xinhua Commercial").

(Note: On 22 March 2013, Dr. Meng Jin-xian was re-designated as a non-executive Director from an executive Director.)

Dr. Yu Jian-bo, aged 47, Executive Director, Vice President of the Company overseeing the information centre, the supply chain, group procurements. Dr. Yu received his doctoral degree from the Chinese Academy of Social Sciences. From 1991 to 1998, Dr. Yu served at the Institute of Contemporary China Studies with the title of senior researcher, he was engaged in the study of major development issues of contemporary China. From 1998 to May 2005, Dr. Yu served as a director and the executive president of Jin-Ri Investment, and a vice president (China region) of OBI. Dr. Yu joined the Company since May 2005. He was appointed as Executive Director since 28 June 2011. Dr. Yu holds senior positions in subsidiaries of the Company.

Profile of Directors, Supervisors and Senior Management

Non-executive Directors

Mr. Wang Jian-ping, aged 49, Non-executive Director and Vice Chairman of the Board of the Company. Mr. Wang received his master's degree in law from the China University of Political Science and Law. He is currently a director of Wumei Holdings. He acted as an assistant to president of Beijing CAST Technology Investment Company from September 1994 to July 1997. Mr. Wang acted as a Vice President of the Company from August 2000 to May 2002, responsible for matters in relation to law, engineering and development. Since November 2002, he has served as a Director of the Company. Since November 2006, he has served as Vice Chairman of the Board of the Company.

(Note: On 22 March 2013, Mr. Wang Jian-ping resigned as a non-executive Director and Vice Chairman of the Company.)

Mr. John Huan Zhao, aged 50, Non-executive Director of the Company. Mr. Zhao obtained his B.S. degree at Nanjing University in July 1984. He received M.S. Degrees in Electrical Engineering and Physics from the Northern Illinois University in 1987 and an MBA. degree from the Kellogg Graduate School of Management at the Northwestern University in June 1996. Mr. Zhao currently serves as the President of Beijing Hongyi Investment Counsellor Co., Ltd. and Director and Managing Vice President of Legend Holdings Limited. In addition, Mr. Zhao currently serves as non-executive director of China Glass Holdings Limited (a company listed in Hong Kong), executive director of China Pharmaceutical Group Limited (a company listed in Hong Kong), director of Simcere Pharmaceutical Group (a company listed in New York), non-executive director of Chinasoft International Limited (a company listed in Hong Kong), non-executive director of Lenovo Group Limited and director of Fiat Industrial S.P.A.. Mr. Zhao has served as a non-executive Director of the Company since November 2009.

Madam Ma Xue-zheng, aged 60, Non-executive Director of the Company. Madam Ma graduated from the Capital Normal University (formerly as Beijing Normal College) in Beijing in July 1976. She served as an executive director and chief financial officer of Lenovo Group Limited since 1997 and 2000, respectively. Madam Ma has served as a non-executive vice chairman of the board of directors of Lenovo Group Limited since 2007. From September 2003 to April 2007, Madam Ma served as a director of Sohu.com Inc., a NASDAQ listed company. Since June 2004, Madam Ma has served as an independent non-executive director of Standard Chartered Hong Kong. From December 2007 to May 2010, Madam Ma served as a director of Shenzhen Development Bank Co., Ltd. She served as a partner and managing director of TPG Capital from September 2007 to February 2011, primarily responsible for investments in the Greater China region. In June 2009, she was appointed as a member of the Listing Committee of the Hong Kong Stock Exchange. Madam Ma has served as the Chairman of Boyu Capital since March 2011. Since December 2012, Madam Ma was appointed as a non-executive director of Stelux Holdings International Limited. Madam Ma has served as a non-executive Director of the Company since June 2010.

Independent non-executive Directors

Mr. Han Ying, aged 78. Mr. Han obtained his bachelor's degree in mining at the China University of Mining and Technology (formerly as Beijing Institute of Mines) in June 1962. From August 1991 to October 1995, he acted as vice minister of the Ministry of Coal Mining of the PRC and vice general manager of China Tongpei Coal Mine Headquarters Company. From October 1995 to June 2000, he worked as a vice chairman and the general manager of Shenhua Group Corporation Limited. He held a number of positions, such as a member of the 5th Standing Committee of the Chinese People's Political Consultative Conference, a member of the 8th and 9th Chinese People's Political Consultative Conference and a representative of the 10th, 11th and 12th National Congress of the Communist Party of China. Since July 2003, he has served as an Independent Non-executive Director of the Company.

Profile of Directors, Supervisors and Senior Management

Mr. Li Lu-an, aged 69. Mr. Li graduated from Shandong University in August 1966. From August 1996 to March 2004, he served as the chairman of CITS Group, general manager of the China International Travel Service Head Office and part-time professor of China Tourism Management Institute. Since September 2004, he has served as an Independent Non-executive Director of the Company.

Mr. Lu Jiang, aged 56. Mr. Lu has extensive experience in accounting, auditing and other management aspects. He has served as chairman of the Management Committee of Yongtuo International Group Holding Limited (renamed as: China Yongtuo Consulting & Management Group Limited), chairman, general manager and chief accountant of Beijing Yongtuo Certified Public Accountants Co., Ltd and chairman of Beijing Yongtuo Engineering Co., Ltd since 1999. In addition, Mr. Lu also served as committee member and fellow of China Institute of Certified Public Accountants, committee member of Beijing Certified Public Accountants Association and chief supervisor of the Beijing Afforestation Foundation. Since September 2004, he has served as an Independent Non-executive Director of the Company.

Mr. Wang Jun-yan, aged 42, is an Independent Non-Executive Director of the Company and Managing Director and Head of Asset Management of CITIC Securities International Investment Management (HK) Limited. Mr. Wang holds a master's degree in finance from the Faculty of Business and Economics of the University of Hong Kong and a bachelor's degree with a major in International Trade from the School of Economics of the Zhongshan University. Currently he is an Adjunct Professor in the Department of Finance, Faculty of Business Administration at The Chinese University of Hong Kong. Since 1997, Mr. Wang served as the Managing Director of First Shanghai Capital Limited, the Managing Director of First Shanghai Financial Holding Limited, a wholly-owned subsidiary of the financial service division of the First Shanghai Group (stock code: 227), and an executive director of China Assets (Holdings) Limited (stock code: 170), the shares of which are listed on The Stock Exchange of Hong Kong Limited, and is now serving as an independent director of Livzon Pharmaceutical Group Company Limited (stock code: 000513), the shares of which are listed on Shenzhen Stock Exchange, an independent non-executive director of China Aerospace International Holdings Limited (stock code: 31) and an executive director of China New Economy Fund Limited (stock code: 80), the shares of which are listed on The Stock Exchange of Hong Kong Limited respectively. Mr. Wang has over ten years experience in investment banking and securities industry. Since June 2011, he has served as an Independent Non-executive Director of the Company.

SUPERVISORS

Independent Supervisors

Mr. Fan Kui-jie, aged 49. Mr. Fan obtained his master's degree in engineering at the Business Management School of Xi'an Jiaotong University in June 1991. Since December 2007, Mr. Fan has been the chairman of Beijing Yin Xin Guang Hua Real Estate Development Co., Ltd.. He has served as an Independent Supervisor of the Company since November 2002.

Madam Xu Ning-chun, aged 49. Madam Xu received her bachelor's degree in economics from the Beijing Technology and Business University (formerly as College of Commerce in Beijing) in July 1986, and is a PRC certified public accountant and a PRC registered assets valuer. She has been a general manager of Beijing Dingge Capital Assessment Co., Ltd. since July 1998. She has served as an Independent Supervisor of the Company since July 2003.

Profile of Directors, Supervisors and Senior Management

Supervisor Nominated by Employees

Mr. Zhang Zheng-yang, aged 38, is a Supervisor of the Company. He is the director of IT Center and director of Supply Chain Department of the Company. He holds a bachelor's degree in mechanical and electronic engineering conferred by Beijing Institute of Technology. Since joining Wumart in February 2000, Mr. Zhang was manager of the Information Department of Beijing Wumart Hypermarket Commercial Management Company Limited from February 2000 to August 2003, assistant to director of Shanghai Wumart Hypermarket from September 2003 to April 2006, director of the Information Centre and vice general manager of Merrymart from May 2006 to February 2008. Mr. Zhang has been the director of the Information Centre of the Company since March 2008. Mr. Zhang has been the director of Supply Chain Department of the Company since October 2012. He has served as a Supervisor nominated by employees since 21 September 2010.

SENIOR MANAGEMENT

Mr. Xu Shao-chuan, aged 41, vice president of the Company, general manager of Beijing Supermarket Business Unit. He holds a bachelor's degree in statistics from the Shenyang Institute of Finance & Economics. Before joining the Company, he served as a finance manager of Shenyang North-American Products Trade Co., Ltd. from 1995 to 1999. He served as a manager and an assistant director of the Finance Department of Wumei Holdings from 1999 to 2000. In August 2000, he took up the position as the director of the Finance Department of the Company. Mr. Xu was appointed as a vice president in March 2007. He was appointed as general manager of directly owned centre of the Company in September 2007. He was appointed as general manager of Beijing Supermarket Business Unit in April 2010.

Mr. Chong Xiao-bing, aged 48, assistant president of the Company and vice general manager of Beijing Supermarket Business Unit. Before joining the Company, Mr. Chong worked in China Coal Research Institute and International Business Connections Company from 1990 to 1997. Since joining Wumart in July 1997, he was the store manager of various stores of Wumart, director of planning department, merchandise department, supervision and general manager of Convenience Stores of the Company. Mr. Chong was appointed as the assistant president of the Company and vice general manager of Beijing Supermarket Business Unit in August 2011.

Mr. Zhang Yu, aged 43, executive director of Finance Department of the Company. Mr. Zhang holds a Master's degree in business administration of Renmin University of China and is qualified as a PRC certified public accountant. Since joining Wumart in 2004, he has been in charge of finance of Convenient Store of the Group, and the financial controller of subsidiaries and deputy director of the Finance Department of the Group.

Mr. Wu Du-qing, aged 36, director of Procurement Department of the Company. Mr. Wu holds a Bachelor's degree in management of Tianjin University of Commerce. He joined Wumart after graduation from university in July 1999. He was the head of the department of stores, manager and store manager of the Company and the vice director of Supply Chain Department. He was director of Supply Chain Department during the period from July 2011 to September 2012. He was appointed as director of Procurement Department in October 2012.

Mr. Guo Tu-wei, aged 45, the director of Data Management Centre and director of Assets Management Department of the Company. He holds a Bachelor's degree of Economics from Nanjing Institute of Economics. From August 1996 to September 2000, he had served as the accountant, director and assistant finance director of the Finance Department of Wumart. Mr. Guo also served as vice director of Information Division from October 2000 to May 2009. He has served as director of Data Management Centre and director of Assets Management Department of the Company since June 2009.

Report of the Board of Directors

The Board of Directors (the "Board") would like to present the Report of the Board of Directors of the Group for the year ended 31 December 2012, together with the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the operation and management of retail chains of superstores and mini-marts in Beijing, Tianjin, Zhejiang province and Hebei province. Its brands mainly include "Wumart Hypermarket", "Wumart Minimarts", "Merry Mart", "Jingbei Shopping Mall", "Aoshikai Wumart", "Zhejiang Gongxiao Supermarket", "Huzhou Laodafang Supermarket".

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the Group's purchases from its 5 largest suppliers accounted for less than 30% in aggregate of its total purchases, and the Group's sales to its 5 largest customers also accounted for less than 30% in aggregate of its sales.

During the Reporting Period, none of the Directors, the Supervisors and their associates, or any Shareholders which, to the best knowledge of the Board, own more than 5% of the Company's share capital, had any direct or indirect interests in the Company's major customers and suppliers.

SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As of 31 December 2012, The Company had one jointly-controlled entity namely Beijing Aoshikai Wumart Company Ltd., and two associates namely Beijing Chao Shifa Company Limited and Beijing Chongwenmen Vegetable Market Supermarket Company Limited.

For information regarding major subsidiaries, jointly-controlled entities and associates of the Company, please refer to Note 39 of the consolidated financial statements of this Annual Report.

RESULTS AND DIVIDENDS

The Group's results and financial information as of and for the year ended 31 December 2012, which have been prepared based on Hong Kong Financial Reporting Standards, are set out in the consolidated financial statements on pages 51 to 106 of this Annual Report.

The Board recommends the payment of final dividend in the amount of RMB0.21 (before tax) per share, or an aggregate amount of approximately RMB269,068,000, for the year ended 31 December 2012, which is distributable subject to approval by shareholders of the Company on the 2012 annual general meeting of the Company.

The last date for registration of shareholding and the book close period in respect of the eligibility of Shareholders to attend the 2012 annual general meeting and their entitlement to the 2012 final dividend will be announced separately upon fixing the date on which the 2012 annual general meeting is to be held.

PROFIT DISTRIBUTION

Details on profit distribution are set out in Note 15 to the financial statements of this Annual Report.

SHAREHOLDERS' EQUITY

Movement in shareholders' equity for the Reporting Period are set out in the consolidated statement of changes in equity on page 54 of this Annual Report.

FIXED ASSETS

Movements in fixed assets for the Reporting Period are set out in Note 17 to the financial statements of this Annual Report.

ACCOUNTS

The audited results of the Group for the year ended 31 December 2012 is set out in the consolidated statement of comprehensive income on page 51 of the Annual Report.

The financial position of the Group as of 31 December 2012 is set out in the consolidated statement of financial position on pages 52 to 53 of the Annual Report.

The cash flow of the Group for the year ended 31 December 2012 is set out in the consolidated statement of cash flow on pages 55 to 56 of the Annual Report.

