物美
WU MART

北京物美商業集團股份有限公司

WUMART STORES, INC.

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

(Stock Code: 01025)

Announcement on Annual Results for the Year Ended 31 December 2011

HIGHLIGHTS

- Total revenue amounted to RMB16,395,645,000, representing a growth of 15.1% over 2010;
- Consolidated gross profit amounted to RMB3,151,877,000, representing a growth of 12.5% over 2010;
- Net profit attributable to owners of the Group amounted to RMB586,041,000, representing a growth of 10.6% over 2010; After excluding the accounting treatment of the one-time disposal and the impairment losses of assets of Tianjin Lotus and Chao Shifa, the Group's net profit amounted to RMB658,688,000, representing a growth of 24.3% over 2010;
- Retail network expanded to 519 outlets;
- Comparable store sales grew by 9.8% over 2010;
- The Board recommended the payment of a final dividend for the year of RMB0.20 (before tax) per share.

CHAIRMAN'S STATEMENT

In 2011, China's economy continued to develop steadily. With GDP of RMB47.1564 billion, representing a growth of 9.2% as compared with 2010. During the year, the Group was committed to solidifying its base, making great efforts in consolidating its resources and proactively explored breakthroughs. A stable and good operating results was maintained after a year of relentless efforts. On behalf of the Board, I would like to present to the shareholders the annual results of the Wumart Stores, Inc. (the "Company" or "Wumart") and its subsidiaries (collectively the"Group" or "Wumart Group") for the year ended 31 December 2011 (the "Reporting Period").

Steady improvement on operating results. As at the end of the Reporting Period, the Group recorded total revenue of RMB16.396 billion, increasing by 15.1% over 2010. Among of which, comparable store sales grew by 9.8% over 2010, the consolidated gross profit amounted to RMB3.15 billion, representing a growth of 12.5% compared to last year. The net profit attributable to owners of the Group amounted to RMB586 million. After excluding the accounting treatment of the one-time disposal and the impairment losses of assets of Tianjin Lotus and Chao Shifa, the Group's net profit amounted to approximately RMB659 million, representing a growth of 24.3% over 2010, total assets were RMB8.44 billion.

Reinforcing the Supply Chain Management. Relying on Wumart ERP system and North China Distribution Centre, the Group began to transform from a retail sales end to an organizer and coordinator of supply chain by constantly improving various business link of the operation procedures, improving the connection of information systems and information sharing and focusing on the strategic cooperation with producers and suppliers in new products promotion, inventory management and sales and marketing planning.

Initial result for the project of all categories distribution and cross-docking. In 2011, the Group commenced "all categories distribution and 80% cross-docking" project. After half a year of implementation, the number of categories for distribution through the distribution centre was increased to 20,000 from approximately 6,000. Cross-docking has greatly increased the Group's distant merchandise distribution capabilities and efficiency of the supply chain, optimized its operation procedures of logistics and stores and lowered the operating costs of stores, effectively alleviated great pressure on distribution during the peak sales season, strongly supported the increasingly expanding size of the Group and had profound impact on the enhancement of the Group's overall efficiency.

Deepening direct purchases from production bases. For the task of "Farm-Supermarket Links", on the basis of deepening direct purchases from fruit and vegetable bases, the Group made more large-scaled direct bulk purchases from bases for other agricultural and sideline products, achieving remarkable results. In the principle of deepening direct purchases from production bases, the Group actively explored the stable and in-depth cooperation with partners of major merchandise categories in production bases and implemented delicacy management through the procurement plans, inventory plans, quality management and transport plans in respect of major categories, thus effectively increasing the procurement scale, lowering procurement costs and achieving excellent economic and social benefits. In 2011, the Group has been listed as the first undertaking unit for the project research of Fruits and Vegetables Farm-Supermarket Links Supply Chain System Integration and Application Demonstration, part of National Science & Technology Pillar Program in the Twelfth Five-year Period Plan.

Successful completion of full integration of MerryMart and beginning of the integration of Tianjin area. From the acquisition of interests in MerryMart by the Group in 2006 to it became wholly-owned by the Group in 2009, the integration was undertaken with financial and information technology and by introducing the budgeting system into MerryMart and the introduction of operating procedure, optimization of suppliers and adjustment of merchandises etc. During the Reporting Period, the Group has completed the comprehensive use of Wumart SAP system in MerryMart and the all-rounded integration of the organization and staff of the headquarters in which the operation of one management team, one set of management system and dual brands was achieved.

Following completion of the integration of MerryMart, the Group implemented the full integration of Tianjin Wumart at the end of 2011 according to our development plan of "Greater Beijing" and based on the support from the Group's information system and logistics distribution system. At this point, the Group achieved a full and unified operation management and unified merchandise procurement and distribution in all retail businesses in Beijing, Tianjin and Hebei regions. For the integration of Tianjin, the Group's capability in distant opening of new stores and distant management was enhanced; for the joint operation of Beijing and Tianjin, the sharing of merchandise and suppliers among the two major regions was achieved while lowered the operating costs of the Group and enhanced the scale of economy.

Successful transfer of listing to Main Board. The listing of the Company was transferred from GEM of the Stock Exchange of Hong Kong Limited ("Stock Exchange") to the main board of the Stock Exchange on 30 June 2011. The listing on the main board further enhanced the reputation of the Company in the international market and it was highly recognized by the internationally reputed investment organisations, also a solid step taken for the full internationalization process of the Company.

PROSPECTS

2012 will be a complex and challenging year. The retail sales enterprises are facing immense pressure, the slowdown of the increase in CPI and continuous increase in labour costs, as well as that the opening of stores are getting increasingly dense and a fierce face-to-face competition gradually spreads to medium-sized cities and the new circulation model dominated by the e-commerce imposes a huge impact on the traditional retail sector. However, 2012 will be more of a year of fostering unlimited vitality. The fast and steady development of China's economy, steady progress of urbanization process and continuous increase in purchasing power of urban dwellers will create enormous business opportunities and space for the development of retailing enterprises.

