天天价廉 永远物美

Annual Report 2014

物美
WUMART

Wumart Stores, Inc.
北京物美商業集團股份有限公司

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

Stock Code : 1025

CORPORATE VISION

A dream we share — a dream of establishing an everlasting retail chain that people love patronizing, and that mingles with their daily lives — Wumart, thereby to provide the public with satisfying products and service and dedicate our wisdom and power to the pursuit of developing modern circulation industry and improving the life quality of the public.

WU MART

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COMPANY INFORMATION

BOARD OF DIRECTORS

Executive Directors

Madam Xu Ying *(President)*
Mr. Xu Shao-chuan
(Senior Vice President)
Dr. Yu Jian-bo
(Senior Vice President)

Non-executive Director

Dr. Meng Jin-xian *(Chairman)*

Independent Non-executive Directors

Mr. Li Lu-an
Mr. Lu Jiang
Mr. Wang Jun-yan

SUPERVISORY COMMITTEE

Mr. Fan Kui-jie *(Chairman)*
Madam Xu Ning-chun
Mr. Zhang Zheng-yang

SENIOR MANAGEMENT

Mr. Chong Xiao-bing *(Vice President)*
Mr. Zhang Yu *(Executive Director of Finance Department)*
Mr. Guo Tu-wei
(Director of Data Management Centre and Director of Assets Management Department)

JOINT COMPANY SECRETARY

Madam Wang Yi
Dr. Liu Wei

AUDIT COMMITTEE

Mr. Li Lu-an *(Chairman)*
Dr. Meng Jin-xian
Mr. Lu Jiang

REMUNERATION COMMITTEE

Mr. Li Lu-an *(Chairman)*
Mr. Lu Jiang
Madam Xu Ying

NOMINATION COMMITTEE

Mr. Lu Jiang *(Chairman)*
Mr. Li Lu-an
Madam Xu Ying

AUTHORIZED REPRESENTATIVES

Madam Xu Ying
Madam Wang Yi

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

As to Hong Kong Law:
DLA Piper Hong Kong

As to PRC Law:
Haiwen & Partners

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China Merchants Bank
China Minsheng Bank
Beijing Rural Commercial Bank

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRC LEGAL ADDRESS

Room 8039, 8th Floor
Building 3, Court No. 30
Shixingdajie
Shijingshan District, Beijing, the PRC

HEAD OFFICE

Wumart Commercial Building
158-1 West 4th Ring North Road
Haidian District
Beijing
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

WEBSITE

www.wumart.com

STOCK CODE

1025

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am presenting to you the results of operations of Wumart Stores, Inc. (the "Company") and its subsidiaries (collectively the "Group") for the year 2014 (the "Reporting Period").

During the Reporting Period, 40 new stores were opened, comprising 16 superstores and 24 mini-marts. The Group achieved a total revenue of approximately RMB21.6 billion, an increase of 13.6% over the corresponding period in 2013, which also represented comparable store sales growth of 4.36%. Consolidated gross profit amounted to approximately RMB4.59 billion, an increase of 15.7% over the corresponding period in 2013. Net profit attributable to owners of the Group amounted to RMB390 million, representing a decrease of 14.0% over the corresponding period in 2013. Earnings per share was approximately RMB0.31.

In 2014, the PRC economy settled into a new normal state featuring sluggish overseas demands and slowing domestic demands, imposing great pressure on the traditional retailers. According to the relevant data, retail sales of the top 100 major retail enterprises in China in 2014 recorded a year-on-year increase of only 0.4%, representing a growth rate lower than that of last year, which has been on a downward track for three consecutive years since 2012. Meanwhile, the retail industry was also faced with external competition pressure such as rising costs and rapid development of diversified consumption mode, as well as internal pressure regarding how to innovate its business model to provide better merchandises and services to the consumers.

Against the backdrop of intense competition, the Group strived to overcome difficulties and turned challenges into opportunities. Focusing on consumer needs and its core retail business, the Group underwent a series of reform and innovation, so as to improve management and efficiency and further enhance its execution ability, maintaining stable growth in sales amidst the negative market sentiment. During the Reporting Period, the Group endeavored to enhance its core competitive strengths and explore for innovative operation model, aiming to achieve its objectives of "good quality, low prices, selected merchandise mix, favorable membership and optimized supply chain". 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. The Group adhered to the strategy of low prices, which transfers a proportion of profit to the customers, so as to establish a brand image of good quality and low price. Based on consumer needs, the Group strived to provide quality merchandises and better services, so as to satisfy the increasingly diversified needs of the consumers. With the implementation of the information system, the Group underwent a series of transformation in management, so as to optimize merchandise mix, improve statement reporting system, achieve transparency in supplier selection, standardize the leasing procedures for commercial streets and upgrade the automatic replenishment technology. Taking the royal consumers (especially the members) as the most important asset of the Group, we promoted marketing to the members and enhanced analysis on customer needs, so as to improve royalty of both new and old customers towards the Group. The Group continued, as always, to attach great importance to food safety, putting it as a priority in its agenda, so as to further gain trust and reliance from the consumers.

Looking ahead into 2015, the PRC economy has entered into a stage of stable development. With deepened reform in each sector, the retail industry will explore an approach for diversified growth under the new normal development pattern. According to some consulting agencies, the sales of the PRC retail industry may continue to achieve an average annual growth of 8.7% in the next two years, and China will become the largest retail market in the world by 2018. Meanwhile, with the increasingly mature market and rising fixed costs, the retail enterprises will continue to face challenge in terms of profitability.

The prevailing popularity of mobile internet has promoted the transparency and ensured timely and easy accessibility of information. With the upgrading of consumer preference and the changing retail-and-supply condition, the retail industry is undergoing profound transformation. Upholding the philosophy of "only the reformers and innovators will emerge stronger and win", the Group will adhere to the tenet of "client first" and take it as the basic guideline for transformation. Leveraging on big data analysis, the Group will continue to enhance its ability in selecting quality merchandizes, improve efficiency of the supply chain, reinforce the standardization of operation, strengthen the capability in integrating all businesses in various commercial circles and build up core competitive strength, so as to provide the customers with good quality products at low prices and comfortable shopping environment, cater for various shopping needs and improve customer satisfaction. Meanwhile, the Group will implement stringent control over costs by adopting a centralized procurement approach, improving productivity and streamlining processes, so as to promote the sustainable development of the Group in the long run.

Dr. Meng Jin-xian
Chairman
10 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Five-Year Financial Summary

Unit: RMB'000	**2014**	2013	2012	2011	2010
Annual results:					
Total revenue[Note 1]	**21,637,563**	19,054,646	17,334,077	16,395,645	14,246,881
Consolidated gross profit[Note 2]	**4,589,027**	3,965,315	3,386,124	3,151,877	2,800,588
Consolidated gross profit margin[Note 3]	**21.20%**	20.80%	19.50%	19.20%	19.70%
Net profit	**394,783**	459,031	601,706	586,041	529,837
Net profit margin	**1.80%**	2.40%	3.50%	3.60%	3.70%
Earnings per share (RMB)	**0.31**	0.36	0.47	0.46	0.42
Dividend per share (RMB)	**0.00**	0.25	0.21	0.20	0.20
As at 31 December					
Total assets	**12,364,645**	11,419,724	10,067,317	8,439,080	7,448,710
Total liabilities	**8,383,901**	7,526,753	6,355,427	5,094,084	4,453,180
Minority interests	**199,255**	185,807	180,279	157,999	138,319
Equity attributable to owners of the Company	**3,781,489**	3,707,164	3,531,611	3,186,997	2,857,211
Major financial indicators:					
Return on net assets	**10.50%**	12.70%	17.90%	19.40%	20.70%
Gearing ratio[Note 4]	**26.60%**	14.90%	14.10%	7.50%	6.70%
Trade payable turnover	**80 days**	79 days	77 days	73 days	73 days
Inventory turnover	**31 days**	31 days	31 days	33 days	33 days
Net cashflow from operating activities	**958,244**	1,558,969	1,694,019	1,233,935	681,600

Note 1: Total revenue represents revenue and other revenues

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

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

Note 4: Gearing ratio is the ratio between total borrowings and total equity of the Group at the end of the Reporting Period

Total Revenue

In the year of 2014, 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 cash flow 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 at the end of the Reporting Period, of 26.6% (31 December 2013: 14.9%).

MANAGEMENT DISCUSSION AND ANALYSIS

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 ("AGM").

MANAGEMENT DISCUSSION AND ANALYSIS

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.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Madam Xu Ying, aged 50, Executive Director, 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. Madam Xu has extensive knowledge in business logistics and supply chain management. 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 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 President of the Company since 28 June 2011. She has served as an Executive Director of the Company since June 2007. Madam Xu holds senior positions in subsidiaries of the Company.

Mr. Xu Shao-chuan, aged 43, Executive Director and Senior Vice President of the Company, general manager of Beijing Supermarket Business Unit. He holds a bachelor's degree in statistics from the Shenyang Institute of Finance & Economics. Before joining the Company, he served as a finance manager of Shenyang North-American Products Trade Co., Ltd. from 1995 to 1999. He served as a manager and an assistant director of the Finance Department of Wumei Holdings Inc. ("Wumei Holdings") from 1999 to 2000. In August 2000, he took up the position as the director of the Finance Department of the Company. Mr. Xu was appointed as a vice president in March 2007. He was appointed as general manager of directly operated centre of the Company in September 2007. He was appointed as general manager of Beijing Supermarket Business Unit in April 2010. Mr. Xu was appointed as Executive Director of the Company with effect from 17 May 2013.

Dr. Yu Jian-bo, aged 49, Executive Director, Senior Vice President of the Company overseeing the information centre, the supply chain, fresh business unit and Eastern China business. Dr. Yu received his doctoral degree from the Chinese Academy of Social Sciences. From 1991 to 1998, Dr. Yu served at the Institute of Contemporary China Studies with the title of senior researcher; he was engaged in the study of major development issues of contemporary China. From 1998 to May 2005, 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. He was appointed as Executive Director since 28 June 2011. Dr. Yu holds senior positions in subsidiaries of the Company.

Non-executive Directors

Dr. Meng Jin-xian, aged 58, Non-executive Chairman 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 October 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. From December 2010 to October 2013, Dr. Meng has acted as the chairman of Yinchuan Xinhua Commercial Group Co., Ltd. ("Xinhua Commercial"). Since October 2013, Dr. Meng has been Chairman of the Company. Since November 2002, he has acted as a Director of the Company. Dr. Meng holds senior positions in subsidiaries of the Company.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Li Lu-an, aged 71, 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 58. Mr. Lu has extensive experience in accounting, auditing and other management aspects. He has served as chairman of the Management Committee of Yongtuo International Group Holding Limited (renamed as: China Yongtuo Consulting & Management Group Limited), chief accountant and managing partner of Beijing Yongtuo Certified Public Accountants (Special General Partnership) and chairman of Beijing Yongtuo Engineering Co., Ltd since 1999. In addition, Mr. Lu also served as committee member and fellow of China Institute of Certified Public Accountants, committee member of 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.