SHARE CAPITAL

As at 31 December 2012, the class of shares and the number of shares are as follows:

Name of shareholders	**Class of shares**	**Number of shares** (shares)	**Percentage of total share capital** %
Wumei Holdings, Inc.	Domestic shares	497,932,928	38.86
	H shares	1,375,000	0.11
Beijing Wangshang Shijie E-business Co., Ltd.	Domestic shares	160,457,744	12.52
Beijing Hekang Youlian Technology Co., Ltd.	Domestic shares	24,982,300	1.95
Beijing Junhe Youlian Investment Management Co., Ltd. *(Note)*	Domestic shares	23,269,228	1.82
Beijing Shuangchen Express Co., Ltd.	Domestic shares	7,137,800	0.56
Hony Capital RMB I, L.P.	Domestic shares	23,619,364	1.84
Legend Holdings Limited	Domestic shares	7,306,752	0.57
Wealth Retail Holdings Limited	H shares	25,000,000	1.95
Fit Sports Limited	H shares	5,000,000	0.39
Public	H shares	505,193,000	39.43
Total share capital		1,281,274,116	100

Note:

Beijing Junhe Investment Co., Ltd. was renamed as Beijing Junhe Youlian Investment Management Co., Ltd. on 19 October 2012.

PUBLIC FLOAT

Based on the publicly available information known to the Company and to the best of the Directors' knowledge, during the Reporting Period and as of the date of this report, the public float of the Company was in compliance with that stipulated under Rule 8.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

INTERESTS HELD BY SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, the interests or short positions of persons other than directors, supervisors and chief executives of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the Securities and Futures Ordinance of Hong Kong (the "SFO") were as follows:

Substantial shareholders holding domestic shares of the Company

Name	Number of domestic shares (shares)	Percentage of total domestic share capital %	Percentage of total share capital %
Dr. Zhang Wen-zhong *(Note 1)*	497,932,928	66.86	38.86
Jingxi Guigu *(Note 1)*	497,932,928	66.86	38.86
CAST Technology Investment *(Note 1)*	497,932,928	66.86	38.86
Wumei Holdings *(Note 2)*	497,932,928	66.86	38.86
Xinhua Commercial *(Note 3)*	497,932,928	66.86	38.86
Wangshang Shijie E-business	160,457,744	21.55	12.52

Notes:

1. Beijing Jingxi Guigu Technology Company Limited ("Jingxi Guigu") is owned as to 85% by Dr. Zhang Wen-zhong, and therefore Dr. Zhang Wen-zhong is entitled to control the exercise of one-third or more of the voting power at general meetings of Jingxi Guigu. Beijing CAST Technology Investment Company ("CAST Technology Investment") is owned as to 80% by Jingxi Guigu, and therefore Jingxi Guigu is entitled to control the exercise of one-third or more of the voting power at general meetings of CAST Technology Investment.

   Wumei Holdings is owned as to 70% by CAST Technology Investment, and therefore CAST Technology Investment is entitled to control the exercise of one-third or more of the voting power at general meetings of Wumei Holdings. Each of Dr. Zhang Wen-zhong, Jingxi Guigu and CAST Technology Investment is therefore deemed, by virtue of Part XV of the SFO, to be interested in the shares of the Company held by Wumei Holdings.

2. As at the date hereof, Xinhua Commercial is owned as to 29.27% by Wumei Holdings. Pursuant to the share transfer agreement (please refer to the Company's announcement on 24 July 2008) entered into between Wumei Holdings and Xinhua Commercial, Wumei Holdings is entitled to control the exercise of one-third or more of the voting power at general meetings of Xinhua Commercial subsequent to the completion of the share transfer agreement. Accordingly, Wumei Holdings is deemed to be interested in the shares of the Company held by Xinhua Commercial subsequent to the completion of the share transfer agreement. As at 31 December 2012, the conditions precedent to the aforesaid share transfer agreement taking effect were yet to be satisfied.

3. According to the share transfer agreement entered into between Wumei Holdings and Xinhua Commercial, approximately 66.86% of the domestic shares of the Company would be held by Xinhua Commercial directly: as at 31 December 2012, as the conditions precedent to the share transfer agreement taking effect were yet to be satisfied, the percentage of domestic shares of the Company held by Xinhua Commercial is yet to be determined. On 16 January 2009, Xinhua Commercial announced that, due to uncertainties as a result of market changes, its board of directors was unable to issue the notice of a general meeting within six months of the first announcement of the board resolutions. Accordingly, pursuant to the "Regulations in Relation to Regulating Issues Arising from Material Assets Reorganisation of Listed Companies" issued by the China Securities Regulatory Commission, Xinhua Commercial would re-convene a board meeting in due course to consider the said share issue.

Substantial shareholders holding H shares of the Company

Name	Number of H shares (shares)	Percentage of total H share capital %	Percentage of total share capital %
JPMorgan Chase & Co. (Note 1)	123,066,183	22.94	9.6
T. Rowe Price Associates, Inc. and its affiliates (Note 2)	59,517,906	11.09	4.65
Arisaig Asia Consumer Fund Limited (Note 3)	53,509,000	9.97	4.18
Arisaig Partners (Mauritius) Limited (Note 4)	53,509,000	9.97	4.18
Cooper Lindsay William Ernest (Note 5)	53,509,000	9.97	4.18
Capital Research and Management Company (Note 6)	49,009,000	9.13	3.83
The Capital Group Companies, Inc. (Note 7)	47,473,000	8.85	3.71
Invesco Hong Kong Limited (in its capacity as manager/advisor of various clients) (Note 8)	31,803,750	5.93	2.48

Notes:

1. Including 709,000 H shares held by JPMorgan Chase & Co. in its capacity as a beneficial owner, 54,817,000 H shares as an investment manager and 67,540,183 H shares as a trustee company/approved lending agent.

2. These 59,517,906 H shares are held by T. Rowe Price Associates, Inc. and its affiliates in its capacity as a beneficial owner.

3. These 53,509,000 H shares are held by Arisaig Asia Consumer Fund Limited in its capacity as a beneficial owner.

4. These 53,509,000 H shares are held by Arisaig Partners (Mauritius) Limited in its capacity as an investment manager.

5. These 53,509,000 H shares are held by Cooper Lindsay William Ernest through its interest in its controlled corporation.

6. These 49,009,000 H shares are held by Capital Research and Management Company in its capacity as an investment manager.

7. These 47,473,000 H shares are held by The Capital Group Companies, Inc. through its interest in its controlled corporation.

8. These 31,803,750 H shares are held by Invesco Hong Kong Limited in its capacity as an investment manager.

Save as disclosed above, no person was recorded as having any interests or short positions in any shares or underlying shares of the Company required to be disclosed under Section 336 of the SFO and the Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company has been in compliance with the code provisions set out in Code on Corporate Governance Practices contained in the Listing Rules, and adopted the recommended best practices where applicable.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Information on Directors, Supervisors and senior management of the Company are set out on page 3 of this Annual Report. Their biographies are set out on pages 24 to 27 of this Annual Report.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of Directors, Supervisors and senior management of the Company are set out on pages 79 to 80 of this Annual Report. During the Reporting Period, there was no arrangement under which any Directors or Supervisors waived their remuneration.

Remuneration of senior management members of the Company set out in this Annual Report, other than Directors and Supervisors, falls within the following bands:

Band	**2012 Number**	2011 Number
RMB0–500,000	**2**	2
RMB500,001–1,000,000	**3**	4

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

The Directors and supervisors of the Company have entered into service contracts or letters of appointment with the Company, with their terms of office commencing on 28 June 2011 and ending on the date of conclusion of the 2013 annual general meeting of the Company.

Save as disclosed above, none of the Directors and supervisors of the Company has entered into a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

During the Reporting Period, save for the "service contracts" and "letters of appointment" above and those set out in Note 13 to the consolidated financial statements, there was no material contract in relation to the Group's business or to which the Company, its holding companies or its subsidiaries was a party and in which a Director or supervisor of the Company had material interests (as defined in the Listing Rules and are still in force during or at the end of the year), whether directly or indirectly.

INDEPENDENCE OF INDEPENDENT DIRECTORS

During the Reporting Period, the Company received from each of the Independent Non-executive Directors a written confirmation of his independence as required under Rule 3.13 of the Listing Rules, confirming their respective compliance with the Listing Rules.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, the interests or short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules were as follows:

	Number of domestic shares (shares)	**Percentage of total domestic share capital** %	**Percentage of total share capital** %	**Type of interests**
Dr. Wu Jian-zhong *(Note 1)*	160,457,744	21.55	12.52	Interests in controlled corporation
Dr. Meng Jin-xian *(Note 2)*	48,251,528	6.48	3.77	Interests in controlled corporation

Notes:

1. Dr. Wu Jian-zhong holds 70% of the share capital of Wangshang Shijie E-business, a shareholder of the Company, which has a direct interest in 160,457,744 domestic shares of the Company. Dr. Wu Jian-zhong is deemed, by virtue of Part XV of the SFO, to be interested in the shares held by Wangshang Shijie E-business in the Company.

2. Dr. Meng Jin-xian holds 40% of the share capital of Beijing Junhe Youlian Investment Management Co., Ltd. ("Junhe Investment"), a promoter and shareholder the Company, which has a direct interest in 23,269,228 domestic shares of the Company. Junhe Investment also holds 50% of the share capital of Beijing Hekang Youlian Technology Co., Ltd. ("Hekang Youlian"), which has a direct interest in 24,982,300 domestic shares of the Company. Dr. Meng Jin-xian is deemed, by virtue of Part XV of the SFO, to be interested in the shares held by Junhe Investment and Hekang Youlian in the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2012, none of the Directors, supervisors and chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules.

As at 31 December 2012, none of the Company, its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangement to enable the Directors or Supervisors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. Han Ying (Chairman), Mr. Li Lu-an and Mr. Lu Jiang, the majority of which are Independent Non-executive Directors.

At the meeting held by the Audit Committee, the Group's audited consolidated financial report and operating results and major accounting policies etc. for the year ended 31 December 2012 were reviewed and discussed. The Audit Committee agreed to the contents of the Annual Report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONNECTED TRANSACTIONS

Transactions — Continuing Connected Transactions without exempt from independent shareholders' approval

Entrusted Operation and Management Agreement (2011)

The Company entered into the Entrusted Operation and Management Agreement (2011) with Wumei Holdings and relevant subsidiaries on 5 May 2011, for the supply by the Company of merchandise, distribution of merchandise and provision of management services for Wumei Holdings' subsidiaries in Tianjin ("Tianjin Affiliates[Note 1]"), and for the supply and delivery of merchandise to the subsidiaries of Wumei Holding in the Eastern China region ("Eastern China Affiliates[Note 2]").

Wumei Holdings is the controlling shareholder of the Company and is a connected person of the Company under the Listing Rules. The Entrusted Operation and Management Agreement (2011) constitutes a continuing connected transaction which is non-exempt from the requirements for approval by independent shareholders of the Company. The Company has fulfilled the procedures regarding reporting, announcement and approval by independent shareholders of the Company.

According to the Entrusted Operation and Management Agreement (2011), for the year 2012, the annual cap for the supply and delivery of merchandises as well as provision of management services by the Group for Wumei Holdings and its subsidiaries, as approved by independent shareholders, are RMB567,000,000, RMB170,100,000 and RMB440,000 respectively. During the Reporting Period, the actual transacted amount were RMB179,087,000, RMB5,373,000 and RMB150,000 respectively.

Transactions — Continuing Connected Transactions exempt from approval by independent shareholders

Property Leasing Agreement (2010)

On 29 November 2010, Beijing Wumart Hypermarket Commercial Management Company Limited ("Wumart Hypermarket Commercial Company") and Beijing Wumart Zhidi Real Estate Development Company Limited ("Wumei Zhidi"), both subsidiaries of the Company, entered into the Property Leasing Agreement (2010) to lease the Xinjiekou Property owned by Wumei Zhidi for the operation of a superstore. The lease term shall be for a period of three years from 1 January 2011 to 31 December 2013.

Wumei Zhidi is a subsidiary of Wumei Holdings, the controlling shareholder of the Company, and is a connected person of the Company under the Listing Rules. The Property Leasing Agreement (2010) constitutes a continuing connected transaction which is exempt from the requirements for approval by independent shareholders of the Company. The Company has fulfilled the procedures regarding reporting and announcement.

According to the Property Leasing Agreement (2010), the annual cap under the Property Leasing Agreement for 2012 was RMB10,441,920, while the actual payment of rental of RMB10,441,920 was paid by the Company.

The Company's auditor had issued the unqualified letter in respect of the Group's continuing connected transactions disclosed above in accordance with Rule 14A.38 of the Listing Rule of Hong Kong Stock Exchange and confirmed the said transactions:

(1) have received the approval of the Board;

(2) have been conducted in the ordinary and usual course of business of the Company, and on normal commercial terms;

(3) have been conducted in accordance with the terms of the Entrusted Operation and Management Agreement (2011) and Property Leasing Agreement (2010); and

(4) have not exceeded the annual cap amounts applicable to the respective transactions.

The Directors of the Company, including the independent non-executive Directors, have confirmed, respectively, that they have reviewed the above continuing connected transactions and confirmed that the above continuing connected transactions conducted by the Company during the Reporting Period were entered into in the ordinary and usual course of business of the Company, on normal commercial terms, were fair and reasonable and in the interests of the shareholders of the Company as a whole. The above continuing connected transactions are within the annual caps for the respective transactions under the aforesaid agreements.

Note:

1. Tianjin Affiliates include: Subsidiaries of Wumei Holdings namely Tianjin Hedong Wumart Trading Co., Ltd., Tianjin Hebei Wumart Convenience Stores Co., Ltd., Tianjin Hezuo Wumart Trading Co., Ltd., Tianjin Nankai Shidai Wumart Commerce Co., Ltd., Tianjin Hongqiao Wumart Convenience Stores Co., Ltd. and Tianjin Wumart Huaxu Commerce Development Co., Ltd..

2. Eastern China Affiliates include: Subsidiaries of Wumei Holdings namely Suzhou Tiantian Wumart Commerce Company, Ltd. and Shanghai Wuguang Commerce Company, Ltd..

COMPETING INTERESTS

Wumei Holdings operates supermarket chain business in Tianjin, Shanghai and Yinchuan.

