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: 8277)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of Wumart Stores, Inc. (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") for the purpose of giving information with regard to Wumart Stores, Inc. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and that the contents are not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Total revenue amounted to approximately RMB11,782,009,000, representing a growth of 20.8% over 2008;
- Consolidated gross profit amounted to approximately RMB2,201,218,000, representing a growth of 24.9% over 2008;
- Net profit amounted to approximately RMB437,764,000, representing a growth of 21.2% from RMB361,339,000 for 2008 before a net gain on disposal of an associate through a share swap amounting to RMB129,004,000;
- Net profit margin was approximately 3.7%, sustained the net profit margin of 3.7% for 2008 before a net gain on disposal of an associate through a share swap amounting to RMB129,004,000;
- Basic earnings per share was approximately RMB0.36, representing a growth of approximately 20.0%, compared to approximately RMB0.30 for 2008 before a net gain on disposal of an associate through a share swap amounting to RMB129,004,000;
- Retail network expanded to 469 outlets;
- Comparable store sales increased by 6.9% over 2008; and
- Proposed final dividend of RMB0.18 (before tax) per share.

CHAIRMAN'S STATEMENT

I am pleased to present the report on the audited results of Wumart Stores, Inc. (the "Company" or "Wumart") and its subsidiaries (collectively the "Group" or "Wumart Group") for the year ended 31 December 2009 (the "Reporting Period").

In 2009, faced with the global financial crisis, the Group persevered with its principle of "Overcome Challenges, Sustain Growth" and pushed ahead with sweeping changes in the way we think and work to drive better results. Pragmatic, results driven and always eager to learn, we continued to live up to the values and corporate culture of Wumart, through learning from the best management practices and ideas the industry has to offer. Bringing Wumart's advanced IT, logistics technology and operation technology to full play, and by deploying them flexibly, we were able to achieve solid results throughout the operation, which has in turn strengthened our core competencies. The Group has made good progress in a number of areas after a year of hard work. In Beijing, it was able to maintain its leadership position, while in Tianjin and Zhejiang, the Group grew so rapidly that it is now a major retailer in those regions. It was a year full of challenging tasks, but the Group did not let slip and went on to deliver a set of satisfactory financial figures for its shareholders and supporters.

Record-high total revenue and net profit. Total revenue for 2009 amounted to approximately RMB11,782,009,000, representing a growth of 20.8% over 2008. Net profit amounted to approximately RMB437,764,000, representing a growth of 21.2% over the net profit of 2008 before a net gain on disposal of an associate through a share swap. Comparable store sales increased by 6.9% over 2008. Our retail network expanded to 469 outlets. In recognition of our outstanding results and efforts in the ongoing development of operational technologies, Wumart received a number of major awards, such as the "Emerging Market Retailer of the Year" at the Third World Retail Congress, and the "Top 100 PRC Chainstores — Retail Innovation Award 2009".

Further market penetration. We made strong efforts to leverage untapped potentials of the Beijing market and explore the Tianjin and Zhejiang markets. During 2009, the Group expanded its retail network through organic growth opening 9 superstores and 7 minimarts in Beijing, 5 superstores in Tianjin, and 3 superstores and 44 minimarts in Zhejiang. While pursuing organic growth, we were also actively identifying opportunities for acquisition to enlarge our market share. We completed the acquisition of the remaining 25% minority interests in Beijing MerryMart Chainstores Development Co., Ltd. ("MerryMart") in Beijing, 51% interests in Huzhou Laodafang Supermarket Company Limited (湖州老大房超市有限公司) ("Huzhou Laodafang") in Zhejiang which owned 2 superstores and 33 minimarts, and four supermarkets of Tianjin Lotus Supermarket Chain Store Co., Ltd. (天津易初蓮花連鎖超市有限公司) ("Lotus") in Tianjin. Thanks to in-depth market penetration efforts, we have become the leading retail operator in Beijing, Tianjin and Zhejiang with swift growth in market shares.

Significant enhancement in the Wumart brand image with wider market recognition. The brand image of Wumart has been constantly enhanced through external as well as internal efforts: the outward appearance of the shops is improved through systematic adjustment and renovation works to project a modern, trendy and fresh image of the store to the consumers, while internal enhancements are facilitated by the provision of quality services and optimised merchandise mix and display. Following the acquisition of Zhejiang Gongxiao Supermarket and Huzhou Laodafang, Wumart's brand image is set to gain exposure and recognition among consumers.

Initial deliverables from business format optimisation and category optimisation. A number of minimarts have been converted into new Everyday Shops as we defined the Everyday Shops business format to investigate the potential profitability of opening Wumart Everyday Shops, as part of our ongoing efforts in business format optimisation. Significant growth in single-store daily sales and daily number of patrons has been reported as a result. Substantial improvements in the merchandise mix as well as the quality of suppliers were also promoted as the Group continued its efforts on category optimisation, building a solid foundation for the further elevation of its merchandise management standards.

Improved efficiency through in-depth WINBOX application and optimisation. The launch of our proprietary R2POS system has facilitated the implementation of the multiple-combination promotion model with a number of new promotion records. The application of EFT promotion has shortened the lead-time for card payment and saved millions of Yuan last year in card payment costs. Gross profit reimbursement for the Group was enhanced following the optimisation of relevant system functions during the Reporting Period, resulting in considerable increase in gross profit. The asset management module which went live in March 2009 facilitated fundamental changes in four aspects: system-run instead of manual asset management, dynamic instead of passive management, preemptive risk control instead of aftermath tracking and asset preservation instead of potential losses, resulting in significantly enhanced efficiency.

Initial success for the conversion of our logistics department into a stand-alone business with the launching of our North China Logistics Centre. Since the beginning of the Reporting Period, the Group has started to transform its corporate logistics department into a logistics enterprise and turn it into a profit centre instead of a cost centre. The transformation got a good result in 2009. The Group's Baiziuan Distribution Centre posted profit for 5 consecutive months. Towards the end of 2009, the new North China Logistics Centre with an area of close to 70,000 square metres commenced operations as the single largest distribution centre in North China. "Highly informatised, sufficiently mechanised and reasonably automated" on the back of top-rate equipment and software, the North China Logistics Centre is set to significantly enhance the Group's logistics management standards and core competencies.

Teaming up with international investors to accelerate business development. With a pro-active and open-minded approach towards development, the Group entered into the "Wumart Stores, Inc. Domestic Shares Subscription Agreement" with Legend Holdings Limited ("Legend Holdings") and Hony Capital RMB I, L.P. ("Hony Capital"), as well as the "Wumart Stores, Inc. H Shares Subscription Agreement" with TPG Asia V, L.P. ("TPG") and Fit Sports Limited during the Reporting Period, pursuant to which 23,619,364 and 7,306,752 domestic shares were issued to Hony Capital and Legend, respectively, during the Reporting Period. The expertise of Legend Holdings and TPG in corporate governance, management and operations and their experience in the global retail industry are set to contribute significantly to the future development and success of the Group.

