北京物美商業集團股份有限公司
WUMART STORES, INC.

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

(Stock Code: 01025)

ANNOUNCEMENT ON ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

- Total revenue amounted to RMB21,637,563,000, representing a growth of 13.6% over 2013;
- Consolidated gross profit amounted to RMB4,589,027,000, representing a growth of 15.7% over 2013; Consolidated gross profit margin amounted to 21.2%;
- Net profit attributable to owners of the Company amounted to RMB394,783,000, representing a decrease of 14.0% over 2013;
- Retail network expanded to 565 stores; New openings of 40 stores;
- Comparable store sales growth of 4.36%.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014**	2013
		RMB'000	*RMB'000*
Revenue	*4*	**18,902,300**	16,988,172
Cost of sales		**(17,048,536)**	(15,089,331)
Gross profit		**1,853,764**	1,898,841
Other revenues	*4*	**2,735,263**	2,066,474
Investment and other income and other gains	*5*	**171,423**	189,542
Impairment and other losses	*6*	**(151,423)**	(56,287)
Distribution and selling expenses		**(3,449,810)**	(2,858,417)
Administrative expenses		**(593,622)**	(508,901)
Share of profit of associates		**7,277**	8,342
Share of profit of a joint venture		**3,174**	5,541
Finance costs	*7*	**(19,376)**	(28,788)
Profit before tax		**556,670**	716,347
Income tax expense	*8*	**(139,869)**	(222,336)
Total profit and other comprehensive income for the year	*9*	**416,801**	494,011
Total profit and other comprehensive income for the year attributable to:			
Owners of the Company		**394,783**	459,031
Non-controlling interests		**22,018**	34,980
		416,801	494,011
Earnings per share			
– basic (RMB yuan per share)	*11*	**0.31**	0.36
– diluted (RMB yuan per share)	*11*	**0.31**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current Assets			
Property, plant and equipment		**3,632,527**	3,621,250
Rental deposits		**205,405**	164,073
Prepaid lease payments		**96,459**	107,252
Goodwill		**793,879**	844,964
Other intangible assets		**77,910**	82,046
Interests in associates		**152,699**	149,587
Interest in a joint venture		**98,596**	100,330
Deferred tax assets		**153,985**	106,968
Deposit paid		**255,445**	255,445
Loan receivables	12	**189,600**	166,500
		5,656,505	5,598,415
Current Assets			
Inventories		**1,484,974**	1,460,422
Loan receivables	12	**46,500**	84,720
Trade and other receivables	13	**1,436,791**	1,271,742
Amounts due from related parties	14	**140,255**	179,675
Prepaid lease payments		**42,457**	66,594
Short-term investments		**92,000**	110,000
Restricted bank balances		**1,277,402**	378,244
Bank balances and cash		**2,187,761**	2,269,912
		6,708,140	5,821,309
Current Liabilities			
Trade and other payables	15	**7,132,567**	6,724,461
Amounts due to related parties	14	**17,897**	17,373
Tax liabilities		**160,411**	190,268
Borrowings	16	**1,000,000**	521,863
		8,310,875	7,453,965

	Notes	**2014**	2013
	Notes	***RMB'000***	*RMB'000*
Net Current Liabilities		**(1,602,735)**	(1,632,656)
Total Assets less Current Liabilities		**4,053,770**	3,965,759
Capital and Reserves			
Share capital	*17*	**1,287,544**	1,281,274
Share premium and reserves		**2,493,945**	2,425,890
Equity attributable to owners of the Company		**3,781,489**	3,707,164
Non-controlling interests		**199,255**	185,807
Total Equity		**3,980,744**	3,892,971
Non-current Liabilities			
Deferred tax liabilities		**13,026**	12,788
Borrowings	*16*	**60,000**	60,000
		73,026	72,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL

Wumart Stores, Inc. (the "Company") is registered in the PRC as a joint stock company with limited liability. Its H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the operation of superstores and mini-marts.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation.

Amendments to HKFRS 10 HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – 21	Levies

The application of the amendments to standards in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRS issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK and by the Hong Kong Companies Ordinance (Cap. 32).

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. REVENUE AND OTHER REVENUES

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2014	2013
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**18,902,300**	16,988,172
Other revenues		
Rental income from leasing of shop premises	**771,429**	608,621
Income from suppliers, including store display, promotion and delivery service income	**1,963,834**	1,457,853
	2,735,263	2,066,474
Total revenue	**21,637,563**	19,054,646

5. INVESTMENT AND OTHER INCOME AND OTHER GAINS

	2014	2013
	RMB'000	*RMB'000*
Government subsidies *(note)*	**22,330**	26,954
Sales of scrapped materials	**19,932**	17,555
Compensation received from lessees for cancellation of lease contract	**1,481**	5,950
Compensation received from suppliers for delaying goods delivery	**11,885**	3,904
Interest on bank deposits	**24,686**	10,316
Interest on loan receivables	**13,553**	51,682
Others	**33,896**	25,988
	127,763	142,349
Other gains:		
Fair value changes of short-term investments	**43,660**	47,193
	171,423	189,542

Note: The Group was awarded government subsidies totalled RMB 22,330,000 during the year ended 31 December 2014 (2013: RMB 26,954,000), for the recognition of the Group's contribution to local community and fulfilling other conditions which the local government considered necessary.