The Group operates its supermarket chain business in Beijing, Tianjin, Hebei and Zhejiang. Except the Tianjin region, there is no direct competition between the Group and Wumei Holdings due to the absence of similar business in the same regions. The Company entered into the non-competition agreement and the trademark licensing agreement with Wumei Holdings on 29 October 2003 to avoid potential competition. On 5 May 2011, the Company entered into Entrusted Operation and Management Agreement (2011) with Wumei Holdings and the Group would continue to provide supply of goods, delivery and management services of merchandise for Wumei Holdings and its subsidiaries. Wumei Holdings has operated in strict compliance with the non-competition agreement and Entrusted Operation and Management Agreement (2011) in order to avoid business competition with the Group to the fullest extent.

Save as the competing business disclosed above, so far as the Directors are aware, Wumei Holdings does not have any business which is in direct or indirect competition with the Group.

PRE-EMPTIVE RIGHT

The Articles of Association of the Company or the applicable laws and regulations do not require the Company to offer pre-emptive rights of new shares to shareholders according to the current shareholding ratio.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group had a full-time headcount of 26,970 and part-time headcount of 6,353.

Remunerations of executive Directors and Staff-representative supervisors of the Company are, as approved by shareholders on general meetings of the Company, determined by the Board based on the management positions of the respective persons in the Group. Remuneration of independent non-executive Directors and external supervisors are considered and approved by shareholders on general meetings of the Company. Non-executive directors do not take up any management role in the Group nor do they receive any salary in the Group.

For senior management and staff with special expertise of the Company, a competitive strategy is adopted, with their total remuneration pegged against prevailing salary level in the labour market, management responsibilities, individual performances and the Company's profitability; for mid-level management and other employees, remunerations are determined based on the relative importance of the positions held and the responsibilities shouldered by the positions as well as other factors. Income improvements are facilitated through the provision of training programmes, promotion opportunities and broader prospects in career promotion and development and enhancement in efficiency, in addition to competitive remuneration packages. For other employees, remunerations are determined based on the categories of the employees concerned and the nature of their respective work, as well as personal performance and performance of the Group.

The Company pays housing funds and social security fund on behalf of employees on a monthly basis, according to the relevant national and local laws and regulations on labour affairs and social security. In particular, social security funds include pension insurance, medical insurance, unemployment insurance, maternity insurance, work injury insurance etc.

As at 31 December 2012, the Group currently does not have long-term incentive plan.

PENSION SCHEME

Pursuant to the provisions of the relevant national and local laws and regulations of the PRC, the Group is required to participate in a number of defined contribution retirement benefit schemes established by the relevant provincial and municipal government authorities of the PRC. The Group and its employees are required to make contributions, at certain percentages of employees' total salaries, to the retirement benefit scheme in accordance with such scheme.

Details of the Group's pension scheme are set out in note 12 of the consolidated financial statements.

MANAGEMENT CONTRACT

During the Reporting Period, the Group did not enter into any material contract for the management and administration of the general business or any important business.

INDEPENDENT AUDITOR

The accompanying consolidated financial statements are audited by Deloitte Touche Tohmatsu. The Company has not changed its auditor in the past three years.

Report of the Supervisory Committee

Dear Shareholders,

During 2012 (the "Reporting Period"), all members of the Supervisory Committee of Wumart Stores, Inc. (the "Company") strictly complied with relevant laws and regulations such as the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and the Articles of Association of the Company, performed their duties and exercised their powers in good faith, with diligence and prudence for the protection of the interests of shareholders and the benefits of the Group.

I. WORK DONE BY THE SUPERVISORY COMMITTEE IN 2012

In 2012, there was no change to the composition of the Supervisory Committee. During the Reporting Period, the Supervisory Committee convened two physical meetings, details of which are listed below:

On 20 March 2012, the 2nd meeting of the 4th session of the Supervisory Committee was convened, on which the Supervisory Committee considered and passed the 2011 Annual Report, the 2011 work report of the Supervisory Committee and the 2011 financial report of the Company, and received the auditor's report on "the Auditing of the 2011 Consolidated Statements of Wumart Stores, Inc.".

On 12 December 2012, the 3rd meeting of the 4th session of the Supervisory Committee was convened, on which the Work Report on the Internal Control of the Company 2012 was considered and passed.

During the Reporting Period, the members of the Supervisory Committee observed on Board meetings of the Company from time to time and attended the annual general meeting of the Company, reviewed the Company's financial position and operating results, and supervised the Company's implementation of resolutions of shareholders' general meetings and Board meetings.

II. SUPERVISORY COMMITTEE'S VIEWS ON THE WORK OF THE COMPANY

1. Legal Operations of the Company

During the Reporting Period, the Company managed to abide strictly by the laws and regulations of China. The operation and management of the Company were in compliance with the requirements of the Company Law, the Articles of Association of the Company and the Listing Rules, and the decision-making procedures were legal and effective. The management of the Company implemented rigorously the resolutions of the shareholders' general meetings and Board meetings, and continually enhanced the establishment of its internal control system and improved its risk-guarding capability. The Directors and senior management of the Company managed to perform their duties diligently. No Directors and senior management of the Company were found to have acted materially in breach of laws and regulations, in violation of the Articles of Association or harmed the interests of the Company when performing duties of the Company.

2. Financial Position of the Company

The 2012 financial report of the Company has been audited in accordance with the Hong Kong Accounting Standards by Deloitte Touche Tohmatsu, which has also issued a standard unqualified auditor's report. The Supervisory Committee considers that the contents of the audited 2012 financial report and the 2012 annual report of the Company are true, accurate and complete, and that the audit opinion of the auditor is fair and objective.

3. Operation Position of the Company

During the Reporting Period, the Supervisory Committee monitored the financial and operation management and compliance of the Company's operations as well as its risk management functionality. It considers that the Group has established a sound system of internal control and has made tremendous improvements in the formulation and implementation of internal work processes, thereby effectively controlling the various operational risks within the Group. The Group is in compliance with laws and regulations of China, the Articles of Associations of the Company and the work processes of the Group.

Report of the Supervisory Committee

4. **Connected Transactions**

During the Reporting Period, the continuing connected transactions of the Company were implemented in accordance with the terms of the agreement governing connected transactions which have been signed, at such fees as shall be in compliance with the pricing benchmarks stated in the relevant agreements. The transaction amounts of each continuing connected transaction of the Group did not exceed the annual caps announced or approved by the shareholders' general meeting.

5. **Acquisition and Disposal of Assets**

During the Reporting Period, save as disclosed herein, the Company did not have any acquisition or disposal of assets, nor were there any circumstances in which shareholders' interests are jeopardized or in which any asset of the Company was lost.

6. **Internal Control**

The Supervisory Committee rigorously reviewed the 2012 Internal Control Work Report of the Company. The Supervisory Committee considers that the Company has established a sound system of internal control and there have been ongoing improvements on the work processes and implementation, thereby more effectively controlling the operation risks encountered by the Company.

7. **Implementation of Resolutions of Shareholders' General Meeting**

During the Reporting Period, the Supervisory Committee monitored the Board's implementation of the resolutions of shareholders' general meetings. The Supervisory Committee considers that the Board of the Company managed to perform its duties rigorously, implement the relevant resolutions of shareholders' general meeting and push forward the healthy and steady growth of the Company.

8. **The board of directors and management of the Company**

During the Reporting Period, members of the Board and the senior management members diligently and faithfully performed their duties in day-to-day operations and management in accordance with relevant PRC laws, regulations and the Listing Rules. There has been no significant abuse of powers undermining the interests of the Company and infringing the interests of shareholders.

The Company maintained steady and ongoing development during the past year 2012. The Supervisory Committee expresses its gratitude to the Board and the senior management for their responsible, diligent and prudent work.

In 2013, the Supervisory Committee will continue to perform its supervisory duties diligently, prudently and faithfully. It will explore further insights on its work, uplift the level of supervision, uphold integrity and principle, strictly comply with laws and regulations of China and observe the duties conferred on it by the Articles of Association of the Company. It will actively protect the lawful interests of the Company and shareholders as always, and will ensure that shareholders' interests are maximized.

By order of the Supervisory Committee
Fan Kui-jie
Chairman

Beijing, the PRC

26 March 2013

Corporate Governance Report

The Company has endeavored to establish a standard, excellent, sound and reasonable corporate governance structure to enhance the corporate's management level and realize efficient management and standard operation, and hence to realize the corporate's sustainable development, continuous enhancement of corporate value and provision of the best protection for shareholders' interests.

SUMMARY OF CORPORATE GOVERNANCE

The Company has established a corporate governance structure comprising general meeting of the shareholders, the Board, Supervisory Committee and the Management in accordance with Company Law of the PRC, the Securities Law of the PRC and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Such structure gives a clear division of authority and responsibilities among the authority, decision-making and regulatory bodies and the Management, and creates a mutual coordination and balanced mechanism for standard operation.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is responsible to prepare and review from time to time the policies and practices of corporate governance of the Company and to make amendments to the Company's principles and system, policies and procedures in a timely manner in accordance with the updates of the relevant regulations from time to time to ensure the compliance of its operation. For the year ended 31 December 2012, the Company has complied with the principles and code provisions set out in Code on Corporate Governance Practices and Corporate Governance Report, as amended from time to time, under the Appendix 14 of the Listing Rules and adopted the recommended best practices in various aspects of corporate governance.

THE BOARD

The Board is a standing decision-making body of the Company. All Directors are obliged to act in the best interests of the Company. All members of the Board shall take joint and respective responsibilities to all shareholders for the management, supervision and operations of the Company.

Composition and Appointment of the Board

In accordance with the Articles of Association of the Company, the Fourth Session of the Board of the Company comprised eleven Directors. During the Reporting Period, the Board comprised four Executive Directors, three Non-executive Directors and four Independent Non-executive Directors with details as follows:

Executive Directors

Wu Jian-zhong	Chairman
Xu Ying	Executive Director, President
Meng Jin-xian	Executive Director, Vice President
Yu Jian-bo	Executive Director, Vice President

Non-executive Directors

Wang Jian-ping	Vice Chairman
John Huan Zhao	Non-executive Director
Ma Xue-zheng	Non-executive Director

Independent Non-executive Directors

Han Ying	Independent Non-executive Director
Li Lu-an	Independent Non-executive Director
Lu Jiang	Independent Non-executive Director
Wang Jun-yan	Independent Non-executive Director

Corporate Governance Report

During the Reporting Period, the composition of the Board of the Company complied with the Listing Rules, which requires a minimum of one third of the independent non-executive directors on board, and that at least one of the independent non-executive directors must possess appropriate professional qualification or accounting or relevant financial management expertise. The Executive Directors of the Company have extensive operational, management experience and expertise in the retail industry while the Non-executive Directors of the Company have extensive industry experience in various fields including capital market, investment, legal and financial and are capable of making relevant judgments, and Mr. Lu Jiang, our Independent Non-executive Director, has appropriate qualifications in accounting and experience in finance.

To the best of the knowledge of the Board, members of the Board (including the Chairman and the President) were not connected to each other in any manner (including financial, business, family or other significant connections) requiring disclosure during the Reporting Period.

The appointment period of the members of the Board (including Non-Executive Directors) commenced from the conclusion of the 2010 AGM to the conclusion of the 2013 AGM. Please refer to the section headed "Profile of Directors, Supervisors and Senior Management" in this report for the appointment period and other details of each of the directors.

Meetings held by the Board in 2012

During the Reporting Period, there were 16 Board meetings held (including written resolutions). The primary resolutions considered included the annual report and results announcement of 2011 of the Company, profit distribution proposals for the year of 2011, appointment of the Company's external auditors, work report of the Board for 2011, the actual implementation of continuing connected transactions amounts for the year of 2011, the issuance of short-term debentures, the proposal to convene the 2011 AGM, the interim report and interim results announcement of 2012, the first quarterly and third quarterly financial statements of 2012, the general mandate for shares issuance and proposed issue of medium term notes. The 2012 internal control report was also heard.

Attendance of Directors at meetings of the Board in 2012:

	Number of meetings held	Number of meetings required to attend	Number of meetings attended	Percentage of attendance
Executive Directors				
Wu Jian-zhong	16	16	16	100%
Xu Ying	16	15 *Note 2*	15	100%
Meng Jin-xian	16	15 *Note 2*	15	100%
Yu Jian-bo	16	15 *Note 2*	15	100%
Non-executive Directors				
Wang Jian-ping	16	16	16	100%
John Huan Zhao	16	16	16	100%
Ma Xue-zheng	16	16	16	100%
Independent Non-executive Directors				
Han Ying	16	16	16	100%
Li Lu-an	16	16	16	100%
Lu Jiang	16	16	16	100%
Wang Jun-yan	16	16	16	100%

Note:

1. According to the Articles of Association of the Company, any Director who fails to attend the meeting for any reason, may appoint other Director(s) to attend the meeting on his/her behalf.

2. During the Reporting Period, the Company held 16 Board meetings, one of which were the meeting of the Chairman and Non-executive Directors, including Independent Non-executive Directors.

Attendance of Directors at general meetings of the Board in 2012:

	Number of meetings held	Number of meetings attended
Executive Directors		
Wu Jian-zhong	1	0
Xu Ying	1	1
Meng Jin-xian	1	1
Yu Jian-bo	1	1
Non-executive Directors		
Wang Jian-ping	1	0
John Huan Zhao	1	0
Ma Xue-zheng	1	1
Independent Non-executive Directors		
Han Ying	1	0
Li Lu-an	1	1
Lu Jiang	1	0
Wang Jun-yan	1	0

Responsibilities of the Board

The Board is a standing decision-making body of the Company and is accountable to the general meeting of the shareholders. It undertakes the responsibility for overseeing and supervising the Company's operations so as to ensure the Company's stable and sustainable development. All Directors are obliged to act in the best interests of the Company; performing with dedication and diligence. All members of the Board shall take joint and respective responsibilities to all shareholders for the management, supervision and operations of the Company.

In accordance with the Articles of Association of the Company, responsibilities of the Board mainly are to: convene general meetings; implement resolutions of general meetings; determine business and investment plans of the Company; formulate annual financial budgets and final accounts of the Company; formulate the Company's profit distribution proposals and plans to make up losses; appoint or remove the general manager of the Company; propose to the general meeting the re-appointment or replacement of accountant firms to conduct audit for the Company; formulate plans to increase or reduce the Company's registered capital and plans to issue corporate bonds; formulate the Group's overall strategies, goals and business plans and monitor their implementation; appoint or remove the President, finance director and secretary to the Board; appoint or remove the Vice President in accordance with the nomination by the President, and any other duties delegated by the general meeting and the Articles of Association of the Company.

