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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you have sold or transferred** all your shares in Wumart Stores, Inc., you should at once hand this circular and the accompanying proxy forms to the purchaser or the transferee or the bank, stockbroker or other agent through whom the sale was effected, for transmission to the purchaser or the transferee.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Wumart Stores, Inc.

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**物美**  
**WU MART**

**北京物美商業集團股份有限公司**  
**WUMART STORES, INC.**

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

**(Stock Code: 08277)**

**CONTINUING CONNECTED TRANSACTIONS  
RE-ELECTION AND ELECTION OF DIRECTORS  
RE-ELECTION OF SUPERVISORS  
ISSUE OF SHORT-TERM FINANCING BILLS  
GENERAL MANDATE TO ISSUE SHARES  
AND NOTICE OF ANNUAL GENERAL MEETING**

**Independent Financial Advisor to the Independent Board Committee  
and Independent Shareholders**



**China Everbright Capital Limited**

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A letter from the Independent Board Committee is set out on page 17 of this circular. A letter from China Everbright Capital Limited, the Independent Financial Advisor appointed to advise the Independent Board Committee and Independent Shareholders, is set out on pages 18 to 32 of this circular.

A notice convening the 2010 AGM to be held at 10:00 a.m. (Beijing Time) on Tuesday, 28 June 2011 is set out on pages 43 to 50 of this circular respectively.

Enclosed herewith are the reply slip and proxy form for the AGM. Whether or not you wish to attend the AGM, please complete the enclosed reply slip and/or proxy form and notarised power of attorney (if any) in accordance with instructions printed thereon and return them to Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (in case of H Shareholders) or the head office of the Company at 10th Floor, Yuquan Building, 3 Shijingshan Road, Shijingshan District, Beijing, the PRC (in case of Domestic Shareholders) as soon as possible on or before Tuesday, 7 June 2011 (for the reply slip) or by no later than 24 hours before the time appointed for the holding of the Meeting or any adjournments thereof (for the proxy form and the notarised power of attorney (if any)). Completion and return of the proxy form will not preclude you from attending and voting at the Meeting or any adjournments thereof in person if you so wish.

13 May 2011

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## CHARACTERISTICS OF GEM

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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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“AGM”	the 2010 annual general meeting of the Company to be held at 10:00 a.m. on 28 June 2011 at the Conference Room No. 15, 2/F, Empark Grand Hotel, 69 Banjing Road, Haidian District, Beijing, the PRC
“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of directors of the Company
“China Everbright Capital or Independent Financial Adviser”	China Everbright Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Management Agreement (2011) and the continuing connected transactions contemplated thereunder
“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
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“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/or 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

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## DEFINITIONS

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“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
“Latest Practicable Date”	11 May 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“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 B in the Letter from the Board of this circular
“Merchandise Amounts”	the amount of merchandise supplied at cost of procurement to relevant subsidiaries of Wumei Holdings by the Group
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Promoters”	has the meaning ascribed thereto in Rule 1.01 of the GEM Listing Rules
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Subsidiaries”	has the meaning ascribed to it under section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and “subsidiaries” shall be construed accordingly
“Substantial Shareholders”	has the meaning ascribed thereto in Rule 1.01 of the GEM Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“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/or 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



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**(Stock Code: 08277)**

*Executive Directors:*

Dr. Wu Jian-zhong (*Chairman*)  
Mr. Zhu You-nong  
Dr. Meng Jin-xian  
Madam Xu Ying

*Legal Address:*

Room 5610, 1 Shixingdong Street  
Badachu High Tech Park District,  
Shijingshan District  
Beijing, the PRC

*Non-executive Directors:*

Mr. Wang Jian-ping  
Mr. John Huan Zhao  
Madam Ma Xue-zheng

*Head Office:*

10th Floor, Yuquan Building,  
Shijingshan Road  
Shijingshan District, Beijing, the PRC

*Independent non-executive Directors:*

Mr. Han Ying  
Mr. Li Lu-an  
Mr. Lu Jiang

*Principal Place of Business  
in Hong Kong:*

18th Floor, Edinburgh Tower,  
The Landmark  
15 Queen's Road, Central,  
Hong Kong

13 May 2011

*To the Shareholders*

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS  
RE-ELECTION AND ELECTION OF DIRECTORS  
RE-ELECTION OF SUPERVISORS  
ISSUE OF SHORT-TERM FINANCING BILLS  
GENERAL MANDATE TO ISSUE SHARES  
AND NOTICE OF ANNUAL GENERAL MEETING**

**A. INTRODUCTION**

The AGM will be held at 10:00 a.m. on Tuesday, 28 June 2011 at the Conference Room No. 15, 2/F, Empark Grand Hotel, 69 Banjing Road, Haidian District, Beijing.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with further information regarding certain resolutions to be proposed at the AGM for the approval of, inter alia, the Management Agreement (2011) and the proposed annual caps for the continuing connected transactions contemplated thereunder, letter from the Independent Board Committee, letter of advice from China Everbright Capital, an independent financial adviser, to the Independent Board Committee and the Independent Shareholders, as well as to provide you with the proposed information regarding re-election and election of directors and re-election of supervisors, issue of short-term financing bills, the grant of general mandate to issue shares, so as to enable you to make informed decisions regarding the voting of the resolutions, and to provide you with the notice of AGM.

### **B. CONTINUING CONNECTED TRANSACTIONS**

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 Management Agreement (2011) and proposed annual caps for 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.

#### **I. 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.



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## LETTER FROM THE BOARD

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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 credit period which is shorter than those between the Group and each of its independent third party suppliers. The credit period is largely the same as the credit period between the Group and its independent third party. The Group and its suppliers entered into consolidated procurement contracts and settlement, and it will basically not increase the Group's merchandise procurement cost. At the same time, since it supplies merchandise to Wumei Holdings Group, this had increased the Group's scale of procurement and enable the Group to lower the merchandise procurement cost or enable the Group to obtain more favorable commercial terms.
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 basis for the delivery fee charged to Wumei Holdings Group by the Group is largely the same with that of the delivery fee charged to third parties 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 basis for the management fees charged to Tianjin Affiliates Group by the Group is largely the same with that of the management fees charged to third parties by the Group. 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.

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## LETTER FROM THE BOARD

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### 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	2009	2010
	(RMB million)	(RMB million)	(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>

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

The actual transaction 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	2009	2010
	(RMB million)	(RMB million)	(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>283.82</u>	<u>113.62</u>	<u>155.66</u>

The Company confirms that the Group had not provided any supply and delivery of merchandise service to Eastern China Affiliates as at the Latest Practicable Date. From 1 January 2011 to 30 April 2011, the transaction amount of supply and delivery of merchandise and management services provided to Tianjin Affiliates by the Group amounted to RMB39.72 million, RMB1.19 million and RMB0.08 million, respectively, which did not exceed the annual caps for 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)

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## LETTER FROM THE BOARD

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becoming effective, the Group will continue to execute 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	2009	2010
	(RMB million)	(RMB million)	(RMB million)
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) taking into account the factor of price increase, while at the same time under the operations plans of Tianjin Affiliates and Eastern China Affiliates for the next three years, including putting major efforts in improving management techniques, boosting marketing and sales, increasing brand satisfaction, thus enhancing the comparable store sales growth of Tianjin Affiliates and Eastern China Affiliates. It is therefore estimated that the comparable store sales growth of Tianjin Affiliates and Eastern China Affiliates will exceed 10% each year, thus boosting the Merchandise Amount to grow at an annual rate exceeding 10%; (iii) based on the annual number of new stores estimated by Wumei Holdings Group and the sales of other stores which have the same scale as the new stores, it is estimated that the new stores will bring Wumei Holdings Group an annual sales growth of more than 20%, therefore this will boost the Merchandise Amount of Wumei Holdings Group by the Group by having an annual growth rate of more than 20%.
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.

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## LETTER FROM THE BOARD

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### 5. Proposed annual caps

	Six months ending 31 December 2011 <i>(RMB million)</i>	Year ending 31 December 2012 2013 <i>(RMB million)</i>	
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	<u>0.19</u>	<u>0.44</u>	<u>0.51</u>
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.

### II. Reasons and benefits for entering into the Management Agreement (2011)

The Company is of the view that the Management Agreement (2011) will: (i) be favourable to the Group in lowering merchandise procurement cost or in obtaining more favourable commercial terms 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.

### III. Applicable provisions of the GEM Listing Rules

As Wumei Holdings, holding 38.97% interest in the Company as at the Latest Practicable Date, 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 do not hold any interest in the Company directly but 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

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## LETTER FROM THE BOARD

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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. Wumei Holdings and its associates shall abstain from voting on this resolution at the AGM.

The Directors, excluding 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.

#### **IV. 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, details of which are set out on page 17 of this circular.

The Company has appointed China Everbright Capital 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, details of which are set out on pages 18 to 32 of this circular.