Mr. Wang Jun-yan, aged 44, is an Independent Non-Executive Director of the Company and chairman of China Alpha Fund Management (HK) Limited. Mr. Wang 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. Currently he is an Adjunct Professor in the Department of Finance, Faculty of Business Administration at The Chinese University of Hong Kong. Since 1997, Mr. Wang has served as Managing Director and Head of Asset Management of CITIC Securities International Investment Management (HK) Limited, the Managing Director of First Shanghai Capital Limited, the Managing Director of First Shanghai Financial Holding Limited, a wholly-owned subsidiary of the financial service division of the First Shanghai Group (stock code: 227), 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 once served as an independent director of Livzon Pharmaceutical Group Company Limited (stock code: 000513) (April 2007 to June 2013), the shares of which are listed on Shenzhen Stock Exchange, an independent non-executive director of Yanzhou Coal Mining Company Limited (stock code: 1171) (June 2008 to May 2011), an independent non-executive director of China Aerospace International Holdings Limited (stock code: 31) (March 2007 to March 2013) and an executive director of China New Economy Fund Limited (stock code: 80) (February 2010 to July 2013), the shares of which are listed on The Stock Exchange of Hong Kong Limited respectively. Mr. Wang has been council member of Lingnan (University) College of Sun Yat-sen University, Guangzhou, since June 2013. Mr. Wang has over ten years experience in investment banking and securities industry. Since June 2011, he has served as an Independent Non-executive Director of the Company.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Independent Supervisors

Mr. Fan Kui-jie, aged 51. 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 51. 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.

Supervisor Nominated by Employees

Mr. Zhang Zheng-yang, aged 40, is a Supervisor of the Company. He is the vice president of the Company and in charge of fresh business unit, supply chain and information center of the Group. He holds a bachelor's degree in mechanical and electronic engineering conferred by Beijing Institute of Technology. Since joining Wumart in February 2000, Mr. Zhang was manager of the Information Department of Beijing Wumart Hypermarket Commercial Management Company Limited from February 2000 to August 2003, assistant to director of Shanghai Wumart Hypermarket from September 2003 to April 2006, director of the Information Centre and vice general manager of Merrymart from May 2006 to February 2008. Mr. Zhang has been the director of the Information Centre of the Company since March 2008. Mr. Zhang has been the director of Supply Chain Department of the Company since October 2012. Since February 2014, Mr. Zhang has been the assistant to president of the Company and general manager of fresh business unit of the Group. Since October 2014, Mr. Zhang has been the Vice President of the Company. He has served as a Supervisor nominated by employees since 21 September 2010.

SENIOR MANAGEMENT

Mr. Chong Xiao-bing, aged 50, is the Vice President of the Company and general manager of its Eastern China business. Before joining the Company, Mr. Chong worked in China Coal Research Institute and International Business Connections Company from 1990 to 1997. Since joining Wumart in July 1997, he was the store manager of various stores of Wumart, director of planning department, merchandise department, supervision department and general manager of Convenience Stores of the Company. Mr. Chong was appointed as the assistant to president of the Company and vice general manager of Beijing Supermarket Business Unit from August 2011 to February 2013. Since February 2013, Mr. Chong has been appointed as Vice President of the Company and general manager of its Eastern China business.

Mr. Zhang Yu, aged 45, executive director of Finance Department of the Company. Mr. Zhang holds a Master's degree in business administration of Renmin University of China and is qualified as a PRC certified public accountant. Since joining Wumart in 2004, he has been in charge of finance of Convenient Store of the Group, and the financial controller of subsidiaries and deputy director of the Finance Department of the Group.

Mr. Guo Tu-wei, aged 47, the director of Data Management Centre and director of Assets Management Department of the Company. He holds a Bachelor's degree of Economics from Nanjing Institute of Economics. From August 1996 to September 2000, he had served as the accountant, manager and assistant finance director of the Finance Department of Wumart. Mr. Guo also served as vice director of Information Division from October 2000 to May 2009. He has served as director of Data Management Centre and director of Assets Management Department of the Company since June 2009.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (the "Board") would like to present the Report of the Board of Directors of the Group for the year ended 31 December 2014, together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the operation and management of retail chains of superstores and mini-marts in Beijing, Tianjin, Zhejiang province and Hebei province. Its brands mainly include "Wumart Hypermarket", "Wumart Everyday Shops", "Wumart Minimarts", "Merry Mart", "Jingbei Shopping Mall", "Aoshikai Wumart", "Zhejiang Gongxiao Supermarket", "Huzhou Laodafang Supermarket".

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the Group's purchases from its 5 largest suppliers accounted for less than 30% in aggregate of its total purchases, and the Group's sales to its 5 largest customers also accounted for less than 30% in aggregate of its sales.

During the Reporting Period, none of the Directors, the Supervisors and their associates, or any Shareholders which, to the best knowledge of the Board, own more than 5% of the Company's share capital, had any direct or indirect interests in the Group's major suppliers and customers.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As of 31 December 2014, The Company had one joint venture namely Beijing Aoshikai Wumart Company Ltd., and two associates namely Beijing Chao Shifa Company Limited and Beijing Chongwenmen Vegetable Market Supermarket Company Limited.

For information regarding major subsidiaries, joint ventures and associates of the Company, please refer to Note 41 of the consolidated financial statements of this Annual Report.

SHAREHOLDERS' EQUITY

Movements in shareholders' equity for the Reporting Period are set out in the consolidated statement of changes in equity on page 54 of this Annual Report.

FIXED ASSETS

Movements in fixed assets for the Reporting Period are set out in Note 16 to the financial statements of this Annual Report.

ACCOUNTS

The audited results of the Group for the year ended 31 December 2014 is set out in the consolidated statement of profit or loss and other comprehensive income on page 51 of the Annual Report.

The financial position of the Group as at 31 December 2014 is set out in the consolidated statement of financial position on pages 52 to 53 of the Annual Report.

The cash flow of the Group for the year ended 31 December 2014 is set out in the consolidated statement of cash flows on pages 55 to 56 of the Annual Report.

SHARE CAPITAL

As at 31 December 2014, the class of shares and the number of shares are as follows:

Name of shareholders	Class of shares	Number of shares (shares)	Percentage of total share capital (%)
Wumei Holdings	Domestic shares	497,932,928	38.67
	H shares	1,421,425	0.11
Beijing Wangshang Shijie E-Business Co., Ltd. ("Wangshang Shijie E-business")	Domestic shares	160,457,744	12.46
Zhang Bin	Domestic shares	24,482,300	1.90
Hony Capital RMB I, L.P.	Domestic shares	23,619,364	1.83
Beijing Toma Wangluo Technology Co., Ltd.	Domestic shares	23,269,228	1.81
Legend Holdings Limited	Domestic shares	7,306,752	0.57
Beijing Shuangchen Express Co., Ltd.	Domestic shares	7,137,800	0.55
Ci Ying	Domestic shares	500,000	0.04
Participants under the Share Incentive Scheme Regarding Non-tradable and Non-listed Domestic Shares	Domestic shares	6,270,000	0.49
Wealth Retail Holdings Limited	H shares	25,000,000	1.94
Fit Sports Limited	H shares	5,000,000	0.39
Public	H shares	505,146,575	39.23
Total share capital		1,287,544,116	100.00

Note: Upon the completion of initial grant of 6,270,000 incentive shares (domestic shares) by the Company on 18 June 2014, the number of total issued domestic shares has increased to 750,976,116 shares, while the number of total issued H shares remains 536,568,000 shares, and the number of the total share capital in issue has increased to 1,287,544,116 shares.

PUBLIC FLOAT

Based on the publicly available information known to the Company and to the best of the Directors' knowledge, during the Reporting Period and as of the date of this report, the public float of the Company was in compliance with that stipulated under Rule 8.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As at 31 December 2014, the market capitalisation of the Company's publicly-held shares was approximately HK$3,562,812,000.

INTERESTS HELD BY SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, 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 Securities and Futures Ordinance of Hong Kong (the "SFO") were as follows:

Substantial shareholders holding domestic shares of the Company

Name	Number of domestic shares (shares)	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
Dr. Zhang Wen-zhong(Note 1)	658,390,672	87.67	51.14	Interest of corporation controlled by the substantial shareholder
Beijing Jingxi Guigu Technology Company Limited ("Jingxi Guigu")(Note 1)	658,390,672	87.67	51.14	Interest of corporation controlled by the substantial shareholder
Beijing CAST Technology Investment Company ("CAST Technology Investment")(Note 1)	658,390,672	87.67	51.14	Interest of corporation controlled by the substantial shareholder
Wumei Holdings(Note 2)	658,390,672	87.67	51.14	Beneficial owner, interest of corporation controlled by the substantial shareholder
Yinchuan Xinhua Commercial (Group) Co., Ltd. ("Xinhua Commercial")(Note 3)	497,932,928	66.30	38.67	Beneficial owner
Wangshang Shijie E-business	160,457,744	21.37	12.46	Beneficial owner

Notes:

1. As at 31 December 2014, Jingxi Guigu is owned as to 100% by Dr. Zhang Wen-zhong, and therefore Dr. Zhang Wenzhong 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 97.02% 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 31 December 2014, Wumei Holdings directly held 497,932,928 domestic shares of the Company. At the same time, Beijing Green Safe Agricultural Products Logistics and Information Center Co. Ltd ("Beijing Green") and Lhasa Wisdom Network Excellent Investment Management Co. Ltd. ("Lhasa Wisdom"), which are the wholly owned subsidiaries of Wumei Holdings, jointly held 64% equity of Wangshang Shijie E-business, and therefore Wumei Holdings is entitled to control the exercise of one-third or more of the voting power at general meetings of Wangshang Shijie E-business. Wumei Holdings is deemed, by virtue of Part XV of the SFO, to be interested in the 160,457,744 domestic shares of the Company held by Wangshang Shijie E-business. As at 31 December 2014, Wumei Holdings is therefore beneficially interested and deemed, by virtue of Part XV of the SFO, to be interested in the total 658,390,672 domestic shares of the Company.

3. As at 31 December 2014, Xinhua Commercial is owned as to 29.27% by Wumei Holdings. Pursuant to the share transfer agreement (please refer to the Company's announcement dated 24 July 2008) entered into between Wumei Holdings and Xinhua Commercial, the 497,932,928 domestic shares of the Company which were directly held by Wumei Holdings would be held by Xinhua Commercial directly upon completion of such agreement, and Wumei Holdings is entitled to control the exercise of one-third or more of the voting power at general meetings of Xinhua Commercial. As a result of entering into the above share transfer agreement, Xinhua Commercial is deemed, by virtue of Part XV of the SFO, to be interested in such 497,932,928 domestic shares of the Company. As of the date of this report, the aforesaid share transfer agreement has not yet been completed.