2012 will be a year of extending into the prosperous future for the Group. With persistence on the development strategy of regional focus and support of logistics system, the Group will formally establish a system of Areas with Beijing in their Embrace by filling with Beijing, speeding up with Tianjin, radiating to the peripheries and extending into Hebei, to establish its development plan of "Greater Beijing" for the Areas with Beijing in their Embrace. In addition, we will expand our retail sales network by all formats ways, to grow "Greater Beijing" stronger and bigger.

Building a supply-chain enterprise unswervingly is the most critical work of our Group in 2012. The Group will take the Beijing procurement team as the core, leverage upon the scale economy, seek logistics centre resources around Beijing based on the North-China distribution centre, plan to establish a new distribution centre and fully improve the Group's efficiency of supply chain with an aim to support the Group towards greater regional development.

Building of "Scientific Wumart". Competition in the future will be of operational technologies. Facing a number of complex operation and management technologies in various aspects of operation management, the acceleration of technological innovation and continued enhancement of the operational level are important means to enhance our core competitiveness. Building of "Scientific Wumart" is not only a key task for the Group in 2012, but also a long-term goal of the Group in the future.

Consolidate resources of all aspects, deepen "Farm-Supermarket Links" and implement a strategy of store outlets of 10,000 tons and move towards contract farming. Based on our practices of direct purchases from production bases and the Group's development needs in recent years, the Group will continue to deepen "Farm-Supermarket Links" and launch more 10,000 tons for a single product in 2012, and achieve massive throughput of seasonable merchandise and reputed products in order to control and support the annual sales.

Vigorously enhance the competitive strength of fresh products. In 2012, the Group will continue to make great efforts to forge ahead with operations of the fresh product category, and establish a system of product quality, a system of product standardization and a quality tracking system, a system of loss control and sales promotion strategy from procurement end to distribution end. We will improve our operational technologies of fresh products and enhance the competitive strength of the Group's stores.

Technology support development and talents lead the future. 2012 will be a year in which Wumart will build its first-class professional team of operation and management. With an open mind, we will accelerate the introduction of professional and technical talents and training and reserve of internal talents, providing strong guarantee of talents for the Group's growth at a faster pace into a larger scale.

2012 is a year to look forward to. As enthusiastic as before, the Board will work with our respectable staff to create more returns for shareholders. On behalf of the Board, I would like to extend my heartfelt gratitude to all the staff, partners, our friends and all the consumers who rendered Wumart support.

Dr. Wu Jian-zhong

Chairman

20 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

In 2011, China's economy developed steadily and recorded a year-on-year growth of 17.1% in total retail sales of consumer products, with the actual growth of 11.6% after excluding the price factor. However, it is a protean and challenging year for the domestic retailing enterprise, the cost of rental and labour continued to rise, the integration of domestic funded retail enterprises continued to advance and the surge of online sales was raised. Facing more and more fierce competition, the Group has persisted in its regional development strategy unswervingly, integrated resources proactively, continued to seek for enhancement in its procurement, merchandise, categories and operational technologies and keep laying a solid logistics foundation. In 2011, the Group maintained its continued and steady growth in operating results.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Revenue	*4*	**14,562,642**	12,571,524
Cost of sales		**(13,243,768)**	(11,446,293)
Gross profit		**1,318,874**	1,125,231
Other revenues	*4*	**1,833,003**	1,675,357
Investment and other income	*6*	**228,148**	143,568
Distribution and selling expenses		**(2,104,200)**	(1,839,130)
Administrative expenses		**(322,843)**	(314,470)
Other expenses	*7*	**(68,236)**	(9,175)
Impairment losses	*8*	**(14,648)**	–
Share of profit of associates		**5,353**	7,061
Share of profit of a jointly controlled entity		**4,071**	3,334
Finance costs	*9*	**(15,941)**	(14,527)
Profit before tax		**863,581**	777,249
Income tax expense	*10*	**(245,071)**	(217,712)
Profit and total comprehensive income for the year	*11*	**618,510**	559,537
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**586,041**	529,837
Non-controlling interests		**32,469**	29,700
		618,510	559,537
Earnings per share – basic (RMB yuan per share)	*12*	**0.46**	0.42

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Non-current Assets			
Property, plant and equipment		**2,756,592**	2,459,556
Deposit for acquisition of property, plant and equipment		**–**	200,000
Rental deposits		**181,588**	62,841
Prepaid lease payments		**88,683**	65,213
Goodwill		**844,964**	844,964
Intangible assets		**94,713**	103,711
Interests in associates		**140,786**	144,268
Interests in a jointly controlled entity		**104,021**	99,950
Deferred tax assets		**90,026**	65,194
		4,301,373	4,045,697
Current Assets			
Inventories		**1,186,384**	1,211,467
Loan receivables		**317,240**	–
Trade and other receivables	*14*	**1,003,060**	769,952
Amounts due from related parties		**132,718**	203,463
Prepaid lease payments		**57,407**	58,419
Held-for-trading investments		**23,592**	10,105
Restricted bank balances		**66,331**	16,000
Bank balances and cash		**1,350,975**	1,133,607
		4,137,707	3,403,013
Current Liabilities			
Trade and other payables	*15*	**4,525,632**	3,993,801
Amounts due to related parties		**68,504**	73,320
Tax liabilities		**234,844**	165,371
Bank loans		**250,000**	201,500
		5,078,980	4,433,992
Net Current Liabilities		**(941,273)**	(1,030,979)
Total assets less Current Liabilities		**3,360,100**	3,014,718

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Capital and Reserves			
Share capital		**1,281,274**	320,319
Share premium and reserves		**1,905,723**	2,536,892
Equity attributable to owners of the Company		**3,186,997**	2,857,211
Non-controlling interests		**157,999**	138,319
Total equity		**3,344,996**	2,995,530
Non-current liabilities			
Deferred tax liabilities		**15,104**	19,188
		3,360,100	3,014,718

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 ("HKSE") in November 2003 and the listing was transferred from GEM to the Main Board of HKSE 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 new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs 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 HKFRS 7	Disclosures-Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transaction Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax-Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

The directors of the Company anticipate that the application of these new standards, interpretations or amendments will have no material impact on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("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 HKSE 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.

