

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the Directors 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 and deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.



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

Reference is made to the “Continuing Connected Transactions” announcement of the Company dated 29 November 2010. Unless otherwise defined, the capitalised terms used in this announcement shall have the same meaning as those defined in that announcement.

In early 2011, the Group’s distribution centre in Linping, Hangzhou, Zhejiang Province officially commenced operation. In order to lower operating costs of distribution centre, increase the utilization of logistics system as well as to further enhance its bargaining power during procurement process, by entering into the Management Agreement (2011), the Group intends that in addition to providing supply and delivery of merchandise and management services to Tianjin Affiliates, it shall also provide supply and delivery of merchandise services to Eastern China Affiliates. The Company therefore entered into the Management Agreement (2011) with Wumei Holdings on 5 May 2011. The proposed annual caps for the Management Agreement (2011) and the continuing connected transactions contemplated thereunder will take effect from 1 July 2011, subject to independent shareholders’ review and approval at AGM. The Management Agreement (2010) will lapse upon the Management Agreement (2011) becoming effective.

As Wumei Holdings is the controlling shareholder of the Company, Wumei Holdings and its subsidiaries are connected persons of the Company in accordance with the GEM Listing Rules. Therefore, the transactions contemplated under the Management Agreement (2011) 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 of the continuing connected transactions under the Management Agreement (2011) for the six months ending 31 December 2011 and the two years ending 31 December 2013 are more than 5%, and the annual consideration exceeds HK\$10 million, the aforesaid continuing connected transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules.

The Management Agreement (2011) and the proposed annual caps for the continuing connected transactions contemplated thereunder will be submitted to the AGM for the Independent Shareholders' review and approval. Wumei Holdings will abstain from voting in respect of the relevant resolution.

A circular containing, inter alia, further information on the Management Agreement (2011) and the proposed annual caps for the continuing connected transactions contemplated thereunder, the letter from the Independent Board Committee, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with the notice of annual general meeting, will be despatched to the Shareholders on or before 13 May 2011.

BACKGROUND INFORMATION

The Management Agreement (2007) entered into among the Company, Wumei Holdings and its relevant subsidiaries for a term of three years expired on 31 December 2010. The Company entered into the Management Agreement (2010) with Wumei Holdings on 29 November 2010 to continue to provide Wumei Holdings and its relevant subsidiaries with the supply and delivery of merchandise and provision of management services for a period of three years from 1 January 2011 to 31 December 2013.

In early 2011, the Group's distribution centre in Linping, Hangzhou, Zhejiang Province officially commenced operation. In order to lower operating costs of distribution centre, increase the utilization of logistics system as well as to further enhance its bargaining power during procurement process, by entering into the Management Agreement (2011), the Group intends that in addition to providing supply and delivery of merchandise and management services to Tianjin Affiliates, it shall also provide supply and delivery of merchandise services to Eastern China Affiliates. The Company therefore entered into the Management Agreement (2011) with Wumei Holdings on 5 May 2011.

The proposed annual caps for the Management Agreement (2011) and the continuing connected transactions contemplated thereunder will take effect from 1 July 2011, subject to independent shareholders' review and approval at the AGM. The Management Agreement (2010) will lapse upon the Management Agreement (2011) becoming effective.

A. PRINCIPAL TERMS OF THE MANAGEMENT AGREEMENT (2011)

I. Date: 5 May 2011

II. Parties: Wumei Holdings and the Company

III. Continuing transactions

1. Supply of merchandise: The Group will purchase merchandise from suppliers through consolidated procurement contracts and settlement. The Group will then supply merchandise to and settle with Wumei Holdings Group at cost of procurement.
2. Delivery of merchandise: The Group will provide part or all of the logistics and delivery services to Wumei Holdings Group in respect of merchandise supplied. The Group will charge Wumei Holdings Group for delivery fees based on the actual delivery amounts.
3. Management: The Group will be responsible for the operation and management of the retail business of Tianjin Affiliates pursuant to the entrustment.

IV. Term

From 1 July 2011 to 31 December 2013.