6. IMPAIRMENT AND OTHER LOSSES

	2014	2013
	RMB'000	*RMB'000*
Net foreign exchange loss	**33**	1,245
Loss on disposal/write-off of property, plant and equipment	**8,323**	55,042
Impairment loss recognised in respect of property, plant and equipment	**91,982**	–
Impairment loss recognised in respect of goodwill	**51,085**	–
	151,423	56,287

The Group closed down a few non-performing stores during the current year and disposed/write-off the related property, plant and equipment which resulted in a loss of RMB8,323,000 (2013:RMB55,042,000).

7. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interests on:		
– Bank loans wholly repayable within five years	**17,388**	2,025
– Short term debenture	**1,988**	26,763
	19,376	28,788

8. INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
The charge (credit) comprises:		
PRC income tax	**186,648**	225,057
Deferred tax	**(46,779)**	(2,721)
	139,869	222,336

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25%.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**556,670**	716,347
Tax at PRC Enterprise Income Tax rate of 25% (2013: 25%)	**139,168**	179,087
Tax effect of share of profit of associates and a joint venture	**(2,613)**	(3,471)
Tax effect of expenses not deductible for tax purpose	**14,822**	3,500
Tax effect of tax losses not recognised	**11,233**	61,190
Utilisation of tax losses previously not recognised	**(22,741)**	(17,970)
Income tax expense for the year	**139,869**	222,336

9. PROFIT FOR THE YEAR

	2014	2013
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**372,946**	341,878
Amortisation of intangible assets (included in distribution and selling expenses)	**4,136**	4,553
Total depreciation and amortisation	**377,082**	346,431
Operating lease rentals in respect of rented premises	**1,139,882**	927,221
Release of prepaid lease payments	**66,594**	90,026
Auditor's remuneration	**4,920**	4,850
Employee benefits expense:		
Directors' and supervisors' emoluments	**5,784**	4,027
Other staff costs		
– Salaries and other benefit	**1,302,140**	1,058,347
– Contributions to retirement benefits schemes	**123,002**	105,578
– Incentive share expense	**318**	–
	1,431,244	1,167,952
Cost of inventories recognised as an expense	**17,048,536**	15,089,331

10. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2013 – RMB0.25 (2013: 2012 final paid RMB0.21) per share	**321,886**	269,068

Subsequent to the end of the reporting period, final dividend of Nil (2013: RMB0.25) per share with the total amount of Nil (2013: RMB321,886,000) in respect of the year ended 31 December 2014 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

11. EARNINGS PER SHARE

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

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (2013: Basic earnings per share), representing profit for the year attributable to owners of the Company	**394,783**	459,031

	2014	2013
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share (2013: Basic earnings per share)	**1,281,274**	1,281,274

The potential dilutive effect in relation to Incentive Share Scheme is not considered in the calculation of the diluted earnings per share as the effect is negligible.

12. LOAN RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Fixed-rate loan receivables	**236,100**	251,220

To secure properties for new stores, the Group entered into the following loan agreements with certain lessors.

Loan receivables comprise:	Maturity Date	Effective interest rate (%)	Carrying amount 31/12/2014 RMB'000	31/12/2013 RMB'000
Loan to lessor A [(i)]	February 2016	8.15	**120,000**	120,000
Loan to lessor B [(ii)]	March 2015	7.41	**46,500**	46,500
Loan to lessor C [(iii)]	January 2016	–	**69,600**	–
Loans to a subordinate entity of the District Government [(iv)]	August 2013	13.42	**–**	54,720
Loan to lessor D [(v)]	March 2014	6.72	**–**	30,000

	2014 RMB'000	2013 RMB'000
Analysed as:		
Current	**46,500**	84,720
Non-current	**189,600**	166,500
	236,100	251,220

(i) In February 2013, the Group entered into a loan agreement and a lease agreement for a property for 20 years with lessor A. The Group lent RMB120,000,000 to lessor A for 3 years. The loan was interest bearing at 8.15% per annum and secured by the shareholder of the lessor A 71.99% equity interest of the shareholder of the lessor A in lessor A.