4. REVENUE AND OTHER REVENUES

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

	2011	2010
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**14,562,642**	12,571,524
Other revenues		
Rental income from leasing of shop premises	**440,728**	365,313
Income from suppliers, including store display income and promotion income	**1,392,275**	1,310,044
	1,833,003	1,675,357
Total revenue	**16,395,645**	14,246,881

5. 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 segmental analysis is presented as the Group has only one operating segment.

6. INVESTMENT AND OTHER INCOME

	2011	2010
	RMB'000	*RMB'000*
Government subsidies *(note)*	**41,133**	11,764
Sales of scrapped materials	**22,255**	14,719
Compensation received from lessees for cancellation of lease contract	**2,674**	19,599
Delivery service income	**79,392**	43,195
Compensation received from suppliers for delaying goods delivery	**10,444**	13,010
Interest on bank deposits and loan receivables	**28,040**	11,663
Fair value changes of held-for-trading investments	**699**	1,640
Others	**43,511**	27,978
	228,148	143,568

Note: The Group was awarded government subsidies totally RMB41,133,000 during the year (2010: RMB11,764,000), for the recognition of the Group's contribution to local community and fulfilling other conditions which the local government considered necessary.

7. OTHER EXPENSES

	2011	2010
	RMB'000	*RMB'000*
Net foreign exchange losses	**7,171**	9,175
Losses on disposal of property, plant and equipment	**61,065**	–
	68,236	9,175

8. IMPAIRMENT LOSSES

	2011	2010
	RMB'000	*RMB'000*
Impairment loss recognised in respect of interest in an associate	**12,265**	–
Impairment loss recognised in respect of intangible assets	**2,383**	–
	14,648	–

9. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interests on:		
– Bank loans wholly repayable within five years	**15,941**	14,527

10. INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
The charge (credit) comprises:		
PRC income tax	**273,987**	239,539
Deferred tax		
Current year	**(28,916)**	(21,827)
	245,071	217,712

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% from 1 January 2008 onwards.

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

	2011	2010
	RMB'000	*RMB'000*
Profit before tax	**863,581**	777,249
Taxation at the PRC Enterprise Income Tax rate of 25% (2010: 25%)	**215,895**	194,312
Tax effect of share of profit of associates and a jointly controlled entity	**(2,356)**	(2,599)
Tax effect of expenses not deductible for tax purpose	**3,928**	673
Tax effect of tax losses not recognised	**27,734**	27,233
Utilisation of tax losses previously not recognised	**(130)**	(1,805)
Tax effect of additional tax deductible expense in determining taxable profit	**–**	(102)
Income tax expense for the year	**245,071**	217,712

11. PROFIT FOR THE YEAR

	2011	2010
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation for property, plant and equipment	**320,941**	256,928
Release of prepaid lease payments	**58,419**	63,933
Amortisation for intangible assets (included in distribution and selling expenses)	**6,615**	3,512
Total depreciation and amortisation	**385,975**	324,373
Operating lease rentals in respect of rented premises	**665,773**	543,284
Auditor's remuneration	**4,750**	4,750
Directors' emoluments	**3,547**	2,377
Other staff costs		
– Salaries and other benefit	**665,669**	603,266
– Contributions to retirement benefits schemes	**69,131**	63,911
Total staff costs	**738,347**	669,554
Share of tax of associates and a jointly controlled entity (included in share of profit of associates and a jointly controlled entity)	**4,469**	4,768
Loss on disposal of property, plant and equipment	**61,065**	2,262
Cost of inventory recognised as expense	**13,243,768**	11,446,293

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2011	2010
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company	**586,041**	529,837

	2011	2010
	'000	*'000*
Number of shares:		
Weighted average number of shares for the purposes of basic earnings per share	**1,281,274**	1,268,607

The weighted average number of shares for the purpose of basic earnings per share have been adjusted for the effect of the share consolidation and capitalization issue.

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

13. DIVIDENDS

	2011	2010
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2010 final paid-RMB0.20 (2010: 2009 final paid RMB0.18) per share	**256,255**	225,131

Subsequent to the end of the reporting period, the final dividend of RMB0.20 per share with the total amount of RMB 256,255,000 in respect of the year ended 31 December 2011 (2010: final dividend of RMB 0.20 per share with the total amount of RMB256,255,000 in respect of the year ended 31 December 2010) to shareholders whose names appear on the register of members on the date of the 2011 annual general meeting has been proposed by the directors and is subject to approval by the shareholders in general meeting.

14. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**143,769**	77,737
Prepayments to suppliers	**230,248**	212,158
Deductible input value added tax	**399,978**	327,805
Rental deposits	**44,649**	39,744
Other receivables	**184,416**	112,508
	1,003,060	769,952

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 at the end of reporting period:

	2011	2010
	RMB'000	*RMB'000*
0-30 days	**65,688**	33,350
31-60 days	**78,081**	44,387
	143,769	77,737

15. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Bill payables	**155,774**	16,000
Trade payables	**2,803,483**	2,485,814
Advances from customers	**782,137**	767,303
Deposits received from lessee	**210,025**	211,976
Rent accrual	**220,797**	181,364
Other payables	**353,416**	331,344
	4,525,632	3,993,801

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

	2011	2010
	RMB'000	*RMB'000*
0-30 days	**1,790,932**	1,608,620
31-60 days	**615,197**	409,861
61-90 days	**349,033**	326,245
Over 90 days	**204,095**	157,088
	2,959,257	2,501,814

The average credit period on purchase of merchandises is 60 days (2010: 60 days).