PROSPECTS

Having delivered a strong performance despite the difficult environment in 2009, Wumart is ready to meet any further challenges and opportunities ahead in 2010. We are conscious of the fact that there are already global retail giants competing head-on with us in our home market. As far as Wumart is concerned, the battles ahead will be won or lost on management and technologies, core competitive edge and supply chain. We are confident that Wumart, with its decade-long dominance in regional markets, its advanced logistics technologies and supply chain system, the determination of its people and ability to progress and to outperform, has an edge over its competitors that would drive its development and operational capabilities, especially given the economic stimulus launched by the government to promote growth, expand domestic consumption, realign structures and improve the livelihood of its people and improving market sentiments.

In 2010, we will continue to persist in the implementation of our regional development strategy and achieve deeper regional penetration. Stronger development efforts will be committed to Beijing, Tianjin and Zhejiang, seeking to pursue leadership in these regions through increased market share and stronger profitability through organic growth as well as sales increment of superstores.

2010 will be a year of technological enhancement as Wumart seeks to give more depth to its operations. We will dedicate every effort to upgrading our technologies in the areas of IT, logistics and operation. Complex and portable technologies and functions will be centralised at the headquarters, so that less technical difficulties will be encountered by shop operations. Efforts will be made to significantly improve on-site management skills and standards so that defined processes will be established for each business. Our logistics technology will be further enhanced to advance the efficiency of Wumart's supply chain. Operational process will be modified and improved to help create a full-process supply-chain enterprise. We will also be looking at significantly improving management skills to enhance business operation, including management skills for fresh-food operations. We believe that a robust and effective management and operation structure is essential to the future development of Wumart, as well as to the further strengthening of its competitive edge.

In 2010, the Group will continue to increase its efforts to train up teams with specialised skills, whose members are capable, versatile and committed. The ultimate aim of staff training is to develop human resources so that that they become valuable assets to the Group. As Wumart continues to grow and thrive, it will attract more and more talent to join its workforce. The Company is well-placed to provide promising and rewarding career opportunities to all those who are committed to growing together with Wumart.

With 2010 promising a mixed fortune of challenges and hopes, I remain deeply convinced that:

2010 is going to be yet another year of challenges and opportunities. I am confident that Wumart can and will make further progress as long as we are ready to learn and try out new things, undeterred in the face of disruptions and adversities. With the standardisation and industrialisation of our operations, as well as the enhancements in career opportunities and remuneration for our staff, we are well-equipped to meet any challenges ahead, and accomplish our goal of becoming the best player in the retail industry.

Last but not least, I would like to extend my sincere gratitude to all members of the Board, the management team and the staff for their hard work and dedication throughout the past year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	2009 RMB'000	2008 RMB'000
Revenue from sales of goods	3	**10,511,410**	8,759,263
Cost of sales		**(9,580,791)**	(7,987,333)
Gross profit		**930,619**	771,930
Other revenues	3	**1,270,599**	990,527
Investment and other income	5	**94,306**	253,061
Distribution and selling expenses		**(1,369,093)**	(1,003,014)
Administrative expenses		**(252,078)**	(272,873)
Share of profit of associates		**5,072**	27,731
Share of profit of a jointly controlled entity		**610**	25
Finance costs	6	**(32,473)**	(20,406)
Profit before tax		**647,562**	746,981
Income tax expense	7	**(156,202)**	(190,013)
Profit and total comprehensive income for the year	8	**491,360**	556,968
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**437,764**	490,343
Minority interests		**53,596**	66,625
		491,360	556,968
Earnings per share			
— basic (RMB yuan per share)	9	**0.36**	0.40

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	**2009** ***RMB'000***	2008 *RMB'000*
Non-current Assets			
Property, plant and equipment		**2,237,538**	2,093,622
Prepaid lease payments		**76,543**	73,652
Goodwill		**844,964**	843,708
Intangible assets		**94,909**	100,430
Interests in associates		**139,553**	140,852
Interests in a jointly controlled entity		**98,209**	47,599
Deferred tax assets		**43,655**	19,165
		3,535,371	3,319,028
Current Assets			
Inventories		**838,803**	733,210
Loan receivables		**120,000**	90,000
Trade and other receivables	11	**586,486**	560,479
Amounts due from related parties		**95,522**	276,058
Prepaid lease payments		**63,933**	38,910
Bank balances and cash		**1,171,575**	1,348,349
		2,876,319	3,047,006
Current Liabilities			
Trade and other payables	12	**3,355,280**	2,929,710
Amounts due to related parties		**67,901**	27,108
Tax liabilities		**134,738**	110,134
Bank loans		**456,086**	622,910
Obligations under finance leases		**508**	5,110
		4,014,513	3,694,972
Net Current Liabilities		**(1,138,194)**	(647,966)
Total assets less Current Liabilities		**2,397,177**	2,671,062

	2009	2008
	RMB'000	*RMB'000*
Capital and Reserves		
Share capital	**312,819**	305,087
Share premium and reserves	**1,949,344**	2,137,127
Equity attributable to owners of the Company	**2,262,163**	2,442,214
Minority interests	**118,617**	194,616
Total equity	**2,380,780**	2,636,830
Non-current liabilities		
Deferred tax liabilities	**16,397**	12,704
Obligations under finance leases	**—**	462
Other payables	**—**	21,066
	16,397	34,232
	2,397,177	2,671,062

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to owners of the Company							
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Other reserve** *RMB'000*	**Statutory common reserve fund** *(Note ii)* *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Minority interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2008	305,087	1,132,062	—	139,488	533,568	2,110,205	120,354	2,230,559
Profit and total comprehensive income for the year	—	—	—	—	490,343	490,343	66,625	556,968
Dividend paid by the Company	—	—	—	—	(158,645)	(158,645)	—	(158,645)
Dividend paid to minority shareholders	—	—	—	—	—	—	(34,413)	(34,413)
Acquisition of additional interests in subsidiaries	—	—	311	—	—	311	(10,111)	(9,800)
Increase in minority interests as a result of acquisition of a subsidiary	—	—	—	—	—	—	52,161	52,161
Profit appropriations *(note ii)*	—	—	—	55,321	(55,321)	—	—	—
At 31 December 2008	305,087	1,132,062	311	194,809	809,945	2,442,214	194,616	2,636,830
Profit and total comprehensive income for the year	—	—	—	—	437,764	437,764	53,596	491,360
Shares issued	7,732	291,069	—	—	—	298,801	—	298,801
Dividend paid by the Company					(183,052)	(183,052)	—	(183,052)
Dividend paid to minority shareholders	—	—	—	—	—	—	(74,420)	(74,420)
Increase in minority interests as a result of acquisition of a subsidiary	—	—	—	—	—	—	9,819	9,819
Acquisition of additional interests in a subsidiary *(note i)*	—	—	(733,564)	—	—	(733,564)	(64,994)	(798,558)
Profit appropriations *(note ii)*	—	—	—	44,664	(44,664)	—	—	—
At 31 December 2009	312,819	1,423,131	(733,253)	239,473	1,019,993	2,262,163	118,617	2,380,780

Note:

i) In 2009, the Group acquired additional 25% equity interest in Beijing Merrymart Chain Stores Development Company Limited, a subsidiary of the Company for cash consideration of RMB798,558,000. The difference between the carrying amount of the additional net assets acquired and the fair value of the consideration paid was recognised directly in equity and attributed to owners of the Company.

ii) 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, each of them 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.