(ii) In March 2013, the Group entered into an entrusted loan agreement through Bank of Beijing Co., Ltd. with lessor B and a lease agreement for a property for 20 years. The Group lent RMB46,500,000 to lessor B for 2 years. The loan was interest bearing at 7.41% per annum and secured by the shareholder of the lessor B 100% equity interest of the shareholder of the lessor B in lessor B.

(iii) In January 2014, the Group entered into a loan agreement and lease agreement for a property for three years with lessor C. The Group lent RMB69,600,000 to lessor C for 3 years. The loan was interest free.

(iv) In August 2011, the Group entered into a cooperation agreement with a District Government for a land development project (the "Project"). According to the agreement, the Group lent RMB309,000,000 to a subordinate entity of the District Government (the "Entity") for 6 months to finance the development of the Project. The loan was interest bearing at 6.1% per annum. In addition, the Group was entitled to receive a certain percentage of return estimated by reference to the aggregate development costs (the "Estimated Return"). The District Government also agreed to award a specified percentage of the profit resulting from the sale of the land (the "Award"), if any, to the Group upon the completion of the land auction. The maturity of the loan was extended to August 2013 and interest bearing at 5.6% per annum from August 2012 onwards. Taking into account the effect on the Estimated Return, the effective interest of the loan receivable was 13.42% for the year ended 31 December 2013. The Entity repaid the principal and the interests (excluding the Estimated Return) in 2013, and confirmed and repaid the interests of the Estimated Return in 2014. As the Award was under negotiation with the District Government, the Group did not recognise the Award upon the completion of the land auction at initial date up to 31 December 2013 due to the uncertainty of the estimated future cash inflows. In current year, the Entity reached agreement with the Group that no Award would be paid.

(v) The Group entered into an entrusted loan agreement through Hangzhou City Commercial Bank Co., Ltd. with lessor D on 17 December 2013. According to the agreement, the Group lent RMB30,000,000 to lessor D for three months. The loan was interest bearing at 6.72% per annum, which was repaid in February 2014.

13. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**182,206**	169,855
Prepayments to suppliers	**365,124**	337,737
Deductible input value added tax	**632,732**	482,523
Rental deposits	**109,886**	87,153
Other receivables	**146,843**	194,474
	1,436,791	1,271,742

Trade receivables represent receivables from supply of merchandise to franchised stores and retail sales customers. The credit period is 30 to 60 days for receivables from supply of merchandise to franchised stores. Before accepting any new franchised store, the Group will assess the potential credit quality and define credit limits by store. Credit limits attributed to franchised stores are reviewed twice in every year. The Group's retail sales to customers are mainly conducted on cash basis, including payments by cash, credit cards and mobile phone payment.

The following is an aged analysis of trade receivables based on the invoice dates which approximated the respective dates on which revenue was recognised.

	2014	2013
	RMB'000	*RMB'000*
0 – 30 days	**153,555**	111,198
31 – 60 days	**28,651**	47,730
>60 days	**–**	10,927
	182,206	169,855

The Group accesses the customer's credit quality by evaluating their historical credit records and define credit limits for each customer. Recoverability and credit limits of the existing customers are evaluated by the Group regularly. For trade receivables disclosed above which are neither past due nor impaired, they are customers with good credit quality.

As at 31 December 2013, included in above is an amount of RMB10,927,000, which is past due for which the Group had not provided for impairment loss because there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral over this balance.

14. AMOUNTS DUE FROM/TO RELATED PARTIES

	2014	2013
	RMB'000	*RMB'000*
Amounts due from associates *(note a)*	**66,187**	75,769
Amount due from a joint venture *(note a)*	**38,183**	51,057
Amounts due from subsidiaries of the Company's shareholder which has significant influence over the Company ("Company's Substantial Shareholder") *(note a)*	**35,885**	52,849
	140,255	179,675
Amounts due to associates *(note b)*	**10,389**	9,481
Prepayments from subsidiaries of the Company's Substantial Shareholder	**7,508**	7,892
	17,897	17,373

Note:

(a) The amounts due from associates, a joint venture and subsidiaries of the Company's Substantial Shareholder are all trade in nature, unsecured and non-interest bearing. The credit period is 30 to 60 days. The aged analysis are as follows:

	2014	2013
	RMB'000	*RMB'000*
0-30 days	**70,000**	90,092
31-60 days	**35,717**	41,523
61-90 days	**28,383**	38,331
>90 days	**6,155**	9,729
	140,255	179,675

The Group accesses the related parties credit quality by evaluating their historical credit records and define credit limits of the related parties. Recoverability and credit limits of the related parties are evaluated by the Group regularly. For amounts due from related parties disclosed above which are neither past due nor impaired, there has not been a significant change in credit quality of each of the related party.

Included in above is an amount of RMB34,538,000 (2013: RMB48,060,000) which is past due at the end of reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over this balance.

