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This announcement, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (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.



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WU MART

北京物美商業集團股份有限公司
WUMART STORES, INC.

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

(Stock Code: 08277)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that, on 29 November 2010, the Company and Wumei Holdings entered into the Management Agreement (2010) for a term of three years from 1 January 2011 to 31 December 2013, pursuant to which, the Group will continue to provide Wumei Holdings Group with the supply and delivery of merchandise and management services. On the same date, Wumart Hypermarket entered into the Property Leasing Agreement (2010) with Wumei Zhidi to lease the Xijiekou Property owned by Wumei Zhidi for the operation of a superstore. The lease term shall be for a period of three years from 1 January 2011 to 31 December 2013.

As Wumei Holdings is the controlling shareholder of the Company and Wumart Zhidi is a subsidiary of Wumei Holdings, Wumei Holdings and its subsidiaries are connected persons of the Company in accordance with the GEM Listing Rules. Wumart Hypermarket is a subsidiary of the Company. Therefore, the transactions contemplated under the Management Agreement (2010) and the Property Leasing Agreement (2010) therefore constitute continuing connected transactions of the Company.

As the applicable percentage ratios (as defined in Rule 20.10 of the GEM Listing Rules) of the proposed annual caps and annual rentals of the transactions under the aforesaid agreements for the three years ending 31 December 2013 are more than 0.1% but less than 5%, respectively, the said transactions are subject to the reporting, announcement and annual review requirements but are exempted from the requirement of independent shareholders’ approval under the GEM Listing Rules.

A. MANAGEMENT AGREEMENT (2010)

Background

On 24 October 2007, the Company entered into the Management Agreement (2007) with Wumei Holdings and its relevant subsidiaries, pursuant to which the Company provided relevant subsidiaries of Wumei Holdings with the supply and delivery of merchandise and management services for a period of three years from 1 January 2008 to 31 December 2010 (the details of which are set out in the announcement and circular of the Company dated 24 October 2007 and 12 November 2007, respectively).

As the Management Agreement (2007) will expire on 31 December 2010, the Company and Wumei Holdings have entered into the Management Agreement (2010) after mutual negotiations.

Principal Terms of the Management Agreement (2010)

1. **Date:** 29 November 2010
2. **Parties:** Wumei Holdings
The Company
3. **Continuing transactions**
 - (1) Supply of merchandise: The Group will supply merchandise at cost of procurement to Wumei Holdings Group.
 - (2) Delivery of merchandise: The Group will provide logistics and delivery services to Wumei Holdings Group in respect of merchandise supplied.
 - (3) Management: The Group will be responsible for the operation and management of relevant retail business of Wumei Holdings Group in Tianjin pursuant to the entrustment.
4. **Term:** three years from 1 January 2011 to 31 December 2013.

5. Pricing basis

- (1) Supply of merchandise: Merchandise will be supplied by the Group to Wumei Holdings Group at the procurement cost for consolidated procurement of merchandise. Wumei Holdings Group shall pay the amounts for merchandise supplies due within five business days prior to the beginning of the following month.
- (2) Delivery of merchandise: A logistics service fee equivalent to 3% of the Merchandise Amounts will be charged to Wumei Holdings Group by the Group. The delivery fee is determined mainly by reference to the market price of relevant logistics services from time to time and shall cover the actual costs incurred by the Company in providing the merchandise delivery services (including but not limited to, transportation costs, warehousing costs and staff wages and salaries). Wumei Holdings Group shall pay the amounts for the delivery fees for each month within five business days prior to the end of the following month.
- (3) Management: The Group will receive from relevant subsidiaries of Wumei Holdings management fees equivalent to 0.2% of their sales. The management fee is determined by reference to market practices and shall cover the actual costs incurred by the Group in the operation and management of relevant subsidiaries of Wumei Holdings Group, including staff costs, office equipment expenses, sundry and consumables costs, etc. Wumei Holdings Group shall pay the amounts for the management fees for each month within five business days prior to the end of the following month.