#### **V. 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.

### **C. PROPOSED RE-ELECTION AND ELECTION OF DIRECTORS, RE-ELECTION OF SUPERVISORS**

The term of the third session of the Board of the Company and the third session of the Supervisory Committee expires at the end of this AGM. After the consideration of the third session of the Board in its 54th meeting held on 5 May 2011, it was proposed by the Board to be considered and approved at the AGM that Dr. Wu Jian-zhong, Dr. Meng Jin-xian,

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## LETTER FROM THE BOARD

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Madam Xu Ying, Mr. Wang Jian-ping, Mr. John Huan Zhao, Madam Ma Xue-zheng, Mr. Han Ying, Mr. Li Lu-an and Mr. Lu Jiang be re-elected as the members of the fourth session of the Board, and that Dr. Yu Jian-bo be elected and appointed as an executive director, and Mr. James Wong as an independent non-executive director. Details are as follows:

### **Proposed Executive Directors of the fourth session of the Board**

Dr. Wu Jian-zhong, be proposed for re-election when term expires.

Dr. Meng Jin-xian, be proposed for re-election when term expires.

Madam Xu Ying, be proposed for re-election when term expires.

Dr. Yu Jian-bo, be proposed for election.

### **Proposed Non-executive Directors of the fourth session of the Board**

Mr. Wang Jian-ping, be proposed for re-election when term expires.

Mr. John Huan Zhao, be proposed for re-election when term expires.

Madam Ma Xue-zheng, be proposed for re-election when term expires.

### **Proposed Independent Non-executive Directors of the fourth session of the Board**

Mr. Han Ying, be proposed for re-election when term expires.

Mr. Li Lu-an, be proposed for re-election when term expires.

Mr. Lu Jiang, be proposed for re-election when term expires.

Mr. James Wong, be proposed for election.

To enable the Shareholders to make an informed decision on the re-election and election of directors and supervisors, as required under the GEM Listing Rules, the biographical details of the proposed directors and those of the proposed supervisors are set out in Appendix I and Appendix II respectively. Mr. Zhu You-nong, executive Director of the third session of the Board, shall retire from office at the close of the AGM. Mr. Zhu You-nong has confirmed that he has no any disagreements with the Board, and there are no any matters that need to be brought to the attention of shareholders.

The proposed re-election and election of directors and the re-election of supervisors are subject to approval by way of ordinary resolutions by the Shareholders at the AGM.

Upon the election or re-election of the proposed directors and supervisors being approved by Shareholders and becoming effective, the Company shall enter into service contracts with each of them, for a term from the date of election by the AGM to the close of the annual general meeting 2013 of the Company. Remuneration of directors and

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## LETTER FROM THE BOARD

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supervisors shall be determined based on the remuneration policy of the Company in respect of its Directors and Supervisors, and shall be subject to approval by the Shareholders.

The emoluments paid to directors and supervisors by the Company in 2010 were as follows:

	Wu Jian- zhong <i>RMB'000</i>	Meng Jin- xian <i>RMB'000</i>	Xu Ying <i>RMB'000</i>	Zhu You- nong <i>RMB'000</i>	Han Ying <i>RMB'000</i>	Li Lu-an <i>RMB'000</i>	Lu Jiang <i>RMB'000</i>	Fan Kui-jie <i>RMB'000</i>	Xu Ning- chun <i>RMB'000</i>
<b>2010</b>									
Fees	—	—	—	—	60	60	60	36	36
Other emoluments									
Salaries and other benefits	651	696	719	—	—	—	—	—	—
Contributions to retirement benefits schemes	44	44	43	—	—	—	—	—	—
Total emoluments	<u>695</u>	<u>740</u>	<u>762</u>	<u>—</u>	<u>60</u>	<u>60</u>	<u>60</u>	<u>36</u>	<u>36</u>

Mr. Zhu You-nong, executive director of the Company, waived his emoluments for 2010. Mr. Wang Jian-ping, Mr. John Huan Zhao and Madam Ma Xue-zheng, non-executive directors, receive no emoluments from the Company.

Save as disclosed in this circular, there is no information about the directors or supervisors proposed to be elected or re-elected which are required to be disclosed pursuant to the requirements of Rule 17.50 (2) (h) to (v) of the GEM Listing Rules, and there are no other matters relating to such appointments that need to be brought to the attention of the Shareholders.

#### D. ISSUE OF SHORT-TERM FINANCING BILLS

The Board proposed that approval be sought from the Shareholders at the AGM to issue in the PRC short-term financing bills in the aggregate principal amount of up to 40% of the net asset value of the Company as at the end of 2010. Each issue of short-term financing bills shall be for a term of not more than one year. Such short-term financing bills shall be at an interest rate determined by the market, shall be open to institutional investors in the interbank market of the PRC, and shall not be open to the general public.

Based on the audited net asset value of RMB2,995,530,000 of the Group as at 31 December 2010, the amount of short-term financing bills to be issued by the Group shall not exceed RMB1,198,212,000.

To the knowledge of the Group, the interest rates for one-year short-term financing bills currently in issue in the market are basically between 4.2%–5.8%, and the interest rate for bank loans currently available to the Company is approximately 6.31%.

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## LETTER FROM THE BOARD

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The Directors are of the view that the proposed issue of short-term financing bills will provide the Company with a source of funding to meet any future financing requirements at an interest rate which is lower than those offered by commercial banks, thereby lowering finance costs and improving the capital structure of the Company and shall be in the interests of the Company and its Shareholders as a whole.

Proceeds from the proposed issue of short-term financing bills will be primarily used for repaying bank loans and as additional working capital of the Company.

### **E. GENERAL MANDATE TO ISSUE SHARES**

The Company adheres to its strategy of regional development and seeks to expand its retail network through the opening of new stores from time to time and through mergers and acquisitions. The rapid growth and the expansion of the Group's retail network requires the support of sufficient funding. To provide more flexibility and convenience to the raising of funds for the Company, the proposal to issue additional shares of the Company and to grant the Board a general mandate is put forth to the AGM for review and approval:

1. To consider and approve the Company to issue additional H shares and additional domestic shares in the capital of the Company ("Additional Shares") and grant to the Board a general mandate ("General Mandate") for the exercise by the Board during the Relevant Period of powers to allot or issue shares or make offers, agreements or options which might require the issue, allotment or disposal of Additional Shares (such Additional Shares being subject to a maximum of 20 per cent of the respective aggregate number of issued domestic shares and H shares as at the date of approval of this resolution), and to enter into or grant offers or agreements in respect of such Additional Shares:
  - (i) such General Mandate shall not extend beyond the Relevant Period (as defined in (iv)) save that the Board may during the Relevant Period make or grant offers or agreements which might require the exercise of such powers after the end of the Relevant Period;
  - (ii) the total number of Shares approved to be allotted or agreed conditionally or unconditionally to be allotted by the Board of the Company, otherwise than pursuant to any scrip dividends or similar arrangement providing for the allotment of such shares in lieu of the whole or part of a dividend on such Shares in accordance with the Articles of Association, shall not exceed: (a) 20 per cent of the aggregate nominal amount of domestic shares of the Company in issue at the date of the passing of this resolution; (b) 20 per cent of the aggregate nominal amount of H shares of the Company in issue at the date of the passing of this resolution;
  - (iii) the Board will only exercise its power under such mandate in accordance with the relevant laws and regulations of the PRC (as amended from time to time) and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited/or the Main Board



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## LETTER FROM THE BOARD

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Listing Rules as the case may be and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC government authorities are obtained;

(iv) For the purposes of this resolution:

“H Shares” means the overseas listed foreign invested shares in the share capital of the Company, with a par value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars, and which is granted the permission to deal in and list on the Stock Exchange;

“Domestic Shares” means the ordinary shares of the Company with a par value of RMB1.00 each, which are subscribed and credited as fully paid up in Renminbi; and

“Relevant Period” means the period from the passing of this resolution until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company following the passing of this resolution; or
- (b) the expiration of the 12-month period following the passing of this resolution; or
- (c) the date on which the authority set out in this resolution is revoked or varied by a special resolution in a general meeting of the Company.

2. Subject to the Board issuing additional H shares and additional domestic shares pursuant to this resolution, the Board be authorised to:

- i. approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of such new Shares including, without limitation, the time, price, quantity and place of issue, making all necessary applications to the relevant authorities, entering into an underwriting agreement (or any other agreement);
- ii. determine the use of proceeds and make all necessary filing, registration and applications with or to the relevant authorities in the PRC and/or Hong Kong (if required);
- iii. determine the registered capital and the number of shares pursuant to the issue and allotment of Shares pursuant to this resolution, and register with the relevant authorities in the PRC and/or Hong Kong upon an increase of capital and the number of shares; and
- iv. make such amendments to the Articles of Association accordingly as it thinks fit so as to reflect relevant matters such as the registered capital and new capital structure of the Company after the issue and allotment of shares.

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## LETTER FROM THE BOARD

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### F. ANNUAL GENERAL MEETING

A notice of AGM convening the 2010 AGM of the Company to be held at 10:00 a.m. on Tuesday, 28 June 2011 at the Conference Room No. 15, 2/F, Empark Grand Hotel, 69 Banjing Road, Haidian District, Beijing, the PRC is set out on pages 43 to 50 of this circular. Resolutions are to be proposed at the AGM for the approval of, inter alia: (i) the continuing connected transactions; (ii) re-election and election of directors and re-election of supervisors; (iii) issue of short-term financing bills; (iv) grant of general mandate to issue shares.