Corporate Governance Report

The Board is responsible for overseeing the preparation of financial statements of each financial period, so that such financial statements give a true and fair view of the financial position, operating results and cash flows of the Company during the period.

The Board is responsible for exercising control over key operational management and financial performance, and approve significant investments; formulate appropriate policies and control systems in order to avoid and control its exposure to risks in the course of attaining defined strategies and goals of the Group and also conducting review of and supervision over the effectiveness of the internal control system and risk management programs.

Regular Board meetings were convened for reviewing annual and interim reports. A notice of at least 14 days in advance will be given in respect of each regular meeting. The Board holds an extraordinary meeting when the Company needs to make a significant decision. To ensure that Directors are able to fully perform their duties and responsibilities, the Company gives a notice of at least 7 days in advance, and delivers complete documents in relation to meetings of the Board and its committees to all Directors at least three days prior to the meetings so that the Directors can make informed decisions in fulfillment of their duties and responsibilities as the Directors of the Company.

The Director shall abstain from voting on resolutions in relation to proposed transaction or matter in which he/she or any of his/her associates has conflict of interests or material interests to be considered by the Board, and such Director will not be counted in the number of persons voting. The Company has obtained confirmation from each of the Directors that neither the Director nor his/her associates has conducted any connected transactions with or is materially interested in the Company or its subsidiaries during the Reporting Period.

Nomination of Directors

The Company has in place a Procedures for Shareholders' Nomination of Candidates to Run for Directorship. Candidates for Directors may be selected and considered by the Board and the Nomination Committee based on certain criteria including, inter alia, personal integrity, discipline, occupation, accomplishments, experience, professional and academic background and level of commitment including the amount of time available for fulfilling the role.

In accordance with the Articles of Association of the Company, a Director shall be appointed and removed by general meetings, with a term of office of not more than three years, and shall be eligible for re-election. Subject to compliance with relevant laws and administrative regulations, a Director may be removed from office prior to the completion of his/her term of appointment by shareholders at general meetings by way of ordinary resolutions.

Responsibilities of Directors

Each Director fully understands his/her duties as a Director of the Company and the way of operation, business activities and development of the Company. During the Reporting Period, all Directors performed their duties with dedication and diligence to facilitate ongoing improvements of the Company's results, core competitiveness and optimization of corporate governance.

Directors' Remuneration

Remuneration provided to the Executive Directors and supervisors nominated by employees shall be determined by the Board upon approval by the shareholders in general meeting of the Company with reference to the individual's management functions in the Company. Criteria include the operational conditions of the Company, industry practice in China and the remuneration level of directors and supervisors of listed companies engaging in the same industry in China. Non-executive Directors do not receive any remuneration. Remuneration to independent non-executive directors of the Company shall be proposed by the Board and be subject approval by the shareholders in general meeting.

Securities Dealings by Directors

The Company has adopted a code of practice in relation to securities dealings by Directors for dealings in the Company's securities by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. The Company confirms, after making specific enquiries, that all the Directors and supervisors have complied with the "required standard of dealings" and the Company's code of practice in relation to securities dealings during the Reporting Period.

Continuing Professional Development (CPD) of Directors and Supervisors

To uplift the professionalism of the Directors and Supervisors on an ongoing basis for better discharge of their duties, the Company provides CPD training to its Directors. During the Reporting Period, based on the record maintained by the Company, the Directors participated in training sessions which covered a wide range of areas including amendments to the Listing Rules, seminars on corporate governance, Guidelines on Disclosure of Inside Information and market information and regulatory updates for H-Share companies.

Independence of the Independent Directors

None of the Independent Non-executive Directors of the Company are under the employ of the Company or any of its subsidiaries, nor are they interested in any shares of the Group. They are not related to each other or to any of the senior management, whether financially, in business or in family ties. Each Independent Non-executive Director has confirmed his independence to the Stock Exchange upon his appointment. The Board makes enquiries in writing to each Independent Non-executive Director on a regular basis to confirm his independence.

AUDIT COMMITTEE

Composition of the Audit Committee

The Audit Committee of the Company comprises three members, all of whom are Independent Non-executive Directors. Details are as follows:

Han Ying	Independent Non-executive Director and Chairman of the Audit Committee
Li Lu-an	Independent Non-executive Director
Lu Jiang	Independent Non-executive Director

Corporate Governance Report

The Primary Duties of the Audit Committee

In accordance with the Rules of Meeting Procedures of the Audit Committee, the Audit Committee is primarily responsible for overseeing and reviewing the Group's financial performance, effectiveness of internal control and risk management, making recommendations to the Board on the appointment of auditors, reviewing the Company's arrangements by which employees can express their concerns over improper behaviors in financial reporting, reviewing the annual reports and interim reports of the Company, and the significant accounting policies and practices adopted in the preparation of financial reports. Its functions are in compliance with the relevant requirements under the Listing Rules.

Meeting of the Audit Committee

During the Reporting Period, the Audit Committee convened three meetings to consider and approve matters which primarily included the following: Continuing connected transactions in practice in 2011; annual report 2011 of the Group; interim report and interim results announcement 2012; approval of auditors' remuneration for the Board's approval. It also received the report submitted in respect of the audit for the year 2011 by the auditor, and the planning for audit work 2012.

Attendance at meetings of the Audit Committee in 2012:

	Number of meetings held	Number of meetings required to attend	Number of meetings attended	Percentage of attendance
Han Ying	3	3	3	100%
Li Lu-an	3	3	3	100%
Lu Jiang	3	3	3	100%

REMUNERATION COMMITTEE

Composition of the Remuneration Committee

The Remuneration Committee of the Company comprises three members, the majority of whom are independent non-executive directors. Details are as follows:

Li Lu-an	Independent Non-executive Director and Chairman of the Remuneration Committee
Han Ying	Independent Non-executive Director
Xu Ying	Executive Director

The Primary Duties of the Remuneration Committee

In accordance with the Rules of Meeting Procedures of the Remuneration Committee, the primary duties of the Remuneration Committee are to assist the Board in the management of the overall remuneration structure of the Company, make recommendations to the Board on the formulation of remuneration plans or packages of Directors, supervisors, president and senior management, including but not limited to, the criteria, procedures and the major systems of performance assessment, key incentive and punishment plans and systems; ensuring that none of the Directors or any of their associates fixes his/her own remuneration; and to carry out any other matter as authorized by the contract of executive directorship and the Board.

Meeting of the Remuneration Committee

During the Reporting Period, the Remuneration Committee convened one meeting to review the respective remuneration policies applicable to the directors and senior management staff of the Company.

Attendance at meetings of the Remuneration Committee in 2012:

	Number of meetings held	Number of meetings required to attend	Number of meetings attended	Percentage of attendance
Li Lu-an	1	1	1	100%
Han Ying	1	1	1	100%
Xu Ying	1	1	1	100%

NOMINATION COMMITTEE

Composition of the Nomination Committee

The Nomination Committee of the Company comprises three members, the majority of whom are Independent Non-executive Directors. Details are as follows:

Han Ying	Independent Non-executive Director and Chairman of the Nomination Committee
Li Lu-an	Independent Non-executive Director
Xu Ying	Executive Director

The Primary Duties of the Nomination Committee

In accordance with the Rules of Meeting Procedures of the Nomination Committee, the main functions of the Nomination Committee are to review the structure, size and composition of the Board (including skill sets, knowledge and experience); make recommendations to the Board in respect of any proposed changes; research on the standard and procedure of selection of directors and senior management and to make recommendations to the Board thereon; identify potential candidates for the positions of directors and senior management staff, conduct review on such candidates and make recommendations thereon; select and nominate persons to become directors and/or senior management or advice to the Board thereon; assess the independence of independent non-executive directors; and make recommendations to the Board regarding the appointment or re-appointment of directors and successive plans for directors.

Meeting of the Nomination Committee

During the Reporting Period, the Nomination Committee convened one meeting to review the structure, size and composition of the Board; verify the independence of independent directors and review other matters in relation to compliance.

Corporate Governance Report

Attendance at meetings of the Nomination Committee in 2012:

	Number of meetings held	Number of meetings required to attend	Number of meetings attended	Percentage of attendance
Han Ying	1	1	1	100%
Li Lu-an	1	1	1	100%
Xu Ying	1	1	1	100%

AUTHORITY OF THE BOARD AND THE MANAGEMENT

The responsibilities and authorities between the Board and the management of the Company are clearly distinguished. The Board exercises such powers as granted by laws and regulations and the Articles of Association of the Company. The management takes charge of the Company's operation and management and organize the implementation of the Company's annual business plan and investment plan; draft plans for the establishment of the Company's internal management structure; draft plans for the establishment of branch companies of the Company; formulate the Company's basic management system and the basic rules and regulations of the Company; propose the appointment or dismissal of the Company's vice-president and chief financial officer; appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board; and exercise other duties and powers conferred by the Articles of Association and the Board.

Reasonable division of responsibilities between the Board and the management enables the Board to devote more time and effort to the long-term development strategies of the Company.

Chairman and President

To ensure the separation of rights and authority, the Chairman and the President of the Company are fully independent from each other. The Chairman of the Company is Dr. Wu Jian-zhong, responsible for the effective operation of the Board, while the President is Madam Xu Ying, responsible for the operations and management of the Company and relevant duties delegated by the Board.

Statement on Directors' Responsibility for Financial Statements

The Board is responsible for overseeing the preparation of accounts for the respective financial periods to ensure that such accounts give a true, fair and complete view of the results and financial positions of the Group and that the financial statements are in compliance with requirements of relevant accounting standards.

In preparing the accounts of the Company for the year ended 31 December 2012, the Directors confirmed that:

(1) all HKFRSs had been adopted;

(2) suitable accounting policies had been selected and applied consistently; and

(3) judgments and estimates had been made prudently and reasonably and the accounts had been prepared on a going concern basis.

INTERNAL CONTROL

The Board shall ensure the sound, proper and effective functioning of the Company's internal control system; while the Company's management is primarily responsible for planning and implementation of internal control procedures to protect the Company's assets. To foster the regulated operation and healthy development of the Company, uplift the level of its operation and management, secure the safety and completeness of the Company's assets, and guard against and control management risks, the Company has, taking into account its own features of operations and actual situations, gradually established an internal control system linking the relevant levels and segments within the Company's structure, and created a more comprehensive internal control structure and more optimized internal control system. During the Reporting Period, the Company exercised control over its financial operations, daily management, systems and processes etc., guarding itself against operational, financial and management risks to the fullest extent by means of surveillance, audit and review efforts. At the same time, the Company was also aware that internal control shall be compatible with its operational scale, business scope, competitive landscape and risk level, and that adjustments shall be made to keep in pace with any changes of the circumstances. The Company shall continue to optimize its internal control system, regulate the implementation of its internal control system, strengthen the surveillance and review in respect of its internal control, and promote its healthy and sustainable development.

REMUNERATION OF THE AUDITORS

At the 2011 annual general meeting held on 28 June 2012, the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the PRC and International Auditors, respectively, of the Company for 2012 and the authorisation of the Board to fix the remuneration of the auditors, were approved. The audit fee paid by the Company for 2012 amounted to RMB4,850,000.

The 2012 financial report of the Company was prepared in accordance with Hong Kong Accounting Standards by Deloitte Touche Tohmatsu, whose audit opinions and reporting responsibilities are set out in the auditors' report in this Annual Report. Deloitte Touche Tohmatsu Certified Public Accountants LLP will furnish the 2012 Audit Report of the Company based on the accounting statements prepared in accordance with PRC accounting standards.

INVESTORS RELATION

During the Reporting Period, amendments were made to the scope of operations set out in the Articles of Association of the Company based on operational needs and in line with amendments made to the relevant laws, regulations and rules. Approval has been obtained from the shareholders in the annual general meeting of the Company held on 28 June 2012.

In accordance with the Articles of Association of the Company and the applicable laws and regulations, the Company has defined the convening and voting procedures for general meetings.

Shareholders of the Company are entitled to the rights as stipulated in laws, administrative regulations and the Articles of Association of the Company. The general meeting is the highest authority of the Company; shareholders can exercise their rights and participate in significant decision in the meeting. Shareholders are entitled to participate and vote at general meetings, as well as directly communicate with the Directors and senior management. All of the resolutions were considered on an individual basis at shareholders' meeting, including the election of Directors and Supervisors.

Corporate Governance Report

Pursuant to the Articles of Association of the Company, shareholders holding, either individually or in aggregate, 10% (inclusive of 10%, the amount of shareholdings being calculated as at the date of deposit of the requisition(s)) or more of the shares of the Company, issued and outstanding, carrying the right to vote at the meeting sought to be held may in writing require the Board to convene a shareholders' extraordinary general meeting or a class meeting thereof, stating the object of the meeting.

If the Board fails to issue a notice of such a meeting within thirty (30) days from the date of receipt of the requisition(s), the demanding shareholder(s) may themselves convene such a meeting (in a manner as similar as possible to the manner in which shareholders' general meetings are convened by the Board) within four (4) months from the date of receipt of the requisition(s) by the Board.

Shareholders may submit relevant enquiries to the Board, by post to 11/F Wumart Commercial Building, 158-1 West 4th Ring North Road, Haidian District, Beijing, PRC, or via email to wumart@wu-mart.com. Such enquiries will be treated in a proper manner with the availability of sufficient contact information furnished by the Company. Shareholders may have access to copies of minutes of meetings, free of charge, within the business hours of the Company. Shareholders may directly propose their recommendations at shareholders' general meetings.

The Company makes timely, accurate and complete information disclosures in strict compliance with the Listing Rules. During the Reporting Period, the annual report of 2011 and interim report of 2012 were published for timely disclosure of important information and its progress.

The Company issues notices and circulars, publishes detailed information that need to be brought to the attention of shareholders on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.wumart.com), prior to any relevant meetings.

