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 2010

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. collectively and individually accept full responsibility, includes particulars given in compliance with 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any contents of this announcement misleading.

HIGHLIGHTS

- Total revenue amounted to approximately RMB14,246,881,000, representing a growth of 20.9% over 2009;
- Consolidated gross profit amounted to approximately RMB2,800,588,000, representing a growth of 27.2% over 2009;
- Net profit amounted to approximately RMB529,837,000, representing a growth of 21.0% over 2009;
- Net profit margin was approximately 3.7%, unchanged from 2009;
- Retail network expanded to 492 outlets;
- Comparable store sales grew by 8.8% over 2009;
- The Board recommended the payment of a final dividend for the year of RMB0.20 (before tax) per share.

CHAIRMAN'S STATEMENT

Dear shareholders,

2010 was a year of challenges and hopes. Adhering to its guiding principle of "Strengthen retail innovations and upgrade operating technology", Wumart Stores, Inc. (the "Company" or "Wumart") and its subsidiaries (collectively the "Group" or "Wumart Group") put in ongoing efforts in fostering technological innovations, upgrading operating technology and stepping up its development efforts, and once again managed to achieve remarkable results in both total revenue and net profit in 2010. On behalf of the Board, I would like to present to the shareholders the announcement on the audited annual results of the Group for the year ended 31 December 2010 (the "Reporting Period").

Company Development

Attainment of business targets with outstanding results performance. During the Reporting Period, the Group strengthened budget management, enhanced operating efficiency and improved cost control. Total revenue amounted to RMB14,246,881,000, representing a growth of 20.9% over 2009. Consolidated gross profit amounted to RMB2,800,588,000, representing a growth of 27.2% over 2009. Net profit amounted to RMB529,837,000, representing a growth of 21.0% over 2009. As at 31 December 2010, equity attributable to owners of the Group per share was RMB2.25. Return on total assets was 7.6% and EBITDA was RMB1,052,216,000. Profitability of the Company was further strengthened and corporate value was continually enhanced.

Ongoing expansion of retail network and deeper penetration in major market. As at 31 December 2010, the Group had 492 outlets. Our share in the major market was further expanded. At the beginning of the year, the Group set the target to further penetrate into the major market. After a year's effort, the Group hit a record-high in the number of contracted stores in Beijing in 2010, secured 51 stores in the Beijing market which laid a solid foundation for the Group's sustainable development in 2011.

Improvement on the "Farm-Supermarket Links" supply chain. The Group has established a novel fruit and vegetable agricultural products circulation model from farmers→distribution centre→supermarkets→customers and formed Wumart's unique "Farm-Supermarket Links", which delivered positive results. In 2010, the Group established linkage relationships with more than a hundred specialised cooperatives, processors spreading across over 20 provinces and cities nationwide and forged stable and sustainable cooperation relationships with farmers' specialised cooperatives in cooperation bases through the implementation of contract farming with them. Through the innovative operating model of "24-hour fruit and vegetable supply chain", as well as leveraging upon the strong distribution capability of our logistics centre and the discounted bulk sales capability of our network of hundreds of store outlets, our stores have gradually become a major channel for "trustworthy supply of vegetables and fruits" for Beijing consumers.

Creation of a supply chain enterprise and industrialisation of the circulation industry. In 2010, the Group developed towards industrialisation of the circulation industry, aiming to create a "supply chain enterprise". Work processes ranging from suppliers management, procurement optimisation, logistics operation to store sales were implemented in line with its guiding concept of "the best supply chain as a whole". The Group's merchandise distribution efficiency was significantly enhanced and logistics operating costs were reduced by the "highly IT-based, sufficiently mechanised and reasonably automated" logistics operating model. As the application of information technology and operation of supply chain delivered remarkable results, the Group's "Customer-oriented and highly efficient supply chain management for large-scale chain retail enterprise (大型連鎖零售企業顧客導向的高效供應鏈管理)" project was awarded the "First-Class Award in the Sixteenth National Awards for Innovative and Modern Corporate Management" and the "Chain store business supply chain system integration on the basis of information technology (基於信息化的連鎖商業供應鏈系統集成)" project was awarded the "First Class Science and Technology Advancement Award" organised by the China Federation of Logistics & Purchasing.

Explore differentiated Everyday Shops format. Facing the fierce competitions arising from international and domestic retailers, the Group adopted differentiated operations for its Everyday Shops to cater to the needs of higher-end consumers with different merchandise mix and trendy store renovations. These new initiatives enhanced the brand image of Wumart, lured higher-end consumers, and led the consumption trend of consumers. Continual studies in business formats exemplifies the Group's philosophy of adhering to ongoing innovation. According to the changing needs of consumers, the Group will develop and further optimise the Everyday Shops business format through active adjustments. Sustainable development of the Group amidst fierce competitions will therefore be achieved through differentiated operations.

PROSPECTS

In the government's "Twelfth Five-year" Plan, the policy to stimulate domestic consumption has been placed at top priority, implying that the government has regarded boosting domestic consumption as the new engine for driving growth. Whilst providing domestic retail enterprises with a more spacious room for development, the policy also intensified the already-fierce competitions in the PRC retail industry. Against the backdrop of foreign-invested retail enterprises expanding rapidly and domestic enterprises pursuing changes and innovations and rental and labour costs surging rapidly, the Group will speed up development, seek improvement of efficiencies and management so as to maintain its leading position in the PRC retail industry.