Substantial shareholders holding H shares of the Company

Name	Number of H shares (shares)	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued share capital (%)
Genesis Asset Managers, LLP(Note 1)	74,858,827(L)	13.95	5.81
Massachusetts Financial Services Company ("MFS")(Note 2)	54,195,000(L)	10.10	4.21
Sun Life Financial, Inc. ("SLF")(Note 3)	54,195,000(L)	10.10	4.21
Capital Research and Management Company(Note 4)	49,009,000(L)	9.13	3.81
Prudential plc(Note 5)	48,367,000(L)	9.01	3.76
Invesco Asset Management Limited(Note 6)	48,366,000(L)	9.01	3.76
The Capital Group Companies, Inc.(Note 7)	44,383,000(L)	8.27	3.45
JPMorgan Chase & Co.(Note 8)	32,340,440(L)	6.02	2.51
	0(S)	0.00	0.00
	26,145,079(P)	4.87	2.03
Highclere International Investors LLP(Note 9)	32,247,000(L)	6.01	2.50
Citigroup Inc.(Note 10)	27,234,052(L)	5.07	2.12
	6,547,961(S)	1.22	0.51
	20,684,436(P)	3.85	1.61
Marathon Asset Management LLP(Note 11)	27,186,000(L)	5.07	2.11

Notes:
L denotes long position, S denotes short position, and P denotes lending pool

1. Long position of these 74,858,827 H shares are held by Genesis Asset Managers, LLP in its capacity as an investment manager.

2. Long position of these 54,195,000 H shares are held by Massachusetts Financial Services Company through its interest in a series of controlled corporations and in its capacity as an investment manager.

3. Long position of these 54,195,000 H shares are held by Sun Life Financial, Inc. through its interest in a series of controlled corporations (including Massachusetts Financial Services Company) and in its capacity as an investment manager.

4. Long position of these 49,009,000 H shares are held by Capital Research and Management Company in its capacity as an investment manager.

5. Long position of these 48,367,000 H shares are held by Prudential plc through its interest in a series of controlled corporations and in its capacity as interest of corporation controlled by the substantial shareholder.

6. Long position of these 48,366,000 H shares are held by Invesco Asset Management Limited in its capacity as an investment manager.

7. Long position of these 44,383,000 H shares are held by The Capital Group Companies, Inc. through its interests in Capital Research and Management Company and in its capacity as interest of corporation controlled by the substantial shareholder.

8. Including long position of 14,361 H shares held by JPMorgan Chase & Co. in its capacity as a beneficial owner, long position of 6,181,000 H shares held by JPMorgan Chase & Co. in its capacity as an investment manager and long position of 26,145,079 H shares as a custodian – corporation/approved lending agent.

9. Long position of these 32,247,000 H shares are held by Highclere International Investors LLP in its capacity as an investment manager.

10. Including long position of 6,549,616 H shares held by Citigroup Inc. through its interest in a series of controlled corporations and in its capacity as interest of corporation controlled by the substantial shareholder, short position of 6,547,961 H shares held by Citigroup Inc. through its interest in a series of controlled corporations and in its capacity as interest of corporation controlled by the substantial shareholder, and long position of 20,684,436 H shares held by Citigroup Inc. in its capacity as a custodian – corporation/approved lending agent.

11. Long position of these 27,186,000 H shares are held by Marathon Asset Management LLP in its capacity as an investment manager.

Save as disclosed above, no person was recorded as having any interests or short positions in any shares or underlying shares of the Company required to be disclosed under Section 336 of the SFO and the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Information on Directors and Supervisors are set out on page 2 of this Annual Report. Their biographies are set out on pages 17 to 19 of this Annual Report.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of Directors and Supervisors are set out on pages 80 to 81 of this Annual Report. During the Reporting Period, there was no arrangement under which any Directors or Supervisors waived their remuneration.

Remuneration of senior management members of the Company set out in this Annual Report, other than Directors and Supervisors, falls within the following bands:

Band	**2014 Number**	2013 Number
RMB0–500,000	**2**	2
RMB500,001–1,000,000	**1**	2

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

The Directors and supervisors of the Company have entered into service contracts or letters of appointment with the Company, with their terms of office commencing on 27 June 2014 and ending on the date of conclusion of the 2016 AGM of the Company.

None of the Directors and supervisors of the Company has entered into or proposes to enter into a service contract with any member of the Group which is not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

During the Reporting Period, save for those set out in Note 12 to the consolidated financial statements, there was no material contract (as defined in the Listing Rules and are still in force during or at the end of the year) in which a Director or supervisor of the Company had material interests, whether directly or indirectly.

INDEPENDENCE OF INDEPENDENT DIRECTORS

The Company received from each of the Independent Non-executive Directors an annual confirmation of his independence as required under Rule 3.13 of the Listing Rules, and considered that all independent Non-executive Directors were still independent persons.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, 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 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 Divisions 7 and 8 of Part XV of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules were as follows:

	Number of domestic shares (shares)	**Approximate percentage of total issued domestic share capital** (%)	**Approximate percentage of total issued share capital** (%)	**Capacity in which interests are held**
Xu Ying(Note 1)	1,000,000	0.13	0.08	Beneficial owner
Xu Shao-chuan(Note 1)	1,000,000	0.13	0.08	Beneficial owner
Yu Jian-bo(Note 1)	1,000,000	0.13	0.08	Beneficial owner
Zhang Zheng-yang(Note 1)	500,000	0.07	0.04	Beneficial owner

Note 1: On 18 June 2014, the Company granted 1,000,000 incentive shares to each of the three Executive Directors, namely Madam Xu Ying, Mr. Xu Shao-chuan and Dr. Yu Jian-bo, and granted 500,000 incentive shares to Mr. Zhang Zheng-yang, a Supervisor of the Company, details of which were set out in the Company's announcement dated 18 June 2014.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2014, none of the other Directors, supervisors and chief executives of the Company or any of their respective 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 Divisions 7 and 8 of Part XV of the SFO and the Model Code.

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.

REPORT OF THE BOARD OF DIRECTORS

CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions

Entrusted Operation and Management Agreement (2014-2016)

The Company entered into the Entrusted Operation and Management Agreement (2014-2016) with Wumei Holdings Group on 20 December 2013, pursuant to which, the Group will provide supply of goods, delivery of merchandises and management services for Wumei Holdings Group. Wumei Holdings Group is the controlling shareholder of the Company and is a connected person of the Company under the Listing Rules. The Entrusted Operation and Management Agreement (2014-2016) constitutes a continuing connected transaction which is exempt from the requirements for approval by independent shareholders of the Company. The Company has fulfilled the procedures regarding reporting and announcement.

According to the Entrusted Operation and Management Agreement (2014-2016), for the year 2014, the annual caps for the supply and delivery of merchandises as well as provision of management services by the Group for Wumei Holdings Group are RMB165,270,000, RMB4,958,000 and RMB334,000 respectively. During the Reporting Period, the actual transacted amounts were RMB160,823,000, RMB4,821,000 and RMB211,000 respectively.

Property Leasing Agreement (2014-2016)

On 20 December 2013, Beijing Wumart Hypermarket Commercial Management Company Limited ("Wumart Hypermarket Commercial Company"), the subsidiary of the Company, and Beijing Wumart Zhidi Real Estate Development Company Limited ("Wumei Zhidi") entered into the Property Leasing Agreement (2014-2016) to lease the Xinjiekou Property owned by Wumei Zhidi for the operation of a superstore. The lease term shall be for a period of three years from 1 January 2014 to 31 December 2016.

Wumei Zhidi is a subsidiary of Wumei Holdings, the controlling shareholder of the Company, and is a connected person of the Company under the Listing Rules. The Property Leasing Agreement (2014-2016) constitutes a continuing connected transaction which is exempt from the requirements for approval by independent shareholders of the Company. The Company has fulfilled the procedures regarding reporting and announcement.

According to the Property Leasing Agreement (2014-2016), the annual cap for rental under the Property Leasing Agreement (2014-2016) for 2014 was RMB11,486,112. During the Reporting Period, the actual payment of rental of RMB11,486,112 was paid by the Company.

The Company's auditor had issued the unqualified letter in respect of the Group's continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules of Hong Kong Stock Exchange and confirmed nothing had come to his attention that caused him to believe that the said transactions:

(1) have not received the approval of the Board;

(2) involved the pricing for the continuing connected transactions in relation to provision of merchandises and services by the Group, and did not comply with the Group's pricing policies in all material aspects;

(3) have not been conducted, in all material aspects, in accordance with the terms of the Entrusted Operation and Management Agreement (2014-2016) and Property Leasing Agreement (2014-2016); and

(4) have exceeded the annual cap amounts applicable to the respective transactions.

Each of the independent non-executive Directors of the Company has confirmed that they have reviewed the above continuing connected transactions and confirmed that the above continuing connected transactions conducted by the Company during the Reporting Period: (1)were entered into in the ordinary and usual course of business of the Company; (2)were entered into on normal commercial terms; (3)were based on the terms of the agreement governing these transactions, which were fair and reasonable and in the interests of the shareholders of the Company as a whole; and (4)were within the annual caps for the respective transactions under the aforesaid agreements.

Non-exempt Connected Transactions

Grant of incentive shares to connected persons

As approved on the extraordinary general meeting ("EGM") and class meetings on 17 May 2013, the Company has adopted a Share Incentive Scheme Regarding Non-tradable and Non-listed Domestic Shares. The Board resolved at the meeting of the Board held on 20 December 2013 to propose the grant of, at a price of RMB4.63 per share, 1,000,000 incentive shares to each of the three Executive Directors, namely Madam Xu Ying, Mr. Xu Shao-chuan and Dr. Yu Jian-bo; and 500,000 incentive shares to Mr. Zhang Zheng-yang, a Supervisor of the Company under the Share Incentive Scheme Regarding Non-tradable and Non-listed Domestic Shares. As the Directors Madam Xu Ying, Mr. Xu Shao-chuan and Dr. Yu Jian-bo, and the Supervisor Mr. Zhang Zheng-yang are all connected persons of the Company, the grant of the incentive shares by the Company to them constitutes non-exempt connected transactions of the Company and shall be subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company has fulfilled the procedures regarding reporting, announcement and approval by independent shareholders of the Company. The proposals have been approved by the shareholders of the Company at the first EGM 2014 held on 14 March 2014.

The Company granted 1,000,000 incentive shares to each of the three Executive Directors, namely Madam Xu Ying, Mr. Xu Shao-chuan and Dr. Yu Jian-bo, and 500,000 incentive shares to Mr. Zhang Zheng-yang, a Supervisor of the Company, on 18 June 2014 at a price of RMB4.63 per share.

Save as disclosed above, none of the related-party transactions or continuing related-party transactions set out in Note 37 to the financial statements fall within the meaning of discloseable connected transactions or continuing connected transactions under the Listing Rules. The connected and continuing connected transactions of the Company are in compliance with the disclosure requirements of Chapter 14A of the Listing Rules.

COMPETING INTERESTS

Wumei Holdings operates supermarket chain business in Tianjin, Shanghai and Yinchuan.