(b) The amounts due to associates are trade in nature, unsecured and non-interest bearing. The amounts are aged within 60 days.

15. TRADE AND OTHER PAYABLES

	2014 *RMB'000*	2013 *RMB'000*
Bill payables	**75,400**	115,366
Trade payables	**3,779,588**	3,579,270
Advances from customers	**2,022,992**	2,074,423
Deposits received from lessee	**307,952**	287,648
Rent and other accrual	**360,827**	301,587
Other payables	**482,967**	332,471
Obligation under the incentive share scheme	**29,030**	–
Dividends payable	**73,811**	33,696
	7,132,567	6,724,461

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

	2014 *RMB'000*	2013 *RMB'000*
0-30 days	**3,499,311**	3,279,740
31-60 days	**293,173**	338,170
61-90 days	**26,043**	28,836
Over 90 days	**36,461**	47,890
	3,854,988	3,694,636

The average credit period on purchase of merchandises is 60 days (2013: 60 days).

16. BORROWINGS

	2014 *RMB'000*	2013 *RMB'000*
Short term debenture – unsecured *(note a)*	**–**	521,863
Bank loan – unsecured *(note b)*	**60,000**	60,000
Bank borrowings – secured *(note c)*	**1,000,000**	–
	1,060,000	581,863
Fixed-rate borrowings:		
Within one year *(note c)*	**1,000,000**	521,863
In more than one year, but not exceeding two years *(note b)*	**60,000**	60,000
	1,060,000	581,863

Note:

(a) On 30 January 2013, the Company issued short term debenture of a principal amount of RMB500,000,000 through the lead underwriter, China Minsheng Banking Company Limited, with a maturity of one year. The short term debenture carried fixed interest at 4.77% per annum, and was repaid in January 2014.

(b) The loan carried fixed interest at 5% per annum and would be repaid in 2016.

(c) In August and September 2014, the Company issued bills receivable to a subsidiary amounting to RMB1,000,000,000 with a maturity of 6 months through Minsheng Bank secured by a bank deposit equivalent to RMB1,000,000,000. The bills receivable were discounted by the subsidiary through Minsheng Bank carried fixed interest at 2.88% per annum.

17. SHARE CAPITAL

	Number of Domestic *'000*	**Number of H Shares** *'000*	**Number of Total Shares** *'000*	**Share capital** *RMB'000*
Issued and fully paid, at RMB1.00 each				
At 1 January 2013 and 31 December 2013 [(note a)]	744,706	536,568	1,281,274	1,281,274
Increase on the issue of incentive shares [(note b)]	6,270	–	6,270	6,270
At 31 December 2014	750,976	536,568	1,287,544	1,287,544

Note:

(a) Domestic Shares and H Shares are all ordinary shares in the share capital of the Company. However, H Shares may only be subscribed for by, and traded in currencies other than RMB between, legal or natural persons of Hong Kong, the Macau Special Administrative Region, Taiwan or any country other than the PRC. Domestic Shares must be subscribed for and traded only by PRC citizen in RMB. All dividends in respect of H Shares are to be paid by the Company in HK dollar whereas all dividends in respect of Domestic Shares are to be paid by the Company in RMB. The Domestic Shares and the H Shares rank pari passu with each other in all other respects and in particular, rank equally for all dividends or distributions declared, paid or made.

(b) The Group issued 6,270,000 domestic shares at per value of RMB1.00 per share to certain employee, directors and a supervisor according to the Incentive Share Scheme, which are considered as treasury shares prior to fulfilment of vesting conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Total Revenue

In the year of 2014 (the "Report Period"), the Group recorded a total revenue of approximately RMB21,637,563,000, representing an increase of 13.6% compared to RMB19,054,646,000 for the same period in 2013. The growth in total revenue was attributable to:

(1) Total revenue growth driven by newly opened stores;

(2) Increase in sales revenue as a result of enhancement of the brand image of good quality and low price by offering general discount incentives and selecting quality merchandises;

(3) Increase in rental income due to improvement of store image by standardizing the operation and introducing brand suppliers into the leasing area of the stores;

(4) The Group's comparable store sales growth of 4.36% during the Reporting Period.

Consolidated Gross Profit and Consolidated Gross Profit Margin

During the Reporting Period, the Group's consolidated gross profit amounted to RMB4,589,027,000, representing a growth of 15.7% compared to RMB3,965,315,000 for the same period in 2013. The Group's consolidated gross profit margin was 21.2%, growing from 20.8% in 2013. The increase in consolidated gross profit margin was attributable to the significant growth in rental income and income from suppliers, while gross profit of the products decreased as compared to 2013 as a result of the discounting campaigns covering all the categories.