1. GENERAL

The Company is registered in the PRC as a joint stock company with limited liability and its H shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "SEHK"). 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 all new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (HKICPA)) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised in 2007) Presentation of Financial Statements

HKAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKAS 23 (Revised 2007) Borrowing costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. This change in accounting policy does not have any significant effect on the consolidated financial statements of the Group and hence has not resulted in restatement of amounts reported in respect of prior accounting periods.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendments)	Classification of Rights Issues[4]
HKAS 39 (Amendments)	Eligible Hedged Items[1]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[7]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010.

3. REVENUE AND OTHER REVENUES

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

	2009	2008
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**10,511,410**	8,759,263
Other revenues		
Rental income from leasing of shop premises	**329,833**	280,616
Income from suppliers, including store display income and promotion income	**940,766**	709,911
	1,270,599	990,527
Total revenue	**11,782,009**	9,749,790

4. 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.

5. INVESTMENT AND OTHER INCOME

	2009	2008
	RMB'000	*RMB'000*
Government subsidies *(note)*	**19,116**	7,043
Sales of scrapped materials	**18,118**	15,462
Compensation received from lessors for cancellation of lease contract	**11,500**	—
Delivery service income	**10,123**	13,782
Compensation received from suppliers for delaying goods delivery	**9,169**	5,080
Interest income	**4,870**	10,492
Gain on disposal of an associate	**—**	182,233
Fair value changes of held-for-trading investments	**4,351**	8,589
Others	**17,059**	10,380
	94,306	253,061

Note: The Group was awarded government subsidies totally RMB19,116,000 (2008: RMB7,043,000) during the year, for the recognition of the Group's contribution to local community and fulfilling other conditions which the local government considered necessary.

6. FINANCE COSTS

	2009	2008
	RMB'000	*RMB'000*
Interests on:		
— Bank loans wholly repayable within five years	**32,149**	19,672
— Finance leases	**324**	734
	32,473	20,406

7. INCOME TAX EXPENSE

	2009	2008
	RMB'000	*RMB'000*
The charge (credit) comprises:		
PRC income tax	**181,682**	192,413
Deferred tax		
Current year	**(25,480)**	(2,400)
	156,202	190,013

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:

	2009	2008
	RMB'000	*RMB'000*
Profit before tax	**647,562**	746,981
Taxation at the PRC income tax rate of 25%	**161,891**	186,745
Tax effect of utilisation of deductible temporary difference not previously recognised	**(3,655)**	—
Tax effect of utilisation of tax losses not previously recognised	**(2,257)**	(2,180)
Tax effect of share of profit of associates and a jointly controlled entity	**(1,420)**	(6,939)
Tax effect of unrecognised tax losses	**1,116**	2,047
Tax effect of expenses that are not deductible in determining taxable profit	**765**	2,907
Tax effect of additional tax deductible expense in determining taxable profit	**(238)**	(238)
Tax effect related to disposal of an associate	**—**	7,671
Tax charge for the year	**156,202**	190,013

8. PROFIT FOR THE YEAR

	2009	2008
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation for property, plant and equipment	**181,548**	169,469
Release of prepaid lease payments	**38,910**	30,035
Amortisation for intangible assets	**5,521**	3,154
Total depreciation and amortisation	**225,979**	202,658
Operating lease rentals in respect of rented premises	**407,843**	295,516
Auditor's remuneration	**4,700**	5,500
Staff costs:		
Directors' emoluments	**3,021**	1,896
Other staff costs		
— Salaries and other benefits	**461,448**	341,262
— Contributions to retirement benefits schemes	**41,886**	30,366
	506,355	373,524
Share of tax of associates and a jointly controlled entity (included in share of profit of associates and a jointly controlled entity)	**3,508**	10,681
Loss on disposal of property, plant and equipment	**4,683**	11,287

9. EARNINGS PER SHARE

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

	2009	2008
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company	**437,764**	490,343

	2009	2008
	'000	*'000*
Number of shares:		
Weighted average number of shares for the purposes of basic earnings per share	**1,229,110**	1,220,348

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

10. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2008 Final — RMB0.15 (2008: 2007 final dividend RMB0.13) per share	**183,052**	158,645

The final dividend of RMB0.18 in respect of the year ended 31 December 2009 (2008: final dividend of RMB0.15 in respect of the year ended 31 December 2008) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

11. TRADE AND OTHER RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**54,269**	83,692
Prepayments to suppliers	**80,266**	48,169
Deductible input value added tax	**238,380**	227,740
Deposits and other receivables	**213,571**	200,878
	586,486	560,479

Trade receivables represent receivables from supply of merchandise to franchised stores, stores managed by the Group and retail sales customers. The average credit period is 30 to 60 days for receivables from supply of merchandise to franchised stores and stores managed by the Group. Before accepting any new franchised store and store managed by the Group, the Group will assess the potential credit quality and define credit limits by store. Credit limits attributed to franchised stores and stores managed by the Group are reviewed twice a 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:

	2009 *RMB'000*	2008 *RMB'000*
0–30 days	**22,179**	50,675
31–60 days	**32,090**	33,017
	54,269	83,692

12. TRADE AND OTHER PAYABLES

	2009 *RMB'000*	2008 *RMB'000*
Trade payables	**2,101,898**	1,926,225
Advances from customers	**640,843**	492,887
Other payables, deposits and accruals	**612,539**	531,664
	3,355,280	2,950,776
Less: amount due for settlement within 12 months	**(3,355,280)**	(2,929,710)
Amount due for settlement after 12 months	**—**	21,066

Included in other payables is instalment payments of RMB43,831,000 for acquisition of a subsidiary in 2008, of which RMB21,066,000 is repayable after 12 months.