Enclosed herewith are the reply slip and proxy form for the AGM of the Company. Whether or not you are able to attend the AGM of the Company, please complete the enclosed reply slip and/or proxy form and the notarised power of attorney (if any) in accordance with instructions printed thereon and return them to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (in case of H Shareholders) or the head office of the Company at 10th Floor, Yuquan Building, 3 Shijingshan Road, Shijingshan District, Beijing, the PRC (in case of Domestic Shareholders) as soon as possible on or before Tuesday, 7 June 2011 (for the reply slip) or by no later than 24 hours before the time appointed for the holding of the Meeting or any adjournments thereof (for the proxy form and the notarised power of attorney (if any)). Completion and return of the proxy form will not preclude you from attending and voting at the Meeting or any adjournments thereof in person if you so wish.

The register of members of the Company will be closed from Saturday, 28 May 2011 to Tuesday, 28 June 2011 (both days inclusive), during which period no transfer of H Shares will be registered. Holders of H Shares whose names appear on the register of H Shareholders of the Company maintained at Computershare Hong Kong Investor Services Limited as at Saturday, 28 May 2011 shall be entitled to attend the AGM.

Pursuant to Rule 17.47 (4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all of the voting of the resolutions proposed at the AGM will be taken by poll.

### G. RECOMMENDATIONS

The Directors, including the independent non-executive Directors, are of the view that 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 Company and the Shareholders as a whole. Accordingly, the Directors, including the independent non-executive Directors, recommend the Independent Shareholders to vote in favour of the approval of the Management Agreement (2011) and the proposed annual caps for the continuing connected transactions contemplated thereunder.

Reference is made to (i) the letter from the Independent Board Committee set out on page 17 of this circular containing recommendations made by the Independent Board Committee to the Independent Shareholders concerning the Management Agreement (2011)

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## LETTER FROM THE BOARD

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and the proposed annual caps for the continuing connected transactions contemplated thereunder; and (ii) the letter from China Everbright Capital to the Independent Board Committee and the Independent Shareholders set out on pages 18 to 32 of this circular containing the advice from China Everbright Capital to the Independent Board Committee and the Independent Shareholders in this regard.

The Directors are of the view that the resolutions proposing, inter alia: the re-election and election of directors and re-election of supervisors, issue of short-term financing bills and general mandate to issue shares are in the best interests of the Company and the Shareholders as a whole, and accordingly, recommend Shareholders to vote at the AGM in favour of all resolutions set out on pages 43 to 50 in the notice of AGM of this circular.

### **H. 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.

### **I. ADDITIONAL INFORMATION**

Your attention is drawn to the letter from the Independent Board Committee set out on page 17 and the letter of advice to the independent board committee and the independent shareholders of the Company received from China Everbright Capital set out on pages 18 to 32 of this circular.

Your attention is also drawn to the general information set out in the appendices to this circular.

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



**物美**  
**WU MART**

**北京物美商業集團股份有限公司**  
**WUMART STORES, INC.**

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

**(Stock Code: 08277)**

13 May 2011

*To the Independent Shareholders*

Dear Sir/Madam,

**Continuing Connected Transactions —  
The Management Agreement (2011) with Wumei Holdings**

The Independent Board Committee has been established by us to advise you on the Management Agreement (2011) and the proposed annual caps for the continuing connected transactions contemplated thereunder, details of which are contained in the “Letter from the Board” set out in the circular of the Company dated 13 May 2011, of which this letter forms part. Terms defined in this letter shall have the same meanings as defined in the aforesaid circular unless the context otherwise requires.

Having considered the terms and conditions of the Management Agreement (2011) and the proposed annual caps for the continuing connected transactions contemplated thereunder, the interest of the independent shareholders, and the advice and recommendations received from China Everbright Capital, details of which are set out on pages 18 to 32 of this circular, we are of the opinion that the terms and conditions of the Management Agreement (2011) are on normal commercial terms after arm’s length negotiations, and the proposed annual caps for continuing connected transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interest of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the AGM to approve the Management Agreement (2011) and the proposed annual caps for continuing connected transactions contemplated thereunder.

**Independent Board Committee**

**Han Ying**  
*Independent non-executive  
Director*

**Li Lu-an**  
*Independent non-executive  
Director*

**Lu Jiang**  
*Independent non-executive  
Director*

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## LETTER FROM CHINA EVERBRIGHT CAPITAL

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*The following is the text of the “Letter from China Everbright Capital” to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this circular.*



13 May 2011

*To the Independent Board Committee and Independent Shareholders of Wumart Stores, Inc.*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### 1) INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the transactions, including the proposed annual caps (“**Proposed Annual Caps**”), contemplated under the Management Agreement (2011) (“**Continuing Connected Transactions**”).

Details of the Continuing Connected Transactions are contained in the letter from the Board (the “**Letter from the Board**”) set out in the circular to the Shareholders dated 13 May 2011 (the “**Circular**”), of which this letter forms part. Terms defined in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 29 November 2010, the Company entered into Management Agreement (2010) with Wumei Holding, controlling Shareholder of the Company, pursuant to which the Company agreed 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. Under the GEM Listing Rules, the entering into the Management Agreement (2010) constituted continuing connected transaction, but was exempted from independent shareholders’ approval requirement.

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 rate of logistics system as well as to further enhance its bargaining power during procurement process, the Group entered into the Management Agreement (2011) with Wumei Group on 5 May 2011, pursuant to which the Group will (i) continue to provide supply and delivery merchandise service, and management services to Tianjin Affiliates; and (ii) extend the supply and delivery merchandise service to Eastern China Affiliates. 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.

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## LETTER FROM CHINA EVERBRIGHT CAPITAL

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As one or more of the applicable percentage ratios of the Proposed Annual Caps exceed 5% and the proposed annual cap thereunder is more than HK\$10,000,000, therefore, the Continuing Connected Transactions are subject to reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 20 of the GEM Listing Rules.

The Independent Board Committee, comprising all its independent non-executive Directors, namely Mr. Han Ying, Mr. Li Lu-an and Mr. Lu Jiang, has been formed to consider whether (i) the terms of the Management Agreement (2011) are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the Continuing Connected Transactions, including the Proposed Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, China Everbright Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the Group, Wumei Holdings or any of their respective associates. We are independent from and not connected with the Group and Wumei Holdings or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 17.96 of the GEM Listing Rules, and are accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management (“**Management**”) of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. However, we have not conducted any independent investigation into the business, operations or financial condition of the Group and Wumei Holdings. We have assumed that all statements and representations made or referred to in the Circular were accurate at the time when they were made and are true at the date of the Circular.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

## **2) PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our views on the Continuing Connected Transactions, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

### **2.1. Background to and reasons for the Continuing Connected Transactions**

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

Wumei Holdings, the controlling shareholder of Eastern China Affiliates and Tianjin Affiliates, is principally engaged in the retail operation of chain stores in Shanghai, Jiangsu, Tianjin and Yinchuan.

In order to (i) protect the interests of the Group in areas where there may be direct competition between the Group and Tianjin Affiliates; (ii) further enhance the economies of scale enjoyed by the Group in its procurement process; and (iii) enable the Group to enlarge its retail network, expand its market share, and increase customer awareness of the Wumart brand name through the management of stores owned by Tianjin Affiliates, on 24 October 2007, the Company entered into the management agreement (“**Management Agreement (2007)**”) with Wumei Holdings pursuant to which the Group agreed to provide Wumei Holdings and its relevant subsidiaries with the supply and delivery of merchandise and provision of management services for a term of three years commencing on 1 January 2008.

The Management Agreement (2007) was approved by the then Independent Shareholders on 28 December 2007. As confirmed by the Management, a stable business relationship has been maintained with the Tianjin Affiliates since the entering into of the Management Agreement (2007) and the Group has not encountered any significant problem in transacting with the Tianjin Affiliates in the past.

As the Group intended to renew the continuing connected transactions after the expire of the Management Agreement (2007), the Company entered into the Management Agreement (2010) with Wumei Holdings on 29 November 2010, pursuant to which the Company agreed 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. Under the GEM Listing Rules, the entering into the Management Agreement (2010) constitutes continuing connected transaction, but was exempted from independent shareholders’ approval requirements.

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 rate of logistics system as well as to further enhance its bargaining power during procurement process, the Group entered into the Management Agreement (2011) with Wumei Group on 5 May 2011, pursuant to which the Group will (i) continue to provide supply and delivery merchandise service, and management services to Tianjin Affiliates; and (ii) extend the supply and delivery merchandise service to Eastern China Affiliates. 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.

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## LETTER FROM CHINA EVERBRIGHT CAPITAL

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As stated in the Letter from the Board, 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 the utilization rate of the Group's logistics system; and (iii) further enhance the Group's overall efficiency and lower distribution cost of its operations.

Based on the above, in particular (a) the transactions contemplated under the Management Agreement (2011) are in the ordinary and usual course of business of the Group; (b) the Group has provided supply and delivery merchandise service, and management services to Wumei Holdings Group since 2004; (c) the Group can enhance the utilization rate of its logistics system and enjoy cost savings arising from the economic of scale through the Management Agreement (2011), we are of the view that the Continuing Connected Transactions are in the interest of the Group and the Independent Shareholders as a whole.