6. Bases for determination and annual caps

Bases for determination

The annual caps for the Merchandise Amounts, delivery fees and management fees under the Management Agreement (2007) for the three years ended 31 December 2010 are set out as follows:

	Year ended 31 December		
	2008 (RMB million)	2009 (RMB million)	2010 (RMB million)
Merchandise Amounts	979	1,024	1,527
Delivery fees	29.37	36.42	45.21
Management fees	<u>2.18</u>	<u>2.7</u>	<u>3.34</u>
Total	<u>1,010.55</u>	<u>1,063.12</u>	<u>1,575.55</u>

Historical transaction amounts

The actual amounts received by the Group from relevant subsidiaries of Wumei Holdings in connection with the supply and delivery of merchandise and management services for the two years ended 31 December 2009 and the nine months ended 30 September 2010 are set out as follows:

	Year ended 31 December		Nine months ended
	2008	2009	30 September 2010
	(RMB million)	(RMB million)	(RMB million)
Merchandise Amounts	275	110	97
Delivery fees	8.25	3.31	2.91
Management fees	<u>0.57</u>	<u>0.31</u>	<u>0.22</u>
Total	<u>283.82</u>	<u>113.62</u>	<u>100.13</u>

As at the date of this announcement, the annual cap for the transaction under the Management Agreement (2007) for the year 31 December 2010 has not been exceeded.

Proposed annual caps

The proposed annual caps of the transactions contemplated under the Management Agreement (2010) for each of the three years ending 31 December 2011, 2012 and 2013 are set out as follows:

Transaction	Year ending 31 December		
	2011	2012	2013
	(RMB million)	(RMB million)	(RMB million)
Amounts of merchandise supplies to Wumei Holdings Group by the Group	189	218	251
Delivery fees payable by Wumei Holdings Group to the Group	5.67	6.54	7.53
Management fees payable by Wumei Holdings Group to the Group	<u>0.38</u>	<u>0.44</u>	<u>0.51</u>
Total amount of proposed annual caps	<u>195.05</u>	<u>224.98</u>	<u>259.04</u>

In determining the proposed annual caps set out above, the Directors have taken into account the following factors:

- (1) Annual caps for the Merchandise Amounts: determined by reference to such factors as the historical sales and growth rates of historical sales of the relevant subsidiaries of Wumei Holdings, average annual growth rates of consumer price indices and the ongoing growth in the demand for daily merchandise items in the Tianjin market.
- (2) Annual caps for delivery fees: determined by reference to the historical transaction amounts for the provision of logistics and delivery services by the Group to the relevant subsidiaries of Wumei Holdings and based on a percentage of the annual caps of the Merchandise Amounts.
- (3) Annual caps for the management fees: determined by reference to the historical management fees for the relevant subsidiaries of Wumei Holdings and based on a percentage of the projected sales amount of the relevant subsidiaries of Wumei Holdings Group.

Implementation agreements

The Company and/or its subsidiaries will enter into separate implementation agreements from time to time with Wumei Holdings and/or its subsidiaries, in respect of specific transactions conducted pursuant to the Management Agreement (2010) during the term thereof. The implementation agreements will set out the specific service terms and other relevant terms for the supply and delivery of merchandise and management service.

As the implementation agreements will be entered into for the purposes of facilitating the specific transactions contemplated under the Management Agreement (2010), such implementation agreements shall not constitute a new category of connected transaction. Any such implementation agreements shall be within the scope of the Management Agreement (2010) and the relevant proposed annual caps, failing which the Company shall comply with relevant GEM Listing Rules and fulfill its obligations concerned.

Reasons and benefits for entering into the Management Agreement (2010)

The Company is of the view that the Management Agreement (2010) will: (i) lower merchandise procurement cost by allowing the Group stronger bargaining powers in the course of procurement; and (ii) increase earnings for the Group and enhance the efficiency of the utilization of its logistics system with the Group's provision of logistics services to Wumei Holdings Group in the ordinary course of its business at reasonable prices.