The Group operates its supermarket chain business in Beijing, Tianjin, Hebei and Zhejiang. Except the Tianjin region, there is no direct competition between the Group and Wumei Holdings due to the different regional markets and the absence of similar business in the same regions. To avoid potential competition, the Company entered into the non-competition agreement with Wumei Holdings on 29 October 2003 and entered into and renewed the trademark licensing agreement on 29 October 2003 and 29 October 2013. On 20 December 2013, the Company entered into the Entrusted Operation and Management Agreement (2014-2016) with Wumei Holdings and the Group would provide supply of goods, delivery and management services of merchandise for Wumei Holdings and its subsidiaries.

During the year ended 31 December 2014, Wumei Holdings has operated in strict compliance with the non-competition agreement and Entrusted Operation and Management Agreement (2014-2016) in order to avoid business competition with the Group to the fullest extent.

During the year ended 31 December 2014, the Company has not exercised such options or pre-emptive right granted by Wumei Holdings in accordance with the non-competition agreement.

Save as the competing business disclosed above, so far as the Directors are aware, Wumei Holdings does not have any business which is in direct or indirect competition with the Group.

PRE-EMPTIVE RIGHT

The Articles of Association of the Company or the applicable laws and regulations do not require the Company to offer pre-emptive rights of new shares to shareholders according to the current shareholding ratio.

EMPLOYEES AND REMUNERATION POLICIES

Remunerations of executive Directors and Staff-representative supervisors of the Company are, as approved by shareholders on general meetings of the Company, determined by the Board based on the management positions of the respective persons in the Group. Remuneration of independent non-executive Directors and external supervisors are determined based on workload and market conditions and are considered and approved by shareholders on general meetings of the Company. Non-executive directors do not take up any management role in the Group nor do they receive any salary in the Group.

For senior management and staff with special expertise of the Group, a competitive remuneration policy is adopted, with their total remuneration pegged against prevailing salary level in the labour market, management responsibilities, individual performances and the Company's profitability, and a share incentive scheme is also adopted; for mid-level management and other employees, remunerations are determined based on factors such as the relative importance of the positions held and the responsibilities shouldered by the positions as well as the categories of the employees concerned, individual performance and performance of the Group. Income improvements are facilitated through the provision of training programmes, promotion opportunities and broader prospects in career promotion and development and enhancement in efficiency, in addition to competitive remuneration packages.

The Company pays housing funds and social security fund on behalf of employees on a monthly basis, according to the relevant national and local laws and regulations on labour affairs and social security. In particular, social security funds include pension insurance, medical insurance, unemployment insurance, maternity insurance, work injury insurance etc.

SHARE INCENTIVE SCHEME REGARDING NON-TRADABLE AND NON-LISTED DOMESTIC SHARES

As approved on the EGM and Class Meetings on 17 May 2013, the Company has adopted a Share Incentive Scheme Regarding Non-tradable and Non-listed Domestic Shares (For details, please refer to the circular dated 2 April 2013 issued by the Company). At the meeting of the Board held on 20 December 2013, the Board initially granted 6,050,000 incentive shares to the eligible Participants who are not connected persons of the Company at a price of RMB4.63 per share. The Board also resolved at such meeting to propose the grant of 1,000,000 incentive shares to each of the three Executive Directors, namely Madam Xu Ying, Mr. Xu Shao-chuan and Dr. Yu Jian-bo, and 500,000 incentive shares to Mr. Zhang Zheng-yang, a Supervisor of the Company. The proposals have been approved by Shareholders of the Company on the first EGM 2014 held on 14 March 2014.

The Company granted 1,000,000 incentive shares to each of the three Executive Directors, namely Madam Xu Ying, Mr. Xu Shao-chuan and Dr. Yu Jian-bo; 500,000 incentive shares to Mr. Zhang Zheng-yang, a Supervisor of the Company; and 2,770,000 incentive shares to other Participants (who are net connected persons) on 18 June 2014 at a price of RMB4.63 per share.

PENSION SCHEME

Pursuant to the provisions of the relevant national and local laws and regulations of the PRC, the Group is required to participate in a number of defined contribution retirement benefit schemes established by the relevant provincial and municipal government authorities of the PRC. The Group and its employees are required to make contributions, at certain percentages of employees' total salaries, to the retirement benefit scheme in accordance with such scheme.

Details of the Group's pension scheme are set out in Note 11 of the consolidated financial statements.

MANAGEMENT CONTRACT

During the Reporting Period, the Group did not enter into any material contract for the management and administration of the general business or any important business.

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.

REPORT OF
THE SUPERVISORY COMMITTEE

Dear Shareholders,

During 2014 (the "Reporting Period"), all members of the Supervisory Committee of Wumart Stores, Inc. (the "Company") strictly complied with relevant laws and regulations such as the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and the Articles of Association of the Company, performed their duties and exercised their powers in good faith, with diligence and prudence to protect the interests of shareholders and the benefits of the Company.

I. WORK DONE BY THE SUPERVISORY COMMITTEE IN 2014

In 2014, there was no change to the composition of the Supervisory Committee. During the Reporting Period, the Supervisory Committee convened two physical meetings, details of which are listed below:

On 11 March 2014, the 4th meeting of the 4th session of the Supervisory Committee was convened, on which the Supervisory Committee considered and passed the 2013 Audited Consolidated Financial Statements and Independent Auditor's Report, the 2013 Work Report of the Supervisory Committee, and the 2013 Annual Report of the Company, and received our auditor Deloitte Touche Tohmatsu's report on "the Auditing of the 2013 Consolidated Statements of Wumart Stores, Inc.".

On 19 December 2014, the 1st meeting of the 5th session of the Supervisory Committee was convened, on which the Work Report on the Internal Control of the Company 2014 was considered and passed.

During the Reporting Period, the members of the Supervisory Committee observed on Board meetings of the Company from time to time and attended the 2013 AGM of the Company, reviewed the Company's financial position, operations and management, and supervised the Company's implementation of resolutions of shareholders' general meetings and Board meetings according to the resolutions of shareholders' general meetings and Board meetings.

II. SUPERVISORY COMMITTEE'S VIEWS ON THE WORK OF THE COMPANY IN 2014

1. Legal Operations of the Company

The Supervisory Committee considers that, during the Reporting Period, the Company managed to abide strictly by the laws and regulations of China. The operation and management of the Company were in compliance with the requirements and stipulations of the Company Law, the Articles of Association of the Company and the Listing Rules, and the decision-making procedures were legal and effective. The management of the Company implemented rigorously the resolutions of the shareholders' general meetings and Board meetings, and continually enhanced its internal control system to improve its risk-guarding capability. The Directors and senior management of the Company managed to perform their duties diligently during the Reporting Period. No Directors and senior management of the Company were found to have acted materially in breach of laws and regulations, in violation of the Articles of Association or harmed the interests of the Company when performing duties of the Company.

2. Financial Position of the Company

The 2014 financial report of the Company has been audited in accordance with the Hong Kong Accounting Standards by Deloitte Touche Tohmatsu, which has also issued a standard unqualified auditor's report. The Supervisory Committee considers that the contents of the audited 2014 financial report and the 2014 annual report of the Company are true, accurate and complete, and that the audit opinion of the auditor is fair and objective.

3. Operation Position of the Company

During the Reporting Period, by monitoring the financial and operation management and compliance of the Company's operations as well as its risk management functionality, the Supervisory Committee considers that the Group has established a sound system of internal control and has made tremendous improvements in the formulation and implementation of internal work processes, thereby effectively controlling the various operational risks within the Group. The Group has conducted various work according to laws and regulations of China, the Articles of Associations of the Company and the work processes of the Group.

4. Connected Transactions

During the Reporting Period, the continuing connected transactions of the Company were implemented in accordance with the terms of the agreement governing connected transactions which have been signed, at such fees as shall be in compliance with the pricing benchmarks stated in the relevant agreements. The transaction amounts of each continuing connected transaction of the Group did not exceed the annual caps announced.

5. Acquisition and Disposal of Assets

During the Reporting Period, save as disclosed herein, the Company did not have any material acquisition or disposal of assets, nor were there any circumstances in which shareholders' interests are jeopardized or in which any asset of the Company was lost.

6. Internal Control

The Supervisory Committee rigorously reviewed the 2014 Internal Control Work Report of the Company. The Supervisory Committee considers that the Company has established a sound system of internal control and there have been ongoing improvements on the work processes and implementation, thereby more effectively controlling the operation risks encountered by the Company.

7. Implementation of Resolutions of Shareholders' General Meetings

During the Reporting Period, the Supervisory Committee monitored the Board's implementation of the resolutions of shareholders' general meetings. The Supervisory Committee considers that the Board of the Company managed to perform its duties rigorously, implement the relevant resolutions of shareholders' general meetings proactively and push forward the healthy and steady growth of the Company.

8. The board of directors and management of the Company

During the Reporting Period, members of the Board and the senior management members diligently and faithfully performed their duties in day-to-day operations and management in accordance with relevant PRC laws, regulations and the Listing Rules. There has been no significant abuse of powers undermining the interests of the Company and infringing the interests of shareholders.

The Company maintained steady and ongoing development during the past year 2014. The Supervisory Committee expresses its gratitude to the Board and the senior management for their responsible, diligent and prudent work.

The Supervisory Committee is fully confident in the future prospects of the Company. In 2015, the Supervisory Committee will continue to perform its supervisory duties diligently, prudently and faithfully, expand working ideas and uplift the level of supervision. It will also continue to exert great effort to perform various work in strict compliance with the requirements and stipulations of the Articles of Association of the Company and laws and regulations of China. It will actively protect the lawful interests of the Company and shareholders as always, and will ensure that shareholders' interests are maximized.

By order of the Supervisory Committee
Fan Kui-jie
Chairman

Beijing, the PRC
10 March 2015

CORPORATE GOVERNANCE REPORT

Establishment and execution of a corporate governance system applicable to the development situation of the Company are the cornerstones of the Company's development. With the development of business scope, based on the Company's strict compliance with relevant laws and regulations, the Company has been optimizing its corporate governance system. We also guarantee compliance with corporate governance practices and strive for execution of best practices so as to protect the rights of stakeholders, including shareholders and customers, suppliers, employees and the general public.

SUMMARY OF CORPORATE GOVERNANCE

The Company has established a corporate governance structure comprising general meeting of the shareholders, the Board, Supervisory Committee and the Management in accordance with Company Law of the PRC, the Securities Law of the PRC and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Such structure gives a clear division of authority and responsibilities among the authority, decision-making and regulatory bodies and the Management, and creates a mutual coordination and balanced mechanism for standard operation.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is responsible to prepare and review from time to time the policies and practices of corporate governance of the Company and to make amendments to the Company's corporate governance principles and system, policies and procedures in a timely manner in accordance with the updates of the relevant regulations to ensure the compliance of its operation. For the year ended 31 December 2014, the Company has complied with the principles and code provisions set out in Code on Corporate Governance Practices and Corporate Governance Report under the Appendix 14 of the Listing Rules and adopted the recommended best practices in various aspects of corporate governance.

THE BOARD

The Board is a standing decision-making body of the Company. All Directors are obliged to act in the best interests of the Company. All members of the Board shall take joint and several responsibilities to all shareholders for the management, supervision and operations of the Company.