During the Reporting Period, in compliance with the Code on Corporate Governance Practices and Corporate Governance Report under Appendix 14 of the Listing Rules and the System for Communications between Wumart, Inc. and its Shareholders, the Company maintained sustainable and smooth communication with the shareholders. The Company has dedicated personnels for investor relations work and for arranging meeting between the Company's management and investors, so as to enable investors to keep abreast of its operations and development plans. Some of the directors of the Company attended the 2011 annual general meeting to answer questions raised by shareholders; thus the annual general meetings further provide channel and platform for shareholders and members of the Board for communication and exchange of views.

AGM

During the Reporting Period, the Company's 2011 annual general meeting was convened. All resolutions, considered on an individual basis and voted by way of poll, have been approved. The poll results have been posted on the websites of the Stock Exchange and the Company.

PUBLIC FLOAT AND MARKET CAPITALISATION

During the Reporting Period, the number of the Company's publicly-held shares was in compliance with the Listing Rules. As at 31 December 2012, the market capitalisation of the Company's publicly-held shares was approximately HK$8,949,954,000.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF WUMART STORES, INC.
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Wumart Stores, Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 106, which comprise the consolidated statement of financial position as at 31 December 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	NOTES	2012 RMB'000	2011 RMB'000
Revenue	5	**15,362,984**	14,562,642
Cost of sales		**(13,947,953)**	(13,243,768)
Gross profit		**1,415,031**	1,318,874
Other revenues	5	**1,971,093**	1,833,003
Investment and other income and other gains	7	**299,166**	228,148
Distribution and selling expenses		**(2,394,258)**	(2,104,200)
Administrative expenses		**(388,152)**	(322,843)
Other expenses	8	**(20,524)**	(68,236)
Impairment losses	9	**(1,567)**	(14,648)
Share of profit of associates	21	**8,277**	5,353
Share of profit of a jointly controlled entity	22	**3,651**	4,071
Finance costs	10	**(27,312)**	(15,941)
Profit before tax		**865,405**	863,581
Income tax expense	11	**(226,688)**	(245,071)
Profit and total comprehensive income for the year	12	**638,717**	618,510
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**601,706**	586,041
Non-controlling interests		**37,011**	32,469
		638,717	618,510
Earnings per share			
— basic (RMB yuan per share)	16	**0.47**	0.46

Consolidated Statement of Financial Position

At 31 December 2012

	NOTES	2012 RMB'000	2011 RMB'000
Non-current Assets			
Property, plant and equipment	17	**3,409,876**	2,756,592
Rental deposits		**249,508**	181,588
Prepaid lease payments	18	**143,386**	88,683
Goodwill	19	**844,964**	844,964
Intangible assets	20	**86,599**	94,713
Interests in associates	21	**145,241**	140,786
Interests in a jointly controlled entity	22	**99,598**	104,021
Deferred tax assets	32	**104,906**	90,026
		5,084,078	4,301,373
Current Assets			
Inventories	23	**1,111,511**	1,186,384
Loan receivables	24	**330,973**	317,240
Trade and other receivables	25	**1,036,977**	1,003,060
Amounts due from related parties	26	**169,067**	132,718
Prepaid lease payments	18	**90,026**	57,407
Held-for-trading investments	27	**32,489**	23,592
Restricted bank balances	28	**53,355**	66,331
Bank balances and cash	28	**2,158,841**	1,350,975
		4,983,239	4,137,707
Current Liabilities			
Trade and other payables	29	**5,571,517**	4,525,632
Amounts due to related parties	26	**39,474**	68,504
Tax liabilities		**206,489**	234,844
Borrowings	30	**524,500**	250,000
		6,341,980	5,078,980
Net Current Liabilities		**(1,358,741)**	(941,273)
Total Assets less Current Liabilities		**3,725,337**	3,360,100

Consolidated Statement of Financial Position

At 31 December 2012

	NOTES	2012 RMB'000	2011 RMB'000
Capital and Reserves			
Share capital	31	**1,281,274**	1,281,274
Share premium and reserves		**2,250,337**	1,905,723
Equity attributable to owners of the Company		**3,531,611**	3,186,997
Non-controlling interests		**180,279**	157,999
Total Equity		**3,711,890**	3,344,996
Non-current Liabilities			
Deferred tax liabilities	32	**13,447**	15,104
		3,725,337	3,360,100

The consolidated financial statements on pages 51 to 106 were approved and authorised for issue by the Board of Directors on 26 March 2013 and are signed on its behalf by:

DIRECTOR

DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Other reserve**	**Statutory common reserve fund (Note i)**	**Retained profits**	**Total**	**Non-controlling interests**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	320,319	1,705,973	(733,253)	297,174	1,266,998	2,857,211	138,319	2,995,530
Profit and total comprehensive income for the year	—	—	—	—	586,041	586,041	32,469	618,510
Share consolidation and capitalisation issue (note 31)	960,955	(960,955)	—	—	—	—	—	—
Contribution from non-controlling interests	—	—	—	—	—	—	12,000	12,000
Dividend paid by the Company (note 15)	—	—	—	—	(256,255)	(256,255)	—	(256,255)
Dividend paid to non-controlling interests	—	—	—	—	—	—	(24,789)	(24,789)
Profit appropriations (note i)	—	—	—	34,326	(34,326)	—	—	—
At 31 December 2011	1,281,274	745,018	(733,253)	331,500	1,562,458	3,186,997	157,999	3,344,996
Profit and total comprehensive income for the year	—	—	—	—	601,706	601,706	37,011	638,717
Dividend paid by the Company (note 15)	—	—	—	—	(257,092)	(257,092)	—	(257,092)
Dividend paid to non-controlling interests	—	—	—	—	—	—	(14,731)	(14,731)
Profit appropriations (note i)	—	—	—	30,809	(30,809)	—	—	—
At 31 December 2012	1,281,274	745,018	(733,253)	362,309	1,876,263	3,531,611	180,279	3,711,890

Note:

(i) Pursuant to the relevant People's Republic of China ("PRC") regulations and the Articles of Association of the companies within the Group, each of them is required to transfer 10% of its profit, as determined under the PRC accounting regulations, to the statutory common reserve fund until the fund aggregates to 50% of its registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders.

The statutory common reserve fund shall only be used to make good previous year's losses or to increase its capital. Upon approval by a resolution of shareholders' general meeting, the company may convert its statutory common reserve fund into share capital/registered capital and issue bonus shares to existing shareholders in proportion to their original shareholdings or to increase the nominal value of each share currently held by them, provided the balance of the reserve fund after such issue is not less than 25% of the registered capital.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**865,405**	863,581
Adjustments for:		
Finance costs	**27,312**	15,941
Interest income	**(42,941)**	(28,040)
Share of profit of associates	**(8,277)**	(5,353)
Share of profit of a jointly controlled entity	**(3,651)**	(4,071)
Depreciation for property, plant and equipment	**312,256**	320,941
Release of prepaid lease payments	**66,907**	58,419
Amortisation for intangible assets	**6,547**	6,615
Loss on disposal/write-off of property, plant and equipment	**18,200**	61,065
Impairment loss in respect of interest in an associate	**–**	12,265
Impairment loss in respect of intangible assets	**1,567**	2,383
Operating cash flows before movements in working capital	**1,243,325**	1,303,746
Decrease in inventories	**74,873**	25,083
Increase in trade and other receivables	**(31,799)**	(233,108)
(Increase) decrease in amounts due from related parties	**(36,349)**	70,745
Increase in rental deposits	**(67,920)**	(118,747)
Increase in prepaid lease payments	**(154,229)**	(80,877)
Increase in held-for-trading investments	**(8,897)**	(13,487)
Increase in trade and other payables	**964,559**	476,473
Decrease in amounts due to related parties	**(29,030)**	(4,816)
Cash generated from operations	**1,954,533**	1,425,012
Interest received on bank deposit	**11,066**	13,437
Income tax paid	**(271,580)**	(204,514)
NET CASH FROM OPERATING ACTIVITIES	**1,694,019**	1,233,935

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(907,844)**	(426,535)
Withdrawal of restricted bank balances	**66,331**	16,000
Placement of restricted bank balances	**(53,355)**	(66,331)
Proceeds from disposal of property, plant and equipment	**3,312**	2,851
Increase in investment in an associate	**—**	(4,900)
Advance of loan receivables	**—**	(309,000)
Interest received on loan receivables	**18,142**	6,363
Dividend received from associates	**3,822**	1,470
Dividend received from a jointly controlled entity	**8,074**	—
NET CASH USED IN INVESTING ACTIVITIES	**(861,518)**	(780,082)
FINANCING ACTIVITIES		
New bank loans raised	**100,000**	250,000
Short term debenture raised	**500,000**	—
Repayments of bank loans	**(350,000)**	(201,500)
Interest paid	**(2,812)**	(15,941)
Contribution by non-controlling interests upon capital increase of a subsidiary	**—**	12,000
Dividend paid to owners of the company	**(257,092)**	(256,255)
Dividend paid to non-controlling interests of subsidiaries	**(14,731)**	(24,789)
NET CASH USED IN FINANCING ACTIVITIES	**(24,635)**	(236,485)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**807,866**	217,368
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,350,975**	1,133,607
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**2,158,841**	1,350,975

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL

The Company is registered in the PRC as a joint stock company with limited liability. Its H shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("SEHK") in November 2003 and the listing was transferred from GEM to the Main Board of SEHK since 30 June 2011.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the operation of superstores and mini-marts.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

The application of the amendments to standards in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK (IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 July 2012

Except for those as stated below, the adoption of these new and revised HKFRS is not expected to have material impact on the results and the financial position of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (as revised in November 2010) add requirements for the classification and measurement of financial liabilities and for derecognition. Key requirement of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2015 and that the application of the new standard may not have any material effect in respect of the classification and measurement of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2012.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation — Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC) — Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the financial year ending 31 December 2013 and the application of these five standards will not have any material impact on the results and financial position of the Group, but it will result in more extensive disclosures.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new standard will not have any material effect in respect of the Group's assets measured at fair value based on an analysis of the consolidated financial statements of the Group as at 31 December 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Allocation of total comprehensive income to non-controlling interests
Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title is passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the Group's customer loyalty programme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value. Such consideration is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Rental income from leasing of shop premises is recognised on a straight-line basis over the relevant lease term.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment other than construction in progress as described below are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses (if any). Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

Land use right

Land use right represents the excess of the fair value over the carrying amount of the prepaid lease payments of leasehold interest in land in the PRC at the acquisition date of business combination. Such land use right is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for land use right is provided on a straight-line basis over the remaining lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Operating lease contracts
Operating lease contracts represent the fair value of rental saving amount of operating lease contracts which are held under favorable terms relative to market terms at the acquisition date of business combination. Such rental saving on operating lease contracts is carried at cost, represented by its fair value at the acquisition date of business combinations, less accumulated amortisation and any accumulated impairment losses. Amortisation for operating lease contract is provided on a straight-line basis over the remaining lease term.

Gain or loss arising from derecognition of the intangible assets is measured at the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

The employees of the Group are members of state-managed retirement benefit schemes, the obligations of the Group under which are equivalent to those arising in a defined contribution retirement benefit plan. Contributions to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)
Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including loan receivables, trade and other receivables, amounts due from related parties, restricted bank balances and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on loans and receivables below).

Impairment of loans and receivables
Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the loans and receivables have been impacted. The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss of loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Group's accounting policy for financial liabilities are set out as below.

Financial liabilities

Financial liabilities (including borrowings, trade and other payables and amounts due to related parties) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that from an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of intangible assets

The intangible assets are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable. Factors that would indicate impairment may include, but are not limited to, any significant change in economic environment, operating cash flows associated with the cash-generating unit containing the intangible assets. The recoverable amount is determined by the calculation of the value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. During the year ended 31 December 2012, an impairment loss of RMB1,567,000 (2011: RMB2,383,000) has been recognised in respect of operating lease contracts (see note 20). Any further changes to the economic environment and operating cash flows will affect the estimation of the recoverable amount of the cash-generating unit, additional impairment losses would be recognised.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amount of goodwill is RMB844,964,000 (2011: RMB844,964,000) and no impairment loss has been provided. Details of the recoverable amount calculation are disclosed in note 19.

Deferred tax assets

As at 31 December 2012, a deferred tax assets of RMB104,906,000 (2011: RMB90,026,000) in relation to temporary differences and unused tax losses have been recognised in the consolidated statement of financial position. The recognition of the deferred tax assets mainly depends on whether sufficient taxable temporary differences or future assessable profits will be available in the future. In cases where the actual future assessable profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss in the period such a reversal takes place.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Useful lives of property, plant and equipment

The Group determines the estimated useful lives of its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2012, the carrying amount of property, plant and equipment is RMB3,409,876,000 (2011: RMB2,756,592,000). Details of the useful lives of property, plant and equipment are disclosed in note 17.

Estimated impairment of loan receivables, trade receivables and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amount of loan receivables, trade receivables and other receivables is RMB 661,377,000 (31 December 2011: RMB645,425,000), net of allowance for doubtful debts of RMB18,328,000 (31 December 2011: RMB18,328,000).

5. REVENUE AND OTHER REVENUES

Revenue and other revenues recognised during the current year are as follows:

	2012	2011
	RMB'000	RMB'000
Revenue		
Sales of goods	**15,362,984**	14,562,642
Other revenues		
Rental income from leasing of shop premises	**508,259**	440,728
Income from suppliers, including store display income and promotion income	**1,462,834**	1,392,275
	1,971,093	1,833,003
Total revenue	**17,334,077**	16,395,645

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6. SEGMENT INFORMATION

The Group is principally engaged in the operations of superstores and mini-marts in the PRC and all non-current assets of the Group are located in the PRC. No revenue from a single external customer amounts to 10 percent or more of the Group's revenue. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker has been identified as the Board of Directors of the Company. The information reported to the Board of Directors of the Company for the purpose of resource allocation and assessment of performance is based on the overall operation of all superstores and mini-marts, which is the only operating segment reported internally. Accordingly, no segment analysis is presented as the Group has only one operating segment.