FINANCIAL REVIEW

Total Revenue

For the Reporting Period, the Group recorded a total revenue of approximately RMB16,395,645,000 which grew by approximately 15.1% compared to RMB14,246,881,000 of 2010. The growth in total revenue was attributable to:

(1) Year-on-year growth in comparable store sales. For the Reporting Period, comparable store sales growth was also attributable to the Group's effort to constantly increase customer flow and sales per customer by improvements of the shopping environment, merchandise category optimisation, providing various value-added services, and vigorous development of the group-buying customers. Amidst the increasingly fierce competitions in the retail market, the Group managed to achieve a growth of 9.8% in comparable store sales;

(2) Sales contributions from new opened stores;

(3) The rental income has increased substantially. During the Reporting Period, the substantial increase in rental income was driven by the Group's effort in store renovation, continuous introductions of quality merchants and lowering the vacancy rate.

Consolidated Gross Profit and Consolidated Gross Profit Margin

For the Reporting Period, the Group's consolidated gross profit amounted to RMB3,151,877,000, representing a growth of approximately 12.5% compared to RMB2,800,588,000 of 2010. During the Reporting Period, the Group's consolidated gross profit margin was 19.2%, which shows a flat to down performance as compared with 19.7% in 2010. The decrease in gross profit margin is caused by that the percentage of service income in total revenue has dropped from 9.2% in 2010 to 8.5%. During the Reporting Period, utilizing the opportunity of the integration of the headquarter of MerryMart, the Group has integrated the supplier resources and unified the time in receiving the service income to charge on a monthly basis instead of centralization as well as the reduction of charging items which led to the decline in service income as a percentage of total revenue in 2011.

Distribution and Selling Expenses and Administrative Expenses

For the Reporting Period, the Group recorded an aggregate distribution and selling expenses and administrative expenses of approximately RMB2,427,043,000, accounting for 14.8% of the total revenue and representing a growth of 12.7% as compared to RMB2,153,600,000 of 2010, which was 0.3 percentage point lower compared to 2010. The drop in the percentage is resulted from that:

(1) During the Reporting Period, through integration the headquarter of Merrymart by the Group, the management efficiency of each of the functional divisions at the headquarter is greatly enhanced, the number of staff at the headquarter is reduced and lowered the staff costs and relevant administrative expenses of the headquarter accordingly.

(2) During the Reporting Period, the Group achieved certain control over personnel expense of stores by adjusting the employment structure and increasing the percentage of hourly-paid workers to certain positions. Meanwhile, the Group tightened the costs control over the stores, which caused the decline of the percentage of operating cost of stores, such as promotion costs, energy costs, etc. in the total revenue.

Finance Costs

For the Reporting Period, finance costs of the Group amounted to approximately RMB15,941,000, representing an increase of 9.70% compared to RMB14,527,000 for 2010. The increase in finance costs was because of the slight increase in the Group's scale of loan during the Reporting Period.

Net Profit

During the Reporting Period, net profit attributable to owners of the Group amounted to RMB586,041,000, representing a growth of 10.6% as compared to RMB529,837,000 for the previous year; after excluding the account handling of the one-time disposal and the impairment losses of assets of Tianjin Lotus and Chao Shifa, the Group's net profit amounted to RMB658,688,000, representing a growth of 24.3% over 2010.

Liquidity and Financial Resources

Benefited from the Group's expansion in scale and steady business growth, during the Reporting Period, net cash flow generated from operating activities amounted to RMB1,233,935,000, representing a growth of 81.0% compared to RMB681,600,000 of 2010; as at the 31 December 2011, the Group's cash and bank balances amounted to 1,350,975,000, representing a growth of 19.2% as compared to RMB1,133,607,000 at the year end of 2010.

As at 31 December 2011, the Group's total equity was approximately RMB3,344,996,000 with a gearing ratio of 7.5% (31 December 2010: 6.7%). Gearing ratio is the ratio between total bank loans and total equity of the Group at the end of the Reporting Period.

As at 31 December 2011, the Group recorded current assets of approximately RMB4,137,707,000, which mainly comprised cash and bank balances of approximately RMB1,350,975,000, inventories of approximately RMB1,186,384,000 and trade and other receivables of approximately RMB1,003,060,000.

As at 31 December 2011, the Group had non-current assets of approximately RMB4,301,373,000, which mainly included property, plant and equipment of approximately RMB2,756,592,000, goodwill of approximately RMB884,964,000, interests in associates of approximately RMB140,786,000 and interests in a jointly controlled entity of approximately RMB104,021,000.

As at 31 December 2011, the Group recorded current liabilities of approximately RMB5,078,980,000, mainly comprising trade and other payables of approximately RMB4,525,632,000, short-term borrowings of RMB250,000,000 and tax liabilities of approximately RMB234,844,000.

Capital Structure

The Group's borrowings, cash and cash equivalents were mainly denominated in RMB. The audited bank loans of the Group as at 31 December 2011 were RMB250,000,000, the loans are repayable within one year and carrying interests at fixed rates ranging from 5.81% to 7.54% per annum.

Distributable Reserve

The distributable reserve of the Group as at 31 December 2011 amounted to approximately RMB1,562,458,000 (2010: RMB1,266,998,000).

Pledge of Assets

As at 31 December 2011, the Group's bank loans of RMB250,000,000 were secured by the pledge of land and buildings with a carrying amount of approximately RMB224,039,000.

Contingent Liability

As at 31 December 2011, the Group had no significant contingent liability.

Future investment plans

As at 31 December 2011, 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 or 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 RMB0.2 (before tax) per share to shareholders whose names appear on the register of members of the Company on the date of the 2011 annual general meeting ("AGM"), subject to approval by way of an ordinary resolution at the AGM.

Separate announcement in respect of the date of the AGM and the closure dates of the register of members will be made by the Company in due course.

BUSINESS REVIEW

Expansion of retail network

The Group further penetrated in the Beijing, Tianjin and Zhejiang markets under persistent implementation of the expansion strategy of regional priority. As at 31 December 2011, we had a retail network of 519 stores (31 December 2010: 492 stores) comprising 127 superstores and 392 mini-marts, which were either directly operated or operated and managed through franchise agreements and management agreements entered 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 667,095.5 square metres, excluding stores under associates and franchises.