Composition and Appointment of the Board

The Fifth Session of the Board of the Company comprised seven Directors. During the Reporting Period, the Board of the Company comprised three Executive Directors, one Non-executive Director and three Independent Non-executive Directors with details as follows:

Executive Directors

Xu Ying	Executive Director, President
Xu Shao-chuan	Executive Director, Senior Vice President
Yu Jian-bo	Executive Director, Senior Vice President

Non-executive Directors

Meng Jin-xian	Chairman, Non-executive Director
Li Lu-an	Independent Non-executive Director
Lu Jiang	Independent Non-executive Director
Wang Jun-yan	Independent Non-executive Director

During the Reporting Period, the composition of the Board of the Company complied with the Listing Rules, which requires at least three independent non-executive directors and a minimum of one third of the independent non-executive directors on board, and that at least one of the independent non-executive directors must possess appropriate professional qualification or accounting or relevant financial management expertise. The Executive Directors of the Company have extensive operational, management experience and expertise in the retail industry while the Non-executive Directors of the Company have extensive industry experience in various fields including capital market, investment, law and finance and are capable of making relevant judgments, and Mr. Lu Jiang, our Independent Non-executive Director, has appropriate qualifications in accounting and experience in finance.

To the best of the knowledge of the Board, members of the Board (including the Chairman and the President) were not connected to each other in any manner (including financial, business, family or other significant connections) requiring disclosure during the Reporting Period.

The appointment period of the members of the Board (including Non-Executive Directors) commenced from the conclusion of the 2013 AGM and will end at the conclusion of the 2016 AGM. Please refer to the section headed "Profile of Directors, Supervisors and Senior Management" in this report for the appointment period and other details of each of the directors.

Meetings held by the Board in 2014

During the Reporting Period, there were 14 Board meetings held (including written resolutions). The primary resolutions considered included the annual report and results announcement of 2013 of the Company, profit distribution proposals for the year of 2013, appointment of the Company's domestic and overseas auditors, work report of the Board for 2013, the actual implementation of continuing connected transactions amounts for the year of 2013, the proposal to convene the 2013 AGM, the interim report and interim results announcement of 2014, the general mandate for shares issuance, the general mandate to repurchase the overseas-listed foreign invested shares of the Company, amendments to the Articles of Association and application for change of status to foreign-invested company limited by shares. The 2014 internal control report was also heard.

Attendance of Directors at meetings of the Board in 2014:

	Number of meetings held	Number of meetings required to attend	Number of meetings attended	Percentage of attendance
Executive Directors				
Xu Ying	14	13(Note 2)	13	100%
Xu Shao-chuan	14	13(Note 2)	13	100%
Yu Jian-bo	14	13(Note 2)	13	100%
Non-executive Director				
Meng Jin-xian	14	14	14	100%
Independent Non-executive Directors				
Li Lu-an	14	14	14	100%
Lu Jiang	14	14	14	100%
Wang Jun-yan	14	14	14	100%

Notes:

1. According to the Articles of Association of the Company, any Director who is unable to attend a Board meeting for cause, may appoint other Director(s) by a written power of attorney to attend on his/her behalf.

2. During the Reporting Period, the Company held 14 Board meetings, one of which was the meeting of the Chairman and Non-executive Directors, including Independent Non-executive Directors.

Attendance of Directors at general meetings in 2014:

	Number of meetings required to attend	Number of meetings attended	Percentage of attendance
Executive Directors			
Xu Ying	5	5	100%
Xu Shao-chuan	5	5	100%
Yu Jian-bo	5	5	100%
Non-executive Director			
Meng Jin-xian	5	5	100%
Independent Non-executive Directors			
Li Lu-an	5	5	100%
Lu Jiang	5	5	100%
Wang Jun-yan	5	5	100%

Responsibilities of the Board

The Board is a standing decision-making body of the Company and is accountable to the general meeting of the shareholders. It undertakes the responsibility for overseeing and supervising the Company's operations so as to ensure the Company's stable and sustainable development. All Directors are obliged to act in the best interests of the Company and perform their duties in a prudent, dedicated and diligent manner. All members of the Board shall take joint and respective responsibilities to all shareholders for the management, supervision and operations of the Company.

In accordance with the Articles of Association of the Company, the main responsibilities of the Board are to: convene general meetings; implement resolutions of general meetings; determine business and investment plans of the Company; formulate annual financial budgets and final accounts of the Company; formulate the Company's profit distribution proposals and plans to make up losses; appoint or remove the general manager of the Company; propose to the general meeting the re-appointment or replacement of accountant firms to conduct audit for the Company; formulate plans to increase or reduce the Company's registered capital and plans to issue corporate bonds; formulate the Group's overall strategies, goals and business plans and monitor their implementation; appoint or remove the President, finance director and secretary to the Board; appoint or remove the Vice Presidents in accordance with the nomination by the President; and perform other duties delegated by the general meeting and the Articles of Association of the Company.

The Board is responsible for overseeing the preparation of financial statements of each financial period, so that such financial statements give a true and fair view of the financial position, operating results and cash flows of the Company during the period.

The Board is responsible for exercising control over key operational management and financial performance, and approving significant investments; formulating appropriate policies and control systems in order to avoid and control its possible exposure to risks in the course of attaining defined strategies and goals of the Group and also conducting review of and supervision over the effectiveness of the internal control system and risk management programs of the Company.

Regular Board meetings were convened for reviewing annual and interim reports. A notice of at least 14 days in advance will be given in respect of each regular meeting. The Board holds an extraordinary meeting when the Company needs to make a significant decision. To ensure that Directors are able to fully perform their duties and responsibilities, the Company gives a notice of at least 7 days in advance, and delivers relevant documents at least 3 days prior to meetings of the Board and its committees to all Directors so that the Directors can make informed decisions in fulfillment of their duties and responsibilities as the Directors of the Company.

The Director shall abstain from voting on resolutions in relation to proposed transaction or matter in which he/she or any of his/her associates has conflict of interests or material interests to be considered by the Board, and such Director will not be counted in the number of persons voting. The Company has obtained confirmation from each of the Directors that neither the Director nor his/her associates has conducted any connected transactions with or is materially interested in the Company or its subsidiaries during the Reporting Period.

During the Reporting Period, the Board has reviewed the corporate governance principles and policies of the Company, the training and continuing professional development of the Directors and senior management, the Company's compliance policies and practices with respect to laws and regulations, compliance with the Model Code, compliance with the Corporate Governance Code and the disclosures made in this Corporate Governance Report.

Nomination of Directors

The Company has in place the Procedures for Shareholders' Nomination of Candidates to Run for Directorship. Candidates for Directors may be selected and considered by the Board and the Nomination Committee based on certain criteria including, inter alia, personal integrity, discipline, occupation, accomplishments, experience, professional and academic background and level of commitment including the amount of time available for fulfilling the role.

In accordance with the Articles of Association of the Company, a Director shall be appointed and removed by general meetings, with a term of office of not more than three years, and shall be eligible for re-election. Subject to compliance with relevant laws and administrative regulations, a Director may be removed from office prior to the completion of his/her term of appointment by shareholders at general meetings by way of ordinary resolutions.

Responsibilities of Directors

Each Director fully understands his/her duties as a Director of the Company and the ways of operation and management, business activities and development of the Company. During the Reporting Period, all Directors performed their duties with dedication and diligence to facilitate ongoing improvements of the Company's results, core competitiveness and optimization of corporate governance.

Securities Transactions by Directors

The Company has adopted a set of code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. The Company, after making specific enquiries, confirms that all the Directors and supervisors have complied with the required standard and the code of conduct regarding their securities transactions during the Reporting Period.

Continuing Professional Development (CPD) of Directors and Supervisors

To continuously improve the professional qualifications of our Directors and Supervisors for better fulfillment of their duties, the Company provides CPD training to its Directors and Supervisors. During the Reporting Period, based on the record maintained by the Company, all Directors and Supervisors of the Company participated in training sessions which covered a wide range of areas including seminars on corporate governance and financial analysis regarding retail industry.

Independence of the Independent Directors

None of the Independent Non-executive Directors of the Company are under the employment of the Company or any of its subsidiaries, nor are they interested in any shares of the Group. They are not related to each other or to any of the senior management, whether financially, in business or in family ties. Each Independent Non-executive Director has confirmed his independence to the Stock Exchange upon his appointment. The Board makes enquiries in writing to each Independent Non-executive Director on a regular basis to confirm his independence.

AUDIT COMMITTEE

Composition of the Audit Committee

The Audit Committee of the Company comprises three members, two of whom are Independent Non-executive Directors and one of whom is Non-executive Director. Details are as follows:

Li Lu-an	Independent Non-executive Director and Chairman of the Audit Committee
Lu Jiang	Independent Non-executive Director
Meng Jin-xian	Non-executive Director

The Primary Duties of the Audit Committee

In accordance with the Rules of Meeting Procedures of the Audit Committee of the Company, the Audit Committee is primarily responsible for overseeing and reviewing the Group's financial performance, effectiveness of internal control and risk management, making recommendations to the Board on the appointment of auditors, reviewing the Company's arrangements by which employees can express their concerns over improper behaviors in financial reporting, and reviewing the annual reports and interim reports of the Company, and the significant accounting policies and practices adopted in the preparation of financial reports. Its functions are in compliance with the relevant requirements under the Listing Rules.

Meeting of the Audit Committee

During the Reporting Period, the Audit Committee convened four meetings in total. The work performed by the Audit Committee during the Reporting Period mainly included:

- Reviewed the annual report 2013 and the interim report 2014 of the Group, discussed with the management the internal control system and made recommendations to the Board thereon;

- Discussed with the management of the Company the fairness and completeness of the accounting standards and policies adopted in the preparation of the annual financial statements by the Group;

- Reviewed and discussed with the external auditors the financial reporting matters of the Company, and listened to the opinion on the audit results expressed by the auditor; and

- Approved the re-appointment and the remuneration of the external auditors as well as made recommendations to the Board thereon.

Attendance at meetings of the Audit Committee in 2014:

	Number of meetings held	Number of meetings required to attend	Number of meetings attended	Percentage of attendance
Li Lu-an	4	4	4	100%
Lu Jiang	4	4	4	100%
Meng Jin-xian	4	4	4	100%

REMUNERATION COMMITTEE

Composition of the Remuneration Committee

The Remuneration Committee of the Company comprises three members, the majority of whom are Independent Non-executive Directors. Details are as follows:

Li Lu-an	Independent Non-executive Director and Chairman of the Remuneration Committee
Lu Jiang	Independent Non-executive Director
Xu Ying	Executive Director

The Primary Duties of the Remuneration Committee

In accordance with the Rules of Meeting Procedures of the Remuneration Committee, the primary duties of the Remuneration Committee are to assist the Board in the management of the overall remuneration structure of the Company, make recommendations to the Board on the formulation of remuneration plans or packages of Directors, supervisors, president and senior management, including but not limited to, the criteria, procedures and the major systems of performance assessment, key incentive and punishment plans and systems; ensuring that none of the Directors or any of their associates fixes his/her own remuneration; approving contracts of executive directors and performing such other matters as authorized by the Board.