Distribution and Selling Expenses

During the Reporting Period, the Group recorded an aggregate distribution and selling expenses (which primarily comprises staff costs and operating expenses) of RMB3,449,810,000, representing a growth of 20.7% as compared to RMB2,858,417,000 of 2013 and accounting for 15.9% of the total revenue, which was 0.9 percentage point above 15.0% recorded for the same period in 2013. The proportional increase was mainly caused by:

(1) The fast increase in rental expenses of the Group as a result of the increase in rental rates of stores in respect of new openings of stores and rental renewals.

(2) The significant increase in overall staff costs of the Group as a result of the increase in staff number due to new store openings and the increase in unit human resources costs.

Administrative Expenses

During the Reporting Period, the Group recorded administrative expenses (primarily comprising headquarters expenses of the Group) of RMB593,622,000, growing by 16.6% from RMB508,901,000 recorded for the same period in 2013, and accounting for 2.7% of the total revenue, which was the same as last year.

Finance Costs

During the Reporting Period, finance costs of the Group amounted to approximately RMB19,376,000, representing a decrease of 32.7% compared to RMB28,788,000 for the same period in 2013. Such decrease in finance costs was mainly due to the decrease in interest expenses as a result of repayment of short-term debenture.

Net Profit

During the Reporting Period, the net profit attributable to owners of the Group amounted to RMB394,783,000, representing a decrease of 14.0% compared to RMB459,031,000 for the same period in 2013.

Liquidity and Financial Resources

During the Reporting Period, net cashflow generated from operating activities of the Group amounted to RMB958,244,000, representing a decrease of 38.5% compared to RMB1,558,969,000 for the same period in 2013. As at 31 December 2014, the Group's cash and bank deposit balances amounted to RMB2,187,761,000.

As at 31 December 2014, the Group's total equity was approximately RMB3,980,744,000 with a gearing ratio, which is defined as the ratio between total borrowings and total equity of the Group at the end of Reporting Period, of 26.6% (31 December 2013: 14.9%).

As at 31 December 2014, the Group recorded current assets of approximately RMB6,708,140,000, which mainly comprised cash and bank balances of approximately RMB2,187,761,000, inventories of approximately RMB1,484,974,000 and trade and other receivables of approximately RMB1,436,791,000.

As at 31 December 2014, the Group had non-current assets of approximately RMB5,656,505,000, which mainly included property, plant and equipment of approximately RMB3,632,527,000, goodwill of approximately RMB793,879,000, rental deposits of approximately RMB205,405,000 and prepaid lease payments of approximately RMB96,459,000.

As at 31 December 2014, the Group recorded net current liabilities of approximately RMB1,602,735,000 and current liabilities of approximately RMB8,310,875,000, mainly comprising trade and other payables of approximately RMB7,132,567,000, loans of RMB1,000,000,000 and tax payable of approximately RMB160,411,000.

During the Reporting Period, the average trade payable turnover of the Group was 80 days (2013: 79 days), and inventory turnover was 31 days (2013: 31 days).

Capital Structure

The Group's borrowings, cash and cash equivalents were mainly denominated in RMB. As at 31 December 2014, the loans of the Group amounted to RMB1,000,000,000, all being bank acceptance bills, which have matured in February 2015. Entrusted loans payable to associates amounted to RMB60,000,000, which is repayable within three years and carries interests at fixed rate of 5% per annum.

Distributable Reserve

The distributable reserve of the Company as at 31 December 2014 amounted to approximately RMB2,077,968,000 (2013: RMB2,030,407,000).

Pledge of Assets

As at 31 December 2014, leasehold land and buildings with a carrying amount of approximately RMB205,463,000 (2013: RMB211,655,000) have been pledged to secure general banking facilities granted to the Group.

Substantial Acquisition and Disposal

During the Reporting Period, the Group had no substantial acquisition and disposal.

Contingent Liability

As at 31 December 2014, the Group had no significant contingent liability.

Future Investment Plans

As at 31 December 2014, the Group did not have any significant investment plans.

Exchange Rate Risk

The income and expenses of the Group are mostly denominated in RMB. During the Reporting Period, the Group had not been subject to any significant difficulties and its working capital or liquidity had not been affected as a result of fluctuations in exchange rates.

Dividend Appropriation

The Board did not recommend the payment of dividend for the year, which will be proposed to the shareholders for approval at the 2014 annual general meeting.

Business Review

Expanding retail network at a steady pace

The Group carried on with its business expansion in Beijing, Tianjin, Hebei and Zhejiang markets under its persistent implementation of national expansion strategy with regional prioritization during the Reporting Period. As at 31 December 2014, we had a retail network of 565 stores (31 December 2013: 547 stores) comprising 168 superstores and 397 mini-marts, which were either directly operated or operated and managed through franchise agreements and management agreements entered into by the Group, its associates (other than Beijing Chao Shifa Company Limited ("Chao Shifa")) and a joint venture. The Group's retail network occupied an aggregate saleable area of approximately 889,924 square metres (31 December 2013: 818,786 square metres), excluding saleable area of stores operated by associates and under franchise.