### **2.2. Major terms of the Management Agreement (2011)**

As stated in the Letter from the Board, the Management Agreement (2011) will take effect from 1 July 2011, subject to independent shareholders' review and approval at the annual general meeting. The Management Agreement (2010), details of which are set out in the announcement dated 29 November 2010, will lapse upon the Management Agreement (2011) becoming effective.

According to the Management Agreement (2011), the Group will provide the following services to Wumei Holdings Group:

- |                            |  |
|----------------------------|--|
| (i) 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. |
|----------------------------|--|

As advised by the Directors, merchandise will be supplied by the Group to Wumei Holdings Group at cost of procurement. In addition, as merchandise purchased from suppliers through consolidated procurement contracts and settlement, it will not incur additional purchase costs to the Group. On the contrary, through the supply of merchandise to Wumei Holdings Group, the Group can reduce its merchandise procurement cost by increasing its scale of procurement and strengthening its bargaining powers or obtain preferential commercial terms.



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## LETTER FROM CHINA EVERBRIGHT CAPITAL

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After reviewed and compared copies of annual purchase framework agreement signed between the Group and different suppliers on the same type of merchandise, we noted that the Group was entitled to obtain higher discount rates granted by its suppliers for bulk procurement amount.

As stated in the Letter from the Board, Wumei Holdings Group shall pay to the Group trade monies payable based on the corresponding credit period which is shorter than those between the Group and each of its independent third party suppliers. The credit period is largely the same as the credit period between the Group and its independent third party.

In addition, after advised by the Management, they consider that the risk of default in payment by Wumart Holdings Group is minimal. The Directors consider that the Group has not experienced any such default from Wumei Holdings Group so far and do not expect any such default would happen. As such, we consider the payment terms to be reasonable.

Given that (i) merchandise will be supplied by the Group to Wumei Holdings Group at cost of procurement; (ii) it will not incur additional purchase costs to the Group; (iii) the Group can reduce its merchandise procurement cost by increasing its scale of procurement and strengthening its bargaining powers and to obtain preferential commercial terms; (iv) the credit period offered by the Group to Wumei Holdings Group is no more favourable than that provided by the Group to independent third parties; and (v) the Group has not encountered any significant problem in transacting with the Tianjin Affiliates in the past, we are of the view that terms of the Management Agreement (2011) in relation to the supply of merchandise are on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole.

(ii) 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 basis for the delivery fee charged to Wumei Holdings Group by the Group is largely the same with that of the delivery fee charged to third parties by the Group. The Group will charge Wumei Holdings Group for delivery fees based on the actual delivery amounts.

As stated in the Letter from the Board, 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. As confirmed by the Directors, the basis for the delivery fee charged to Wumei Holdings Group by the Group is largely the same with that of the delivery fee charged to third parties by the Group. After discussion with the Management, we are advised that the Group signed a management agreement with an independent third party, pursuant to which the Group was engaged to provide delivery merchandise service to that independent third party. After our view on the terms of such management agreement, we concur with the Directors' view that the basis for the delivery fee charged to Wumei Holdings Group by the Group is largely the same with that of the delivery fee charged to third parties by the Group.

After our review on the financial data provided by the Management, we noted that the actual costs incurred by the Company in providing the delivery of merchandise services during the three years ended 31 December 2010 were lower than the delivery fee charged by the Group to Wumei Holdings Group during the corresponding periods. Given that the pricing basis for the delivery of merchandise under the Management Agreement (2011) is substantially the same with those of Management Agreement (2007), and Management Agreement (2010), we concur with the Directors' view that the delivery fee will cover the actual costs incurred by the Company in providing the delivery services to the Wumei Holdings Group.

Given that (i) 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; (ii) the basis for the delivery fee charged to Wumei Holdings Group by the Group is largely the same with that of the delivery fee charged to third parties by the Group; and (iii) through the provision of delivery service to Wumei Holdings Group, the Group can enhance the utilization rate of its logistics system and therefore, improve its overall efficiency and lower distribution cost of its operations; and (iv) the Group has not encountered any significant problem in transacting with the Tianjin Affiliates in the past, we are of the view that terms of the Management Agreement (2011) in relation to the provision of delivery service are on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole.

(iii) Management service:

The Group will be responsible for the operation and management of the retail business of Tianjin Affiliates pursuant to the entrustment.

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.

As mentioned above, the Group signed a management agreement with an independent third party, pursuant to which the Group was engaged to provide management service to that independent third party. After our view on the terms of such management agreement, we concur with the Directors' view that the basis for the management fees charged to Tianjin Affiliates by the Group is largely the same with that of the management fees charged to third parties by the Group.

After our review on the financial data provided by the Management, we noted that the actual costs incurred by the Company in providing the management services during the three years ended 31 December 2010 were lower than the management fee charged by the Group to Tianjin Affiliates during the corresponding periods. Given that the pricing basis for the provision of management service under the Management Agreement (2011) is substantially the same with those of Management Agreement (2007), and Management Agreement (2010), we concur with the Directors' view that the management fee will cover the actual costs incurred by the Company in providing the management services to Tianjin Affiliates.

Taking into account of the above, and (i) the amount of the management fee is directly link with the sales of Tianjin Affiliates; and (ii) this arrangement can protect the interests of the Group in areas where there may be direct competition between the Company and the Tianjin Affiliates, we are of the view that the pricing basis of the provision of management service is fair and reasonable and is in the interests of the Company and the Independent Shareholders.

Given that (i) 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; (ii) the basis for the management fees charged to Tianjin Affiliates by the Group is largely the same with that of the management fees charged to independent third parties by the Group; and (iii) such arrangement can protect the interests of the Group in areas where there may be direct competition between the Company and the Tianjin Affiliates; and (iv) the Group has not encountered any significant problem in transacting with the Tianjin Affiliates in the past, we are of the view that terms of the Management Agreement (2011) in relation to the provision of management service are on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole.

### **2.3. The Proposed Annual Caps**

The Continuing Connected Transactions are subject to GEM Listing Rules requirements and conditions as more particularly discussed under the section headed “Requirements of the GEM Listing Rules on the Continuing Connected Transactions” below. In particular, the Continuing Connected Transactions are subject to the Proposed Annual Caps as discussed below.

As stated in the Letter from the Board, the Proposed Annual Caps for the six months ending 31 December 2011, and two years ending 31 December 2013 shall not exceed the following amounts:

	<b>Six months ending 31 December 2011</b>	<b>Year ending 31 December</b>	
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Merchandise amounts	194.00	567.00	791.00
Delivery fees	5.82	17.01	23.73
Management fees	<u>0.19</u>	<u>0.44</u>	<u>0.51</u>
Total	<u><u>200.01</u></u>	<u><u>584.45</u></u>	<u><u>815.24</u></u>

After reviewed the Management Agreement (2011), we noted that the basis of determination of the Proposed Annual Caps is substantially the same with those in Management Agreement (2007), which was approved by the then Independent Shareholders in December 2007.

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**LETTER FROM CHINA EVERBRIGHT CAPITAL**

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In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the Management regarding the principal assumptions and the basis adopted for the determination of the Proposed Annual Caps, and understand that the Company has taken into account the following factors:

(i) *Historical transaction between the Group and Wumei Holdings Group*

As stated in the Letter from the Board, the actual amounts received by the Group in connection with the supply and delivery of merchandise and provision of management services to Wumei Holdings Group for the three years ended 31 December 2010 and the first four months of 2011 are set out as follows:

	<b>Year ended 31 December</b>			<b>Four months ended</b>
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>30 April 2011</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Merchandise amounts	275	110	151	39.72
Delivery fees	8.25	3.31	4.53	1.19
Management fees	<u>0.57</u>	<u>0.31</u>	<u>0.13</u>	<u>0.08</u>
<b>Total</b>	<b><u>283.82</u></b>	<b><u>113.62</u></b>	<b><u>155.66</u></b>	<b><u>40.99</u></b>

*Note:* The Group did not supply and deliver merchandise to Eastern China Affiliates during the three years ended 31 December 2010 and the first four months of 2011.

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 rate of logistics system as well as to further enhance its bargaining power during procurement process, the Group entered into the Management Agreement (2011) with Wumei Group on 5 May 2011, pursuant to which the Group will (i) continue to provide supply and delivery merchandise service, and management services to Tianjin Affiliates; and (ii) extend the supply and delivery merchandise service to Eastern China Affiliates.

As advised by the Management, it is expected that all merchandise of Eastern China Affiliates will be supplied by the Group upon the Management Agreement (2011) will become effective on 1 July 2011. As stated in the Letter from the Board and advised by the Management, Eastern China Affiliates operate two stores in Shanghai and Suzhou and the sales of Eastern China Affiliates amounted to approximately RMB223 million, RMB189 million and RMB174 million for the three years ended 31 December 2010, respectively. Therefore, the amount of merchandise supplied and delivered by the Group to Wumei Holdings Group

under the Management Agreement (2011) will be increased significantly after the Group commence to supply and deliver merchandise to Eastern China Affiliates in July 2011.