7. INVESTMENT AND OTHER INCOME AND OTHER GAINS

	2012 RMB'000	2011 RMB'000
Government subsidies (note)	**30,965**	41,133
Sales of scrapped materials	**19,431**	22,255
Compensation received from lessees for cancellation of lease contract	**2,170**	2,674
Delivery service income	**128,090**	79,392
Compensation received from suppliers for delaying goods delivery	**13,000**	10,444
Interest on bank deposits	**11,066**	13,437
Interest on loan receivables	**31,875**	14,603
Fair value changes of held-for-trading investments	**24,856**	699
Others	**37,713**	43,511
	299,166	228,148

Note: The Group was awarded government subsidies totalled RMB30,965,000 during the year (2011: RMB41,133,000), for the recognition of the Group's contribution to local community and fulfilling other conditions which the local government considered necessary.

8. OTHER EXPENSES

	2012 RMB'000	2011 RMB'000
Net foreign exchange loss	**2,324**	7,171
Loss on disposal/write-off of property, plant and equipment	**18,200**	61,065
	20,524	68,236

The Group closed down a few non-performing stores during the current year and disposed/write-off the related property, plant and equipment which resulted in a loss of RMB18,200,000 (2011: RMB61,065,000).

9. IMPAIRMENT LOSSES

	2012 RMB'000	2011 RMB'000
Impairment loss recognised in respect of interest in an associate (note)	**–**	12,265
Impairment loss recognised in respect of intangible assets	**1,567**	2,383
	1,567	14,648

Note: The operating result of Beijing Chao Shifa Company Limited ("Chao Shifa"), an associate of the Company, did not live up to its budget during the year ended 31 December 2011. The directors of the Company considered it was an indication that the investment in Chao Shifa had suffered an impairment loss. The carrying amount of investment in Chao Shifa before recognition of impairment losses was RMB104,430,000 and the recoverable amount is determined based on a value in use calculation. The key assumptions for the value in use calculations are those regarding the discount rate and growth rate. Chao Shifa prepared cash flow forecasts derived from the one year financial budgets and extrapolates cash flows for the following nine years based on an estimated growth rate of 5% to 8% and a discount rate of 12.41%. The growth rate used does not exceed the average long-term growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on Chao Shifa's past performance and management's expectations for the market development. Based on the value-in-use calculation, the carrying amount of the investment exceeded its recoverable amount by RMB12,265,000. An impairment loss of RMB12,265,000 was recognised in prior year.

The directors of the Company reviewed Chao Shifa's performance and concluded that no impairment indicator existed at 31 December 2012 for further impairment loss.

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10. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interests on:		
— Bank loans wholly repayable within five years	**2,812**	15,941
— Short term debenture	**24,500**	—
	27,312	15,941

11. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
The charge (credit) comprises:		
PRC income tax	**243,225**	273,987
Deferred tax (note 32)	**(16,537)**	(28,916)
	226,688	245,071

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25%.

11. INCOME TAX EXPENSE (Continued)

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2012 **RMB'000**	2011 RMB'000
Profit before tax	**865,405**	863,581
Taxation at the PRC Enterprise Income Tax rate of 25% (2011: 25%)	**216,351**	215,895
Tax effect of share of profit of associates and a jointly controlled entity	**(2,982)**	(2,356)
Tax effect of expenses not deductible for tax purpose	**2,258**	3,928
Tax effect of tax losses not recognised	**17,550**	27,734
Utilisation of tax losses previously not recognised	**(6,489)**	(130)
Income tax expense for the year	**226,688**	245,071

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12. PROFIT FOR THE YEAR

	2012 RMB'000	2011 RMB'000
Profit for the year has been arrived at after charging:		
Depreciation for property, plant and equipment	**312,256**	320,941
Release of prepaid lease payments	**66,907**	58,419
Amortisation for intangible assets (included in distribution and selling expenses)	**6,547**	6,615
Total depreciation and amortisation	**385,710**	385,975
Operating lease rentals in respect of rented premises	**737,262**	665,773
Auditor's remuneration	**4,850**	4,750
Staff costs:		
Directors' emoluments	**3,648**	3,547
Other staff costs		
— Salaries and other benefit	**843,380**	665,669
— Contributions to retirement benefits schemes	**84,856**	69,131
	931,884	738,347
Share of tax of associates and a jointly controlled entity (included in share of profit of associates and a jointly controlled entity)	**5,223**	4,469
Cost of inventories recognised as expense	**13,947,953**	13,243,768

13. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

(a) Executive directors, chief executive and independent non-executive directors

The emoluments paid or payable to each of the eight (2011: eight) directors and the chief executive were as follows:

	Wu. Jian-zhong	Xu. Ying (ii)	Meng Jin-xian	Yu Jian-bo	Han Ying	Li Lu-an	Lu Jiang	Wang Jun-yan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2012									
Fees	**–**	**–**	**–**	**–**	**78**	**78**	**78**	**78**	**312**
Other emoluments									
Salaries and other benefits	**652**	**739**	**696**	**961**	**–**	**–**	**–**	**–**	**3,048**
Contributions to retirement benefits schemes	**72**	**72**	**72**	**72**	**–**	**–**	**–**	**–**	**288**
Total emoluments	**724**	**811**	**768**	**1,033**	**78**	**78**	**78**	**78**	**3,648**
2011									
Fees	–	–	–	–	69	69	69	39	246
Other emoluments									
Salaries and other benefits	651	739	696	955	–	–	–	–	3,041
Contributions to retirement benefits schemes	66	64	66	64	–	–	–	–	260
Total emoluments	717	803	762	1,019	69	69	69	39	3,547

Notes:

(i) The amounts disclosed above included directors' fees of RMB312,000 (2011: RMB246,000) payable to independent non-executive directors. No other emoluments were paid to the independent non-executive directors during the year.

(ii) Ms. Xu Ying is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive.

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For the year ended 31 December 2012

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

(b) Supervisors

The emoluments paid or payable to each of the three (2011: three) supervisors were as follows:

	Fan. Kui-jie	Xu. Ning-chun	Zhang Zheng-yang	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2012				
Fees	**48**	**48**	**—**	**96**
Other emoluments				
Salaries and other benefits	**—**	**—**	**530**	**530**
Contributions to retirement benefits schemes	**—**	**—**	**72**	**72**
Total emoluments	**48**	**48**	**602**	**698**
2011				
Fees	42	42	—	84
Other emoluments				
Salaries and other benefits	—	—	433	433
Contributions to retirement benefits schemes	—	—	52	52
Total emoluments	42	42	485	569

14. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included four (2011: four) directors of the Company for the year (details of whose emoluments are set out in note 13 above), the emoluments of the remaining one (2011: one) highest paid individual for the year was as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other benefits	**739**	739
Retirement benefits scheme contributions	**72**	64
	811	803

The emolument was within the following bands:

	2012 No. of employees	2011 No. of employees
HK$nil to HK$1,000,000	**1**	1

15. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Dividends recognised as distribution during the year:		
2011 final paid — RMB0.20 (2011: 2010 final paid RMB0.20) per share	**257,092**	256,255

Subsequent to the end of the reporting period, the final dividend of RMB0.21 (2011: RMB0.20) per share with the total amount of RMB269,068,000 (2011: RMB257,092,000) in respect of the year ended 31 December 2012 has been proposed by the directors and is subject to approval by the shareholders in general meeting.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2012 RMB'000	2011 RMB'000
Profit for the year attributable to owners of the Company	**601,706**	586,041

	2012 '000	2011 '000
Number of shares:		
Number of shares for the purposes of basic earnings per share	**1,281,274**	1,281,274

No diluted earnings per share is presented as the Company did not have any potential ordinary shares outstanding during both years.

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17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2011	1,362,947	1,102,981	582,911	173,802	31,529	51,466	3,305,636
Additions	358,379	180,600	68,107	12,106	15,173	47,528	681,893
Transfer	—	74,161	6,135	402	2,235	(82,933)	—
Disposals/write-off	—	(105,532)	(66,556)	(12,732)	(4,419)	—	(189,239)
At 31 December 2011	1,721,326	1,252,210	590,597	173,578	44,518	16,061	3,798,290
Additions	463,368	221,495	84,389	39,539	9,373	171,006	989,170
Transfer	—	158,653	1,661	—	—	(160,314)	—
Disposals/write-off	—	(21,364)	(17,019)	(10,853)	(10,001)	—	(59,237)
At 31 December 2012	2,184,694	1,610,994	659,628	202,264	43,890	26,753	4,728,223
ACCUMULATED DEPRECIATION							
At 1 January 2011	(184,228)	(349,044)	(244,593)	(62,838)	(5,377)	—	(846,080)
Depreciation expense	(41,267)	(153,979)	(91,702)	(22,245)	(11,748)	—	(320,941)
Eliminated on disposals/ write-off of assets	—	43,771	64,574	12,657	4,321	—	125,323
At 31 December 2011	(225,495)	(459,252)	(271,721)	(72,426)	(12,804)	—	(1,041,698)
Depreciation expense	(55,541)	(147,817)	(81,239)	(22,100)	(5,559)	—	(312,256)
Eliminated on disposals/write-off of assets	—	3,677	12,304	9,759	9,867	—	35,607
At 31 December 2012	(281,036)	(603,392)	(340,656)	(84,767)	(8,496)	—	(1,318,347)
CARRYING AMOUNTS							
At 31 December 2012	1,903,658	1,007,602	318,972	117,497	35,394	26,753	3,409,876
At 31 December 2011	1,495,831	792,958	318,876	101,152	31,714	16,061	2,756,592

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease or 25–40 years
Leasehold improvements	Over the shorter of the term of the lease or 10–20 years
Furniture, fixtures and equipment	6.44%–19%
Electronic equipment	19%
Motor vehicles	9.5%–19%

The leasehold land and buildings are held under medium-term lease in the PRC.

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Leasehold land and buildings with a carrying amount of approximately RMB217,847,000 (2011: RMB224,039,000) have been pledged to secure general banking facilities granted to the Group.

At 31 December 2012, included in the leasehold land and buildings is a building acquired upon the acquisition of a subsidiary in 2008 with carrying amount of approximately RMB7,692,000 (2011: RMB7,894,000) whereby the Group is still in the progress of obtaining the Housing Ownership Certificate.

18. PREPAID LEASE PAYMENTS

	2012	2011
	RMB'000	RMB'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	**27,662**	29,706
Prepaid lease rentals	**205,750**	116,384
	233,412	146,090
Analysed for reporting purposes as:		
Current assets	**90,026**	57,407
Non-current assets	**143,386**	88,683
	233,412	146,090

Prepaid lease rentals represent the prepayment of operating lease rentals for stores situated in the PRC for unexpired lease periods between 1 to 19 years.

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19. GOODWILL

	RMB'000
COST AND CARRYING AMOUNTS	
At 1 January 2011, 31 December 2011 and 2012	844,964

The carrying amounts of goodwill allocated to cash-generating units ("CGUs") are as follow:

	2012 RMB'000	2011 RMB'000
Hangzhou Tiantian Wumart Commerce Company, Ltd. — Superstores	**350,386**	350,386
Beijing Merrymart Chain stores Development Company, Ltd. — Superstores	**260,148**	260,148
Beijing Huixin Hypermarket — Superstores	**143,560**	143,560
Zhejiang Gongxiao Supermarket Company, Ltd. — Superstores and Minimarts	**88,611**	88,611
Huzhou Laodafang Supermarket Company, Ltd. — Superstores and Minimarts	**1,256**	1,256
Beijing Wumart Bolante Convenience Stores Company, Ltd. — Minimarts	**698**	698
Beijing Wumart Convenience Stores Company, Ltd. — Minimarts	**255**	255
Beijing Mencheng Wumart Shangcheng Company, Ltd. — Superstores	**50**	50
	844,964	844,964

During the year, the directors of the Group determine that there are no impairments of any of its CGUs containing goodwill. The recoverable amounts of the CGUs are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate and growth rate. The Group prepared cash flow forecasts derived from the one year financial budgets and extrapolates cash flows for the following nine years based on an estimated growth rate of 5% to 8% and a discount rate of 12.26% (2011: 12.41%). The growth rate used does not exceed the average long-term growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of each CGUs and management's expectations for the market development. Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of each CGU.

20. INTANGIBLE ASSETS

	Land use right RMB'000	Operating lease contracts (note i) RMB'000	Total RMB'000
COST			
At 1 January 2011 and 31 December 2011 and 2012	90,727	27,790	118,517
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2011	(9,276)	(5,530)	(14,806)
Amortisation expense	(2,705)	(3,910)	(6,615)
Impairment losses recognised in profit or loss	—	(2,383)	(2,383)
At 31 December 2011	(11,981)	(11,823)	(23,804)
Amortisation expense	(2,705)	(3,842)	(6,547)
Impairment losses recognised in profit or loss	—	(1,567)	(1,567)
At 31 December 2012	(14,686)	(17,232)	(31,918)
CARRYING AMOUNTS			
At 31 December 2012	76,041	10,558	86,599
At 31 December 2011	78,746	15,967	94,713

(i) All above intangible assets were acquired on acquisition of subsidiaries.

(ii) All above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Land use right	40 years
Operating lease contracts	1–24 years

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21. INTERESTS IN ASSOCIATES

	2012 RMB'000	2011 RMB'000
Cost of investments in associates, unlisted	**108,089**	108,089
Share of post-acquisition profits, net of dividends received	**49,417**	44,962
Impairment of interest in an associate, unlisted (note i)	**(12,265)**	(12,265)
	145,241	140,786

As at 31 December 2012, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
					2012	2011	
Beijing Chao Shifa Company Limited (i) ("Chao Shifa")	Established	PRC	Beijing, PRC	Ordinary	**25.03%**	25.03%	Operation of superstores
Beijing Chongwenmen Vegetable Market Supermarket Company Limited	Established	PRC	Beijing, PRC	Ordinary	**49%**	49%	Operation of superstores and mini-marts
Beijing Meiyijia Marketing Limited	Established	PRC	Beijing, PRC	Ordinary	**25%**	25%	Operation of design,production agency and distribution of advertisements in the PRC
Beijing New Life Investment and Development Company Limited	Established	PRC	Beijing, PRC	Ordinary	**49%**	49%	Operation of investment,real estimate management

(i) Included in the cost of investment in associates at 31 December 2012 was goodwill of RMB45,260,000 (2011: RMB45,260,000). The carrying amount of the goodwill represents goodwill of RMB57,525,000 arising from acquisition of Chao Shifa, and the impairment loss RMB12,265,000 was recognised in prior year (see note 9 for details).