During the Reporting Period, 16 directly-owned new superstores were opened, comprising 4 in Beijing and Hebei, 1 in Tianjin and 11 in Zhejiang, while a total of 3 superstores in Beijing, Tianjin and Zhejiang were closed down. For mini-marts, 23 directly-owned new stores were opened, comprising 19 in Beijing and 4 in Zhejiang, while 11 were closed down due to expiry of lease or demolition and relocation, comprising 8 in Beijing and 3 in Zhejiang. 7 franchised stores were closed down. 1 managed mini-mart was opened, while the cooperation with 1 managed mini-mart was terminated.

Stores operated and managed by the Group, its associates and a joint venture (except the stores of Chao Shifa) as at 31 December 2014 were as follows:

	Number of Superstores	Number of Mini-marts	Total	Distribution
Directly-owned	165	309	474	Beijing, Tianjin, Hebei, Zhejiang
Franchised	–	56	56	Zhejiang
Managed	3	32	35	Tianjin, Shanghai
Total	168	397	565	

Leading growth of the fresh business

During the Reporting Period, the fresh business of the Group continued to lead growth, achieving an increase of over 25% both in sales and consolidated gross profit. Constant improvement and innovation in business model have led to increase in operating results. The sales per square meter continued to increase by optimizing the store design, facilities and equipment as well as display of the fresh products. Customer's satisfaction and efficiency of individual item were improved by reducing the number of SKUs and selecting quality merchandises. The output per capita has been improved by standardizing each post's responsibilities. Operation targets have been broken down into details, and a systematic guideline of "sticking to goals, identifying the best models, grabbing any opportunities and alert to early warnings" has been extensively practiced. Those scientific measures adopted by fresh unit enabled the Group to provide customers with fresh merchandises of good quality and low prices.

During the Reporting Period, the Group's fresh team has been further strengthened. With continuous training and accumulated experiences, the procurement team was more accurate on identifying product quality and procurement channels, the operation team was more skilled on using sales approaches and the category team was more efficient on strategy development and research. The maturing technical team cultivated a great number of skilled workers for meat cutting and aquaculture. Team expansion and maturing technology laid a solid foundation for the sustainable development of the fresh business.

Optimizing procurement approach and merchandise portfolio and offering low prices

During the Reporting Period, the Group adhered to the strategy of low prices. By cooperating with the suppliers, Wumart and Merrymart continued to provide the lowest price in Beijing, Tianjin and Hebei. The strategy might transfer a proportion of gross profit to the customers but helped to increase overall customer flow and sales.

The Group further enhanced the data-based approach for supplier selection and procurement. The Group selected suppliers in an open, fair and transparent manner and joined hands with the suppliers to carry out monitoring and assessment, so as to keep abreast with market trends and improve sales. Meanwhile, the Group strictly performed its obligations under contracts and offered promotional display of products accordingly, gaining wide recognition among the suppliers.

The Group reduced the number of SKUs and promoted differentiated operations based on customer needs. Through sorting out its brand portfolio, analyzing sales of individual items and other methods, the Group retained the most competitive products and eliminated the slow-moving ones, thereby reducing the number of items and in turn improving efficiency of individual item. Meanwhile, in light of the characteristics of various commercial districts and consumer needs, distinct product portfolios were presented at stores in different regions.

The Group continued to enrich its product pipelines, so as to better satisfy the changing needs of consumers. For example, in response to the rising concern over food safety, the Group increased direct purchase of imported merchandises. Efforts were stepped up to expand partnerships with quality suppliers, attracting many renowned domestic brands such as Zhengda, No.1 Pig, Wedome and Quanjude to Wumart. The owned fresh brand "colourful countryside(繽紛田園)" has penetrated into customers' daily life with increasing brand recognition.

Optimizing store design and diversifying marketing channels

During the Reporting Period, the Group continuously improved dynamic-line designs of stores with an aim to achieve more convenient and comfortable shopping experience, and upgraded the tenant mix of the leasing area based on consumer needs so as to attract more customers and increase rental income.

Efforts were made to improve operation standard and enhance store inspection. By adopting an inspection mechanism comprising self-assessment, specific inspections and joint inspections, the Group conducted assessment and examination on store operation and gave rewards and penalties promptly based on the result. With our persistent dedications and efforts, customer satisfaction was significantly improved with upgraded operation standard and enhanced shopping environment.