Meeting of the Remuneration Committee

During the Reporting Period, the Remuneration Committee convened one meeting. The work performed by the Remuneration Committee during the Reporting Period mainly included: reviewed the respective remuneration policies applicable to the executive directors and senior management of the Company and made recommendations to the Board on this regard; and advised the Board regarding the fees payable to the independent non-executive directors for approval by the Company's shareholders at the AGM.

Attendance at meetings of the Remuneration Committee in 2014:

	Number of meetings held	Number of meetings required to attend	Number of meetings attended	Percentage of attendance
Li Lu-an	1	1	1	100%
Lu Jiang	1	1	1	100%
Xu Ying	1	1	1	100%

NOMINATION COMMITTEE

Composition of the Nomination Committee

The Nomination Committee of the Company comprises three members, the majority of whom are Independent Non-executive Directors. Details are as follows:

Lu Jiang	Independent Non-executive Director and Chairman of the Nomination Committee
Li Lu-an	Independent Non-executive Director
Xu Ying	Executive Director

The Primary Duties of the Nomination Committee

In accordance with the Rules of Meeting Procedures of the Nomination Committee, the main functions of the Nomination Committee are to review the structure, size and composition of the Board (including skill sets, knowledge and experience); make recommendations to the Board in respect of any proposed changes; research on the standard and procedure of selection of directors and senior management and to make recommendations to the Board thereon; identify potential candidates for the positions of directors and senior management, conduct review on such candidates and make recommendations thereon; select and nominate persons to become directors and/or senior management or advise the Board thereon; assess the independence of independent non-executive directors; and make recommendations to the Board regarding the appointment or re-appointment of directors and successive plans for directors.

Meeting of the Nomination Committee

During the Reporting Period, the Nomination Committee convened one meeting. The work performed by the Nomination Committee during the Reporting Period mainly included: reviewed the structure, size and composition of the Board; verified the independence of independent directors and reviewed the compliance of other relevant matters.

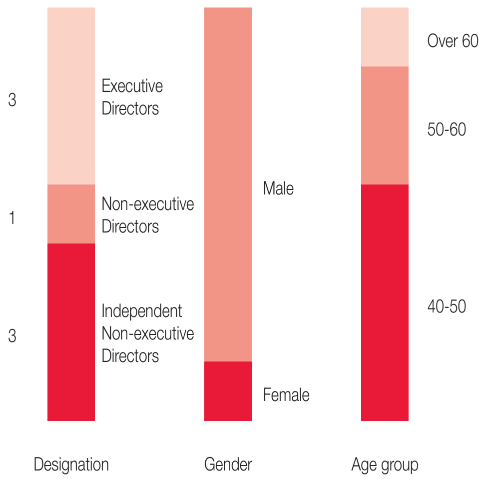
Attendance at meetings of the Nomination Committee in 2014:

	Number of meetings held	**Number of meetings required to attend**	**Number of meetings attended**	**Percentage of attendance**
Lu Jiang	1	1	1	100%
Li Lu-an	1	1	1	100%
Xu Ying	1	1	1	100%

Diversity of Directors

The Company has adopted its diversity policy with respect to the composition of the Board. In assessing candidates running for directorships, the Nomination Committee will take into account a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, technical expertise and the ability to fulfill the requirements of the Board.

As at the date of this report, the diversity of the Board of the Company is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 17 to page 18 of this annual report.



AUTHORITY OF THE BOARD AND THE MANAGEMENT

The responsibilities and authorities between the Board and the management of the Company are clearly distinguished. The Board exercises such powers as conferred by laws and regulations and the Articles of Association of the Company. The management takes charge of the Company's operation and management, including organizing the implementation of the Company's annual business plan and investment plan; drafting plans for the establishment of the Company's internal management structure; drafting plans for the establishment of branch organizations of the Company; formulating the Company's basic management system and the basic rules and regulations; proposing the appointment or dismissal of the Company's vice-president and chief financial officer; appointing or dismissing management personnel other than those required to be appointed or dismissed by the Board; and exercising other duties and powers conferred by the Articles of Association and the Board.

Reasonable division of responsibilities between the Board and the management enables the Board to devote more time and effort to the long-term development strategies of the Company.

Chairman and President

To ensure the separation of rights and authority, the Chairman and the President of the Company are fully independent from each other. The Chairman of the Company is Dr. Meng Jin-xian, responsible for leading the effective operation of the Board, while the President is Madam Xu Ying, responsible for the operations and management of the Company and relevant duties delegated by the Board.

Statement on Directors' Responsibility for Financial Statements

The Board is responsible for overseeing the preparation of accounts for the respective financial periods to ensure that such accounts give a fair, true and complete view of the results and financial positions of the Group and that the financial statements are in compliance with requirements of relevant accounting standards.

In preparing the accounts of the Company for the year ended 31 December 2014, the Directors confirmed that:

(1) all HKFRSs had been adopted;

(2) suitable accounting policies had been selected and applied consistently; and

(3) judgments and estimates had been made prudently and reasonably and the accounts had been prepared on a going concern basis.

INTERNAL CONTROL

The Board shall maintain and ensure the sound, proper and effective functioning of the Company's internal control system; while the Company's management is responsible for planning and implementation of internal control procedures. To foster the regulated operation and healthy development of the Company, uplift the level of its operation and management, ensure the safety and completeness of the Company's assets, and guard against and control management risks, the Company has, taking into account its own features of operations and actual situations, gradually established an internal control system linking the relevant levels and segments within the Company's structure, and created a more comprehensive internal control structure and more optimized internal control system, so as to guard itself against operational, financial and management risks to the fullest extent. At the same time, the Company was also aware that internal control shall be compatible with its operational scale, business scope, competitive landscape and risk level, and that adjustments shall be made in a timely manner to keep in pace with any changes of the circumstances. The Company shall continue to optimize its internal control system, regulate the implementation of its internal control system, strengthen the surveillance and review in respect of its internal control, and promote its healthy and sustainable development. During the Reporting Period, the Board reviewed the effectiveness of the Group's internal control system, including financial, operational and compliance controls and risk management functions. The Board was of the view that the Group's internal control system was adequate and effective and the Company had complied with the code provisions on internal control as set forth in the Corporate Governance Code.

REMUNERATION OF THE AUDITORS

At the 2013 AGM held on 27 June 2014, the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the PRC and International Auditors, respectively, of the Company for 2014 and the authorization of the Board to fix the remuneration of the auditors, were approved. The fees paid by the Company in respect of the audit service for 2014 amounted to RMB4,920,000. And the fees paid by the Company in respect of the non-audit service for 2014 amounted to RMB150,000, representing the charges for the services provided by Deloitte Touche Tohmatsu to issue the "Indebtedness Statement" of the Company as at 31 December 2013 for the purpose of inclusion in the circular of the Company dated 31 March 2014 regarding "Response document relating to the mandatory unconditional cash offer by Somerley Capital Limited for and on behalf of Wumei Holdings, Inc. to acquire all the issued H shares in Wumart Stores, Inc. not already owned or agreed to be acquired by it or parties acting in concert with it".

The 2014 Auditor's Report of the Company was prepared in accordance with Hong Kong Accounting Standards by Deloitte Touche Tohmatsu, whose audit opinions and reporting responsibilities are set out in the auditors' report in this Annual Report. Deloitte Touche Tohmatsu Certified Public Accountants LLP will furnish the 2014 Audit Report of the Company based on the accounting statements prepared in accordance with PRC accounting standards.

ARTICLES OF ASSOCIATION

During the Reporting Period, amendments were made to the registered address, registered capital and number of shares as set out in the Articles of Association of the Company based on operational needs and the grant of the first batch of incentive shares, and relevant approvals have been obtained from the shareholders at the 2013 AGM and the second EGM 2014.

INVESTOR RELATIONS

In accordance with the Articles of Association of the Company and the applicable laws and regulations, the Company has defined the convening and voting procedures for general meetings.

Shareholders of the Company are entitled to the rights as stipulated in laws, administrative regulations and the Articles of Association of the Company. The general meeting is the highest authority of the Company; shareholders can exercise their rights and make decisions on the Company's significant events in the general meeting. Shareholders are entitled to participate and vote at general meetings, as well as directly communicate with the Directors and senior management.

Each matter is presented as a separate resolution at a general meeting, including the election of Directors and Supervisors.

Pursuant to the Articles of Association of the Company, shareholders holding, either individually or in aggregate, more than 10% (inclusive of 10%, the amount of shareholdings being calculated as at the date of deposit of the requisition(s)) of the shares of the Company, issued and outstanding, carrying the right to vote at the meeting sought to be held may in writing require the Board to convene a shareholders' extraordinary general meeting or a class meeting thereof, stating the proposed matters to be discussed at the meeting.

If the Board fails to issue a notice of such a meeting within thirty (30) days from the date of receipt of the requisition(s), the shareholders who make the requisition(s) may themselves convene such a meeting (in a manner as similar as possible to the manner in which shareholders' general meetings are convened by the Board) within four (4) months from the date of receipt of the requisition(s) by the Board.

Shareholders may submit relevant enquiries to the Board, by post to 11/F Wumart Commercial Building, 158-1 West 4th Ring North Road, Haidian District, Beijing, PRC, or via email to ir@wumart.com. Such enquiries will be treated in a proper manner with the availability of sufficient contact information furnished by the Company. Shareholders may have access to copies of minutes of meetings, free of charge, within the business hours of the Company. Shareholders may directly propose their recommendations at shareholders' general meetings.

CORPORATE GOVERNANCE REPORT

The Company makes timely, complete and accurate information disclosures in strict compliance with the Listing Rules. During the Reporting Period, the annual report of 2013 and interim report of 2014 were published for timely disclosure of important information and its progress.

The Company issues notices and circulars, and publishes detailed data that need to be brought to the attention of shareholders on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.wumart.com), prior to any relevant meetings.

During the Reporting Period, in compliance with the Code on Corporate Governance Practices and Corporate Governance Report under Appendix 14 of the Listing Rules and the System for Communications between Wumart Stores, Inc. and its Shareholders, the Company maintained sustainable and smooth communication with the shareholders. The Company has dedicated personnels for investor relations work and for arranging meetings between the Company's management and investors, so as to enable investors to keep abreast of its operations and development plans. Directors of the Company attended the 2013 AGM to answer questions raised by shareholders.

Attendance of Investors meetings and conferences in 2014:

Date	Name of meetings/conferences	Venue
January 2014	China Investment Conference Held by Deutsche Bank	Beijing
April 2014	Daiwa Consumer Conference	Hong Kong
May 2014	CLSA Investors' Forum	Beijing
June 2014	J.P. Morgan's China Summit	Beijing

AGM

During the Reporting Period, the Company's 2013 AGM was convened on 27 June 2014. All resolutions, considered on an individual basis and voted by way of poll, have been approved. The poll results have been posted on the websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board of Directors believes that a good environmental, social and governance (ESG) framework is crucial to the development of the Company. The Company has primarily adopted the principles and bases set forth in the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules as its standards, while combining them with its own experience to build a good ESG framework. This report is the first ESG Report published by the Company, which is for the period from 1 January 2014 to 31 December 2014. It sets out the Company's strategies and practices in the four areas of work environment, operational management, public welfare and environmental protection. This Report allows our shareholders, investors and members of the public to have a better understanding of our achievements and latest developments in ESG works. The Company welcomes any suggestion and recommendation from all walks of life regarding its ESG efforts.