During the Reporting Period, 10 directly-owned new superstores were opened while 4 were closed down due to demolition and relocation or expiry of lease. For mini-marts, 40 directly-owned new stores were opened while 20 were closed down due to demolition and relocation or expiry of lease. For franchised stores, 9 new stores were opened while 10 were closed down. For managed superstores, 3 new stores were opened while 3 managed mini-marts were opened. The cooperation with 4 managed mini-marts was 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 2011 were as follows:

	Number of Superstores	**Number of Mini-marts** [Note]	**Total**	**Geographical Distribution**
Directly-owned	122	275	397	Beijing, Tianjin, Hebei, Zhejiang
Franchised	–	80	80	Zhejiang
Managed	5	37	42	Tianjin, Shanghai, Jiangsu
Total	127	392	519	

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

Full integration of Wumart and MerryMart and commencement of the integration of Beijing and Tianjin

In 2006, the Company acquired 75% equity interest of Beijing MerryMart Chainstores Development Co., Ltd. ("MerryMart"). MerryMart became wholly-owned in the second half of 2009. During the Reporting Period, the Group conducted the last two tasks for the full integration of MerryMart: information system switching and the integration of organizations and staff at headquarters, thus successfully completing the full integration of Wumart and MerryMart. Although stores undergone the integration of operation standards, the integration work of the operational systems of stores has been completed basically and successfully by the end of 2011. The completion of the full integration of the Wumart and MerryMart has further explored the Group's scale economy and provided a better basis for further optimising transaction conditions with suppliers and stores as well as enhancing the efficiency of marketing; working in one office optimised organizational structure and streamlined staff which lowered the operating costs of the headquarter; the increase of the distribution proportion to MerryMart enhanced the Group's logistics operation efficiency, thus effectively reduced total costs in logistics. Successful acquisition and integration of MerryMart not only enhanced the Group's core competitiveness, but also laid a good foundation and provided a wealth of experiences for merger and acquisition as well as integration work of the Group in the future.

With the guidance of the successful experience in the full integration of Wumart and MerryMart, at the end of 2011, according to the "Greater Beijing" development plan, the Group relied on its existing logistics and distribution and the preliminary success of the project of supply chain advancing cross-docking, the Group implemented full integration of Tianjin Wumart by way of cancelling Tianjing headquarter, being subject to a unified management in Beijing headquarter, distributing merchandises to stores in Tianjin region by North China Distribution Centre and the unification and sharing of the shared merchandise and suppliers among the two major regions. The joint operation of Beijing and Tianjin has further lowered the Group's operating costs and enhance the scale of economy. Thus, the Group achieved a full and unified operation management of retail businesses in Beijing and Tianjin by one headquarter.

Implementing all categories distribution and cross-docking and building an enterprise of supply chain

The Group's logistics and distribution implemented a significant switch in mode of within warehouse to the mode of cross-docking in order to build an enterprise of supply chain and enhance efficiency of supply chain. During the Reporting Period, the Group's North China Distribution Centre and Zhejiang Linping Distribution Centre commenced the project of "all categories distribution and 80% cross-docking" project, respectively. By all categories distribution, it means stores will directly place orders with distribution centre instead of with suppliers, to realise the distribution centre distributes all categories merchandise to stores. On top of this, the distribution will be transformed from the previous mode of main distribution within warehouse and cross-docking as auxiliary to 80% cross-docking, i.e. a mode of logistics where suppliers deliver merchandise to the outbound logistics area for each store in distribution centre directly, without undergoing the processes of receiving goods, placing on shelves, stocking and picking, and the distribution centre focus on delivering goods to the store. This project requires support from the store order process management, the exchange in pallets of distribution and stores, receiving goods by stores without counting, cross-docking and direct picking process in distribution and pre-picking by suppliers and control over the entire distribution process. As at the end the year of 2011, the proportion of cross-docking in Beijing accounted for over 90% of its total business volume. In the process of implementation of cross-docking, pallet transportation and practices of without counting particulars was also implemented, the work process in every related step was further optimized, and the satisfactory rate for the goods delivered by suppliers, shipment efficiency at distribution centre, transportation efficiency and the efficiency of receiving goods at stores were increased.

The cross-docking project is the strategic measure of the Group and is still being improved, however, the significance of the implementation of the cross-docking on the Group has gradually been manifesting. Such project not only resulted in the drastic increase in the number of categories distributed, and after advancing the cross-docking, the number of merchandise categories for distribution in Beijing region was increased by approximately 300%; but also enhanced the efficiency of the supply chain and reduced inventory turnover days at distribution centre to the current level of less than two days, saved on the liquidity and enhanced logistics efficiency. Meanwhile, the cross-docking has greatly strengthened the distant distribution capacity of the Group. Hence, implementation of cross-docking project and all category distribution, building an enterprise of supply chain is a direction of development which the Group will unswervingly stick to.

Continuing to advance "Farm-Supermarket Links" while expanding and strengthening direct purchases from production bases

The Group continued to carry forward the "Farm-Supermarket Links". During the Reporting Period, the Group expanded the construction of the production bases for the "Farm-Supermarket Links", focusing on those in Hebei, Hainan, North East China, Xinjiang and Yunnan. On top of the "Farm-Supermarket Links" mainly for fruits and vegetables, the categories for purchases from production bases on our own expanded to cover other fresh products and agricultural dry products, such as fresh eggs, rice, food grains, dried goods and other produces relating to people's livelihood, where the annual sales of the two items, rice and eggs in Beijing regions have both exceeded 130 million, which boosted the annual growth of the categories for over 30%.

Thanks to the Group's successful experiences in "Farm-Supermarket Links" and positive social effects, on the "3rd China Retail Industry Fresh Products Operation Summit Forum" held in Chongqing, the cooperation project between the Group and Zhongdeli Vegetables Professional Cooperative in Linzi District, Zibo, Shandong Province was awarded the title of "Farm-Supermarket Links Demonstrative Projects" by China Chain Store & Franchise Association. During the Reporting Period, the Company has formally undertaken the project research of Fruits and Vegetables Farm-Supermarket Links Supply Chain System Integration and Application Demonstration, part of National Science & Technology Pillar Program in the Twelfth Five-year Period Plan. On the foundation of combining Wumart's information technology, logistics technology and operation skills, the skills of modern circulation industry will be constantly improved.