In 2011, in addition to persistent implementation of the regional expansion strategy to capture a leading position in the regional markets and strengthen our edges in terms of scale, distribution and channels, the Group, on the basis of consolidating existing market share, will go beyond the existing traditional model and explore new business models and operation formats actively.

To provide attractive merchandise and services that enhance consumer satisfaction, the Group will actively adopt new methods and technologies in our operation management, strengthen its procurement and merchandising capability by dedicating efforts to facilitate industrialisation and standardisation of the circulation industry, further expand the logistics and distribution system and improve supply chain management.

In 2011, the Group will ensure sufficient human resources for its continuous and rapid development through accelerating the training and nurturing of existing management team, strengthening the construction of staff promotion system and recruiting more talents.

I would like to extend my heartfelt gratitude to all members of the Board, the management team of the Group and all the staff for their hard work and dedication throughout the past year. Your relentless support, trust and contributions are indispensable to Wumart's prosperous future!

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	**2010** **RMB'000**	2009 *RMB'000*
Revenue from sales of goods	3	**12,571,524**	10,511,410
Cost of sales		**(11,446,293)**	(9,580,791)
Gross profit		**1,125,231**	930,619
Other revenues	3	**1,675,357**	1,270,599
Investment and other income	5	**143,568**	94,306
Distribution and selling expenses		**(1,839,130)**	(1,369,093)
Administrative expenses		**(314,470)**	(252,078)
Other expenses		**(9,175)**	—
Share of profit of associates		**7,061**	5,072
Share of profit of a jointly controlled entity		**3,334**	610
Finance costs	6	**(14,527)**	(32,473)
Profit before tax		**777,249**	647,562
Income tax expense	7	**(217,712)**	(156,202)
Profit and total comprehensive income for the year	8	**559,537**	491,360
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**529,837**	437,764
Non-controlling interests		**29,700**	53,596
		559,537	491,360
Earnings per share			
— basic *(RMB yuan per share)*	9	**0.42**	0.36

CONSOLIDATED STATEMNT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

	NOTES	**2010** **RMB'000**	2009 RMB'000
Non-current Assets			
Property, plant and equipment		**2,459,556**	2,237,538
Deposit for acquisition of property, plant and equipment		**200,000**	—
Prepaid lease payments		**65,213**	76,543
Goodwill		**844,964**	844,964
Intangible assets		**103,711**	94,909
Interests in associates		**144,268**	139,553
Interests in a jointly controlled entity		**99,950**	98,209
Deferred tax assets		**65,194**	43,655
		3,982,856	3,535,371
Current Assets			
Inventories		**1,211,467**	838,803
Loan receivables		**—**	120,000
Trade and other receivables	11	**832,793**	586,486
Amounts due from related parties		**203,463**	95,522
Prepaid lease payments		**58,419**	63,933
Held-for-trading investments		**10,105**	—
Restricted bank balances		**16,000**	—
Bank balances and cash		**1,133,607**	1,171,575
		3,465,854	2,876,319
Current Liabilities			
Trade and other payables	12	**3,993,801**	3,355,280
Amounts due to related parties		**73,320**	67,901
Tax liabilities		**165,371**	134,738
Bank loans		**201,500**	456,086
Obligations under finance leases		**—**	508
		4,433,992	4,014,513
Net Current Liabilities		**(968,138)**	(1,138,194)
Total assets less Current Liabilities		**3,014,718**	2,397,177

	NOTES	2010 RMB'000	2009 RMB'000
Capital and Reserves			
Share capital		**320,319**	312,819
Share premium and reserves		**2,536,892**	1,949,344
Equity attributable to owners of the Company		**2,857,211**	2,262,163
Non-controlling interests		**138,319**	118,617
Total equity		**2,995,530**	2,380,780
Non-current liabilities			
Deferred tax liabilities		**19,188**	16,397
		19,188	16,397
		3,014,718	2,397,177

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Attributable to owners of the Company							
	Share capital	Share premium	Other reserve	Statutory common reserve fund *(Note ii)*	Retained profits	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	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 non-controlling shareholders	—	—	—	—	—	—	(74,420)	(74,420)
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
Profit and total comprehensive income for the year	—	—	—	—	529,837	529,837	29,700	559,537
Shares issued	7,500	282,842	—	—	—	290,342	—	290,342
Dividend paid by the Company	—	—	—	—	(225,131)	(225,131)	—	(225,131)
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	(9,998)	(9,998)
Profit appropriations *(note ii)*	—	—	—	57,701	(57,701)	—	—	—
At 31 December 2010	320,319	1,705,973	(733,253)	297,174	1,266,998	2,857,211	138,319	2,995,530

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 equity attributable 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the Group's financial year beginning on 1 January 2010.

Except as described below, the application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the consolidated financial statements of the Group.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

In the current year, the application of HKFRS 3 (as revised in 2008) has affected the acquisition of Chia Tai Trading (Tianjin) Company Limited. The acquisition-related costs of RMB243,000 were recognised as an expense in profit or loss. There is no material effect on the calculation of the earnings per share.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases.

The application of the amendments to HKAS 17 has had no impact on consolidated financial statements for the Group.