EMPLOYMENT POLICY

In accordance with requirements under laws and regulations including the Labour Law of the People's Republic of China (the PRC), the Contract Law of the PRC and the Implementation Regulations of the Labour Contract Law of the PRC, the Company has formalised its management of human resources by establishing and improving a systematic and formal talent evaluation system, which links performance assessment with tools for managing human resources, such as allocation of compensation, promotion, training and development. In particular, the Company placed great emphasis on the internal cultivation of its employees, as well as their needs for training, development, and career planning. It has set up the Wumart Development and Training Institute, a dedicated unit responsible for employee training, with a goal to strengthen its core competitiveness through the establishment of a learning organisation. During the Reporting Period, the Group had organised 236 training sessions of all kinds with 10,558 attendees in total.

The Company adheres to employee oriented principles in areas like employment opportunities, compensation, training and performance assessment and sticks to an employment philosophy that advocates "opportunities for all and result-driven competition", so as to provide a development platform equally to all employees. The Company has established an assessment and evaluation system and promotion mechanism that integrate the training, use and evaluation of talents, so as to set up a good career platform for its employees and allow for a virtuous circle of talent development, use, selection and promotion, which in turn serves as a solid foundation and strong momentum for its sustainable growth. The Company's workforce is well diversified and includes employees with different genders, ages, skills, education levels, industry experience and other characteristics. There was no child labour or forced labour within the Company.

As of 31 December 2014, the Group had 28,578 full-time employees and 5,559 part-time employees, creating a large number of jobs for the society. In cooperation with the community and universities and colleges, the Group provided jobs affordable to the unemployed and the disabled, and also internship and work-study opportunities to students.

REMUNERATION POLICY

Remunerations paid to our employees are determined by reference with market standards, as well as their individual performance, qualification and experience. In addition, the Company assesses the performance of and contributions made by its employees through annual performance reviews, providing top performers with promotions, pay rises, one-off bonuses, share incentives and other awards.

WORKING TIME

The working time of the Company's employees is in compliance with relevant requirements under the Labour Law and the Labour Contract Law of the PRC. Employees at our headquarters work on the basis of 40 hours per week, while employees in stores work and take rest on shifts with working hours not more than 40 hours a week. If employees are required to work overtime, the Company will arrange for compensation leave or pay additional remunerations to them as required by the Labour Law of the PRC. Employees are also entitled to rest days and statutory holidays as set forth by the Labour Law.

EMPLOYEE RIGHTS AND BENEFITS

During the Reporting Period, the Group strived to protect and uphold the rights of its employees, while continuously improving various benefits available to its employees.

Our staff representative supervisor is elected by the general meeting of staff representatives, representing one third of the members of the Supervisory Committee. This is intended to protect the rights of all employees. The labour union of the Company focuses on the rights of staff to be informed and heard by providing them with open and effective communication channels, while actively listening to and adopting opinions and suggestions from employees. Further, it takes timely actions to address concerns of employees, so as to protect their interest.

In addition to statutory holidays stipulated by the State, all employees of the Group are entitled to paid annual leaves. In the meantime, the Company has also put aside funds for team building to encourage all departments to conduct fruitful and fascinating staff activities, including monthly birthday party with birthday blessings for employees, subsidies to the children of staff working in stores who are admitted to universities, and supports to employees with serious illnesses or difficulties. Employee benefits include, among others, pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and provident housing funds. The Company has entered into labour contracts with all employees of the Group and made social security contributions for them as required by relevant laws and regulations.

HEALTH AND SAFETY OF EMPLOYEES

Employees are the most valuable asset and resource of the Company. Therefore, the Group is committed to improving the work environment and conditions for employees while achieving a fast growth in business. To create a safe and comfortable workplace, during the Reporting Period, the Company enforced smoking prohibition and enhanced sanitary inspection across its headquarters building, stores and office premises, so as to ensure a good work environment for its employees. Besides, the Company arranges regular medical checks for employees annually to help them maintaining good health.

OPERATIONAL MANAGEMENT

Since its establishment, the Group has been vigorously focusing on the development of food quality system. During the Reporting Period, the Group continued, as always, to place emphasis on food safety, which was listed as one of the key tasks throughout the year. It strictly controlled food safety in all aspects from supplier admission, product approval, inspection and acceptance of purchases to storage, processing, display and sales.

Connecting farmers to supermarkets – Protect food safety at the source

The Group spares no effort in ensuring food safety through stringent controls over all parts of the journey of products going from "farms to tables". It makes centralized procurement at the source based on consistent standards and requirements, with strict controls on the use of pesticide and product quality in farms and production bases. Food safety is ensured for the public through rigorous examinations and controls based on good agricultural practices.

Supplier approval – Supplier approval and evaluation system

The Group has implemented a rigorous approval system for supplier admission. During the Reporting Period, it developed a new "retail supplier license and qualification review system", incorporating requests for license and invoice into the information system management to realize the information management of supplier qualification and product certification, increasing the accuracy of approval on goods admission. At the same time, any supplier providing substandard goods will be held liable, laying a solid foundation for ensuring product quality through stringent controls on admission.

Inspection and acceptance – Strictly enforce quality inspection and acceptance standards and implement food safety risk detection

Distribution centers and store receiving departments strictly enforce food quality inspection and acceptance standards, rejecting all substandard products. The Group has taken various measures to monitor food safety risks such as quick detection in stores, first-class self-detection at distribution centers, and professional examinations carried out by third parties, with results published to consumers regularly.

Food storage, transport and display – Strictly enforce storage and display standards on temperature and space

The Group strictly implements an accountability system for quality issues across its distribution centers and stores.

Currently, the Group adopts a distribution system where goods are mainly distributed centrally by our distribution centers, supplemented with direct delivery by suppliers to stores. It has established large-scale warehouse distribution centers, while managing distribution quality centrally to ensure food safety. Chilled food products are transported using cold chain transportation all the way, effectively reducing food safety risks arising in the course of transport.

The Group strictly applies “first-in, first-out”, separated storage and other storage principles to all food products. For chilled food products, it rigorously enforces the requirements on frozen storage and display and checks the temperature in freezers and refrigerators on a daily basis, so that consumers can buy food products of high quality. The Group collaborates with specialized companies in driving an effective cleaning project to ensure a sanitary environment.

Problematic products – Removed and recalled within 2 hours across the system

The Group has dedicated persons for information collection and verification, and has established a “green gateway” with the food safety supervision authority. Food products with quality issues or failing to pass inspection will be removed off shelves within 2 hours across the system, while emergency management measures for food safety will be triggered, including recall and destruction of those products.

Food processing – Implement safety management system for foods processed in stores

The Group has implemented a safety management system for foods processed in stores, applying strict controls in the areas of raw materials, processing methods, processing environment, equipment and facilities, sanitation and hygiene, training, and store examination, as well as critical food safety control points like food additives, waste oils and fats, and prevention of cross contamination. To ensure the processing workshops are as clean as our own kitchens, the Group promoted an effective cleaning project during the Reporting Period, which effectively improved the sanitation and hygiene conditions in stores.

ANTI-CORRUPTION

The Group is determined to drive its operation strategy focused on both the sustainable, healthy and stable growth of business and robust internal control. It carries out various works on internal control in a practical and detailed manner by continuously improving its internal control system and formalizing relevant operational procedures. During the Reporting Period, the Group carried out supervisions and audits on its day-to-day operations and management, financial operations, and development of systems and processes respectively, monitoring daily management, the implementation of systems and the operation of processes in the course of its operations. It also investigated, audited and dealt with issues reported by whistle blowers, corrected deviations in areas of daily management, the implementation of systems and the operation of processes, continued to assess and follow up with the execution of key controls, and kept improving its risk assessment system.

The Group has been advocating honesty and integrity as part of its corporate culture. It conducted effective promotions or training in various forms to ensure employees accept and understand the details of relevant laws, regulations and code of professional ethics, helping them to recognize what is legal, honest, moral and what is not. Prior to statutory holidays, the Group will also send open letters to suppliers to discourage commercial bribery and reiterate the requirement for credibility and integrity. In the meantime, the Group has established relevant whistle-blowing system, with rigorous rules on reporting channels, report handling process and protection of reporter. It has also registered information of employees in key roles and their family members correctly. During the Reporting Period, these rules and systems enhanced the effectiveness of controls and preventive measures of the Group for risk control and anti-corruption, with no material deficiency identified.

PUBLIC WELFARE

The Company always considers social responsibility as its duty and actively carries out activities and specific works in various forms to perform its social responsibility. During the Reporting Period, the Group offered help to those in need and repaid society with practical actions by actively participating in voluntary blood donations organized by the community, paying visits to the elderly living alone, donating goods and materials to areas in poverty or hit by disaster, providing subsidies to children of grass-root employees who were admitted to universities, and supporting employees in financial difficulty due to accident with donations.

ENVIRONMENTAL PROTECTION AND ENERGY SAVING

The Group has adopted environmental protection, energy saving and low carbon as its long-term development strategy, which is integrated into all parts of its operations. The energy saving mission is broken down into indicators with each store manager as the primary responsible person for energy saving management. The energy saving management team at headquarters will perform statistical analysis on energy consumption data of each store on a monthly basis, and inform individual store to investigate the underlying cause in a timely manner if any abnormal circumstance is found. Energy consumption is effectively reduced by a range of management and control projects for equipment energy consumption, including installation of timers in basic lighting equipment, transformation of water storage and cooling system for air conditioners, adding covers to existing freezers, installation of timeout alarms on doors to cold storage, water saving transformation of washrooms, change to energy saving lamps and trial implementation of management and control system for energy saving in cold-chain. At our headquarters, the Group selects office equipment carefully and enhances their maintenance. All employees are called on to develop a habit of saving energy, use office space and materials in a way that is environment-friendly and energy saving, turn off the light during lunch break, after work and when no one is in the office, shut down idle computers and office equipment, and print on both sides to save paper. The Group also promotes video conferences and conference calls to control the impact of travels on the environment and to save both energy and expenses.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WUMART STORES, INC.