Leveraging on the technologies of purchase from production bases and advantages of the extensive retail network, the Group undertook social responsibilities proactively. During the Reporting Period, facing the situation that farmers had difficulty in selling their vegetables, the Group advocated to launch an emergency aid campaign with 12 retail chain operators in Beijing. The Group set up "Special Area for Vegetables From Shandong Province", "Special Area for Potatoes From Inner Mongolia" and "Special Area for Cabbages From Daxing, Beijing". A number of preferential policies were adopted, including par selling and zero day credit period, actively promoting the vegetables in such special areas and assisting farmers in addressing their difficulties in selling produces. The aid was highly recognized by the governments and farms at regions to which we have provided aid, and obtained very positive feedbacks. Meanwhile, the Group's brand awareness in a broader area was enhanced.

Improving operation of fresh fruits and vegetables

Guided by meeting the customers' needs and aiming to establish fruits and vegetables operation with Wumart's own features, the Group conducted a special work to greatly enhance the fruits and vegetables operation along the chain of sourcing-distribution-store sales during the Reporting Period. For sourcing, on the one hand, we relied on the existing production based to purchase on our own and apply bulk sourcing and selling for a single category; we proactively sourced additional opportunistic merchandise by leveraging on the local wholesale market while establishing sustainable source of supply. On the other hand, we improved the feedback mechanism for quality and specifications and display wear-and-tear control system, defined standards for specifications, items and quality standard to enhance the quality of merchandise and ensure the fruits and vegetables are fresh; for distribution, we consolidated the existing distribution sources, improved the construction of refrigerating storage chain for fruits and vegetables, stuck to distribution of fruits and vegetables at low temperature and their timely delivery and forbade the distribution of the fruits and vegetables merchandises that do not meet the specifications and quality standards; for sales at stores, we unified the image for fruits and vegetables operation area of every stores, and enhanced the display at stores. Through a series of adjustments and improvements, there were relatively better improvements on the appearance, quality and display of the prototype stores engaged in fruits and vegetables operation for the Group, and great progress was made for increase in the number of patrons, sales and gross profit.

During the Reporting Period, the Group made an attempt of alliance sales of their fruits and vegetables of the key cooperative in production bases of "Farm-Supermarket Links" in certain stores of MerryMart. During the first week that the key cooperatives from Shangdong production base entered MerryMart stores to sell, the sales of such part of fruits and vegetables increased 17% as compared with that in August, total sales in September increased 6% as compared with that in August and the mode that the cooperatives in production base of "Farm-Supermarket Links" being the alliance suppliers has also become the new point of growth for the sales of fruits and vegetables.

Bettering image through brand, using technology as device and optimizing marketing continuously

During the Reporting Period, we continued to build up Wemart's brand image with all efforts. On the basis of continued implementation of the effective marketing methods of "Fine and Inexpensive in Wumart", we launched feature columns, including "Quality Life", "Premium Merchandise" and "New Products Promotion" in a planned and systematic way to attract more customers with high average transaction amount per head. Meanwhile, we gradually improved the shopping experience of customers and shaped the image of higher quality based on the "approachable" image of the Group's stores while in order to raise the average transaction per head effectively and to meet the customers' increasing pursuit of quality.

During the Reporting Period, the Group enhanced Wumart's image using brand and supported the innovation of marketing means through technology. Great efforts were made to stabilize and expand membership, and we also paid more attention to middle and high-end customers, enhanced communication with them. The Group adjusted and optimized policies of membership through continued tracking and analysis of the shopping condition of membership and based on the data analysis. In addition, we implemented the project of membership special area at superstores, conducted exclusivity activities for membership and gave more reward to premium membership. A series of measures improved membership's recognition of the Group's membership policies. During the Reporting Period, membership sales accounted for over 40% and both the number of membership and membership sales were greatly increased as compared with the same period of last year. The effective marketing strategy for membership enhanced loyalty from members.

During the Reporting Period, the Group continued to innovate its means of marketing by using technology. We commenced to apply new promotional means, including, short message coupon, micro blog, internet and short message service platform on the basis of continued optimisation and implementation of "compound conditions promotion" which relied on information technology, such as "redemption on designated purchase amounts", "cheaper if bought in a whole box", "3 for RMB10" and "N % off for the second item", and provided the customers with "ten reasons to go shopping in Wumart", achieving the desired marketing results.

Continued upgrade and optimisation of information system and successfully realizing going-live across the Group

After five years of development, continued upgrade and going-live and implementation in stores in the regions of Beijing, Tianjin and stores of MerryMart step by step and batch by batch, during the Reporting Period, the Group roll-outed the going-live of WINBOX system in regional headquarter and stores in Hangzhou, and realised a full upgrade in modules, including category, sourcing, operations, supply chain and financial management, thus fully realizing the unification of Wumart information system platform across the Group (Beijing region, Tianjin region and Hangzhou region).

During the Reporting Period, to advance the implementation of cross-docking, the Group has further upgraded the module of supply chain logistics, completed system optimisation in the supply chain processes, including supplier coordination, ordering process and warehouse operation management and supported ways of distribution, such as storage distribution and direct distribution and ways of picking operations, like picking style and planting style; the function of "receiving and delivering" supported by the information system of the Group, to realise the completion of both receiving and delivering at the distribution center, thus effectively streamlining operation process, increasing operation efficiency and lowering operation cost, which has greatly supported the cross-docking and distribution commenced by the Group.

In line with the in-depth development of the Group's "Farm-Supermarket Links" business, during the Reporting Period, the Group successfully completed the research and development of the tracing and management system of the circulation of agricultural product on Wumart's vendor relationship management ("VRM") system platform. This system can record information, including production base, place of production, and goods delivery notes for a single type of agricultural product and the quality inspection information from planting, harvesting to circulation, and realise a traceable management that monitors every process from planting to circulation of agricultural product, thus implementing unified management of the quality for the agricultural product sourced from the production base and ensuring the quality of the agricultural product sourced from the production base. Due to the advancement of this system, it was successfully applied in a provincial project of Integrated Pilot of Modern Agricultural Product Circulation in Hainan organized by the Hainan Provincial Department of Finance and Department of Commerce and undertaken by Wumart Group.