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

	2009 *RMB'000*	2008 *RMB'000*
0–30 days	**1,457,198**	1,253,452
31–60 days	**279,592**	402,390
61–90 days	**239,305**	146,031
Over 90 days	**125,803**	124,352
	2,101,898	1,926,225

The average credit period on purchase of merchandises is 60 days (2008: 60 days).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Total Revenue

For the Reporting Period, the Group recorded total revenue of approximately RMB11,782,009,000, up by approximately 20.8% compared to RMB9,749,790,000 for 2008. Excluding merchandise sales at cost to managed stores and related companies, total revenue for the year represented an approximately 24.7% growth over 2008. The growth in total revenue was attributable to: 1) year-on-year growth in comparable store sales. The Group reported a growth of 6.9% in comparable store sales for 2009, despite slackened growth in the domestic market for retail sales of merchandise. During the Reporting Period, the Group ensured the supply of high-quality merchandise at competitive prices with the adoption of a range of customer-oriented measures, such as store renovation, category optimisation, innovative marketing activities and more reasonable pricing strategies. While enhancing the loyalty of member-customers, new customers were also attracted to our stores, driving growth in comparable store sales with increased patronage and sales per customer; 2) contributions to total revenue from new stores opened during the year under review and the previous year.

Consolidated Gross Profit and Consolidated Gross Profit Margin

For the Reporting Period, the Group's consolidated gross profit amounted to RMB2,201,218,000, a growth of approximately 24.9% compared to RMB1,762,457,000 for 2008. The Group's consolidated gross profit margin rose by 0.6 percentage point to 18.7%, versus 18.1% reported in 2008. Excluding the sales at cost to managed stores and related companies, the Group's consolidated gross profit margin was approximately 19.4%, largely unchanged from 2008. During the Reporting Period, the Group strengthened its management and control over the gross profit of merchandise sales, assuring stability in our gross profit level mainly by: 1) identifying new supply sources, such as direct purchases from fruit and vegetable bases and direct apparel purchases, to reduce intermediary channels and therefore procurement costs; 2) optimising supplier mix to obtain best purchase prices; 3) exercising more refined merchandise management and formulating more reasonable pricing strategies and marketing plans with the support of advanced IT systems.

Distribution and Selling Expenses

Distribution and selling expenses comprised mainly staff costs, rental expenses, utilities, depreciation and amortization costs and promotional expenses. For the Reporting Period, the Group recorded distribution and selling expenses of approximately RMB1,369,093,000, accounting for approximately 11.6% of the total revenue, which was 1.3 percentage points higher as compared to the previous year. The increase of distribution and selling expenses as a percentage of total revenue mainly reflected: (1) the increase of rental expenses as a percentage of total revenue, as rental payment was amortised over the period on a straight-line basis in accordance with relevant accounting standards, even though no rental was actually payable for the pre-operating period under the rent-free provision of the lease agreement for new stores opened during the Reporting Period, resulting in a mismatch between rental expense charged to current profit and loss and turnover for the same period; (2) the increase of staff expenses as a percentage of total revenue, driven by the increase in total remuneration expenses and the corresponding increase in staff welfare and social security payments after salaries for basic-level employees and performance-based payments for outstanding management personnel were increased during the Reporting Period subject to reasonable control of staff size and enhanced productivity, as part of the Group's ongoing efforts to optimise its remuneration policy for the purpose of improving performance.

Administrative Expenses

Administrative expenses comprised mainly staff costs for management personnel, depreciation and amortization costs and office expenses at the headquarters. For the Reporting Period, administrative expenses of the Group were approximately RMB252,078,000, accounting for approximately 2.1% of the total revenue, which was 0.7 percentage point lower compared to the previous year, reflecting cost efficiency generated by centralised management practised by the Group.

Finance Costs

For the Reporting Period, finance costs of the Group amounted to approximately RMB32,473,000, compared to approximately RMB20,406,000 for 2008. The rise in finance costs was mainly due to the increase in bank loan facility for working capital, borrowed for financial leverage purposes.

Net Profit

For the Reporting Period, net profit of the Group was approximately RMB437,764,000, representing a 21.2% growth over net profit of RMB361,339,000 for the previous year before a net gain on disposal of an associate through a share swap in tandem with the growth in gross profit.

For the Reporting Period, the Group's net profit margin was approximately 3.7%, which was at par with 2008. Excluding merchandise sales at cost to managed stores and related companies, the Group's net profit margin would have risen to approximately 3.9%, an improvement by 0.2 percentage point.

Basic Earnings Per Share

The Group's 2009 basic earnings per share of approximately RMB0.36, calculated on the basis of the weighted average number of 1,229,110,400 shares (2008: 1,220,348,000 shares) in issue, represented growth of approximately 20.0%, compared to basic earnings per share of approximately RMB0.30 for 2008.

Liquidity and Financial Resources

During the Reporting Period, net cash flow generated from operating activities amounted to approximately RMB1,105,246,000. Cash and bank balances at the year-end amounted to approximately RMB1,171,575,000. Solid cash flow reflected the Group's expansion in scale and steady business growth and provided strong support for retail network expansion, modernised logistics and supply chain system construction.

As at 31 December 2009, the Group's total equity was approximately RMB2,380,780,000 with a gearing ratio of 19.2% (31 December 2008: 23.6%). 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 2009, the Group recorded current assets of approximately RMB2,876,319,000, which mainly comprised cash and bank balances of approximately RMB1,171,575,000, inventories of approximately RMB838,803,000 and trade and other receivables of approximately RMB586,486,000.

As at 31 December 2009, the Group had non-current assets of approximately RMB3,535,371,000, which mainly included property, plant and equipment of approximately RMB2,237,538,000, interests in associates of approximately RMB139,553,000, interests in a jointly controlled entity of approximately RMB98,209,000, and goodwill of approximately RMB844,964,000.

As at 31 December 2009, the Group recorded current liabilities of approximately RMB4,014,513,000, mainly comprising trade and other payables of approximately RMB3,355,280,000 and tax liabilities of approximately RMB134,738,000.

During the Reporting Period, the Group's average trade payable turnover was 77 days (2008: 75 days) and inventory turnover was 30 days (2008: 27 days).

Capital Structure

As at 31 December 2009, the Group's borrowings, cash and cash equivalents were denominated in RMB. Audited bank loans of the Group as at 31 December 2009 were RMB456,086,000, which are repayable within one year and carrying interests at fixed rates ranging from 4.00% to 6.37% per annum.

BUSINESS REVIEW

In 2009, the Group continued to focus on upgrading its core competitiveness and integrated strengths, with special emphasis on store-image improvement, corporate profile enhancement, business format optimisation and category optimisation. Our operational technologies have been improved and our efficiency as a corporation fully upgraded with optimised WINBOX application and strengthened logistics support. As a result, outstanding progress has been achieved in various operational and management tasks to lay solid foundations for our development in 2010.