V. Pricing basis

1. Merchandise Amounts: Merchandise will be supplied by the Group to Wumei Holdings Group at the procurement cost. Wumei Holdings Group shall pay to the Group trade monies payable based on the corresponding loan credit period which is shorter than those between the Group and each of its independent third party suppliers.
2. Delivery fees: A delivery fee equivalent to 3% of the actual delivery 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 Group the delivery fees for each month within five business days prior to the end of the following month.

3. Management fees: The Group was entrusted by Wumei Holdings to manage and operate Tianjin Affiliates and will receive from Wumei Holdings management fees equivalent to 0.2% of Tianjin Affiliates' 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 Tianjin Affiliates, including staff costs, office equipment expenses, sundry and consumables costs, etc. Wumei Holdings Group shall pay the Group the management fees for each month within five business days prior to the end of the following month.

VI. Annual caps

1. Annual caps for the continuing connected transactions contemplated under the Management Agreement (2007)

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><u>1,010.55</u></u>	<u><u>1,063.12</u></u>	<u><u>1,575.55</u></u>

2. Historical amounts for the continuing connected transactions between Tianjin Affiliates and the Group

The actual amounts received by the Group in connection with the supply and delivery of merchandise and provision of management services to Tianjin Affiliates 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	275	110	151
Delivery fees	8.25	3.31	4.53
Management fees	<u>0.57</u>	<u>0.31</u>	<u>0.13</u>
Total	<u><u>283.82</u></u>	<u><u>113.62</u></u>	<u><u>155.66</u></u>

The Company confirms that, during the period from 1 January 2011 to the date of this announcement, the Group did not exceed the annual caps of continuing connected transactions under the Management Agreement (2010) (The respective annual caps for the Merchandise Amounts, delivery fees and management fee in 2011 under the Management Agreement (2010) are RMB189 million, RMB5.67 million and RMB0.38 million). Prior to the Management Agreement (2011) becoming effective, the Group will continue to perform the Management Agreement (2010) and comply with the relevant requirements of the GEM Listing Rules.

3. *Historical operation data of Eastern China Affiliates*

Sales of Eastern China Affiliates for the three years ended 31 December 2010 are set out as follows:

	Year ended 31 December		
	2008 <i>(RMB million)</i>	2009 <i>(RMB million)</i>	2010 <i>(RMB million)</i>
Sales	223	189	174

4. *Bases for determination of the proposed annual caps*

1. Merchandise Amounts: primarily determined by reference to: (i) the historical transaction amounts between Tianjin Affiliates and the Group, and the historical sales of Eastern China Affiliates; (ii) the anticipated growth rates of Tianjin Affiliates and Eastern China Affiliates; and (iii) such factors as the increase in the number of stores of Wumei Holdings Group.
2. Delivery fees: determined at 3% of the proposed annual caps of the Merchandise Amounts.
3. Management fees: determined at 0.2% of the projected sales amount of Tianjin Affiliates.

5. *Proposed annual caps*

	Six months ending 31 December 2011 (RMB million)	Year ending 31 December 2012 2013 (RMB million) (RMB million)	
Proposed annual caps for the Merchandise Amounts	194	567	791
Proposed annual caps for the delivery fees	5.82	17.01	23.73
Proposed annual caps for the management fees	0.19	0.44	0.51
Total	<u>200.01</u>	<u>584.45</u>	<u>815.24</u>

VII. Condition precedent

Subject to the review and approval of the Independent Shareholders at AGM, the Management Agreement (2011) will become effective on 1 July 2011.

B. REASONS AND BENEFITS FOR ENTERING INTO THE MANAGEMENT AGREEMENT (2011)

The Company is of the view that the Management Agreement (2011) will: (i) lower merchandise procurement cost by increasing the Group's scale of procurement and allowing the Group stronger bargaining powers; (ii) enhance utilization rate of the Group's logistics system; and (iii) further enhance the Group's overall efficiency and lower distribution cost of its operations.

C. APPLICABLE PROVISIONS OF THE GEM LISTING RULES

As Wumei Holdings is the controlling shareholder of the Company, Wumei Holdings and its subsidiaries are connected persons of the Company in accordance with the GEM Listing Rules. Therefore, the transactions contemplated under the Management Agreement (2011) constitute continuing connected transactions of the Company.