During the Reporting Period, the Group completed the optimisation of AMS (Asset Management System), and realised the automatic production of finance certificate with respect to the Group's allocation of assets, assets physical count, centralized procurement, payment to suppliers in installments, bill write off, disposal, which effectively enhanced work efficiency and rate of accuracy, greatly reduced the work load of assets and accounting staff and effectively lowered the risks arising from the manual operation. The application of AMS made the Group's asset management further technology-based, and laid a solid technological foundation for building a headquarter that will support larger scale of chain system.

During the Reporting Period, the Group developed Human Resource Management (HRM) system, which is integrated into ERP (Enterprise Resource Planning) system, OA (Office Automation) platform, Attendance System and ELN (E-Learning) training system. Its main functions include organizational management, personnel information management, recruitment management, manpower contract management, training management, attendance management, performance management, welfare management and salary management, etc, and the application of the HRM system realised a full process, systematic and standardized management of human resources. During the Reporting Period, the Group completed function inspection of phase I of HRM system, realized an attendance check function based on the application of ID card, and the real-time attendance data-based dynamic management of the staff, including the construction of human resources sharing service centre, payroll, online human resources reporting data, management of salespersons, staff information and warning management, reports display and implementation in phases, etc. It is expected that going-live of phase I of HRM will be completed in Beijing at the beginning of 2012.

Establishing three-level food safety inspection system and guaranteeing food quality and safety

Food safety has been the Group's priority task. In order to guarantee food safety, the Group established an organizational system, the operating procedures and strict checking system to build the enterprise's quality management system. During the Reporting Period, the Group has successively set up food inspection room and had inspection staff at some stores in Beijing regions to perform strict sample inspection of food at the stores every day, and remove problem food from the shelf, exit the market and destroy them, to ensure the quality of merchandise for sale and food safety. During the Reporting Period, the Group set up a food safety inspection institute – Wumart Group Inspection Centre firstly among retail chain operators in Beijing. Inauguration of the inspection center in the Group's North China Distribution Centre marks the establishment of three-level food safety inspection system from "Farm-Supermarket Links" base, logistics distribution centre to stores. Three-level inspection includes "inspection at the place of origin" – the inspection of a number of indicators, including residual pesticide, will be conducted over fruits and vegetables in production bases, "inspection at distribution centre" – inspection will be conducted over fruits and vegetables products and meats to be delivered and "inspection at stores" – sample inspection of meats and fruits and vegetables will be conducted at stores with inspection room. The establishment of three-level inspection system ensured the fruits and vegetables and other agricultural by-products sold by the Group are in compliance with the national standards and related regulations of food safety and guarantee that all merchandise with problems of food quality are removed from the shelf within two hours. The food safety work of the Group obtained wide recognition and enthusiastic positive evaluation and trust from consumers, and the Group's Jingbei Shopping Mall was highly praised by Beijing Industrial and Commerce Bureau for its established merchandise inspection operations and obtained inspection equipment of more than RMB3.00 million as a reward.

Optimising appraisal, expanding training channels and accelerating talents cultivation

Facing the rapid increase in manpower costs and the need of talents due to the fast growth in its scale, the Group conducted a series of work with an aim to control manpower costs, stabilize the management team and satisfy the junior staff at stores in 2011.

During the Reporting Period, the Group has adopted proactive measures in lifting the labor productivity. Internally, staff training was intensified and the appraisal system was optimized so that the efficiency of labour was further enhanced. Meanwhile, relying on the support of Group's advanced information system and the strong supply chain system, the operation procedure was optimized constantly, the employment structure was optimized continuously, the percentage of part-time staff (like hourly paid staff) in the total number of staff was increased, the workload of staff was reduced. Also, the pressure of the rise in labour cost was alleviated to a certain extent, it does not only become an effective way in lowering the Group's personnel cost but also provided more job opportunities for the public.

In order to guarantee the Group's need of human resources arising from its fast development, the Group stepped up the training during the Reporting Period. Apart from the completion of the training programme, including 176 training sessions with a total of 5,132 participants, made at the beginning of the Period, the Group continued to carry forward on-line training in order to speed up the training speed and expand the training coverage. Following the going-live of E-Learning distant-learning platform in Beijing region in 2010, during the Reporting Period, the Group completed the going-live work in Zhejiang and Tianjin region, continued to improve distant system and enrich the content of training courses. For the online training courses, apart from corporate profile, rules and regulations of the Company, store operational training, basic services standards at stores, a total of 17 ELN electronic courses and 239 standardized documents were developed in 2011, including job training for a number of positions, such as service counter, warehousing, cashier, tallying, aqua, fruits and vegetables and cooked food. Such online training builds a platform where the staff can learn and innovate, speeded up the store operational training and expanded training coverage and became an important way to the Group's human resources training.

In the second half of 2011, a hypermarket in Beijing and Hangzhou was established as "Training Demonstrative Store", respectively, thus commencing the store operational training. Apart from normal operations, the Demonstrative Store not only undertakes the training for the new stores of the Group, but also serves as the base for Hundred-people scheme training, a platform for the implementation of standardized project, so as to advance the combination of theory and practical training and make the implementation of training more effectively.

PROSPECTS AND MEASURES

In 2012, the world economy will be even more complicated, China still has enormous space for economic growth as compared with developed countries. The urbanization process under the "Twelfth Five-year Plan" and under the 2012 policy guidance by Ministry of Commerce of China in improving the circulation system in urban and rural areas, carrying forward the development of modern circulation modes and improving consumption environment to promote consumption, which will further bring space of development for retail operators. In the meantime, we also see the competition in the retail chain industry in China is increasingly fierce, the concentration in the industry will continue, the struggle between the business models of B2C and large scale Mall and traditional retail industry has surfaced. On the backdrop of the changing, complex and severe situation, we must understand the current status, predict and anticipate major trends and go all out to cope with the challenges.