Opinion of the Board

The Directors (including the independent non-executive Directors) are of the view that:

The Management Agreement (2010) and the transactions contemplated thereunder, being entered into by the Group after arm's length negotiations in the ordinary course of business based on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

B. PROPERTY LEASING AGREEMENT (2010)

Background

The Xinjiekou Property owned by Wumei Zhidi is situated at No. 1 Beida Street, Xinjiekou, Xicheng District, Beijing, a location in the inner zone of Beijing with relatively dense residential population and where large supermarkets are absent in the neighbouring areas. Therefore, the Xinjiekou Property represents an ideal commercial outlet for the operation of large supermarkets. As such, Wumart Hypermarket entered into the Property Leasing Agreement (2007) on 11 December 2007 with Wumei Zhidi to lease the Xinjiekou Property for the operation of a superstore.

As the applicable percentage ratios (as defined in Rule 20.10 of the GEM Listing Rules) of the annual rentals under the Property Leasing Agreement (2007) for the three years of 2008, 2009 and 2010 were less than 0.1%, the transactions were continuing connected transactions exempted from the reporting, announcement, annual review and independent shareholders' approval requirements.

As the Property Leasing Agreement (2007) will expire on 31 December 2010, Wumart Hypermarket and Wumei Zhidi have renewed the agreement and signed the Property Leasing Agreement (2010) for a term of three years after mutual negotiations.

Principal terms of the Property Leasing Agreement (2010)

1. Date: 29 November 2010
2. Parties: Wumei Zhidi as lessor
Wumart Hypermarket as lessee
3. Location of property: No. 1 Beida Street, Xinjiekou, Xicheng District, Beijing
4. Leased area: 14,304 square metres
5. Lease term: Three years from 1 January 2011 to 31 December 2013
6. Annual rental and basis of determination: RMB10,441,920 per annum for each of the three years ending 31 December 2011, 2012 and 2013.

The annual rental under the Property Leasing Agreement (2010), calculated on the basis of RMB2 per day per square metre, has been determined through arm's length negotiations between the parties and determined by reference to factors such as market practices, current rental levels for similar properties in the neighbouring area and overall tenancy.

7. Rental payment: payable by Wumart Hypermarket to the Wumei Zhidi on a quarterly basis, whereby the rental payment for each quarter shall be due during the first month of the next quarter.

Reasons and benefits for entering into the Property Leasing Agreement (2010)

The Company is of the view that the Property Leasing Agreement (2010) will (i) help maintaining stability of Wumart Hypermarket's operations; (ii) avoid unnecessary interruptions to Wumart Hypermarket's operations; (iii) ensure more favourable leasing terms for Wumart Hypermarket; (iv) minimise any unwarranted relocation costs; and (v) increase the Group's market share in Beijing and further enhance its brand recognition and competitiveness.

Opinion of the Board

The Directors (including the independent non-executive Directors) are of the view that:

The terms of the "Property Leasing Agreement (2010)" and the transactions contemplated thereunder, being entered into by the Group after arm's length negotiations in the ordinary course of business based on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

C. RELATIONSHIP OF THE PARTIES

As Wumei Holdings is the controlling shareholder of the Company and Wumei Zhidi is a subsidiary of Wumei Holdings, Wumei Holdings and its subsidiaries are connected persons of the Company in accordance with the GEM Listing Rules. Wumart Hypermarket is a subsidiary of the Company. Therefore, the transactions contemplated under the Management Agreement (2010) and Property Leasing Agreement (2010) constitute continuing connected transactions of the Company.

As the applicable percentage ratios (as defined in Rule 20.10 of the GEM Listing Rules) of the proposed annual caps and annual rentals of the transactions under the aforesaid agreements respectively for the three years ending 31 December 2013 are more than 0.1% but less than 5%, the said transactions are subject to the reporting, announcement and annual review requirements and under the GEM Listing Rules only, but are exempted from the requirement of independent shareholders' approval under the GEM Listing Rules.