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)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2013.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new Standard may not have any material effect in respect of the Groups' financial assets and financial liabilities based on an analysis of the financial instruments of the Group as at 31 December 2010.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. REVENUE AND OTHER REVENUES

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

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**12,571,524**	10,511,410
Other revenues		
Rental income from leasing of shop premises	**365,313**	329,833
Income from suppliers, including store display income and promotion income	**1,310,044**	940,766
	1,675,357	1,270,599
Total revenue	**14,246,881**	11,782,009

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 as the Group has only one operating segment.

5. INVESTMENT AND OTHER INCOME

	2010	2009
	RMB'000	*RMB'000*
Government subsidies *(note)*	**11,764**	19,116
Sales of scrapped materials	**14,719**	18,118
Compensation received from lessors for cancellation of lease contract	**19,599**	11,500
Delivery service income	**43,195**	10,123
Compensation received from suppliers for delaying goods delivery	**13,010**	9,169
Interest income	**11,663**	4,870
Fair value changes of held-for-trading investments	**1,640**	4,351
Others	**27,978**	17,059
	143,568	94,306

Note: The Group was awarded government subsidies RMB11,764,000 during the year (2009:RMB19,116,000), for the recognition of the Group's contribution to local community and fulfilling other conditions which the local government considered necessary.

6. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interests on:		
— Bank loans wholly repayable within five years	**14,527**	32,149
— Finance leases	**—**	324
	14,527	32,473

7. INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
The charge (credit) comprises:		
PRC income tax	**239,539**	181,682
Deferred tax		
Current year	**(21,827)**	(25,480)
	217,712	156,202

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:

	2010	2009
	RMB'000	*RMB'000*
Profit before tax	**777,249**	647,562
Taxation at the PRC Enterprise Income Tax rate of 25%	**194,312**	161,891
Tax effect of share of profit of associates and a jointly controlled entity	**(2,599)**	(1,420)
Tax effect of expenses not deductible for tax purpose	**673**	765
Tax effect of tax losses not recognised	**27,233**	1,116
Utilisation of tax losses previously not recognised	**(1,805)**	(2,257)
Utilisation of deductible temporary difference previously not recognised	**—**	(3,655)
Tax effect of additional tax deductible expense in determining taxable profit	**(102)**	(238)
Income tax expense for the year	**217,712**	156,202

8. PROFIT FOR THE YEAR

	2010	2009
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation for property, plant and equipment	**256,928**	181,548
Release of prepaid lease payments	**63,933**	38,910
Amortisation for intangible assets	**3,512**	5,521
Total depreciation and amortisation	**324,373**	225,979
Operating lease rentals in respect of rented premises	**543,284**	407,843
Auditor's remuneration	**4,750**	4,700
Staff costs:		
Directors' emoluments	**2,377**	3,021
Other staff costs		
— Salaries and other benefits	**603,266**	461,448
— Contributions to retirement benefits schemes	**63,911**	41,886
	669,554	506,355
Share of tax of associates and a jointly controlled entity (included in share of profit of associates and a jointly controlled entity)	**4,768**	3,508
Loss on disposal/write-off of property, plant and equipment	**2,262**	4,683
Cost of inventory recognised as expense	**11,446,293**	9,580,791

9. EARNINGS PER SHARE

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

	2010	2009
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company	**529,837**	437,764

	2010	2009
	Shares '000	*Shares '000*
Number of shares:		
Weighted average number of shares for the purposes of basic earnings per share	**1,268,607**	1,229,110

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

10. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2009 final paid — RMB0.18 (2009: 2008 final paid RMB0.15) per share	**225,131**	183,052

Subsequent to the end of the reporting period, the final dividend of RMB0.20 (before tax) per share with the total amount of RMB256,255,000 in respect of the year ended 31 December 2010 (2009: final dividend of RMB0.18 per share with the total amount of RMB225,131,000 in respect of the year ended 31 December 2009) to shareholders whose names appear on the register of members on the date of the 2010 annual general meeting has been proposed by the directors and is subject to approval by the shareholders in general meeting..

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**77,737**	54,269
Prepayments to suppliers	**212,158**	80,266
Deductible input value added tax	**327,805**	238,380
Deposits and other receivables	**215,093**	213,571
	832,793	586,486

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

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

	2010	2009
	RMB'000	*RMB'000*
0–30 days	**33,350**	22,179
31–60 days	**44,387**	32,090
	77,737	54,269

12. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Bill payables	**16,000**	—
Trade payables	**2,485,814**	2,101,898
Advances from customers	**767,303**	640,843
Other payables, deposits and accruals	**724,684**	612,539
	3,993,801	3,355,280

The following is an aged analysis of trade payables at the end of Reporting Period:

	2010	2009
	RMB'000	*RMB'000*
0–30 days	**1,592,620**	1,457,198
31–60 days	**409,861**	279,592
61–90 days	**326,245**	239,305
Over 90 days	**157,088**	125,803
	2,485,814	2,101,898

The average credit period on purchase of merchandises is 60 days (2009: 60 days).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Five-Year Financial Summary