Further penetration of the Beijing, Tianjin and Zhejiang markets in persistent implementation of the regional priority strategy

The global financial crisis that broke out in full scale in 2008 and overshadowed the world economy throughout 2009 has sent industries and businesses into prolonged doldrums, including retailer operators around the world. Nevertheless, the Group continued to focus its efforts on development with persistent implementation of the development strategy of regional priority. We were moving fast towards the goal of regional leadership, as we continued to expand our retail network by opening new stores and acquiring M&A to consolidate and expand our regional dominance in Beijing while snatching up the markets shares in Tianjin and Zhejiang.

As at 31 December 2009, the Group had a retail network of 469 stores comprising 113 superstores and 356 mini-marts, which were either directly owned or operated and managed through franchise agreements or management agreements by the Group, its associates and a jointly controlled entity. The Group's retail network occupied an aggregate saleable area of 535,140 square metres, excluding stores under associates and franchises and 4 superstores acquired from Tianjin Lotus. During the Reporting Period, 17 directly-owned Superstores (comprising Hypermarkets and Supermarkets) were opened while 3 were closed down. For mini-marts, 51 directly-owned new stores (comprising Everyday Shops and Convenience Stores) were opened while 5 were closed down.

Stores operated and managed, which were directly owned by the Group, its associates and a jointly controlled entity and through franchise agreements, were as follows:

	As at 31 December 2009	
	Number of Stores	**Geographical Distribution**
Superstores		
Directly-owned	110	Beijing, Zhejiang, Tianjin
Mini-marts		
Directly-owned	240	Beijing, Zhejiang
Franchised	78	Zhejiang
Total	428	

Stores operated and managed by the Group through various management agreements (the "Managed Stores") were as follows:

	As at 31 December 2009	
	Number of Stores	**Geographical Distribution**
Superstores	3	Tianjin
Mini-marts	38	Tianjin
Total	41	

Active investigations in business format optimisation as part of the effort to better define the pattern of business development

Everyday Shops introduced with strong efforts. During the Reporting Period, the Group introduced the new business format of Everyday Shops following focused efforts in business format optimisation that involved full consolidation and streamlining of its existing business formats. The "Wumart Everyday Shops" is defined as a community store with a business area between 200 square metres and 2,500 square metres, highlighted by features aiming to serve the community. Its primary business circle is within the radius of 1 to 2 kilometres, depending on store sizes, with a typical inhabitation of 2,000 households or above within the circle. The Everyday Shops aims to meet the daily dietary needs of community residents mainly with the supply of fresh food, together with certain other fast-moving consumables. Everyday Shops converted from existing minimarts during the Reporting Period reported significant growth in single-store daily sales and daily number of patrons, while newly opened Everyday Shops also delivered stronger-than-expected results.

Bold experiment to reshuffle superstores with enhanced offerings of department-store merchandise. In a move to fill our superstores with more upscale brands in response to the trend of brand-oriented consumption, the Group experimented with certain superstores during the Reporting Period by reshuffling superstores with enhanced offerings of department-store merchandise and reorganising the merchandise zones, along new themes such as Babies and Toddlers, Happy Kitchen, Textile for Family, Personal Care and Intimate Care, etc. Each of these themed zones was complemented by relevant displays of merchandise, enabling patrons to get everything they need in one store. The renovated shop area attracted more high-end consumers and resulted in significant increase in patronage and sales per customer. The repositioning attempt has achieved initial success as double-digit percentage growth in monthly sales was reported versus 2008, with revenue and gross profit both exceeding budgets.

Committed efforts in upgrading operational technologies, logistics technologies and IT

China's circulation industry has come to a stage where players compete mainly on their technical knowhow, as the ability of any enterprise in the circulation business to outplay the rest shall be dependent on the right operational technologies, logistics technologies and IT being at its disposal. In this connection, the Group has introduced the best practices of the global retail industry through the successful and extensive application of WINBOX@SAP, on the basis of which initiatives in category optimisation, procurement optimisation, marketing optimisation, store optimisation and supply-chain optimisation were being implemented to strive for maximum benefits and rewards from our reforms in business, systems and management. These efforts will go a long way towards forging our core competitive strengths in operational technologies, logistics technologies and IT.

Category Optimisation

Swift substitution of non-performing merchandise and replacement of defective merchandise based on customer demands; ongoing product mix improvement assuring uniqueness and superiority. During the Reporting Period, the Group implemented more detailed management of merchandise categories by defining different mixes for store groups of various business formats based on characteristics of their respective business circles, drawing on resources made available by the WINBOX@SAP system. Merchandise screening by way of reverse ranking in sales was being conducted on a regular basis at all store groups, whereby non-performing merchandise were swiftly substituted and the system for introducing new merchandise and replenishing individual categories was improved to ensure sufficient display of popular items and timely stacking of new items. Refined and dynamic category optimisation helped to align store offerings with the needs of target consumer groups, ensuring timely adjustments in response to changes in consumers' demands.

Category management optimised and merchandise upgraded through brand building and supplier grading and assessment. During the Reporting Period, the Group focus on the analysis of the percentage mix between manufacturer-branded merchandise and distributor-branded merchandise in terms of both quantity and sales. The existing category mix was adjusted by reference to market trends, with selected items being removed and replaced by new ones as appropriate. Meanwhile, monthly analysis of suppliers' share of sales and contributions from individual items was conducted to compare a supplier's market position against its ranking according to the Group's internal statistics, with a view to establishing principal suppliers and strategic suppliers. During the Reporting Period, the Group completed 26 category management projects in cooperation with certain well-known international as well as domestic brand names and made ongoing improvements to 51 sub-categories involving variety, pricing, display and marketing of over 7,000 merchandise items. The Group reported growing purchase values per customer as more consumers with stronger spending powers had been attracted to our stores by the availability of higher-end merchandise, thanks to constant improvements in brand offerings and supplier-grades coupled with ongoing progress made in category management.

Price competitiveness of merchandise enhanced as continuous efforts were being made to assure more responsive price adjustments for sensitive items. Timely adjustments were made to prices of hyper-sensitive, sensitive and seasonal merchandise as well as fresh fruits and vegetables in line with market trends during the Reporting Period, and negotiations on purchase price control were also being conducted and the market competitiveness of the Group's merchandise prices was enhanced as a result.

Procurement Optimisation

Our scale as a regional operation provides leverage for the implementation of centralised and joint procurement through capitalising our scale as a regional operation. With the advantage of large-scale procurement in tandem with its regional development strategy, the Group further advanced its efforts in joint procurement and centralised procurement during the Reporting Period, aiming to achieve centralised procurement for major regions, to be followed by centralised procurement on a nationwide basis for principal brands. Following the implementation of joint procurement and centralised procurement by our Beijing and Tianjin stores in respect of leading suppliers, our operations in Zhejiang also adopted the model as Hangzhou Commerce and Zhejiang Gongxiao, both subsidiaries of the Group, centralised their procurements and sourced merchandise on shared contract terms. Under this arrangement, Zhejiang Gongxiao renegotiated purchase prices for about 1,700 merchandise items and booked additional gains of approximately RMB2.1 million as a result. Meanwhile, Beijing, Tianjin and Zhejiang started to source merchandise of certain international brands on shared contract terms. With the support of an improved logistics system and the advantage of its large-scale procurement on a regional basis, the Group is well-positioned to enter into partnerships with more manufacturers and thus enhance its market competitiveness with the benefit of lower purchase costs, improved profit margin and stronger support for promotional activities.