Notes to the Consolidated Financial Statements

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21. INTERESTS IN ASSOCIATES (Continued)

(ii) The summarised financial information in respect of the Group's associates is set out below:

	2012 RMB'000	2011 RMB'000
Total assets	**1,393,245**	1,338,937
Total liabilities	**(1,088,941)**	(1,052,912)
Net assets	**304,304**	286,025
Group's share of net assets of associates	**99,981**	95,526
Total revenue	**2,845,155**	2,668,185
Total profit for the year	**22,100**	11,363
Group's share of profit of associates for the year	**8,277**	5,353

22. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	2012 RMB'000	2011 RMB'000
Cost of unlisted investment in a jointly controlled entity	**100,000**	100,000
Share of post-acquisition gains, net of dividends received	**(402)**	4,021
	99,598	104,021

As at 31 December 2012, the Group had interests in the following jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation/ operation	Registered capital	Proportion of registered capital held by the Group		Proportion of voting power held		Principal activity
			RMB'000	**2012**	2011	**2012**	2011	
Beijing Aoshikai Wumart Company Ltd.	Established	PRC	200,000	**50%**	50%	**50%**	50%	Operation of superstores

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22. INTERESTS IN A JOINTLY CONTROLLED ENTITY (Continued)

The summarised financial information in respect of the Group's interest in the jointly controlled entity which is accounted for using the equity method is set out below:

	2012 RMB'000	2011 RMB'000
Current assets	**45,391**	54,165
Non-current assets	**92,365**	95,480
Current liabilities	**(38,158)**	(45,624)
Net assets of a jointly controlled entity attributable to the Group's interest therein	**99,598**	104,021
Income recognised in profit or loss	**161,962**	151,806
Expenses recognised in profit or loss	**158,311**	147,735
Group's share of profit of a jointly controlled entity for the year	**3,651**	4,071

23. INVENTORIES

	2012 RMB'000	2011 RMB'000
Merchandise for resale	**1,109,744**	1,184,760
Consumables	**1,767**	1,624
	1,111,511	1,186,384

24. LOAN RECEIVABLES

	2012 RMB'000	2011 RMB'000
Fixed-rate loan receivables:		
— Principal of loan receivables	**309,000**	309,000
— Interest receivable	**21,973**	8,240
	330,973	317,240

24. LOAN RECEIVABLES (Continued)

In August 2011, the Group entered into a cooperation agreement with a District Government for a land development project (the "Project"). According to the agreement, the Group lent RMB309,000,000 to a subordinate entity of the District Government (the "Entity") for 6 months to finance the development of the Project. The loan was interest bearing at 6.1% per annum. In addition, the Group is entitled to receive a certain percentage of return estimated by reference to the aggregate development costs (the "Estimated Return"). The Group will be awarded a specified percentage of the profit resulting from the sale of the land (the "Award"), if any, upon the completion of the land auction.

During the current year, the maturity of the loan was extended to February 2013 and interest bearing at 5.6% per annum from August 2012 onwards. The effective interest of the loan receivable is estimated to be 11.27% (2011:14.1%) after taking into account the effect on the Estimated Return. The impact of the Award is considered to be insignificant.

In February 2013, the loan receivables were extended for a further 6 months to August 2013.

25. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	**85,675**	143,769
Prepayments to suppliers	**253,203**	230,248
Deductible input value added tax	**374,704**	399,978
Rental deposits	**78,666**	44,649
Other receivables	**244,729**	184,416
	1,036,977	1,003,060

Trade receivables represent receivables from supply of merchandise to franchised stores and retail sales customers. The average credit period is 30 to 60 days for receivables from supply of merchandise to franchised stores. Before accepting any new franchised store, the Group will assess the potential credit quality and define credit limits by store. Credit limits attributed to franchised stores are reviewed twice in every year. All of the trade receivables are neither past due nor impaired at the end of reporting period. The Group's retail sales to customers are mainly conducted on cash basis, including payments by cash and credit cards.

The following is an aged analysis of trade receivables based on the date of goods are delivered and services are provided which approximated the respective dates on which revenue was recognised.

	2012 RMB'000	2011 RMB'000
0–30 days	**81,192**	65,688
31–60 days	**4,483**	78,081
	85,675	143,769

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26. AMOUNTS DUE FROM/TO RELATED PARTIES

	2012 RMB'000	2011 RMB'000
Amounts due from associates (note a)	**59,982**	20,198
Amounts due from a jointly controlled entity (note a)	**63,602**	33,284
Amounts due from subsidiaries of a Company's shareholder which has significant influence over the Company ("Company's Controlling Shareholder") (note a)	**45,483**	79,236
	169,067	132,718
Amount due to associates (note b)	**12,757**	26,266
Prepayments from subsidiaries of the Company's Controlling Shareholder	**26,717**	42,238
	39,474	68,504

Note:

(a) The amounts due from associates, a jointly controlled entity and subsidiaries of the Company's Controlling Shareholder are all trade in nature, unsecured and non-interest bearing. The average credit period for trade in nature balances is 30 to 60 days. The aged analysis of trade in nature balances are as follows:

	2012 RMB'000	2011 RMB'000
0–30 days	**85,022**	60,472
31–60 days	**40,759**	39,708
61–90 days	**30,947**	23,656
91–180 days	**12,339**	8,882
	169,067	132,718

Included in those trade in nature balances is an amount of RMB43,286,000 (2011: RMB32,538,000) which is past due at the end of reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over this balance.

(b) The amounts due to associates are trade in nature, unsecured and non-interest bearing. The average aging is 60 days.

27. HELD-FOR-TRADING INVESTMENTS

	2012 RMB'000	2011 RMB'000
Listed securities — Equity securities — PRC	**3,489**	4,634
Other investments	**29,000**	18,958
Total	**32,489**	23,592

Other investments are open-ended funds and financial products operated by banks and financial institutions. The financial product was non-principal protected with variable returns and can be redeemed by the Group any time at its discretion from the counterparty issuer. The fair value of the financial products were determined based on the price provided by banks and financial institutions.

28. RESTRICTED BANK BALANCES AND BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits with an original maturity of three months or less and cash held by the Group. The bank deposits carry interests at market rates which range from 0.35% to 2.8% (2011: 0.36% to 3.1%) per annum.

Bank balances and cash were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is subject to control by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Bank balances and cash that are denominated in currencies other than RMB are set out below:

	2012 RMB equivalent '000	2011 RMB equivalent '000
Hong Kong dollar ("HK dollar")	**88,109**	88,077
United States dollar ("US dollar")	**325**	325

Restricted bank balances

The restricted bank balances represent deposits pledged for bill payables. As at 31 December 2012, restricted bank balances of RMB53,355,000 (2011: RMB66,331,000) carry interest at prevailing market rates at 0.35% (2011: 0.36% to 0.50%) per annum.

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29. TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	RMB'000
Bill payables	**141,345**	155,774
Trade payables	**2,944,745**	2,803,483
Advances from customers	**1,498,455**	782,137
Deposits received from lessee	**280,043**	210,025
Rent and other accrual	**261,333**	220,797
Other payables	**445,596**	353,416
	5,571,517	4,525,632

The following is an aged analysis of bills and trade payables at the end of reporting period:

	2012	2011
	RMB'000	RMB'000
0–30 days	**2,764,498**	1,790,932
31–60 days	**257,037**	615,197
61–90 days	**21,769**	349,033
Over 90 days	**42,786**	204,095
	3,086,090	2,959,257

The average credit period on purchase of merchandises is 60 days (2011: 60 days).

30. BORROWINGS

	2012 RMB'000	2011 RMB'000
Bank loan — unsecured (note a)	—	250,000
Short term debenture — unsecured (note b)	524,500	—
	524,500	250,000

Note:

(a) The loans are repayable within one year and carry interests at fixed rates ranging from 5.81% to 7.54% per annum as at 31 December 2011.

(b) On 29 February 2012, the Company issued short term debenture of a principal amount of RMB500,000,000 through the lead underwriter, China Minsheng Banking Company Limited, with a maturity of one year. The short term debenture bears fixed interest at 5.88% per annum.

31. SHARE CAPITAL

	Number of Domestic Shares '000	Number of H Shares '000	Number of Total Shares '000	Value RMB'000
Authorised, issued and fully paid:				
At 1 January 2011 (note a)	744,706	536,568	1,281,274	320,319
Share consolidation (note b)	(558,530)	(402,425)	(960,955)	—
Capitalisation issue (note b)	558,530	402,425	960,955	960,955
At 31 December 2011 and 2012	744,706	536,568	1,281,274	1,281,274

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31. SHARE CAPITAL (Continued)

Note:

(a) Domestic Shares and H Shares are all ordinary shares in the share capital of the Company. However, H Shares may only be subscribed for by, and traded in currencies other than RMB between, legal or natural persons of Hong Kong, the Macau Special Administrative Region, Taiwan or any country other than the PRC. Domestic Shares must be subscribed for and traded only by PRC citizen in RMB. All dividends in respect of H Shares are to be paid by the Company in HK dollar whereas all dividends in respect of Domestic Shares are to be paid by the Company in RMB. The Domestic Shares and the H Shares rank pari passu with each other in all other respects and in particular, rank equally for all dividends or distributions declared, paid or made.

(b) Based on the authorisation granted to the board by the shareholders at the extraordinary general meeting, H Share class meeting and the Domestic Share class meeting, the Company implemented the share consolidation and the capitalisation issue. The share consolidation and the capitalisation issue became effective on 12 April 2011. On the effective date, every four existing shares with a nominal value of RMB0.25 each are consolidated into one consolidation share with a nominal value of RMB1.00 each, and the Company issued 960,955,587 capitalisation shares with a nominal value of RMB1.00 each to the shareholders whose name appear on the register of members of the Company on 11 April 2011, on the basis of three capitalisation shares for every one consolidation share of the same class, by way of capitalisation of capital reserve in the amount of RMB960,955,587.

All new shares issued and capitalisation shares rank pari passu with existing Domestic Shares and H Shares in all respects.

32. DEFERRED TAXATION

The following is the major deferred tax assets/liabilities recognised by the Group and movements thereon during the current and prior reporting periods:

	Impairment for deposit paid for acquisition of an associate	Effective rent	Tax losses	Pre-operating expenses	Differences in tax depreciation	Fair value adjustments on business combination	Impairment provisions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	4,582	49,852	22,322	976	(2,723)	(29,003)	—	46,006
Charged (credited) to profit or loss	—	21,011	(3,799)	(542)	6,612	2,568	3,066	28,916
At 31 December 2011	4,582	70,863	18,523	434	3,889	(26,435)	3,066	74,922
Charged (credited) to profit or loss	—	14,242	(742)	(434)	1,125	1,954	392	16,537
At 31 December 2012	4,582	85,105	17,781	—	5,014	(24,481)	3,458	91,459

32. DEFERRED TAXATION (Continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012	2011
	RMB'000	RMB'000
Deferred tax assets	**104,906**	90,026
Deferred tax liabilities	**(13,447)**	(15,104)
	91,459	74,922

At 31 December 2012, the Group had unused tax losses of RMB339,746,000 (2011: RMB298,471,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB71,124,000 (2011: RMB74,094,000) of such losses. No deferred tax asset has been recognised in respect of other tax losses of RMB268,622,000 (2011: RMB224,377,000) due to unpredictability of future profit stream, which will expire from the year of 2013 to 2017.

33. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists of net debt, which includes borrowings and equity attributable to owners of the Company, comprising issued share capital, share premium, reserves and retained profits.

The Company reviews the capital structure on a semi-annual basis. As part of this review, the Company considers the cost of capital and the risks associates with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as raising of borrowings.

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34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 RMB'000	2011 RMB'000
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**32,489**	23,592
Loans and receivables (including cash and cash equivalents)		
Loan receivables	**330,973**	317,240
Trade receivables	**85,675**	143,769
Other receivables	**244,729**	184,416
Amounts due from related parties	**169,067**	132,718
Restricted bank balances	**53,355**	66,331
Bank balances and cash	**2,158,841**	1,350,975
	3,042,640	2,195,449
Rental deposit	**26,013**	10,780
Financial liabilities		
Amortised costs		
Bill payables	**141,345**	155,774
Trade payables	**2,944,745**	2,803,483
Deposits received from lessee	**280,043**	210,025
Rent and other accrual	**261,333**	220,797
Other payables	**351,528**	236,054
Amounts due to related parties	**12,757**	26,266
Borrowings	**524,500**	250,000
	4,516,251	3,902,399

(b) Financial risk management objectives and policies

The Group's major financial instruments include held-for-trading investments, loan receivables, borrowings, bank balances and cash, restricted bank balances, trade and other receivables, trade and other payables and amounts due from/to related parties. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rate risk and foreign currency exchange rate. There has been no change to the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

Interest rate risk management

The Group's fair value interest rate risk relates primarily to loan receivables and borrowings (see notes 24 and 30 respectively for details) and the Group's cash flow interest rate risk relates primarily to floating rate bank balances (see note 28 for details).

The Group aims at keeping its borrowings at fixed-rate of interest and also aims at keeping its fixed-rate borrowings on a short-term basis so as to minimise the interest rate risk. In order to achieve this result, the borrowings made by the Group and debentures issued by the Group are all due within one year period. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

Interest rate sensitivity

No sensitivity analysis on cash flow interest rate risk is presented as management consider the sensitivity on interest rate is insignificant.

Foreign currency risk management

The Group undertakes certain financing and treasury transactions in foreign currencies, which expose the Group to foreign currency risk. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

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34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency risk management (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets of bank balances that are subject to currency risk at the reporting date are as follows:

	Assets	
	2012	2011
	RMB'000	RMB'000
Hong Kong dollar ("HK dollar")	**88,109**	88,077
United States dollar ("US dollar")	**325**	325

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuations in the HK dollar and US dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK dollar and US dollar. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to RMB at year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB weakens 5% against the relevant currency. For a 5% strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	HK dollar		US dollar	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit or loss	**3,304**	3,303	**12**	12

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and loan receivables due from a subordinate entity of a District Government, the Group does not have any other significant concentration of credit risk. Trade receivables consist of various franchised stores and retail sale customers located in Beijing, Tianjin and Zhejiang province.