*(ii) The growth of the retail industry in the PRC*

According to the National Bureau of Statistics of the PRC, from 2000 to 2009, the PRC's GDP per capita grew from RMB7,858 to RMB25,575, representing a compound annual growth rate of approximately 15.9%. During the same period, the per capita retail sales of consumer goods increased from RMB3,097 in 2000 to RMB9,965 in 2009, representing a compound annual growth rate of approximately 15.7%.

In 2010, as a result of successive implementation of various policies by the government to boost and encourage consumption and major events including the Shanghai World Exposition and the Guangzhou Asian Games, gross domestic product amounted to RMB39,798.3 billion, representing a growth of 10.3% over 2009 (calculated on the basis of comparable prices). Total retail sales of consumer goods grew by 18.4% over 2009, the actual growth was 14.8% after netting off the price factor. According to the data released by National Bureau of Statistics of the PRC, the total retail sales of consumer goods in March 2011 amounted to RMB1.74 billion, representing a growth rate of 17.4% compared with the same period of 2010.

Robust demand from households and stronger consumption power have paved the way for rapid development of the PRC retail industry. 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.

Tianjin is one of the major economic centers in northern China. According to the National Bureau of Statistics of China, the sales of commodities by chain retail enterprises in Tianjin increased from RMB9.6 billion in 2006 to RMB44.0 billion in 2009, representing a CAGR of approximately 66.1%.

Currently, Eastern China Affiliates operate in Shanghai and Suzhou, which are major cities of Huadong area. According to the National Bureau of Statistics of China, the total retail sales of consumer goods in the Huadong area increased from approximately RMB2,523.3 billion in 2006 to approximately RMB4,296.3 billion in 2009, representing a CAGR of 19.4%.

Furthermore, taking into account the factor of price increase, while at the same time under the operations plans of Tianjin Affiliates and Eastern China Affiliates for the next three years, including putting major efforts in improving management techniques, boosting marketing and sales, increasing brand satisfaction and enhancing the comparable store sales growth of Tianjin Affiliates and Eastern China Affiliates. It is therefore estimated that the



comparable store sales growth of Tianjin Affiliates and Eastern China Affiliates per annum will exceed 10%, thus boosting the Merchandise Amount to grow at a rate exceeding over 10%.

*(iii) The anticipated expansion plan of Eastern China Affiliates*

As advised by the Management, Eastern China Affiliates intend to establish new supermarkets, in 2012 and 2013, in Huadong Area. Make reference to the sales amount of other stores which have the same scale of the new stores, it is anticipated the new stores will bring Wumei Holdings Group an annual sales growth of more than 20%, therefore this will boost the Merchandise Amount of Wumei Holdings Group by more than 20%.

Having considered (i) the historical transaction amounts between the Group and Tianjin Affiliates showed a picking up trend started from 2009 after the global financial crises; (ii) the historical sales amounts of Eastern China Affiliates for the three years ended 31 December 2010; (iii) a general price increase and boosted store sales under the efforts of the Management, the comparable store sales growth of Tianjin Affiliates and Eastern China Affiliates per annum is estimated to exceed 10%, thus boosting the Merchandise Amount to grow at a rate exceeding over 10%; (iv) the new superstores to be established by Eastern China Affiliates bring Wumei Holdings Group an annual sales growth of more than 20%, thus, increase the amount of merchandise supplied to Wumei Holdings Group by the Group by the same rate; and (v) the sustainable growth of the retail industry in the PRC, we are of the view that the basis adopted by the Management in determining the Proposed Annual Caps is fair and reasonable so far as the Independent Shareholders are concerned. However, Shareholders should note that the Proposed Annual Caps relate to future events and they do not represent a forecast of turnover to be generated from the Continuing Connected Transactions.

#### **2.4. Requirements of the GEM Listing Rules on the Continuing Connected Transactions**

Pursuant to Rules 20.37 to 20.40 of the GEM Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
  - 1. in the ordinary and usual course of business of the Group;
  - 2. either on normal commercial terms or, if there are not sufficient comparable continuing connected transaction to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

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## LETTER FROM CHINA EVERBRIGHT CAPITAL

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3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
1. have been received the approval of the Board;
  2. are in accordance with the pricing policies of the Group;
  3. have been entered into in accordance with the relevant agreements governing the Continuing Connected Transactions; and
  4. have not exceeded the Proposed Annual Caps;
- (c) the Company shall allow, and shall procure the relevant counterparties to the Continuing Connected Transactions to allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions as set out in paragraph (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the GEM Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Proposed Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company on the terms of the Continuing Connected Transactions and the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

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**LETTER FROM CHINA EVERBRIGHT CAPITAL**

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**3. RECOMMENDATION**

Having taken into account the above principal factors and reasons, we consider that the terms of the Management Agreement (2011), including the Proposed Annual Caps, are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the AGM to approve the Management Agreement (2011), including the Proposed Annual Caps, as detailed in the notice of AGM set out at the end of the Circular.

Yours faithfully,  
For and on behalf of  
**China Everbright Capital Limited**  
**Alvin Kam**  
*Director*

**Dr. Wu Jian-zhong**, aged 53, Chairman of the Company. Dr. Wu obtained his bachelor's degree in engineering at Fuzhou University in July 1982 and Ph.D. degree in engineering at the Institute of Automation, Chinese Academy of Sciences in December 1989. He pursued post doctoral research at the University of Michigan in the United States from 1993 to 1994. Dr. Wu joined Wumei Holdings, Inc. ("**Wumei Holdings**") in October 1994 and served as a Vice President, responsible for automation software and planning business. He served as a Director, Vice Chairman and Vice President of the Company since August 2000. Since November 2006, Dr. Wu has acted as the Chairman of the Company. Dr. Wu serves as a director in relevant subsidiaries of the Company. In addition, Dr. Wu is currently the Chairman of Wumei Holdings and Beijing Wangshang Shijie E-business Co., Ltd..

**Dr. Meng Jin-xian**, aged 54, Executive Director and Vice President of the Company. Dr. Meng earned his bachelor's degree in engineering at the China University of Mining and Technology in December 1981, master's degree in engineering at China University of Mining and Technology in July 1987 and doctorate at the Beijing University of Science and Technology in July 1994. From April 1994 to June 1997, Dr. Meng served as a general manager of Enterprise Development Co. Ltd. of Beijing International Business Federation Co.. From June 1997 to August 2000, Dr. Meng served as a Vice President of Wumei Holdings, mainly responsible for business development and operations. He has served as a Vice President of the Company from August 2000, responsible for operation management, and procurement and logistics management. Since November 2002, he has acted as a Director of the Company, and is currently responsible for standard keeping, new business development and operations of the Group. Dr. Meng acts as a director in relevant subsidiaries of the Company. In addition, Dr. Meng has served as a Director of Yinchuan Xinhua Department Store Company Limited since April 2008, and has been appointed as the chairman since December 2010.

**Madam Xu Ying**, aged 46, Executive Director, Vice President and Chief Financial Officer of the Company. She obtained her bachelor's degree in arts at Tianjin University in July 1985 and MBA degree at the Meinders School of Business of Oklahoma City University in May 2002. She worked with Tianjin International Trust and Investment Corporation as an investment manager from August 1987 to July 2001, and served as a director and vice president of LG Company, a jointly controlled entity co-established by the Tianjin International Trust and Investment Corporation, from October 1996 to July 2001. In August 2001, she was recruited as an associate professor with Tianjin University of Finance & Economics, conducting teaching and research on business logistics and supply chain management. Madam Xu joined the Company since October 2004 and acted as Chief Financial Officer and Vice President. She has served as an Executive Director of the Company since June 2007. Madam Xu serves as a director in relevant subsidiaries of the Company.

**Mr. Wang Jian-ping**, aged 47, Non-executive Director and Vice Chairman of the Company. Mr. Wang received his master's degree in law from the China University of Political Science and Law in July 1988. He is currently a director of Wumei Holdings. He acted as an assistant to President of Beijing CAST Technology Investment Company from September 1994 to July 1997. Mr. Wang acted as a Vice President of the Company from

August 2000 to May 2002, responsible for matters in relation to law, engineering and development. Since November 2002, he has served as a Director of the Company. Since November 2006, he has served as a Vice Chairman of the Company. Mr. Wang serves as a director in subsidiaries of the Company.

**Mr. John Huan Zhao**, aged 47, Non-executive Director of the Company. Mr. Zhao obtained his B.S. degree at Nanjing University in July 1984. He received M.S. Degrees in Electrical Engineering and Physics from the Northern Illinois University in 1987 and an MBA degree from the Kellogg Graduate School of Management at the Northwestern University in June 1996. Mr. Zhao has served as a Director of Beijing Hongyi Investment Counsellor Co., Ltd. and Senior Vice President and Director of Legend Holdings Limited, in charge of the private equity investment and management business of Legend since October 2004. In addition, Mr. Zhao has directorships in the following listed companies: as non-executive director of China Glass Holdings Limited (a company listed in Hong Kong) since November 2004, executive director of China Pharmaceutical Group Limited (a company listed in Hong Kong) since December 2008, independent director of Gemdale Corporation (a company listed in the PRC) since April 2008 and director of Simcere Pharmaceutical Group (a company listed in New York) since August 2006. Mr. Zhao has served as a Non-executive Director of the Company since November 2009.