Implementation of "farm-supermarket matching" and "direct purchases from production bases" has resulted in higher merchandise quality, lower selling prices and broader profit margin. During the Reporting Period, the Group commenced trial operations of "farm-supermarket matching" at certain superstores and Everyday Shops in Beijing with the support of relevant government authorities. Merchandise items under the project were mainly sourced from Shandong, complemented by specialty fruits and vegetables from Hebei, Sichuan, Fujian, Xinjiang and Hainan. By "farm-supermarket matching" and "direct purchases from production bases", these fresh fruits and vegetables were delivered at the stores through the Wumart distribution centres within 24 hours after harvesting, resulting in fresher quality at substantially lower purchase costs. Patronage increased significantly as consumers were attracted by prices more competitive than those available in the agricultural trade markets, while the Group also secured higher gross profit for its fruit and vegetable items.

Optimise supplier mix and maintain harmonious and win-win retailer-supplier relationship. The Group conducted a comprehensive exercise in supplier mix optimisation during the Reporting Period, soliciting new products and distributors with proven quality and terminating understrength and outmoded suppliers subject to designated limits for the total number of suppliers engaged. During the Reporting Period, the Group launched joint efforts with leading domestic and international branded suppliers in category management and inventory management, whereby supplier representatives were invited to monitor the Group's operations jointly with the customers, while seminars were also held on a regular basis for us to listen to the views and recommendations of suppliers on the one hand and explain our measures for improvement on the other. Harmonious and mutually beneficial retailer-supplier relationships have been maintained as a result.

Marketing Optimisation

Substantial sales growth and savings in marketing expenses through innovative marketing models and strategies coupled with refined marketing management with the support of our information system. With the support of the WINBOX@SAP and Retalix POS systems, the Group developed and launched 48 multiple-combination promotion models during the Reporting Period, such as discounted purchase for designated invoice amounts, category discounts, half-price for second item and box prices. The promotion campaigns proved to be immensely popular with consumers. In tandem with the differentiated store management model of the WINBOX@SAP system, marketing programmes for store groups under different business formats were also carried out on a differentiated basis, with a view to being more customer-specific and better meeting the needs of target groups. More consumers were attracted to us as a result of innovative marketing and more refined marketing management. Sales per customer and gross profit were increased, while savings in marketing expenses were made.

Rousing market sensation in Beijing: promotional activities celebrating the 15th anniversary of the first Wumart store and 10th anniversary of MerryMart. The Reporting Period coincided with the 15th anniversary of the opening of the first Wumart store and the 10th anniversary of the establishment of MerryMart, a subsidiary of the Group. To celebrate the occasion, the Group partnered with its suppliers to launch large-scale marketing and promotional activities that nearly covered all merchandise categories. Novel marketing and promotion tactics such as double points, lucky draws and gifts for members were employed. With the help of media publicity, these promotional activities were met with strong response and much talked about in the Beijing. During the celebrations period, consumers were able to benefit from our competitive prices and experience the quality of our products and services. All in all, the positive store and corporate image of Wumart have been significantly enhanced.

Customer loyalty enhanced with effective membership management. During the Reporting Period, the Group enhanced its management and analysis of membership information and launched exclusive marketing activities for members such as members' day and improved the point and reward system for members. Specific marketing strategies were implemented in respect of selected premium customers, whereby marketing information was dispatched through SMS to provide intimate services and genuine rewards to members, aiming to enhance members' loyalty and encourage more consumers to enroll for membership.

Group purchase customers identified as new niche for growth. During the Reporting Period, the Group identified group purchase customers as a new niche for growth as it lent itself to some pro-active marketing initiatives, taking full advantage of our large-scale regional operation, dense network of store outlets, product quality, competitive prices and intimate and efficient services. The Company's publicity and positive corporate image was enhanced through cooperation with major customers. Following the deployment of 1,000 employees from Wumart minimarts to serve in the 2008 Beijing Olympics, the Group was assigned again during the Reporting Period to supply meals to parade troops and local and international journalists during the 60th National Anniversary celebrations. The Group was selected by the organising committee of national anniversary celebrations because of its strong distribution capability, the fine quality and competitive prices of its merchandise and prompt services, and it has been highly commended by the public for its strengths in merchandise supply, swift response, team support and quality services.

Store optimisation

Enhance shopping environment, store image and corporate profile through store renovation. During the Reporting Period, renovation and upgrading works were carried out at certain stores, as the Group aimed to achieve for superstores richness and grandeur in display as well as more depth in space, and for minimarts flair and attention to details. At certain superstores, bold attempts were made to renovate the stores towards a department-store format. New feature zones were created in the shop area, highlighted by correlated displays and makeshift scenes of household living. Merchandise items displayed were attractive in appearance and rich in variety. The renovated stores typically featured spacious shop areas with clear partitions and soft lightings, greeting patrons on a high note of brightness, passion, enthusiasm and trendiness as they enter into a cosy shopping environment. Again, the store image and corporate profile of the Group have been enhanced as a result.

Enjoyable and convenient shopping in a warm and cosy setting facilitated by improved sales arrangements and novel displays. During the Reporting Period, the Group endeavoured to improve sales arrangements at the stores by enhancing displays of makeshift household scenes as well as correlated displays, such as green scenery at the fruit and vegetable zone or makeshift kitchens at the amenities zone, while merchandise items were placed in novel containers such as ceramics pots, rattan baskets, trays and cases made with raw wood, to differentiate merchandise of varying grades. Other creative display tools included a versatile display stack designed and fabricated on an in-house basis and the placing of additional aisle magnet points using "audio display" to increase penetration of shoppers' flow. This life-like setting of display and sales has created a warmer and cosier environment and provided patrons with more convenience in shopping.

Better service quality and strengthened store competitiveness through articulated efforts in the standardisation of store operations. During the Reporting Period, the Group adjusted the list of fundamental inspection items by giving a more detailed breakdown, adding items such as safe shopping, group purchase customer maintenance, quality management and equipment maintenance. The optimisation of display standards for amenities and cleaning products (such as vertical display of sub-categories), implementation of display standards for promotional items and shopping convenience, represented some of the key areas of focus. With general improvements in our merchandise strength and service quality, the competitiveness of our stores has been enhanced.