RMB'000	**2010**	2009	2008	2007	2006
Annual results:					
Total revenue *Note 1*	**14,246,881**	11,782,009	9,749,790	7,865,805	5,693,349
Consolidated gross profit *Note 2*	**2,800,588**	2,201,218	1,762,457	1,284,838	881,047
Consolidated gross profit margin *Note 3*	**19.7%**	18.7%	18.1%	16.3%	15.5%
Net profit	**529,837**	437,764	361,339	300,078	212,308
Net profit margin	**3.7%**	3.7%	3.7%	3.8%	3.7%
Earnings per share (RMB) *Note 4*	**0.42**	0.36	0.30	0.25	0.18
Dividend per share (RMB)	**0.20**	0.18	0.15	0.13	0.07
As at 31 December 2010:					
Total assets	**7,448,710**	6,411,690	6,366,034	4,697,768	4,491,057
Total liabilities	**4,453,180**	4,030,910	3,729,204	2,467,209	2,502,146
Minority interests	**138,319**	118,617	194,616	120,354	93,360
Equity attributable to owners of the Company	**2,857,211**	2,262,163	2,442,214	2,110,205	1,895,551
Major financial indicators:					
Return on net assets	**20.7%**	18.6%	15.9%	15.0%	13.4%
Gearing ratio *Note 5*	**6.7%**	19.2%	23.6%	12.3%	8.8%
Trade payable turnover	**73 days**	77 days	75 days	89 days	86 days
Inventory turnover	**33 days**	30 days	27 days	23 days	19 days

Note 1: Total revenue represents revenue and other revenues.

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

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

Note 4: The Company's shares have a par value of RMB0.25 each. Basic earnings per share is calculated on the basis of the weighted average number of shares.

Note 5: Gearing ratio is the ratio between total bank loans and total equity of the Group at the end of the Reporting Period.

Total Revenue

For the Reporting Period, the Group recorded total revenue of approximately RMB14,246,881,000, up by approximately 20.9% compared to RMB11,782,009,000 for 2009. The growth in total revenue was attributable to:

1) Year-on-year growth in comparable store sales. For the Reporting Period, customer traffic and average transaction amount per head were boosted by the Group's efforts to enhance the brand profile of Wumart among consumers through improvements in store image, merchandise mix optimisation and produce supply through Farm-Supermarket Links. Amidst the increasingly fierce competitions in the retail market, the Group managed to achieve a growth of 8.8% in comparable store sales.

2) Sales contributions from new stores.

3) Sales contributions from both Huzhou Laodafang Supermarket Company Limited and Chia Tai Trading (Tianjin) Company Limited, which were acquired by the Group, during the Reporting Period.

Consolidated Gross Profit and Consolidated Gross Profit Margin

For the Reporting Period, the Group's consolidated gross profit amounted to RMB2,800,588,000, a growth of approximately 27.2% compared to RMB2,201,218,000 for 2009. During the Reporting Period, the Group's consolidated gross profit margin rose by 1 percentage point to 19.7%, versus 18.7% reported in 2009. The growth in consolidated gross profit margin was mainly attributable to the management and control over the gross profit of merchandise sales, which primarily includes:

1) Reduction of intermediaries for lower procurement costs. For the Reporting Period, expansion of procurement scale, operation of the Company's North China Distribution Centre and expansion of the business of Farm-Supermarket Links and direct sourcing from supply bases had actively contributed to the lowering of procurement costs.

2) Optimisation of merchandise mix. For the Reporting Period, the Group further adjusted its merchandise mix in a customer-oriented manner. The ratio of sales of merchandise with higher margin increased.

3) Effective marketing. For the Reporting Period, supported by its advanced IT system, the Group actively explored new means of marketing with a view to bring a brand-new shopping experience to consumers as well as ensure stable gross profit.

Distribution and Selling Expenses and Administrative Expenses

For the Reporting Period, the Group recorded an aggregate distribution and selling expenses and administrative expenses of approximately RMB2,153,600,000, accounting for 15.1% of the total revenue, which was 1.3 percentage points higher as compared to the previous year. Higher operating cost was mainly:

1) Increase in staff costs as a percentage of total revenue. As a result of the growth in staff remunerations and social insurance of the Group due to increase in market rate for labour in the PRC in the second half of last year, staff costs as a percentage of total revenue of the Group increased by 0.4 percentage point during the Reporting Period.

2) Increase in rental expenses as a percentage of total revenue. Rental expenses as a percentage of total revenue of the Group increased by 0.4 percentage point as a result of the significant increase in rental expenses of new stores as affected by the rise in market rent and the requirement on straight-line accounting treatments during the Reporting Period.

3) Increase in distribution expenses as a percentage of total revenue. Distribution expenses as a percentage of total revenue increased by 0.2 percentage point as a result of the formal operation of the Group's North China Distribution Centre with an area of 70,000 square metres during the Reporting Period, the expenses of which were higher than normal at the initial stage of operation.

Finance Costs

For the Reporting Period, finance costs of the Group amounted to approximately RMB14,527,000, a decrease of 55.3% compared to RMB32,473,000 for 2009. The decrease in finance costs was mainly due to the increased cash and cash flow at the end of the Reporting Period and the decreased loan amount through centralisation of payment collection at stores, closing of bank accounts, and increase in capital efficiency during the Reporting Period.

Net Profit

For the Reporting Period, net profit of the Group was approximately RMB529,837,000, a growth of 21.0% compared to RMB437,764,000 for 2009. Net profit margin was approximately 3.7%, unchanged from 2009.

Liquidity and Financial Resources

Benefited from the Group's expansion in scale and steady business growth, during the Reporting Period, net cash flow generated from operating activities amounted to RMB681,600,000. Cash and bank balances at the year-end amounted to RMB1,133,607,000. Solid cash flow provided strong support for the Group's core business including retail network expansion, modernised logistics centre and supply chain system construction and Farm-Supermarket Links.