Except for Dr. Wu Jian-zhong and Mr. Wang Jian-ping who are deemed to be materially interested in the transactions contemplated under the Management Agreement (2010) and the Property Leasing Agreement (2010) under the GEM Listing Rules by virtue of their capacity as directors of Wumei Holdings and who have abstained from voting in respect of the relevant resolutions of the Board, there are no other Directors who are materially interested in the transactions contemplated under the Management Agreement (2010) and the Property Leasing Agreement (2010). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no members of the Group have entered into any transactions with Wumei Holdings and its ultimate beneficial owner or other related parties, which would be required to be aggregated with the transactions under the Management Agreement (2010) and the Property Leasing Agreement (2010) in accordance with Rule 20.27 of the GEM Listing Rules.

D. GENERAL INFORMATION

The Group is principally engaged in the operation and management of superstores and minimarts in Beijing, Zhejiang and Tianjin.

Wumart Hypermarket is principally engaged in the operation of chain superstores in Beijing.

Wumei Holdings is principally engaged in the retail operation of chain stores in Shanghai, Jiangsu, Tianjin and Yinchuan.

Wumei Zhidi is principally engaged in real estate development in Beijing.

E. DEFINITIONS

“Associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of directors of the Company
“Company”	Wumart Stores, Inc. (北京物美商業集團股份有限公司), a joint stock limited company incorporated with limited liability under the laws of the PRC, the H Shares of which are listed on GEM
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares with a nominal value of RMB0.25 each in the registered share capital of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	independent third party not connected with the directors, supervisors, promoters, substantial shareholders or management shareholders of the Company or any of its subsidiaries or their respective associates
“Management Agreement (2007)”	the “Entrusted Operation and Management Agreement” entered into among the Company, Wumei Holdings and the Tianjin Affiliates on 24 October 2007, the details of which were set out in the announcement of “Renewal of Continuing Connected Transaction” dated 24 October 2007 of the Company
“Management Agreement (2010)”	the “Entrusted Operation and Management Agreement 2011–2013” to be entered into among the Company, Wumei Holdings and its relevant subsidiaries on 29 November 2010, details of which are set out in Section A of this Announcement
“Merchandise Amounts”	the amount of merchandise supplied at cost of procurement to relevant subsidiaries of Wumei Holdings by the Company
“Property Leasing Agreement (2007)”	the “Property Leasing Agreement (2007)” entered into between Wumart Hypermarket and Wumei Zhidi on 11 December 2007

“Property Leasing Agreement (2010)”	the “Property Leasing Agreement 2011–2013” to be entered into between Wumart Hypermarket and Wumei Zhidi on 29 November 2010, details of which are set out in Section B of this Announcement
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shareholders”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wumart Hypermarket”	Beijing Wumart Hypermarket Commercial Management Company Limited, a 90%-owned subsidiary of the Company
“Wumei Holdings”	Wumei Holdings, Inc. (物美控股集團有限公司), a company incorporated in the PRC with limited liability on 6th October 1994, a promoter and the controlling shareholder of the Company
“Wumei Holdings Group”	Wumei Holdings and its subsidiaries
“Wumei Zhidi”	Beijing Wumart Zhidi Real Estate Development Company Limited (北京物美置地房地產開發有限公司), an 80%-owned subsidiary of Wumei Holdings
“Xinjiekou Property”	The property comprising level one of the basement and the first to third levels from the ground floor of No. 1 Beida Street, Xinjiekou, Xicheng District, Beijing owned by Wumei Zhidi
“%”	percentage or per centum

By Order of the Board
Wumart Stores, Inc.
Dr. Wu Jian-zhong
Chairman

Beijing, the PRC
29 November 2010

As at the date of this announcement, the Board comprises Dr. Wu Jian-zhong, Mr. Zhu You-nong, Madam Xu Ying and Dr. Meng Jin-xian as executive Directors, Mr. Wang Jian-ping, Madam Mary Ma and Mr. John Huan Zhao as non-executive Directors, 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.