**Madam Ma Xue-zheng**, aged 58, Non-executive Director of the Company. Madam Ma graduated from the Capital Normal University (formerly as Beijing Normal College) in Beijing in July 1976. She served as an executive director and a chief financial officer of Lenovo Group since 1997 and 2000, respectively. Madam Ma has served as a non-executive vice chairman of the board of directors of Lenovo Group since 2007. From September 2003 to April 2007, Madam Ma served as a director of Sohu.com Inc., a NASDAQ listed company. Madam Ma has served as a non-executive director of the Standard Chartered Bank (Hong Kong) Limited since June 2004. From December 2007 to May 2010, Madam Ma served as a director of Shenzhen Development Bank Co., Ltd. From September 2007 to February 2011, she was a partner and managing director of TPG Capital, primarily responsible for investments in the Greater China region. In June 2009, she was appointed as a member of the Listing Committee of the Hong Kong Stock Exchange. From June 2009 to April 2011, Madam Ma was non-executive director of Daphne International Holdings Limited. Madam Ma has served as a Non-executive Director of the Company since June 2010.

**Mr. Han Ying**, aged 76. Mr. Han obtained his bachelor's degree in mining at the China University of Mining and Technology (formerly as Beijing Institute of Mines) in June 1962. From August 1991 to October 1995, he acted as vice minister of the Ministry of Coal Mining of the PRC and vice general manager of China Tongpei Coal Mine Headquarters Company. From October 1995 to June 2000, he worked as a vice chairman and the general manager of Shenhua Group Corporation Limited. He held a number of positions, such as a member of the 5th Standing Committee of the Chinese People's Political Consultative Conference, a member of the 8th and 9th Chinese People's Political Consultative Conference and a representative of the 10th, 11th and 12th National Congress of the Communist Party of China. Since July 2003, he has served as an Independent Non-executive Director of the Company.

**Mr. Li Lu-an**, aged 67. Mr. Li graduated from Shandong University in August 1966. From August 1996 to March 2004, he served as the chairman of CITS Group, general manager of the China International Travel Service Head Office and part-time professor of China Tourism Management Institute. Since September 2004, he has served as an Independent Non-executive Director of the Company.

**Mr. Lu Jiang**, aged 54, a PRC Certified Public Accountant, one of the first group of senior members of Chinese Institute of Certified Public Accountants. Mr. Lu has extensive experience in accounting, auditing and other management aspects. He has served as chairman of the Board of China Yongtuo Consulting & Management Group Limited, chairman, general manager and chief accountant of Beijing Yongtuo Certified Public Accountants Co., Ltd and chairman of Beijing Yongtuo Engineering Co., Ltd since 1999. In addition, Mr. Lu also served as committee member of Chinese Institute of Certified Public Accountants, Beijing Certified Public Accountants Association and chief supervisor of the Beijing Afforestation Foundation. Since September 2004, he has served as an Independent Non-executive Director of the Company.

**Dr. Yu Jian-bo**, aged 45, Vice President of the Company overseeing business in the information centre, the supply chain, group procurements and the central kitchen. Since he joined the Company, Dr. Yu has been successfully in charge of the detailed implementation of the Company's ERP project (WINBOX) as project executive head, the construction and operation of the North China Logistics Centre (WINDC), and certain key projects such as group procurement and Farm-Supermarket Links etc. Dr. Yu received his doctoral degree from the Chinese Academy of Social Sciences. From 1991 to 1999, Dr. Yu served at the Institute of Contemporary China Studies. From 2000 to 2004, Dr. Yu served as a director and the executive president of Jin-Ri Investment, and a vice president (China region) of OBI. Dr. Yu joined the Company since May 2005.

**Mr. James Wong**, aged 40, is the Chairman of China Alpha Investment Management Limited. Mr. Wong holds a master's degree in finance from the Faculty of Business and Economics of the University of Hong Kong and a bachelor's degree with a major in International Trade from the School of Economics of the Zhongshan University. Since 1997, he served as the Managing Director of First Shanghai Capital Limited, the Managing Director of First Shanghai Financial Holding Limited, an immediate subsidiary of the financial service division of the First Shanghai Group, and an executive director of China Assets (Holdings) Limited (stock code: 170), the shares of which are listed on The Stock Exchange of Hong Kong Limited, and is now serving as an independent director of Livzon Pharmaceutical Group Company Limited (stock code: 000513), the shares of which are listed on Shenzhen Stock Exchange, an independent non-executive director of Yanzhou Coal Mining Company Limited (stock code: 1171), an independent non-executive director of China Aerospace International Holdings Limited (stock code: 0031) and an executive director of China New Economy Fund Limited (stock code: 0080), the shares of which are listed on The Stock Exchange of Hong Kong Limited and the Chief Investment Officer of CITIC Securities International Investment Management (HK) Limited. Mr Wong has over ten years' experience in investment banking and securities industry. Currently he is an Adjunct Professor in the Department of Finance, Faculty of Business Administration at the Chinese University of Hong Kong.

After the above appointments are approved by the shareholders of the Company at the AGM, each of the Directors will enter into a service contract/letter of appointment with the Company for a term commencing on the date of the AGM until the closing of the 2013 annual general meeting of the Company. Save as the aforesaid, each of the Directors does not have any relationships with any other Directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

As of the date of this circular, the interests of each of the Directors in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) are set out in the annual report 2010 of the Company.

Save as disclosed above, each of the Directors does not have any interests in the Shares of the Company within the meaning of Part XV of the SFO. As far as the Company is aware, in relation to the above appointments, there are no other matters that need to be brought to the attention of the shareholders of the Company.

**Mr. Fan Kui-jie**, aged 47. Mr. Fan obtained his master's degree in engineering at the Business Management School of Xi'an Jiaotong University in June 1991. Since December 2007, Mr. Fan has been the chairman of Beijing Yin Xin Guang Hua Real Estate Development Co., Ltd.. He has served as an Independent Supervisor of the Company since November 2002.

**Madam Xu Ning-chun**, aged 47. Madam Xu received her bachelor's degree in economics from the Beijing Technology and Business University (formerly as College of Commerce in Beijing) in July 1986, and is a PRC certified public accountant and a PRC registered assets valuer. She has been a general manager of Beijing Dingge Capital Assessment Co., Ltd. since July 1998. She has served as an Independent Supervisor of the Company since July 2003.

After the above appointments are approved by the shareholders of the Company at the AGM, each of the Supervisors will enter into a service contract/letter of appointment with the Company for a term commencing on the date of the AGM until the closing of the 2013 annual general meeting of the Company. Save as the aforesaid, each of the Supervisors does not have any relationships with any other Directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

As of the date of this circular, the interests of each of the Supervisors in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) are set out in the annual report 2010 of the Company.

Save as disclosed above, each of the Supervisors does not have any interests in the Shares of the Company within the meaning of Part XV of the SFO. As far as the Company is aware, in relation to the above appointments, there are no other matters that need to be brought to the attention of the shareholders of the Company.



## 1. STATEMENT OF RESPONSIBILITIES

This document, for which the Directors of the issuer 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 the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document 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 document misleading.

## 2. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, to the best knowledge of the Directors, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2010, being the date to which the latest audited consolidated financial statements of our Group were made up.

## 3. DISCLOSURE OF INTERESTS

### (1) Directors', Supervisors' and Chief Executives' Interests in Shares

Save as disclosed below, as at the Latest Practicable Date, the interests or short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

	Number of domestic shares (shares)	Approximate percentage of total issued domestic share capital (%)	Approximate percentage of total share capital (%)	Type of interests held
Dr. Wu Jian-zhong (吳堅忠博士) <i>(Note 1)</i>	160,457,744	21.55	12.52	Interests in controlled corporation
Dr. Meng Jin-xian (蒙進暹博士) <i>(Note 2)</i>	48,251,528	6.48	3.77	Interests in controlled corporation

Notes:

- Dr. Wu Jian-zhong holds 70% of the share capital of Wangshang Shijie E-business, one of the promoters of the Company, which has a direct interest in 160,457,744 domestic shares of the Company. Dr. Wu Jian-zhong is deemed, by virtue of Part XV of the SFO, to be interested in the shares held by Wangshang Shijie E-business in the Company.

2. Dr. Meng Jin-xian holds 40% of the share capital of Junhe Investment, one of the promoters of the Company, which has a direct interest in 23,269,228 domestic shares of the Company. Junhe Investment also holds 50% of the share capital of Hekang Youlian, which has a direct interest in 24,982,300 domestic shares of the Company. Dr. Meng Jin-xian is deemed, by virtue of Part XV of the SFO, to be interested in the shares held by Junhe Investment and Hekang Youlian in the Company.

Save as disclosed above, to the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

As at the Latest Practicable Date, none of the Company, its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangement to enable the Directors or supervisors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company.