The Group established its Wechat public platform "Wumart Stores", with an aim to provide customers with the latest information on store promotions and offline activities as well as to promote quality products and brand names. Promotional campaigns and membership marketing were initiated through Wechat to attract new customers and retain existing customers with lower cost and higher efficiency and thereby enhance its core competitive strength.

During the Reporting Period, the official website of the Group, http://www.wumart.com, was upgraded to become an integrated platform for information dissemination and interaction, providing customers with valuable information on promotional activities, membership award, discounting campaigns and store outlets. New functions for merchandise marketing were added, such as promotional product advertisement, poster reading and reward redemption introduction. Online communication and service functions were expanded to provide online job application, cooperation channels and customer services, etc. The new system has received high appraisals from consumers and suppliers since its first launch.

Continuously upgrading information system

During the Reporting Period, continuously adhering to the spirit of innovation and with an aim to strengthen our leading position in scientific technology, the Group carried out a number of technical research and development, optimization and upgrades, which promoted the standardized, streamlined and systematic overall management of the Group's operations.

During the Reporting Period, the Group independently developed a statements system for stores, which were fully compatible with the store operation and management processes, effectively enhancing the basic operational work of stores and significantly reducing the work load of store staff.

During the Reporting Period, the Group underwent technical upgrade and innovation to the replenishment system. The independently-developed automatic replenishment system for promotional products was able to make systematical forecast on the promotional merchandises and would automatically replenish the stock based on the historical sales data and various promotional factors, achieving integrated management of the general and promotional merchandises and improving the automatic replenishment rate to above 90%. Currently, the project has been launched in all the hypermarkets in North China, significantly reducing the work load of manual ordering and the inventory of promotional merchandises.

During the Reporting Period, the Group independently developed a POS comprehensive payment platform, supporting multi-bank card payment and Alipay payment, which further strengthened the diversity and security of the payment system.

During the Reporting Period, the Group constantly optimized the budget management system, and launched the self-developed statement system, which generated profit and loss statement on a daily instead of a monthly basis, providing real-time data for the management and operation team.

Further improving a multi-level logistics service system

During the Reporting Period, management indicators with regard to the supply chain system of the Group were improved by a large margin through enhancement of the service quality assessment scheme, optimization of work process standards as well as implementation of in-depth supervision. For example, the accuracy of delivery appointments, accuracy of work processes and the timeliness of delivery reached 100%, 99.997% and 98%, respectively; and the satisfaction of suppliers and stores increasingly improved.

The Group organized trainings for new suppliers, held meetings with supplier representatives and provided professional storage, sorting and transportation services for suppliers as required, in an effort to provide fast and efficient one-stop services to the suppliers and constantly increase the suppliers' satisfaction with logistics.

The Group provided accurate and fast supply services for stores. Efforts were exerted to ensure next-day delivery for all merchandises, so as to increase the ordering accuracy of stores. We provided tailored services of priority delivery for store group purchase and ensured supply of the best-selling products, so as to reduce store stock and shrinkage rate, in turn enhancing profitability and efficiency.

During the Reporting Period, to accommodate the overall business development of the Group, three newly-established distribution centers were put into operation. In North China, a temperature controlled warehouse was put into use, which was located at Daxing District, Beijing with a site area of 5,500 square meters and a capacity of distributing nearly 2,000 SKUs. It is able to support all the Group's directly operated stores in Beijing, Tianjin and Hebei Province, with the distribution amount reaching RMB1.4 billion per annum. In Zhejiang Province, a constant-temperature warehouse and a temperature controlled warehouse located in Hangzhou were also put into operation, covering an area of 33,000 square meters and 3,500 square meters respectively. The annual distribution amount of these warehouses may reach RMB4 billion and RMB0.3 billion respectively, and they are able to support all the stores in Hangzhou.

Attaching great importance to food safety and achieving progress in energy conservation and emission reduction

During the Reporting Period, the Group continued, as always, to attach great importance to food safety, putting it as a priority in its agenda. The Group strictly controlled all aspects to ensure food safety, from the admission of suppliers, review of merchandises, procurement inspection to storage, processing, display and sale. During the Reporting Period, the retailer-supplier license platform system was put into use, where qualification of suppliers and merchandises was documented and managed by IT system. It largely improved accuracy of merchandise admission and filtered out suppliers accountable for unqualified merchandises. An accountability system for product quality was rigorously implemented in distribution centers and stores. The Group also cooperated with professional companies to carry out highly efficient cleanings programme at the stores so as to ensure a clean and hygienic environment.