As at 31 December 2010, the Group's total equity was approximately RMB2,995,530,000 with a gearing ratio of 6.7% (31 December 2009: 19.2%). 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 2010, the Group recorded current assets of approximately RMB3,465,854,000 which mainly comprised cash and bank balances of approximately RMB1,133,607,000, inventories of approximately RMB1,211,467,000 and trade and other receivables of approximately RMB832,793,000.

As at 31 December 2010, the Group had non-current assets of approximately RMB3,982,856,000, which mainly included property, plant and equipment of approximately RMB2,459,556,000, goodwill of approximately RMB844,964,000, interests in associates of approximately RMB144,268,000 and interests in a jointly controlled entity of approximately RMB99,950,000.

As at 31 December 2010, the Group recorded net current liabilities of approximately RMB968,138,000 and current liabilities of approximately RMB4,433,992,000, mainly comprising trade and other payables of approximately RMB3,993,801,000 and tax liabilities of approximately RMB165,371,000.

During the Reporting Period, the Group's average trade payable turnover was 73 days (2009: 77 days) and inventory turnover was 33 days (2009: 30 days).

Capital Structure

The Group's borrowings, cash and cash equivalents were mainly denominated in RMB. Bank loans of the Group as at 31 December 2010 were approximately RMB201,500,000 for terms of one year and carrying interests at fixed rates ranging from 5.56% to 6.13% per annum.

BUSINESS REVIEW

Continual expansion of retail network

The Group further penetrated in the Beijing, Tianjin and Zhejiang markets in persistent implementation of the expansion strategy of regional priority. As at 31 December 2010, we had a retail network of 492 stores (2009: 469 stores) comprising 118 superstores and 374 mini-marts (comprising Everyday Shops, high-end supermarkets and convenience stores), which were either directly operated or operated and managed through franchise agreements and management agreements by the Group, its associates (other than Beijing Chao Shifa Company Limited) and a jointly controlled entity. The Group's retail network occupied an aggregate saleable area of 595,742 square metres, excluding stores under associates and franchises, representing an increase of 11.32% over 2009. During the Reporting Period, 12 directly-owned superstores were opened while 3 were closed down. For mini-marts, 30 directly-owned new stores were opened while 18 were closed down. For franchised stores, 12 new stores were opened while 9 were closed down. The cooperation with 1 managed store was terminated.

Stores operated and managed by the Group as at 31 December 2010 were as follows:

	Number of Superstores	Number of Mini-marts	Total	Geographical Distribution
Directly-owned	116	255	371	Beijing, Tianjin, Hebei, Zhejiang
Franchised	—	81	81	Zhejiang
Managed	2	38	40	Tianjin
Total	118	374	492	

Refinement of category management in a customer-oriented manner

During the Reporting Period, the Group implemented customer-oriented category management by identifying and capturing market development trends in a timely manner in joint research efforts with certain suppliers on merchandise category and shopping needs of consumers.

Meanwhile, the Group also supervised the merchandise mix and merchandise allocation of store groups with different business formats as well as category management by adopting the information system, resulting in more regulated and scientific merchandise allocation, merchandise category and additions or replacements management of merchandise items for stores. The efficiency of category management was therefore enhanced by the systematised, standardised, normalised and refined category management.

During the Reporting Period, the Group readjusted and improved the list of essential merchandise for convenience stores in the Beijing area. A fixed group of essential merchandise matching the needs of convenience stores was formed gradually through weekly examination and monthly assessment. In the meantime, trendy and popular new items, small package imported food and instant food were added to satisfy the needs of convenience stores and fresh food (rice dumpling, fried noodles, salad, sushi etc.) was introduced to match the needs of fast-moving consumers, while large package merchandise was replaced. The series of efforts made in category optimisation served as a significant niche for sales growth for convenience stores.

Achieve win-win situation through harmonious relationship and in-depth cooperation with suppliers

The Group continued to reinforce the harmonious "retailer-supplier" relationships not only to achieve the goal of increasing the gross profit of the Group, but also help achieving higher revenue for suppliers. During the Reporting Period, the Group solicited more producers, facilitated the implementation of the branded suppliers and quality suppliers strategy, strengthened efforts on the introduction and development of branded suppliers and quality suppliers and carried out strategic cooperation with them. With a view to satisfy customers' needs, the Group and suppliers jointly developed the simple buy-and-sell relationship into a comprehensive cooperation relationship comprising category, marketing, supply chain, finance and information cooperation. As a result, the Group's value creation was enhanced to overall value chain creation ranging from research on consumers' needs to after sale service, establishing a "value added" business model. Competitiveness of the Group's merchandise was therefore strengthened by providing consumers with merchandise satisfying their needs.

The Group is committed to initiating and establishing a harmonious retailer-supplier relationship system. It introduced the innovative special supplier monitor system. All special supplier monitors are provided with access cards issued by the Group, so that they may have access to the back office as well as the front store of the Group, exchanging ideas and communicating with store managers and heads of different departments directly and bringing any issues identified to the attention of the Group's senior management instantly. Special supplier monitors comprised suppliers of major categories such as fresh food, packaged food, daily necessities and electrical appliances. Ever since the establishment of the special supplier monitor system, the Group has maintained excellent cooperation with the special monitors. The system has contributed significantly to resolving issues and establishing harmonious relations with suppliers.