In 2012, leveraging upon the Group's all business formats and market scale advantages, we will focus on Beijing, attach importance to Tianjin, develop areas surrounding Beijing, and strengthen mergers and acquisitions to carry forward the expansion of retail network in a comprehensive way.

We will establish logistics system for the future. We will accelerate the construction of logistics centre for regions surrounding Beijing and Tianjin, plan East China Distribution Centre to build a logistics network for the Group to expand regional operations and support our future development.

We will grasp the operation foundation, implement the inventory management precisely, continue to advance the all category distribution and cross-docking operation, improve the efficiency of the supply chain and enhance the management level.

Leveraging upon the Group's information system, we will speed up the construction of our sharing centre and advance the online services businesses with Wumart's features and enhance the Group's competitiveness by using technology.

The most important management for the Group in 2012 is to make all staff attach great importance to the work for all-rounded food quality and safety and implement the work with determination. Through the measures of organizational restructuring, upgrading the testing technology, improving management systems and strict enforcement of testing and inspection so as to raise all staffs' awareness of food safety and standardize the working method, putting the food safety for the customers on the paramount consideration in order to ensure that the Group's work of food safety continue to meet customers' increasing consumer demand for food safety.

In 2012, the Group will accelerate the introduction of technical talents and internal training, improve the establishment of the training system and to build a team of talents who have expertise in management and technology and with enthusiasm in learning.

In 2012, we will face a more keen competition and the challenge to surpass ourselves, we are going to begin our step in the journey of a thousand miles and we will continue to deliver outstanding results for shareholders.

OTHER INFORMATION

Transfer of Listing from GEM to Main Board

As approved by the China Securities Regulatory Commission and the Stock Exchange, the listing of 536,568,000 H shares in issue of the Company were transferred from GEM to the main board of the Stock Exchange since 30 June 2011. The new stock code is 01025.

Share Consolidation and the Capitalisation Issue

Based on the approval of the general meeting of the Company and the authorisation granted to the Board, the share consolidation and the capitalisation issue were implemented on 12 April 2011. (For details, please refer to the announcement of the Company named Implementation of Share Consolidation and Capitalisation Issue dated 22 March 2011.) Since the completion of the share consolidation and the capitalisation issue, the par value of the shares of the Company has been changed from RMB0.25 per share to RMB1.00 per share, and the registered share capital of the Company increased from RMB320,318,529 to RMB1,281,274,116 with the total number of shares in issue remaining unchanged at 1,281,274,116 shares, comprising 536,568,000 H shares and 744,706,116 domestic shares, representing 41.88% and 58.12%, respectively, of the total issued share capital of the Company.

As at 31 December 2011, the class of shares and the number of shares are as follows:

Name of shareholders	Class of shares	Number of shares (shares)	Approximate percentage of total share capital (%)
Wumei Holdings	Domestic shares	497,932,928	38.86
	H shares	1,375,000	0.11
Beijing Hekang Youlian Technology Co., Ltd. (北京和康友聯技術有限公司)	Domestic shares	24,982,300	1.95
Beijing Junhe Investment Co., Ltd. (北京君合投資有限公司)	Domestic shares	23,269,228	1.82
Beijing Wangshang Shijie E-business Co., Ltd.	Domestic shares	160,457,744	12.52
Legend Holdings Limited	Domestic shares	7,306,752	0.57
Hony Capital RMB I, L.P.	Domestic shares	23,619,364	1.84
Beijing Shuangchen Express Co., Ltd. (北京雙臣快運有限公司)	Domestic shares	7,137,800	0.56
Wealth Retail Holding	H shares	25,000,000	1.95
Fit Sports Limited	H shares	5,000,000	0.39
Other public	H shares	505,193,000	39.43
Total share capital		1,281,274,116	100

Code on Corporate Governance Practices

The Company has been in compliance with all the code provisions set out in Code on Corporate Governance Practices contained in the GEM Listing Rules and the Listing Rules in due course respectively, and adopted the recommended best practices where applicable.

Audit Committee

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

At the meeting held by the audit committee on 20 March 2012, the Group's audited consolidated financial report and operating results and major accounting policies etc. for the year ended 31 December 2011 were reviewed and discussed.

Nomination Committee and Remuneration Committee

The Company has established Nomination Committee and Remuneration Committee.

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.

Competing Interests

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

The Group expands its supermarket chain business mainly in Beijing, Zhejiang and Tianjin. Except the Tianjin region, there is no direct competition between the Group and Wumei Holdings due to the difference in regions. The Company entered into the non-competition agreement and the trademark licensing agreement with Wumei Holdings on 29 October 2003 in order to avoid potential competition with Wumei Holdings. On 5 May 2011, the Company entered into Entrusted Operation and Management Agreements (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 Agreements (2011) in order to avoid potential 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.

Material Adverse Change

The Directors confirms that there was no material adverse change in the Group's financial or operational position as at 31 December 2011.

Auditor

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

Publication of Audited Financial Results and 2011 Annual Report

The annual results announcement of 2011 are published on the website of the Stock Exchange at http://www.hkex.com.hk and on the website of the Company at http://www.wumart.com. The Annual Report of the Company for the year ended 2011 will be dispatched to the Shareholders and will also be available for viewing at each of the websites of the Stock Exchange and the Company in due course.

By order of the Board
Dr. Wu Jian-zhong
Chairman

Beijing, the PRC

20 March 2012

As at the date of this announcement, the Board comprises Dr. Wu Jian-zhong, Madam Xu Ying, Dr. Meng Jin-xian and Dr. Yu Jian-bo as executive Directors, Mr. Wang Jian-ping, Madam Ma Xue-zheng and Mr. John Huan Zhao as non-executive Directors, and Mr. Han Ying, Mr. Li Lu-an, Mr. Lu Jiang and Mr. Wang Jun-yan as independent non-executive Directors.