## (2) Shareholders Interests

To the best knowledge of the Directors, supervisors and chief executives of the Company, as at the Latest Practicable Date, the interests or short positions of persons other than Directors, supervisors and chief executives of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Number of domestic shares held (shares)	Approximate percentage of total domestic share capital (%)	Approximate percentage of total share capital (%)
Dr. Zhang Wen-zhong (張文中博士) <sup>(Note 1)</sup>	497,932,928	66.86	38.86
Beijing Jingxi Guigu Technology Company Limited (北京京西硅谷科技有限公司) (“Jingxi Guigu”) <sup>(Note 1)</sup>	497,932,928	66.86	38.86
Beijing CAST Technology Investment Company (北京卡斯特科技投資有限公司) (“CAST Technology Investment”) <sup>(Note 1)</sup>	497,932,928	66.86	38.86
Wumei Holdings <sup>(Note 2)</sup>	497,932,928	66.86	38.86
Yinchuan Xinhua Department Store Company Limited (“Xinhua Department Store”) <sup>(Note 3)</sup>	497,932,928	66.86	38.86
Wangshang Shijie E-business	160,457,744	21.55	12.52

*Notes:*

1. Jingxi Guigu is owned as to 85% by Dr. Zhang Wen-zhong, and therefore Dr. Zhang Wen-zhong is entitled to control the exercise of one-third or more of the voting power at general meetings of Jingxi Guigu. CAST Technology Investment is owned as to 80% by Jingxi Guigu, and therefore Jingxi Guigu is entitled to control the exercise of one-third or more of the voting power at general meetings of CAST Technology Investment. Wumei Holdings is owned as to 70% by CAST Technology Investment, and therefore CAST Technology Investment is entitled to control the exercise of one-third or more of the voting power at general meetings of Wumei Holdings. Each of Dr. Zhang Wen-zhong, Jingxi Guigu and CAST Technology Investment is therefore deemed, by virtue of Part XV of the SFO, to be interested in the shares of the Company held by Wumei Holdings.
2. As at the date hereof, Xinhua Department Store is owned as to 29.27% by Wumei Holdings. Pursuant to the share transfer agreement (please refer to the Company's announcement on 24 July 2008) entered into between Wumei Holdings and Xinhua Department Store, Wumei Holdings is entitled to control the exercise of one-third or more of the voting power at general meetings of Xinhua Department Store subsequent to the completion of the share transfer agreement. Accordingly, Wumei Holdings is deemed to be interested in the shares of the Company held by Xinhua Department Store subsequent to the completion of the share transfer agreement.
3. According to the share transfer agreement entered into between Wumei Holdings and Xinhua Department Store, approximately 66.86% of the domestic shares of the Company would be held by Xinhua Department Store directly: as the share transfer agreement is not yet completed, the percentage of domestic shares of the Company held by Xinhua Department Store is yet to be determined. On 16 January 2009, Xinhua Department Store announced that, due to uncertainties as a result of market changes, its board of directors was unable to issue the notice of a general meeting within six months of the first announcement of the board resolutions. Accordingly, pursuant to the "Regulations in Relation to Regulating Issues Arising from Material Assets Reorganisation of Listed Companies" (《關於規範上市公司重大資產重組若干問題的規定》) issued by the China Securities Regulatory Commission, Xinhua Department Store would re-convene aboard meeting in due course to consider the said share issue and asset acquisition.

#### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, management shareholders or their respective associates have any direct or indirect interests in any businesses which compete or may compete with those of the Group.

#### **5. DIRECTORS' AND SUPERVISORS' INTERESTS IN SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors and supervisors of the Company had entered into or proposed to enter into a service contract with any member of the Group which was not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

## 6. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS AND MATERIAL CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, being the date to which the latest audited consolidated financial statements of the Group was made up.

None of the Directors and Supervisors of the Company had material interests in any contract or arrangement which is still effective as at the Latest Practicable Date and is of significance in relation to the Group's business.

## 7. QUALIFICATIONS OF EXPERT AND CONSENT FROM EXPERT

- (1) The following is the qualifications of the professional adviser who has given opinions or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
China Everbright Capital	A licensed corporation to conduct Type 1, Type 4 and Type 6 regulated activities under the SFO

- (2) As at the Latest Practicable Date, none of the experts referred to in (1) above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.
- (3) As at 13 May 2011, the expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 13 May 2011 and the references to its name included herein in the form and context in which it is respectively included.
- (4) As at the Latest Practicable Date, the expert did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to the Company or its subsidiaries, or are proposed to be acquired or disposed of by or leased to the Company or its subsidiaries since 31 December 2010, being the date to which the latest audited consolidated financial statements of the Group was made.

**8. GENERAL INFORMATION**

- (1) The legal address of the Company is Room 5610, 1 Shixingdong Street, Badachu High Tech Park District, Shijingshan District, Beijing, the PRC.
- (2) The head office of the Company is at 10th Floor, Yuquan Building, Shijingshan Road, Shijingshan District, Beijing, the PRC.
- (3) The principal place of business of the Company in Hong Kong is 18th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong.
- (4) The Company's H Share Registrar in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (5) Mr. Wu Jian-zhong is the Compliance Officer and an Authorized Representative of the Company.
- (6) Ms. Xie Dong is the Company Secretary and an Authorized Representative of the Company.
- (7) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of DLA Piper Hong Kong at 18th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central Hong Kong during normal business hours for 14 days from the date of this circular, except weekends and public holidays:

- (1) the Management Agreement 2010;
- (2) the Management Agreement 2011;
- (3) the letter of recommendation issued by the Independent Board Committee contained in this circular;
- (4) the letter of advice issued by China Everbright Capital contained in this circular; and
- (5) the 2010 Annual Report of the Company.



**物美**  
**WU MART**

**北京物美商業集團股份有限公司**

**WUMART STORES, INC.**

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

**(Stock Code: 08277)**

**NOTICE OF ANNUAL GENERAL MEETING AND  
BOOK CLOSURE NOTICE**

**NOTICE IS HEREBY GIVEN** that the annual general meeting of 2010 (the “AGM”) of Wumart Stores, Inc. (the “Company”) will be held at 10:00 a.m. on Tuesday, 28 June 2011 at the Conference Room No. 15, 2/F, Empark Grand Hotel, 69 Banjing Road, Haidian District, Beijing, the PRC to consider and, if thought fit, pass the following resolutions:

**I. As ordinary resolutions:**

1. To consider and approve the audited consolidated financial statements of the Company for the year 2010 and the independent auditor’s report thereon.
2. To consider and approve the profit distribution proposal of the Company for the year 2010.
3. To consider and approve the report of the Board for the year 2010.
4. To consider and approve the Company’s report of the Supervisory Committee for the year 2010.
5. To consider and approve the “Entrusted Operation and Management Agreement (2011)” (“Management Agreement (2011)”) entered into between the Company and Wumei Holdings, Inc. (“Wumei Holdings”), and the proposed annual cap for the continuing connected transactions contemplated thereunder.

**“To consider:**

- (i) to approve the Management Agreement (2011) (a copy of which has been produced at the AGM for the purpose of identification) dated 5 May 2011 and entered into between the Company and Wumei Holdings, and the proposed annual caps of the continuing connected transactions contemplated thereunder for the period from 1 July 2011 to 31 December 2011 and for the two financial years ending 31 December 2013;

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## NOTICE OF THE AGM AND THE BOOK CLOSURE NOTICE

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- (ii) that the Management Agreement (2011) be effective from 1 July 2011 and for a term ending 31 December 2013 (subject to consideration and approval from independent shareholders on AGM). The Management Agreement (2010) shall lapse upon the time when the Management Agreement (2011) becomes effective;
  - (iii) to authorize any one of the Directors of the Company to do, approve and make, if thought fit, all actions and matters which are necessary or appropriate.”
6. To consider and approve the Company to re-appoint Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu as the Company’s domestic and international auditors, respectively, for a term expiring upon the conclusion of the next annual general meeting of the Company and to authorise the Board to fix their remuneration in accordance with the actual work performed by the auditors and market conditions.
7. To consider and approve, by way of separate resolutions, each of the following resolutions in relation to re-election and election of directors of the fourth session of the Board of the Company (“Director(s)”):
- “A. To re-elect and re-appoint Dr. Wu Jian-zhong as an executive Director of the fourth session of the Board.”
  - “B. To re-elect and re-appoint Dr. Meng Jin-xian as an executive Director of the fourth session of the Board.”
  - “C. To re-elect and re-appoint Madam Xu Ying as an executive Director of the fourth session of the Board.”
  - “D. To re-elect and re-appoint Mr. Wang Jian-ping as a non-executive Director of the fourth session of the Board.”
  - “E. To re-elect and re-appoint Mr. John Huan Zhao as a non-executive Director of the fourth session of the Board.”
  - “F. To re-elect and re-appoint Madam Ma Xue-zheng as a non-executive Director of the fourth session of the Board.”
  - “G. To re-elect and re-appoint Mr. Han Ying as an independent non-executive Director of the fourth session of the Board.”
  - “H. To re-elect and re-appoint Mr. Li Lu-an as an independent non-executive Director of the fourth session of the Board.”
  - “I. To re-elect and re-appoint Mr. Lu Jiang as an independent non-executive Director of the fourth session of the Board.”