The Group established a transparent retailer-supplier management system by allowing suppliers to participate in monitoring sales and inventory of goods. "Timely and accurate payment commitment" and "Prohibiting non-standard charges" policies were in place. Store supervisors of the Group carried out store inspections regularly to deal with issues on retailer-supplier relations in a timely manner, improving and facilitating the establishment of a retailer-supplier relationship system for the Group.

During the Reporting Period, the Group also established a "Regular business review on suppliers system", through which our management teams at various levels conducted business review analysis on suppliers with annual sales of RMB10 million, RMB20 million and RMB50 million, respectively. Cooperation with suppliers was further improved based on conclusions and improvements made on issues and experiences on cooperation in a timely manner to establish harmonious retailer-supplier relationships with mutual trust and benefit and eventually achieve mutual profitability.

Simplified the business model at store level and enhanced the store image

During the Reporting Period, the Group focused on the strengthening of specialised management of headquarters through maintaining the headquarters' control over major duties including merchandise, operations and marketing of shop operations. Store functions were streamlined and operations were simplified by implementing standardized and regulated operational management of stores in order to enhance the operating efficiency of stores.

Aiming to improve performance and image of the stores and upholding the concept of "smallest investment, shortest renovation period and minimised influence on operations", the Group renovated 19 hypermarkets during the Reporting Period. Reshuffling projects comprise primarily adjustment on proportions of area of direct operation and concession and integration of concession brands and items with the overall planning and layout of direct operation, which enriched the categories and offered customers with additional types of merchandise and more convenient services.

During the Reporting Period, the Group actively investigated the brand-oriented store operating model to attract consumers. For instance, in Weiguo Road Hypermarket in Tianjin, its original sales model for home appliance was adjusted to "Wumart Home Appliances Market" to establish an independent mini-shop area featuring professionalism, premium quality and attractiveness. Sales of home appliances, customer traffic and average transaction amount per head of the renovated store increased by 62.25%, 36.56% and 23.12%, respectively. Store renovation won applause as well as boosted sales, realising anticipated renovation outcomes.

Innovative and practical marketing schemes, flexible and diversified marketing strategies

During the Reporting Period, the Group launched a unified group anniversary celebration campaign at the 16th anniversary of the opening of the first Wumart store. During the campaign period, stores of the Group spreading across various areas including Beijing, Tianjin, Hebei and Zhejiang advertised through different media such as televisions, newspapers, buildings and in-store decorations and launched a series of joyous and harmonious marketing campaigns offering considerable rewards to customers. Such unified anniversary celebration promotions significantly enhanced the Group's brand image and lured numerous consumers to shopping.

In response to the potential drop in consumption as a result of the continual rise in commodity prices, stores of MerryMart, a subsidiary of the Group, successfully organised the “Members’ Month”, “Company Celebration Month” and other activities with the cooperation of various promotions based on the price strategy to promote sales. Tracing closely the market movements, the Group also launched the “Lead to stabilise commodity prices” activity at such times as appropriate in joint hands with suppliers, thereby effectively boosting sales for the period on one hand and enhanced the brand image of MerryMart on the other hand. Before the Chinese New Year, with the theme of “Cheap prices for CNY”, the Group launched price reductions and promotions for more than 300 items essential for the living of the public and, leveraging upon its advanced information system, an activity for redemption purchase of foodstuffs and cooking oil with any consumption for an amount of RMB68, which was well recongnised and received by customers.

The Group actively captured opportunities with selling points to create strong hot sales sentiment. During the Reporting Period, “Beer & Snacks” displays with the theme of “World Cup Cheers” were arranged at the Group’s convenience stores in the Beijing area during the “World Cup” South Africa, registering sales of RMB710,000 in June, representing a year-on-year growth of 53%. Through a series of timely and brand-new promotion activities, the Group effectively boosted its sales and gained brand recognition.

Highly informatised supply-chain and continually innovative operating model

During the Reporting Period, the Group continually enhanced the distribution efficiency of its supply chain and reduced operating costs with the “highly IT-based, sufficiently mechanised and reasonably automatised” logistics operating model. Covering all parties of the whole supply chain, the WMS (Warehouse Management System), WCS (Warehouse Control System), RF system (Radio Frequency System), DPS (Data Processing System) and TMS (Transport Management System) significantly enhanced operating efficiency and accuracy through creation of synergies. The automatic sorter system and transport machine system were put into operations. Supported by the DPS, highly efficient and accurate retail distribution for mini-marts was achieved.

With continual innovations in business and operation models, each KPI (key performance indicator) of the supply chain of Group continued to deliver excellent results. Amount of distribution and delivery income increased continually while distribution costs decreased continually. During the Reporting Period, business volume of North China Distribution Centre of the Group increased by approximately 66%, as compared to the corresponding period in the previous year, reflecting the preliminary effects achieved by innovations in business model of supply chain.

Continually upgrade and develop functions of WINBOX@SAP

As one of the Group’s core technology, the WINBOX project was upgraded continually with enriched functions during the Reporting Period, providing even stronger support for business operations. The Group updated, streamlined and upgraded WINBOX solution V1.0 by adding new business processes and solutions including push replenishment, congeneric merchandise, distribution surcharge and wholesale, and franchised stores schemes. The upgraded WINBOX V1.1 spread was more mature and stable with additional retail characteristics and higher promotion value.