Environmental protection and low-carbon emission is the long-term principle of the Group, incorporated into all aspects of our operations. The energy-saving targets were broken down into different performance indicators, with each store manager as the primarily responsible person. The energy-saving management team from the headquarters conducted monthly statistical analysis on the energy data of each store and promptly asked stores to find out the reasons if there was any unusual condition. Meanwhile, the Group implemented a number of equipment energy-saving projects, such as installation of timers in basic illumination equipment, air conditioning water storage transformation, old freezers covering transformation, installation of overtime alarm at cold storage door, bathroom water-saving transformation, replacing with energy-saving and environment-friendly lamps, energy-saving management and control system for pilot cold chain, which effectively saved energy. During the Reporting Period, the Group was awarded the title of "China Energy Efficiency Star – Four-star Energy-saving Unit" (Five-star award was vacant, and only two commercial and trading enterprises were awarded the title) by the National Energy Conservation Center.

Optimizing human resources management

As at 31 December 2014, the Group had a full-time headcount of 28,578 and part-time headcount of 5,559.

Under the rigid growth of staff costs, the Group enhanced its productivity and controlled the labor cost by uplifting efficiency, reducing headcount, improving shift arrangement and implementing multiple mode of employment (full time and part time).

During the Reporting Period, the Group further improved performance appraisal system. By conducting quarterly appraisal on a regular basis, the Group provided a fair platform for employees to demonstrate their talents. Through various means such as regular review on individual performance, assessment on task accomplishment as well as inspection on rectification to issues identified in the last performance appraisal, the Group facilitated improvement of team performance and individual competence. Fostering a corporate culture that encourages thinking and communication, the Group made strenuous efforts to promote the sustainable development of human resources.

Leveraging on its three-tier training system comprising Development Institute—Training Stores—Stores, the Group developed various training programs which targeted different groups of staff to fit their professional development needs. During the Reporting Period, the Group conducted a total of 236 courses for all kinds of trainings with 10,558 participants.

Prospects

In 2014, the PRC economy settled into a new normal development pattern: under the backdrop of sluggish overseas demands and slowing domestic demands, efforts are exerted to promote transformation of economic growth mode and deepening reform at a time when economic growth slows down. The growth of market sales slowed down in 2014, with the total retail sales of social consumer goods recording a year-on-year growth of 12%, which was lower than the growth rate of 13.1% in 2013. Meanwhile, the national disposable income per capita and online retail sales increased by 10.1% and 49.7% respectively as compared with the previous year. As indicated by economic data, the retail industry is confronted with challenges arising from overall economic downturn and sluggish consumption, and retail stores are facing severe competition from e-commerce business. Under the pressure of weak consumption and rising fixed costs, it is important for both retail stores and e-commerce operators to provide conveniently available products and services of good quality and low prices which cater to consumer needs.

In face of a complex market environment and in this ever-changing information age, the Group will endeavor to enhance its core competitive strengths and concentrate on exploration and innovation, aiming to achieve its objectives of "good quality, low prices, selected merchandise mix, favorable membership and optimized supply chain". In 2015, the Group will continue to adhere to the strategy of national expansion with regional prioritization, maintain its steady pace of store opening and increase its market share. Upholding the strategy of low prices, the Group is committed to providing products of good quality and low prices to the customers. The Group will improve its approach to procurement, select items elaborately, optimize distribution system and enhance operation efficiency. The Group will take various measures to improve customer experience and increase customer satisfaction. Focusing on its core retail business, the Group will respond to the changing dynamics with constant evolution and innovation, with an aim to continue to create sustainable value for the shareholders.

OTHER INFORMATION

Code on Corporate Governance Practices

During the Reporting Period, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in the Listing Rules of the Stock Exchange, and adopted the recommended best practices where applicable.

Repurchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Audit Committee of the Company comprises Mr. Li Lu-an (Chairman), Mr. Lu Jiang (both being independent non-executive Directors) and Dr. Meng Jin-xian (non-executive Director).

The Audit Committee has reviewed the Group's audited consolidated financial report and operating results and significant accounting policies etc. for the year ended 31 December 2014 and listened to the opinion on the audit results expressed by the auditor.

Independent Auditor

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

Publication of Annual Results and 2014 Annual Report

The annual results announcement 2014 of the Company will be published on the website of the Stock Exchange at http://www.hkex.com.hk and on the website of the Company at http://www.wumart.com. The Annual Report 2014 of the Company will be dispatched to the Shareholders and will also be posted on each of the websites of the Stock Exchange and the Company in due course.

By order of the Board of
Wumart Stores, Inc.
Dr. Meng Jin-xian
Chairman

Beijing, the PRC
10 March 2015

As at the date of this announcement, the Board comprises Madam Xu Ying, Mr. Xu Shao-chuan and Dr. Yu Jian-bo as executive Directors, Dr. Meng Jin-xian as non-executive Director, and Mr. Li Lu-an, Mr. Lu Jiang and Mr. Wang Jun-yan as independent non-executive Directors.