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“J. To elect and appoint Dr. Yu Jian-bo as an executive Director of the fourth session of the Board.”

“K. To elect and appoint Mr. James Wong as an independent non-executive Director of the fourth session of the Board.”

8. To consider and approve the remuneration of the Directors of the fourth session of the Board as follows:

Remuneration of each independent non-executive Director shall be RMB78,000 per annum (tax inclusive). A non-executive Director shall not receive any remuneration. The Board shall be authorized to determine the remuneration of the executive Directors in accordance with their respective management functions in the Company. Any expenses in transportation, accommodation and meals etc. incurred by the Directors in attending general meetings or Board meetings of the Company and in performance of their duties shall be reimbursed by the Company.

9. To consider and approve, by way of separate resolutions, each of the following resolutions in relation to re-election and re-appointment of supervisors of the fourth session of the Supervisory Committee of the Company (the “Supervisor(s)”):

“A. To re-elect and re-appoint Mr. Fan Kui-jie as an independent Supervisor of the fourth session of the Supervisory Committee.”

“B. To re-elect and re-appoint Ms. Xu Ning-chun as an independent Supervisor of the fourth session of the Supervisory Committee.”

10. To consider and approve the remuneration of the Supervisors of the fourth session of the Supervisory Committee as follows:

Remuneration of each independent Supervisor shall be RMB48,000 per annum (tax inclusive). The Board shall be authorized to determine the remuneration of the Supervisors nominated by the staff in accordance with their respective working functions in the Company. Any expenses in transportation, accommodation and meals etc. incurred by the Supervisors in attending general meetings or meetings of the Supervisory Committee or Board meetings of the Company and in performance of their duties shall be reimbursed by the Company.



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### II. As special resolutions:

11. To consider and approve the Company to issue additional H shares and additional domestic shares in the capital of the Company (“Additional Shares”) and to grant the Board a general mandate for the issue of Additional Shares subject to the conditions set out in this resolution.

**“To consider:**

1. To consider and approve the Company to issue additional H shares and additional domestic shares in the capital of the Company and grant to the Board a general mandate (“general mandate”) for the exercise by the Board during the Relevant Period of powers to allot or issue shares or make offers, agreements or options which might require the issue, allotment or disposal of Additional Shares, and to enter into or grant offers or agreements in respect of such Additional Shares;
  - (i) such General Mandate shall not extend beyond the Relevant Period (as defined in (iv)) save that the Board may during the Relevant Period make or grant offers or agreements which might require the exercise of such powers after the end of the Relevant Period;
  - (ii) the total number of Shares approved to be allotted or agreed conditionally or unconditionally to be allotted by the Board of the Company, otherwise than pursuant to any scrip dividends or similar arrangement providing for the allotment of such shares in lieu of the whole or part of a dividend on such Shares in accordance with the Articles of Association, shall not exceed: (a) 20 per cent of the aggregate nominal amount of domestic shares of the Company in issue at the date of the passing of this resolution; (b) 20 per cent of the aggregate nominal amount of H shares of the Company in issue at the date of the passing of this resolution;
  - (iii) the Board will only exercise its power under such mandate in accordance with the relevant laws and regulations of the PRC (as amended from time to time) and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited/or the Main Board Listing Rules as the case may be and only if all necessary approvals from the China Securities Regulatory Commission, The Stock Exchange of Hong Kong Limited and/or other relevant PRC government authorities are obtained.

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(iv) For the purposes of this resolution:

“H Shares” means the overseas listed foreign invested shares in the share capital of the Company, with a par value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars, and which is granted the permission to deal in and list on the Stock Exchange;

“Domestic Shares” means the ordinary shares of the Company with a par value of RMB1.00 each, which are subscribed and credited as fully paid up in Renminbi; and

“Relevant Period” means the period from the passing of this resolution until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company following the passing of this resolution; or
- (b) the expiration of the 12-month period following the passing of this resolution; or
- (c) the date on which the authority set out in this resolution is revoked or varied by a special resolution in a general meeting of the Company.

2. Subject to the Board issuing additional H shares and additional domestic shares pursuant to this resolution, the Board be authorised to:

- (i) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of such new Shares including, without limitation, the time, price, quantity and place of issue, making all necessary applications to the relevant authorities, entering into an underwriting agreement (or any other agreement);
- (ii) determine the use of proceeds and make all necessary filing, registration and applications with or to the relevant authorities in the PRC and/or Hong Kong (if required);
- (iii) determine the registered capital and the number of shares pursuant to the issue and allotment of Shares pursuant to this resolution, and register with the relevant authorities in the PRC and/or Hong Kong upon an increase of capital and the number of shares; and
- (iv) make such amendments to the Articles of Association accordingly as it thinks fit so as to reflect relevant matters such as the registered capital and new capital structure of the Company after the issue and allotment of shares.”

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12. To consider and approve the Company to issue in the PRC a short-term financing bills in the aggregate principal amount of up to 40% of the net asset value of the Company as at the end of 2010:
- (a) Each issue (if applicable) of such short-term financing bills shall be for a term of not more than one year;
  - (b) Such short-term financing bills shall be at an interest rate determined by the market;
  - (c) Such short-term financing bills shall be open to institutional investors in the interbank market of the PRC, and shall not be open to the general public;
  - (d) Proceeds from such issue of short-term financing bills shall be used for repaying bank loans and as additional working capital of the Company;
  - (e) The Board of Directors shall be authorized to decide upon and take charge of the relevant matters in relation to such issue of short-term financing bills at its sole discretion, including but not limited to the timing, amounts, number of times of issue and interest rates, and shall sign all such documents(including but not limited to the application for conducting such issue of short-term financing bills, publication of fundraising prospectuses, underwriting agreements and various kinds of announcements) and complete such procedures (including but not limited to the relevant registration procedures in the interbank market of the PRC) and take such other actions as shall be necessary.

**III. To consider and approve provisional resolutions (if any) proposed in writing to the Company by any shareholder(s) holding in aggregate 5% or above in the Company's voting shares.**

### **BOOK CLOSURE NOTICE**

The register of members of the Company will be closed from Saturday, 28 May 2011 to Tuesday, 28 June 2011 (both days inclusive).

In order to be entitled to attend and vote at the AGM and to qualify for the proposed final dividend, holders of H shares must lodge all share transfer documents (including the duly stamped instruments of transfer and the relevant share certificate(s)) to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, for completion of the registration of the relevant share transfer no later than 4:30 p.m. on Friday, 27 May 2011.

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The address of the Company's H share registrar is as follows:

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716  
17th Floor Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

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

Beijing, the PRC  
13 May 2011

### Notes:

1. The register of members of the Company will be closed from Saturday, 28 May 2011 to Tuesday, 28 June 2011 (both days inclusive). All share transfer documents together with the relevant share certificate(s) of the Company's H Shares should be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 27 May 2011. Shareholders whose names appear on the register of members of the Company on Saturday, 28 May 2011 shall be entitled to attend and vote at the AGM.
2. Each shareholder who is entitled to attend and vote at the AGM may appoint one or more proxies in writing to attend and vote at the AGM on his/her behalf. Proxies need not be shareholders of the Company.
3. The instrument appointing a proxy must be in writing under the hand of the shareholder or his attorney duly authorized in writing. Instrument appointing a proxy of any shareholder, being a legal person, must be affixed with the corporate seal of such Shareholder or duly signed by a director or by its authorized attorney. If the proxy form is signed by an attorney, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarised.
4. Proxy forms for holders of H shares, accompanied by any power of attorney or other documents of authorisation (if any), shall be lodged at Computershare Hong Kong Investor Services Limited, the Company's H share registrar, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and proxy forms for holders of domestic shares, accompanied by any power of attorney or other documents of authorisation (if any), shall be lodged at the Company's head office. The proxy forms and the notarised power of attorney (if any) must be lodged no later than 24 hours before the convening of the AGM.

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5. Shareholders or their proxies shall be required to present their identification documents when attending the AGM. In case of corporate shareholders, their legal representatives or persons authorised by the board of directors of other decision-making bodies shall be required to present photocopies of the resolutions of the board of directors of corporate shareholders or other decision making bodies authorising such persons to attend the meeting.
6. Shareholders who wish to attend the AGM should complete the reply slips for the AGM and deliver the completed slips to Computershare Hong Kong Investor Services Limited, the Company's H share registrar, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in case of holders of H shares or to the Company's head office in case of holders of domestic shares, on or before Tuesday, 7 June 2011. Shareholders may return this reply slip to the above address by hand or via post or fax.
7. Shareholders or proxies attending the AGM should state clearly, in respect of each resolution requiring a vote, whether they are voting for or against a resolution. Abstention votes or abstention from voting will not be regarded by the Company as having voting rights for the purpose of vote counts.
8. Voting shall be conducted by way of poll at the AGM.
9. Shareholders or proxies attending the AGM are reminded that any expenses in transportation, accommodation and meals will be incurred at their own cost.
10. The address of the Company's head office is as follows:

10th Floor, Yuquan Building  
3 Shijingshan Road, Shijingshan District  
Beijing, the PRC  
Post Code: 100049  
Tel: 8610-8825 8862  
Fax: 8610-8825 8121