Liquidity risk management

At 31 December 2012, the Group had net current liabilities amounting to RMB1,358,741,000 (2011: 941,273,000). The Group is exposed to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on cash generated from operating activities and borrowings as a significant source of liquidity. For the year ended 31 December 2012, the Group had cash generated from operating activities of approximately RMB1,694,019,000 (2011: RMB1,233,935,000). Other than the cash generated from operating activities, the Group's management is responsible to maintain continuing of funding from borrowings. In the current year, the Group had also raised funds through the issuance of RMB500,000,000 short term debenture. The management also monitors the utilisation of borrowings and ensures compliance with borrowing covenants. As at 31 December 2012, two banking facilities of RMB700,000,000 in aggregate are available, which comprised of: (a) a banking facility of RMB200,000,000 from China Bohai Bank which is available until 04 March 2013, (b) a banking facility of RMB500,000,000 from China Minsheng Banking which is available until 10 October 2015. None of the banking facilities of RMB700,000,000 has been utilised up to the date of issuance of the consolidated financial statements.

The directors believe that the Group will have sufficient funds available to meet its financial obligations in the foreseeable future based on management working capital forecast.

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34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

The following tables detail the Group's contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	on demand or Less than 1 month	1–3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Carrying amount at year end
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2012							
Non-derivative financial liabilities							
Trade and other payables		**856,171**	**2,800,534**	**322,289**	**–**	**3,978,994**	**3,978,994**
Amount due to related parties		**12,757**	**–**	**–**	**–**	**12,757**	**12,757**
Borrowings							
— fixed rate	**5.88**	**–**	**529,400**	**–**	**–**	**529,400**	**524,500**
		868,928	**3,329,934**	**322,289**	**–**	**4,521,151**	**4,516,251**
At 31 December 2011							
Non-derivative financial liabilities							
Trade and other payables		1,237,236	1,889,277	499,620	–	3,626,133	3,626,133
Amount due to related parties		26,266	–	–	–	26,266	26,266
Borrowings							
— fixed rate	6.85	1,072	101,828	156,755	–	259,655	250,000
		1,264,574	1,991,105	656,375	–	3,912,054	3,902,399

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost at the end of the reporting period approximated their corresponding fair values.

34. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial instruments (Continued)

Fair value measurements recognised in the consolidated statement of financial position
The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31/12/2012			31/12/2011		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL						
— Held-for-trading investments	**13,489**	**19,000**	**32,489**	23,592	—	23,592

There were no transfers between Level 1 and Level 2 in the current and prior years.

35. OPERATING LEASES

The Group as lessee
At the end of reporting period, the Group had commitments for future minimum lease payments under operating leases in respect of rented premises which fall due as follows:

	2012	2011
	RMB'000	RMB'000
Within one year	**777,044**	720,422
In the second to fifth year inclusive	**2,957,670**	2,777,505
Over five years	**7,084,315**	6,837,798
	10,819,029	10,335,725

Leases are negotiated for an average term of 15 years and rentals are fixed throughout the lease period.

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35. OPERATING LEASES (Continued)

The Group as lessor

Operating leases relate to the stores owned or leased by the Group being rented out with lease terms ranging from six months to one year.

At the end of reporting period, the Group had contracted with tenants in respect of leasing of retail booths for the following future minimum lease payments:

	2012	2011
	RMB'000	RMB'000
Within one year	**447,371**	365,278

36. CAPITAL COMMITMENTS

	2012	2011
	RMB'000	RMB'000
Capital expenditure		
In respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**233,199**	374,401
Capital expenditure		
In respect of property, plant and equipment authorised but not contracted for	**247,596**	258,147

37. RELATED PARTY TRANSACTIONS

(a) Apart from the amounts due from and to related companies as disclosed in note 26, during the year, the Group had the following related party transactions:

	2012 **RMB'000**	2011 RMB'000
Sales of goods to associates	**120,598**	107,976
Sales of goods to a jointly controlled entity	**233,803**	236,696
Sales of goods to subsidiaries of the Company's Controlling Shareholder	**179,087**	187,782
Purchase of goods from associates	**89,181**	97,828
Service fee income received from subsidiaries of the Company's Controlling Shareholder in respect of merchandise delivery services	**5,373**	5,633
Service fee income received from associates and a jointly controlled entity in respect of merchandise delivery services	**5,296**	5,170
Management fee income received from subsidiaries of the Company's Controlling Shareholder	**150**	237
Rental expense paid to a subsidiary of the Company's Controlling Shareholder	**17,003**	10,442

As at 31 December 2012, the Company's Controlling Shareholder provided guarantee to secure general banking facilities of RMB200,000,000 (2011: nil) granted to the Group.

(b) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

	2012 **RMB'000**	2011 RMB'000
Short-term benefits	**6,825**	6,382
Post-employment benefits	**790**	588
	7,615	6,970

The remuneration of directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

38. RETIREMENT BENEFIT SCHEMES

The PRC employees of the Group are members of state-managed retirement benefit schemes operated by the local governments. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The retirement benefit cost charged to profit or loss for the year ended 31 December 2012, amounts to RMB84,856,000 (2011: RMB69,131,000).

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39. SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the result or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place/Country of incorporation or registration/ operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest and proportion of voting power held by the Company				Principal activities
			Directly		Indirectly		
			2012 %	2011 %	2012 %	2011 %	
Beijing Wumart Bolante Convenience. Stores Company Limited	Beijing, PRC	10,000,000	80	80	–	–	Operation of mini-marts
Beijing Wumart Stores Company Limited	Beijing, PRC	10,000,000	80	80	16	16	Operation of superstores
Beijing Mencheng Wumart Shangcheng Company Limited	Beijing, PRC	1,000,000	70	70	–	–	Operation of superstore
Beijing Wumart Tongfu Commerce Company Limited	Beijing, PRC	1,000,000	55	55	–	–	Operation of superstore
Beijing Wumart Tianxiang Convenience Stores Company Limited	Beijing, PRC	1,000,000	60	60	–	–	Operation of mini-marts
Beijing Tongtang Wumart Convenience Stores Company Limited	Beijing, PRC	1,000,000	100	100	–	–	Operation of mini-marts
Beijing Wumart Jingxi Convenience Stores Company Limited	Beijing, PRC	1,000,000	75	75	–	–	Operation of mini-marts
Beijing Wumart Gulou Commerce and Trading Company Limited	Beijing, PRC	10,000,000	65	65	–	–	Operation of superstores
Beijing Wumart Convenience Stores Company Limited	Beijing, PRC	50,000,000	80	80	–	–	Operation of mini-marts
Beijing Jiahe Wumart Commerce Company Limited	Beijing, PRC	10,000,000	80	80	14.4	14.4	Operation of superstores
Tianjin Wumart WeiLai Commercial Development Company Limited	Tianjin, PRC	100,000,000	99.8	99.8	0.19	0.19	Operation of superstores
Wumart (Tianjin) Chain Stores Company Limited	Tianjin, PRC	97,639,384	–	–	100	100	Operation of superstores
Baoding Wumart Stores Company Limited	Beijing, PRC	1,000,000	80	80	19.2	19.2	Operation of superstores
Beijing Wumart Hypermarket Commercial Management Company Limited	Beijing, PRC	10,000,000	95	95	4.8	4.8	Operation of superstores
Beijing Wumart Jingbei Dashijie Commercial and Trading Company Limited	Beijing, PRC	20,000,000	95	95	4.8	4.8	Operation of superstores
Beijing Wumart Distribution Technology Company Limited	Beijing, PRC	8,000,000	80	80	20	20	Operation of superstores
Beijing Wumart Home Appliance Company Limited	Beijing, PRC	20,000,000	100	100	–	–	Operation of home appliance wholesales
Beijing Merrymart Chain stores Development Company Limited	Beijing, PRC	52,480,000	100	100	–	–	Operation of superstores
Hangzhou Tiantian Wumart Commerce Company Limited	Zhejiang, PRC	50,000,000	100	100	–	–	Operation of superstores
Zhejiang Gongxiao Supermarket Company Limited	Zhejiang, PRC	21,000,000	–	–	54.09	54.09	Operation of mini-marts
Huzhou Laodafang Supermarket Company Limited (note i)	Zhejiang, PRC	5,000,000	–	–	27.59	27.59	Operation of mini-marts
Wumart Jialian (Hangzhou) Commerce Company Limited	Zhejiang, PRC	68,269,000	–	–	100	100	Operation of superstores
Wumart Jiacheng (Hangzhou) Commerce Company Limited	Zhejiang, PRC	68,272,000	–	–	100	100	Operation of superstores
Tianjin Wumart Lianjing Commerce Company Limited (note ii)	Tianjin, PRC	1,000,000	100	–	–	–	Operation of superstores
Langfang Wumart Commerce Company Limited (note ii)	Hebei, PRC	5,000,000	100	–	–	–	Operation of superstores
Zhangjiakou Wumart Commerce Company Limited (note ii)	Hebei, PRC	10,000,000	100	–	–	–	Operation of superstores

Note (i): Zhejiang Gongxiao Supermarket Company Limited, a subsidiary of the Group hold 51% equity and voting power of Huzhou Laodafang Supermarket Company Limited.

Note (ii): Newly established during the year ended 31 December 2012.

Other than the short term debentures issued by the Company, none of the subsidiaries had issued any debt securities at the end of the year.

40. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the Company at the end of the reporting period includes:

	NOTE	**2012 RMB'000**	2011 RMB'000
Non-current Assets			
Property, plant and equipment		**514,706**	329,104
Rental deposits		**101,374**	50,981
Investments in subsidiaries		**2,295,596**	2,279,596
Investment in associates		**95,824**	95,824
Investment in a jointly controlled entity		**100,000**	100,000
Deferred tax assets		**17,405**	11,512
		3,124,905	2,867,017
Current Assets			
Inventories		**222,315**	197,312
Loan receivables		**330,973**	317,240
Trade and other receivables		**465,949**	307,841
Amounts due from related parties		**38,692**	43,094
Amounts due from subsidiaries		**2,317,630**	3,102,339
Held-for-trading investments		**353**	14,479
Restricted bank balances		**38,700**	66,006
Bank balances and cash		**959,675**	510,681
		4,374,287	4,558,992
Current Liabilities			
Trade and other payables		**2,082,980**	1,411,763
Amounts due to related parties		**334,651**	28,177
Amounts due to subsidiaries		**2,082,821**	3,188,557
Tax liabilities		**67,750**	78,727
Borrowings		**524,500**	250,000
		5,092,702	4,957,224
Net Current Liabilities		**(718,415)**	(398,232)
Total assets less Current Liabilities		**2,406,490**	2,468,785
Capital and Reserves			
Share capital	31	**1,281,274**	1,281,274
Share premium and reserves		**1,125,216**	1,187,511
Total equity		**2,406,490**	2,468,785

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

40. FINANCIAL INFORMATION OF THE COMPANY (Continued)

	Share capital RMB'000	Share premium RMB'000	Statutory common reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011	320,319	1,705,973	176,383	345,405	2,548,080
Profit and total comprehensive income for the year	—	—	—	176,960	176,960
Share consolidation and capitalisation issue	960,955	(960,955)	—	—	—
Contribution from non-controlling interests	—	—	—	—	—
Dividend paid by the Company	—	—	—	(256,255)	(256,255)
Profit appropriations	—	—	18,479	(18,479)	—
At 31 December 2011	1,281,274	745,018	194,862	247,631	2,468,785
Profit and total comprehensive income for the year	—	—	—	194,797	194,797
Dividend paid by the Company	—	—	—	(257,092)	(257,092)
Profit appropriations	—	—	23,200	(23,200)	—
At 31 December 2012	1,281,274	745,018	218,062	162,136	2,406,490

Financial Summary

	For the year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**15,362,984**	14,562,642	12,571,524	10,511,410	8,759,263
Cost of sales	**(13,947,953)**	(13,243,768)	(11,446,293)	(9,580,791)	(7,987,333)
Gross profit	**1,415,031**	1,318,874	1,125,231	930,619	771,930
Other revenues	**1,971,093**	1,833,003	1,675,357	1,270,599	990,527
Investment and other income	**299,166**	228,148	143,568	94,306	253,061
Distribution and selling expenses	**(2,394,258)**	(2,104,200)	(1,839,130)	(1,369,093)	(1,003,014)
Administrative expenses	**(388,152)**	(322,843)	(314,470)	(252,078)	(272,873)
Other expenses	**(20,524)**	(68,236)	(9,175)	—	—
Impairment losses	**(1,567)**	(14,648)	—	—	—
Share of profit of associates	**8,277**	5,353	7,061	5,072	27,731
Share of profit of a jointly controlled entity	**3,651**	4,071	3,334	610	25
Finance costs	**(27,312)**	(15,941)	(14,527)	(32,473)	(20,406)
Profit before tax	**865,405**	863,581	777,249	647,562	746,981
Income tax expense	**(226,688)**	(245,071)	(217,712)	(156,202)	(190,013)
Profit for the year	**638,717**	618,510	559,537	491,360	556,968
Attributable to:					
Owners of the Company	**601,706**	586,041	529,837	437,764	490,343
Non-controlling interests	**37,011**	32,469	29,700	53,596	66,625
	638,717	618,510	559,537	491,360	556,968
Earnings per share					
— Basic (RMB yuan per share)	**0.47**	0.46	0.42	0.36	0.40

Financial Summary

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**10,067,317**	8,439,080	7,448,710	6,411,690	6,366,034
Total liabilities	**(6,355,427)**	(5,094,084)	(4,453,180)	(4,030,910)	(3,729,204)
	3,711,890	3,344,996	2,995,530	2,380,780	2,636,830
Equity attributable to Owners of the Company	**3,531,611**	3,186,997	2,857,211	2,262,163	2,442,214
Non-controlling interests	**180,279**	157,999	138,319	118,617	194,616
	3,711,890	3,344,996	2,995,530	2,380,780	2,636,830