During the Reporting Period, the Group completed the WINBOX implementation project for MerryMart. Modules including category, procurement, marketing, operations, stores, supply chain and finance were successfully launched, which upgraded the information system and business process, strengthened the competitiveness and reduced the investment and operating costs of the IT system as a whole.

During the Reporting Period, the Group completed the R2GUI project (the Graphical User Interface for customer-end of R2POS) with an aim to optimise the interface of the store front-end system. Through the strengthened R2GUI integrated development, the interface of store front-end users was efficiently integrated with the platform core SAP system, thereby significantly reducing system load and enhancing system operation efficiency. At the same time, since the R2GUI system features simple and user-friendly interface which facilities user training, considerably less operation difficulties were encountered by shop staff and the time and costs of training were reduced.

During the Reporting Period, the Group completed the development of the POS payment collection project. Under the POS payment collection project, the function of collecting payment for non-purchase transactions at store cash registers, including the payment collection function for non-supermarket merchandise such as water and electricity fees, spare parts and waste products was designed and developed on the basis of the store POS system. Upon cashiers' payment collection operation, information of payment collection was uploaded to the SAP system to generate the voucher for financial revenue automatically. As such, manual daily cash flow record of stores was entirely replaced and financial process and headcount at retail stores were simplified.

Formation of 24-hour fruit and vegetable supply chain through "Fruit and Vegetable Farm-Supermarket Links"

During the Reporting Period, the Group developed an innovative supply chain control technology for "timely stacking" of fresh fruits and vegetables on the basis of JIT (Just In Time), addressing issues such as complicated process, hard to maintain freshness, considerable wear-and-tear and high circulation cost of the fruit and vegetable supply chain. In particular, the replenishment prediction system and supplier relationship management system were adopted to establish a pulling-type supply chain, forming a swift order response mechanism to resolve the issue of lead-time gap of stocks. Meanwhile, wear-and-tear of fruits and vegetables was largely reduced by using standard logistics baskets to avoid moving and tumbling during the process from harvest to store display, and an innovative "fresh food operating platform" technology was developed to replace delivery-taking with delivery, achieving the target of zero stock and shortest process time for fruits and vegetables in the distribution centre. The supply chain control technology shortened the traditional supply chain with over seven processes, i.e. "farmers→local brokers→regional wholesalers→Beijing wholesalers→farmer's market→supermarkets→customers", to only three processes, i.e. "farmers→distribution centre→store" and created a supply chain model with zero stock, zero wear-and-tear, zero moving, 24-hour and timely stacking for sale (transportation time form the Shandong base to Beijing supermarkets was shortened from 30 hours to 24 hours) of fruits and vegetables. Realisation of "Farm-Supermarket Links" between fruits and vegetables bases and Beijing resulted in effective control over the procurement costs of fruits and vegetables, with average retail price of approximately 20% lower for around 100,000kg of fresh fruits and vegetables delivered from the Shandong base to the Beijing market everyday compared to nearby agricultural trade markets, benefiting consumers and increasing the income of farmers. A supply chain with maximised synergies between agricultural product bases or farmers, distribution centres and terminal sales outlets was realised. During the Reporting Period, sales volume of the Group's vegetables and fruits maintained a relatively higher growth rate in accumulate. Through the innovative operating model of "24-hour fruit and vegetable supply chain" and the implementation of a fruit and vegetable distribution centre, the Group has gradually become the "major channel for trustworthy supply of vegetables and fruits" for Beijing residents. The Group's Farm-Supermarket Links project was the first systematic farm-supermarket links in Beijing.

Intensification of training for continual enhancement of productivity

During the Reporting Period, the Group had a total of 22,273 staff. In response to the imminent demand for talent due to rapid corporate development, the Group insisted on the integration of department heads and internal training, continued to implement talent cultivation programmes and trained up department heads and staff with specialised skills at various levels through training sessions. During the Reporting Period, 129 training sessions were organised by the Group. These trainings include WINBOX@SAP system upgrade training, management officers promotion training, other specialised training programmes and management trainees (fresh graduates) training. A total of 4,229 employees participated in our training sessions, amongst which, 29 employees qualified as candidates for appointment to the post of store manager and 30 qualified as candidates for appointment to the post of section manager under the "Centurion Program", out of which 4 had been promoted as store managers and 4 had been promoted as section managers. These trainings reinforced the working skills of our staff, improved the performance and value of department heads and staff, enhanced team building and cohesion and retained talents for the Group's development.

To meet the training needs arising from the rapid development of the enterprise, the Group commenced the "E-Learning" distant-learning platform in February 2010. After almost half a year's research, discussion and development efforts, functions of the "E-Learning" distant-learning system platform, including course selection, lesson taking, examination, assessment, intellectual examination paper production and preliminary statement statistics, were in stable operation and went online in Beijing in two phases in September and October 2010, respectively. As at 31 December 2010, a total of 7,988 employees attended courses through the platform under the Group's training programme. The implementation of the project will provide a positive boost for the regulation, informatisation and standardisation of the Group's training initiatives, expand the scope of training and offer professional learning opportunities for more staff. Meanwhile, training efficiency was largely enhanced, training costs were lowered and the progress of specialised training of the Group was accelerated.