As the applicable percentage ratios of the proposed annual caps for the continuing connected transactions under the Management Agreement (2011) for the six months ending 31 December 2011 and two years ending 31 December 2013 are more than 5%, and the annual consideration is greater than HK\$10 million, the aforesaid continuing connected transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules.

Save 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 (2011) 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 (2011). 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 (2011) in accordance with Rule 20.27 of the GEM Listing Rules.

The Directors, other than the independent non-executive Directors, are of the opinion that the Management Agreement (2011) and the continuing connected transactions contemplated thereunder were entered into on normal commercial terms in the ordinary and usual course of business of the Group, negotiated on an arms-length basis, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

D. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established by our independent non-executive directors, namely Mr. Han Ying, Mr. Li Lu-an and Mr. Lu Jiang to advise the Independent Shareholders whether or not the Management Agreement (2011) and the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole.

The Company has appointed China Everbright Capital Limited as its independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Management Agreement (2011) as well as the proposed annual caps for the continuing connected transactions contemplated thereunder.

E. INDEPENDENT SHAREHOLDERS' APPROVAL

The annual general meeting of the Company will be held for the Independent Shareholders to consider and approve the Management Agreement (2011) and the proposed annual caps for the continuing connected transactions contemplated thereunder. Wumei Holdings and its associates shall abstain from voting on this resolution. Any voting of the Independent Shareholders shall be taken by poll. An announcement will be made in respect of the results of the poll.

F. GENERAL

A circular containing, inter alia, further information on the continuing connected transactions contemplated thereunder, the letter from the Independent Board Committee, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with the notice of annual general meeting, will be despatched to the Shareholders on or before 13 May 2011 by the Company.

G. GENERAL INFORMATION

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

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

H. DEFINITIONS

“AGM”	the 2010 annual general meeting of the Company to be convened on 28 June 2011
“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
“Eastern China Affiliates”	including but not limited to Suzhou Tiantian Wumart Commerce Company, Ltd., (蘇州天天物美商業有限公司) and Shanghai Wuguang Department Store Company, Ltd., (上海物廣百貨有限公司) and other subsidiaries of Wumei Holdings located in the Eastern China region
“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 RMB1 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 Board Committee”	an independent committee of the Board comprising Mr. Han Ying, Mr. Li Lu-an and Mr. Lu Jiang, the independent non-executive Directors
“Independent Shareholders”	shareholder(s) of the Company other than Wumei Holdings and its associates
“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 (2010)”	the “Entrusted Operation and Management Agreement 2011–2013” entered into between the Company and Wumei Holdings on 29 November 2010, details of which are set out in the “Continuing Connected Transactions” announcement dated 29 November 2010 of the Company

“Management Agreement (2011)”	the “Entrusted Operation and Management Agreement (2011)” entered into between the Company and Wumei Holdings on 5 May 2011, pursuant to which the Group will provide Wumei Holdings Group with the supply and delivery of merchandise and management services, 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
“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
“Tianjin Affiliates”	including but not limited to Tianjin Hedong Wumart Trading Co., Ltd. (天津河東物美商貿有限公司), Tianjin Hebei Wumart Convenience Stores Co., Ltd. (天津河北區物美便利超市有限公司), Tianjin Hezuo Wumart Trading Co., Ltd. (天津合作物美商貿有限公司), Tianjin Nankai Shidai Wumart Commerce Co., Ltd. (天津市南開區時代物美商貿有限公司), Tianjin Hongqiao Wumart Convenience Stores Co., Ltd. (天津虹橋物美便利超市有限公司) and Tianjin Wumart Huaxu Commerce Development Co., Ltd. (天津物美華旭商貿發展有限公司) and other subsidiaries of Wumei Holdings located in Tianjin
“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 6 October 1994, a promoter and the controlling shareholder of the Company
“Wumei Holdings Group”	Wumei Holdings and its subsidiaries
“%”	percentage or per centum

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

Beijing, the PRC

5 May 2011

As at the date of this announcement, the Board comprises Dr. Wu Jian-zhong, Mr. Zhu Younong, Dr. Meng Jin-xian and Madam Xu Ying 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>.