Supply-chain Optimisation

Innovations in the business, operation, organization and incentive models driving transformation of the Wumart supply chain from being a cost-centre to a profit-centre.

During the Reporting Period, the Group explored possibilities in business model innovation in terms of four strategic focuses: namely the principal supplier strategy, direct purchase strategy, consignment strategy and institution distribution strategy. Our distribution services were expanded and revenue from distribution fees was significantly increased as a result. Innovations in the operating model were underpinned by three basic principles: that the operations should be "highly informatised, sufficiently mechanized and reasonably automated". The operating efficiency of the DCs was significantly enhanced as a result, with a lower operating cost ratio, reasonably managed inventory and shortened inventory turnover period. In terms of innovations in staff deployment, the scheme for a "flattened" structure was implemented, whereby an employee may be required to "perform subordinate-level duties without compromising his/her grades and ranks and to undertake multiple tasks in one specialised position". While revenue from distribution fees was significantly increased, staff costs were significantly reduced as a result of the initiative in staff deployment. Moreover, the Group has trained up a team of high-calibre staff who are proficient in both theoretical knowledge and hands-on operation, competent in both management and operational positions and well-versed at least two types of logistics skills. On the basis of improved human resource efficiency and stronger skills, we were looking at new possibilities in staff incentives, such as awarding supervisory roles to backbone staff, as a means to motivate staff officers for even greater commitment and dedication.

WINBOX@SAP

WINBOX is a very significant testimony to Wumart's core competitiveness and integrated strengths and the foundation on which our operating technologies will be upgraded and our efficiency enhanced.

During the Reporting Period, the Group's unique core retail technology framework Version W2M1.0, namely, WINBOX+VRM (Vendor Relationship Management, the supplier order settlement platform) + MRM (Manager Relationship Management, the internal management statement platform), was developed as part of the WINBOX project. VRM facilitated information sharing, online bill reconciliation and online settlement between the Group and its suppliers, as well as EDI (Electronic Data Interchange) with certain suppliers who were technologically equipped for it. With the provision of succinct, convenient and efficient data reports, MRM has laid solid foundation for the extensive application of information system.

During the Reporting Period, the Group completed the optimisation of the BW system module building as part of its efforts in information system optimisation, resulting in improved work efficiency through considerably shortened lead time for business users information processing and therefore an expedited decision-making process. Improvements were also being made to the POS system, such as more localised promotion logic and more flexible applications for business departments. The extensive application of EFT (Electronic Funds Transfer) among our stores in Beijing has significantly enhanced cashier efficiency and reduced communication costs. With the launch of the asset management module, which implements dynamic management and pre-emptive risk control in respect of the Group's assets on a system-run basis, our asset application ratio has been improved, which is beneficial to asset preservation and cost savings.

During the Reporting Period, we also succeeded in mapping out a potential new path for reshaping our organizational structure from the "olive-like" profile to an "dumbbell-like" profile, that has resolved the bottlenecks caused by "rising management costs associated with expansion" and "low management standards despite expansion" and supporting rapid and stable expansion with enhanced cost efficiency, thanks to the world-class technological and management breakthroughs facilitated by WINBOX, with store groups as management units, merchandise category (MC) as the performance centre, inventory management (IM) as the hub for business and financial data integration and strong platforms (such as VRM) supporting simplification of frontline sales.

With the support of our information platform, technological innovations were successfully applied to all segments of the supermarket operation during the Reporting Period, while business process re-engineering and the entire supply chain were being creatively integrated for significantly improved efficiency in terms of response to customers' requirements, order management, distribution management, inventory management and supplier coordination, which has been widely acclaimed in the industry. On the back of innovations in the core ERP and POS technologies of WINBOX in nine areas: namely technology, application, information system integration for the retail chain industry, intensive business and financial management integration for the retail chain industry, smart data auditing, refined management integration, business model, operating model and management structure. The WINBOX project won three major awards from domestic and international institutions during the Reporting Period: the "Significant Corporate Informatisation Achievement Award" representing the highest honour in corporate informatisation in China, the "Best IT Project Implementation in Informatisation Award 2009" at the 3rd Sino-U.S. CIO Summit and the "National Business Technology Progress Award - Special Grade" at the National Business Science and Technology Conference jointly hosted by the National Development and Reform Commission, the PRC Ministry of Science and Technology, the Ministry of Industry and Informatisation and China General Chamber of Commerce.

Human Resources Development

At Wumart, we are prepared to offer the right place for all high-calibre people.

Optimising performance appraisal and enhancing system of staff appointment and promotion. During the Reporting Period, the Group completed performance appraisal of its core officers for the first six months of 2009, as the concept of "promotion, reward and career opportunities based on merit (as measured by levels of versatility, competence and commitment)" was further reinforced as a consensus for all staff. Meanwhile, the Group continued with efforts to optimise its performance appraisal system, setting out specific position requirements represented by stringent and precise appraisal indicators so that periodic appraisal exercises were smoothly integrated with day-to-day observation of staff performance. Employees were rewarded on the basis of merit through fair, just and open assessment, as the Group's comprehensive staff appointment and promotion system was further reinforced and optimised for the screening and selection of suitable candidates that would support the Group's rapid development.

Increasing supply of "Wumart-made" officers through continuous efforts to build specialised teams of professionals. Specialised teams of professional staff were being built through the implementation of talent cultivation programmes. During the Reporting Period, internal train-up and selection was strengthened by linking training with promotion and appraisal. The Group continued to implement the "Centurion Program" during the Reporting Period, building specialized and professionalized teams with more "Wumart-made" officers. A total of 58 employees participated in our training sessions, while 8 employees qualified as candidates for appointment to the post of store manager, out of which 4 had officially assumed duties as store managers. In addition, 389 employees took part in IT system upgrade training, 199 in management officers promotion training and 869 in other specialised training programmes.

Training system optimised to nurture talents in preparation for the Group's rapid development. An E-learning project team was established during the Reporting Period to develop an Internet-based distant-learning platform, whereby training sessions would be broadcast through telecommunications networks and no longer limited to any specific time and location. Meanwhile, with the completion of training data management via the system, the Group was able to monitor the progress of training, assess results and understand what was needed, so that training programmes would be formulated in a more scientific and reasonable manner. The Group continued to implement a series of staff training programs with a view to linking training with promotion and appraisal. During the Reporting Period, 44 training sessions were organised by Wumart Development College with a total of 1,515 employees attending. The technical, professional and management standards of our staff have been raised as a result to match the Group's rapid development, while talents have been identified to support the rapid development of the Group in future.