During the Reporting Period, the human resources department of the Group and WINBOX project team jointly completed the construction of a human resources alert platform, integrated the resources of three technical platforms, being OA (OFFICE AUTOMATION), SAP-HR (HUMAN RESOURCES MANAGEMENT) and MRM (MANAGER RELATIONSHIP MANAGEMENT), constructed the human resources alert platform and enabled enquiry on human resources information or index on staff and departments by management personnel at various levels. This was to fully tap on information required to be managed for "human" as a kind of "resources", as well as to manage these important "resources" by technical means with a view to realise human resources management emphasising "distinguish the good from the bad, thorough understanding, dynamic alert, active reward and penalty" with the support of information technologies.

PROSPECTS

Against the backdrop of fierce competitions in the retail industry and booming trend of emerging retail models, the Group will focus on its internal and consumer needs and perform target-driven research, development and innovations, actively explore and experiment new business formats and seize every business opportunity to achieve even fruitful results.

In the coming year, the Group will continue to persist in the regional development strategy and implement the regional "saturation" strategy in Beijing, Tianjin, Hebei and Zhejiang in which we have already established our presence. Whilst dedicating every effort on expansion of retail network, the Group will also identify opportunities for mergers and acquisitions actively with a view to extend its foothold to new markets.

In 2011, the Group will adopt procurement and suppliers management as its strategies and strengthen the development of supply sources. Apart from increasing the proportion of direct purchases of fruits and vegetables, direct purchase and order purchase will be implemented at other merchandise categories to reduce circulation channels and minimise procurement costs. Through continual analysis on and optimisation of merchandise system, the Group will launch category and merchandise mix optimisation to improve merchandising capability in a comprehensive manner. Flagship stores will be established for each business format to enhance the Wumart brand image.

Whilst nurturing talents for its management team through strengthening of internal training and recruitment of high calibres, the Group will also enhance productivity and operating efficiency through optimisation of business process of stores, strong IT support from the Group and standardised training.

In the coming year, with faith and confidence, all members of our management team together with all of our staff will make every effort on forging its core competence, practically implement all missions, strive for another remarkable year and create new value for shareholders in 2011!

SHARE CAPITAL

In accordance with the Investment Agreement entered into between the Company and TPG Asia V L.P ("TPG"), Fit Sports Limited ("FS"), Legend Holdings Limited ("Legend Holdings") and Hony Capital RMB I, L.P. ("Hony Capital") on 12 August 2009, the Company entered into the H Shares Subscription Agreement with TPG and FS and the Domestic Shares Subscription Agreement with Legend Holdings and Hony Capital. On 7 May 2010, the Company and TPG, Wealth Retail Holdings Limited ("WR"), a wholly-owned subsidiary of TPG, and FS entered into the "Deed of Amendment relating to H Shares of Wumart Stores, Inc." (the "Deed of Amendment"), pursuant to which WR and FS, as the H Subscribers, will subscribe for the H Subscription Shares, and 25,000,000 H Shares and 5,000,000 H Subscription Shares will be issued to WR and FS, respectively, by the Company (please refer to the Company's announcement dated 7 May 2010 for details of the aforesaid).

As such, the Company completed the issue of 25,000,000 H Shares and 5,000,000 H Shares to WR and FS, respectively, at an issue price of HK$11.00 per share pursuant to the approvals of the China Securities Regulatory Commission and the Stock Exchange and the Deed of Amendment on 3 June 2010. Following the completion of the aforesaid issue, the total number of issued shares of the Company was 1,281,274,116 shares and the total registered capital of the Company increased to RMB320,318,529.

DIVIDEND APPROPRIATION

The Board recommended the payment of a final dividend of RMB0.20 (before tax) per share to shareholders whose names appear on the register of members of the Company on the date of the 2010 annual general meeting ("AGM"), subject to approval by way of an ordinary resolution at the AGM.

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

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 2010, the Group's bank loans of RMB1,500,000 were secured by the pledge of land and buildings with a carrying amount of approximately RMB5,549,000.

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 or its working capital or liquidity had not been affected as a result of fluctuations in exchange rates.

INVENTORIES

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 2010, inventories balance of the Group was approximately RMB1,211,467,000 (2009: RMB838,803,000) and costs included in the Reporting Period was approximately RMB11,446,293,000 (2009: RMB9,580,791,000).

DISTRIBUTABLE RESERVE

The distributable reserve of the Company as at 31 December 2010 amounted to approximately RMB1,266,998,000 (2009: RMB1,019,993,000).

CONTINGENT LIABILITY

As at 31 December 2010, the Group had no significant contingent liability.

AUDIT COMMITTEE

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

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 2009, the quarterly and interim results report for 2010, and made recommendations for the appointment of 2010 external auditor to the Board.

At the meeting held by the audit committee on 22 March 2011, the audited consolidated financial report and operating results, major accounting policies and internal audit matters of the Group for the year ended 31 December 2010 were reviewed and discussed and the advice provided by auditors on the Company was listened. The committee agreed to the contents of the annual report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Board of the Company has adopted a set of code of conduct regarding transactions on the Company's securities 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, Tianjin and Hebei. 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.

Given that the Entrusted Operation and Management Agreements have expired on 31 December 2010, the Company and Wumei Holdings entered into the Entrusted Operation and Management Agreement (2011–2013) on 29 November 2010, pursuant to which, the Group will continue to provide Wumei Holdings and its subsidiaries with the supply and delivery of merchandise and management services.

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 Directors confirms that there was no material adverse change in the Group's financial or operational position as at 31 December 2010.

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

22 March 2011

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 http://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 http://www.wumart.com.