Broadened recruitment channels through cooperation with leading universities, colleges, intermediary institutes and employment agencies. While sourcing officers through internal training, the Group was also engaged in extensive cooperation with famous universities, colleges, intermediary institutes and employment agencies during the Reporting Period. Recruitment exercises were launched at colleges and schools to solicit high-calibre post-graduate and undergraduate students and train them for prospective appointments to positions at various levels. These recruits were expected to provide strong reinforcements and give the Wumart team a more optimised composition of staff officers. The Group also recruited officers from external sources and procured their fast integration into the Wumart team with an open mind, assuring that its future development will be supported by a wealth of human resources comprising talents with varying seniority and diverse background.

The application of advanced technologies has improved operational models and optimised organisational structures, resulting in enhanced organisational efficiency as well as control over staff costs. Following the full application of the WINBOX-HR system in 2008, the Group further accomplished 56 optimisation projects during the Reporting Period and successfully launched the system for the Tianjing branch on 8 May and the East China headquarters on 10 November. With a centralised data platform after the launch, HR officers at various levels were able to gain instant information on personnel changes and share HR data and information on a real-time basis, paving the way for fast and accurate HR decision-making. The application of the WINBOX-HR system in our appraisal framework has also effectively enhanced the efficiency of appraisal management and the accuracy of appraisal data.

During the Reporting Period, the operational models of the Group were improved through enhanced management over work-hours and work-shifts with the help of the optimised WINBOX@SAP system. Organisational efficiency was improved and staff costs effectively controlled with the implementation of an optimised and "flattened" organisational structure, whereby an employee may be required to "perform subordinate-level duties without compromising his/her grades and ranks and to undertake multiple tasks in one specialised position".

PROSPECTS

2010: a year of further enhancement for Wumart's core operation, and a milestone year for its continued success in the new century.

In 2010, China is set to enter the upswing of a new cycle of growth, which for all of us at Wumart represents a period of golden opportunities. These opportunities were brought about not only by government policies aimed at driving domestic consumption and supporting farm-supermarket matching, but also as a result of Wumart's own strengths in the areas of communications, logistics, operation through the commitment and hard work from each and every one of us at Wumart.

In 2010, we will further strengthen our end-to-end supply chain and enhance the operation process at each link, to create a comprehensive and integrated supply chain industry and improve the efficiency of Wumart's supply chain, paving the way for the establishment of an advanced circulation industry.

In 2010, we will continue to upgrade our technologies in the areas of workflow, categorization, sales and marketing, procurement, purchasing orders, merchandize display, wear-and-tear control, and loss prevention. Technical improvements in these areas will help standardize our workflow throughout the organization and as enhance a host of specialist technologies, through which the performance of business heads and colleagues can be improved and our corporate image on the shop floors enhanced, further consolidating Wumart's leadership position as the most popular store for shoppers.

In 2010, we will also step up our efforts in performance appraisal to nurture and promote the best performers among our staff while reaching out to recruit talents, as we stand together as one to help shape the future of this great success story that is Wumart in the new century.

DIVIDEND APPROPRIATION

The Board recommended the payment of a final dividend of RMB0.18 (before tax) per share to shareholders whose names appear on the register of members on the date of the 2009 annual general meeting ("AGM"), subject to approval by way of an ordinary resolution at the AGM.

Subject to the passing of the resolution on dividend payment at the AGM, the final dividend payable to all non-resident enterprise shareholders registered in the name of non-natural person (including HKSCC Nominees Limited, other corporate nominees or trustees, or all other entities and organisations) whose names appear on the register of H shareholders as at the date of the AGM, will be subject to a 10% withholding tax. Final dividends payable to natural person shareholders whose names appear on the register of H shareholders will not be subject to the said 10% withholding tax. Dividends payable to holders of domestic shares of the Company will be in Renminbi, and to holders of H shares in Hong Kong dollars.

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

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 adopted the recommended best practices where applicable.

PLEDGE OF ASSETS

As at 31 December 2009, the Group's bank loans of RMB17,700,000 were secured by the pledge of land and buildings with a carrying amount of approximately RMB27,446,000.

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 from fluctuations in exchange rates.

INVENTORIES

During the Reporting Period, the Group's inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

As at 31 December 2009, audited inventories balance was approximately RMB838,803,000 (2008: RMB733,210,000) and costs included in the Reporting Period was approximately RMB9,580,791,000 (2008: RMB7,987,333,000).

DISTRIBUTABLE RESERVE

The distributable reserve of the Company as at 31 December 2009 amounted to approximately RMB1,019,993,000 (2008: approximately RMB809,945,000).

CONTINGENT LIABILITY

As at 31 December 2009, the Group had no significant contingent liability.

AUDIT COMMITTEE

The audit committee comprises Mr. Han Ying (Chairman), Mr. Li Lu-an and Mr. Lu Jiang, all of which are independent non-executive Directors.

The main duties of the audit committee are to review the financial performance of the Group, the nature and scope of internal audit, and the effectiveness of internal control. During the Reporting Period, four meetings were held by the audit committee, during which it reviewed the accounting principles and methods adopted by the Group, approved the annual results for 2008 and the quarterly and interim accounts for 2009, discussed the Company's financial statements prepared in accordance with the generally accepted accounting principles of Hong Kong, and made recommendations for the appointment of external auditor to the Board.

The audited financial report and results for the year ended 31 December 2009 of the Group has been reviewed by the audit committee.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

Regarding the securities transactions by Directors, the board of directors of the Company has adopted a set of code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard as set out in the GEM Listing Rules. Upon specific enquiries with all Directors in accordance with the code of conduct, the Company confirmed that the Directors were in compliance with the code of conduct regarding securities transactions by Directors during the Reporting Period.

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 retail chain business mainly in Tianjin, Yinchuan, Shanghai and Jiangsu.

The Group mainly expands its supermarket chain business in Beijing, Zhejiang and Tianjin. The Company entered into the non-competition agreement and the trademark licensing agreement with Wumei Holdings on 29 October 2003, and the Entrusted Operation and Management Agreements with Wumei Holdings and Tianjin Affiliates on 24 October 2007, with a view to avoiding business competition with Wumei Holdings. Wumei Holdings has avoided business competition with the Group as far as practicable in strict compliance with the non-competition agreement and the Entrusted Operation and Management Agreements.

Save for the competing businesses disclosed above, Wumei Holdings did not engage in any direct or indirect competition against the Group, nor did it have any interests.

MATERIAL ADVERSE CHANGE

The Board confirms that there was no material adverse change in the Group's financial or operational position as at 31 December 2009.

AUDITOR

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

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

Beijing, the PRC
23 March 2010

As at the date of this announcement, the Board comprises Dr. Wu Jian-zhong, Dr. Meng Jin-xian and Madam Xu Ying as executive Directors, Mr. Wang Jian-ping and Mr. John Huanzhao as non-executive Director, and Mr. Han Ying, Mr. Li Lu-an and Mr. Lu Jiang as independent non-executive Directors.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.wumart.com.