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

We have audited the consolidated financial statements of Wumart Stores, Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 113, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

10 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	5	**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	5	**2,735,263**	2,066,474
Investment and other income and other gains	7	**171,423**	189,542
Impairment and other losses	8	**(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	20	**7,277**	8,342
Share of profit of a joint venture	21	**3,174**	5,541
Finance costs	9	**(19,376)**	(28,788)
Profit before tax		**556,670**	716,347
Income tax expense	10	**(139,869)**	(222,336)
Total profit and other comprehensive income for the year	11	**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)	15	**0.31**	0.36
Diluted (RMB yuan per share)	15	**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	16	**3,632,527**	3,621,250
Rental deposits		**205,405**	164,073
Prepaid lease payments	17	**96,459**	107,252
Goodwill	18	**793,879**	844,964
Other intangible assets	19	**77,910**	82,046
Interests in associates	20	**152,699**	149,587
Interest in a joint venture	21	**98,596**	100,330
Deferred tax assets	31	**153,985**	106,968
Deposit paid	32	**255,445**	255,445
Loan receivables	23	**189,600**	166,500
		5,656,505	5,598,415
Current Assets			
Inventories	22	**1,484,974**	1,460,422
Loan receivables	23	**46,500**	84,720
Trade and other receivables	24	**1,436,791**	1,271,742
Amounts due from related parties	25	**140,255**	179,675
Prepaid lease payments	17	**42,457**	66,594
Short-term investments	26	**92,000**	110,000
Restricted bank balances	27	**1,277,402**	378,244
Bank balances and cash	27	**2,187,761**	2,269,912
		6,708,140	5,821,309
Current Liabilities			
Trade and other payables	28	**7,132,567**	6,724,461
Amounts due to related parties	25	**17,897**	17,373
Tax liabilities		**160,411**	190,268
Borrowings	29	**1,000,000**	521,863
		8,310,875	7,453,965
Net Current Liabilities		**(1,602,735)**	(1,632,656)
Total Assets less Current Liabilities		**4,053,770**	3,965,759

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Capital and Reserves			
Share capital	30	**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	31	**13,026**	12,788
Borrowings	29	**60,000**	60,000
		73,026	72,788
		4,053,770	3,965,759

The consolidated financial statements on pages 51 to 113 were approved and authorised for issue by the Board of Directors on 10 March 2015 and are signed on its behalf by:

Xu Ying	**Xu Shao-chuan**
DIRECTOR	DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Incentive share reserve (Note i) RMB'000	Statutory common reserve fund RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2013	1,281,274	745,018	(733,253)	–	362,309	1,876,263	3,531,611	180,279	3,711,890
Profit and total comprehensive income for the year	–	–	–	–	–	459,031	459,031	34,980	494,011
Dividends declared by the Company (note 14)	–	–	–	–	–	(269,068)	(269,068)	–	(269,068)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(11,102)	(11,102)
Profit appropriations (note i)	–	–	–	–	35,819	(35,819)	–	–	–
Acquisition of the non-controlling interests (note ii)	–	–	(14,410)	–	–	–	(14,410)	(18,350)	(32,760)
Balance at 31 December 2013	**1,281,274**	**745,018**	**(747,663)**	**-**	**398,128**	**2,030,407**	**3,707,164**	**185,807**	**3,892,971**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**394,783**	**394,783**	**22,018**	**416,801**
Issuance of incentive shares (note iii)	**6,270**	**-**	**-**	**(6,270)**	**-**	**-**	**-**	**-**	**-**
Expenses recognised as the equity-settled share-base payment	**-**	**-**	**-**	**1,428**	**-**	**-**	**1,428**	**-**	**1,428**
Dividends declared by the Company (note 14)	**-**	**-**	**-**	**-**	**-**	**(321,886)**	**(321,886)**	**-**	**(321,886)**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,570)**	**(8,570)**
Profit appropriations (note i)	**-**	**-**	**-**	**-**	**25,336**	**(25,336)**	**-**	**-**	**-**
Balance at 31 December 2014	**1,287,544**	**745,018**	**(747,663)**	**(4,842)**	**423,464**	**2,077,968**	**3,781,489**	**199,255**	**3,980,744**

Note:

(i) Pursuant to the relevant the People's Republic of China ("the PRC") regulations and the Articles of Association of the companies within the Group, each of them is required to transfer 10% of its profit, as determined under the PRC accounting regulations, to the statutory common reserve fund until the fund aggregates to 50% of its registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders.

The statutory common reserve fund shall only be used to make good previous year's losses or to increase its capital. Upon approval by a resolution of shareholders' general meeting, the company may convert its statutory common reserve fund into share capital/registered capital and issue bonus shares to existing shareholders in proportion to their original shareholdings or to increase the nominal value of each share currently held by them, provided the balance of the reserve fund after such issue is not less than 25% of the registered capital.

(ii) In December 2013, the Group acquired 15% the non-controlling interests of Shaoxing Commercial Supermarket Company Limited at a cash consideration of RMB32,760,000. After the acquisition, the Group obtained 100% equity interest of Shaoxing Commercial Supermarket Investment Co., Ltd. The difference between the carrying amount of the net assets acquired and the fair value of consideration paid was recognised directly in equity and attributed to owners of the Company.

(iii) As at 31 December 2014, the incentive share reserve includes i) the par value of 6,270,000 shares granted under the incentive shares scheme which are considered as treasury shares prior to fulfillment of vesting conditions; and ii) the amount recognised as share-based payment expenses over the vesting period.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**556,670**	716,347
Adjustments for:		
Finance costs	**19,376**	28,788
Interest income	**(38,239)**	(61,998)
Share of profit of associates	**(7,277)**	(8,342)
Share of profit of a joint venture	**(3,174)**	(5,541)
Depreciation for property, plant and equipment	**372,946**	341,878
Release of prepaid lease payments	**66,594**	90,026
Amortisation for intangible assets	**4,136**	4,553
Loss on disposal/write-off of property, plant and equipment	**8,323**	55,042
Impairment loss of property, plant and equipment	**91,982**	–
Impairment loss of goodwill	**51,085**	–
Expenses recognised in respect of the Incentive Share Scheme	**1,428**	–
Operating cash flows before movements in working capital	**1,123,850**	1,160,753
Increase in inventories	**(24,552)**	(348,911)
Increase in trade and other receivables	**(135,991)**	(227,765)
Decrease (increase) in amounts due from related parties	**39,420**	(10,608)
(Increase) decrease in rental deposits	**(64,065)**	85,435
Increase in prepaid rental payments	**(31,664)**	(55,905)
Increase in trade and other payables	**255,866**	1,209,033
Increase (decrease) in amounts due to related parties	**524**	(22,101)
Cash generated from operations	**1,163,388**	1,789,931
Interest received on bank deposit	**11,361**	10,316
Income tax paid	**(216,505)**	(241,278)
NET CASH GENERATED BY OPERATING ACTIVITIES	**958,244**	1,558,969

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(404,053)**	(707,964)
Purchase of short-term investments	**(72,795,341)**	(22,311,526)
Redemption of short-term investments	**72,813,341**	22,234,015
Withdrawal of restricted bank balances	**378,244**	53,355
Placement of restricted bank balances	**(1,277,402)**	(378,244)
Proceeds from disposal of property, plant and equipment	**9,620**	2,885
Proceeds from disposal of interest in an associate	**–**	125
Deposit paid	**–**	(230,000)
Repayment of loan receivables	**30,000**	309,000
Advance of loan receivables	**(69,600)**	(196,500)
Interest received on loan receivables/restricted bank balances	**68,273**	18,935
Dividend received from associates	**4,165**	3,871
Dividend received from a joint venture	**4,908**	4,809
NET CASH USED IN INVESTING ACTIVITIES	**(1,237,845)**	(1,197,239)
FINANCING ACTIVITIES		
New bank loans raised	**1,000,000**	60,000
Issue of short-term debenture	**–**	500,000
Acquisition of the non-controlling interests	**–**	(32,760)
Repayment of short-term debenture	**(500,000)**	(500,000)
Interest paid	**(41,239)**	(31,425)
Dividends paid to owners of the company	**(281,771)**	(235,372)
Dividends paid to non-controlling interests of subsidiaries	**(8,570)**	(11,102)
Issue of incentive shares	**29,030**	–
NET CASH USED IN FINANCING ACTIVITIES	**197,450**	(250,659)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(82,151)**	111,071
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,269,912**	2,158,841
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**2,187,761**	2,269,912

1. GENERAL

The Company is established 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 ("the SEHK").

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

The consolidated financial statements are presented in Renminbi ("RMB"), which is 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) – Int 21	Levies

The application of the amendments to standards and the interpretation 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.

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

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised standards, amendments and interpretation that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 July 2014
[4] Effective for annual periods beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Except as described below, the Directors do not anticipate that the application of the above mentioned revised standards and amendments issued but not yet effective will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

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

HKFRS 9 Financial Instruments (Continued)

Key requirements of HKFRS 9 are described below:

All recognized financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

HKFRS 9 Financial Instruments (Continued)

The directors of the Company is of the view that the expected credit loss model may result in early and additional provision of credit losses which are not yet incurred. However, it is not practicable to provide a reasonable estimate of the effect from using an expected credit loss model in respect of its financial assets until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the Group's customer loyalty programme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Sale of goods (Continued)

Rental income from leasing of retail booths is recognised on a straight-line basis over the relevant lease term.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment other than construction in progress as described below are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in the supply of goods or services. If these portions could be sold separately (or leased out separately under a finance lease), these portions shall be accounted for separately by the Group, if the portions could not be sold separately, the property is classified as property, plant and equipment except when only an insignificant portion is held for use in for supply of goods and services or for administrative purposes.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business are reported at costs less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Operating lease contracts

(i) *Land use right*

Land use right represents the excess of the fair value over the carrying amount of the prepaid lease payments of leasehold interest in land in the PRC at the acquisition date of business combination. Such land use right is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for land use right is provided on a straight-line basis over the remaining lease term.

(ii) *Others*

Other operating lease contracts represent the fair value of rental saving amount of operating lease contracts which are held under favorable terms relative to market terms at the acquisition date of business combination. Such rental saving on operating lease contracts is carried at cost, represented by its fair value at the acquisition date of business combinations, less accumulated amortisation and any accumulated impairment losses. Amortisation for operating lease contract is provided on a straight-line basis over the remaining lease term.

Gain or loss arising from derecognition of the intangible assets is measured at the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss in the period when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold land for own use (Continued)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

Retirement benefit costs

The employees of the Group are members of state-managed retirement benefit schemes, the obligations of the Group under which are equivalent to those arising in a defined contribution retirement benefit plan. Contributions to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

Equity-settled share-based payment arrangements

For incentive shares granted that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of incentive shares granted at the date of grant, net of any initial grant price received, without taking into account any service and non-market performance vesting conditions. The fair value of services is expensed on a straight-line basis over the vesting period, based on the Group's estimate of incentive shares that will eventually vest with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of incentive shares that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

The Group recognised the obligation to repurchase the outstanding unvested incentive shares under the incentive share scheme at the amount determined at the earliest period in which the Group can be required to pay.

Upon vesting of the incentive shares, the obligation to repurchase and the amount previously recognised in the incentive share reserve, net of the par value of the relevant shares, will be transferred to share premium.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is designated as at FVTPL.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)
Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including loan receivables, trade and other receivables, amounts due from related parties, restricted bank balances and bank balances and cash are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation

Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 days to 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

An impairment loss of loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables, trade and other receivables and amounts due from related parties, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the loan receivables, trade and other receivables and amounts due from related parties is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

The Group's accounting policy for financial liabilities are set out as below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other Financial liabilities

Other financial liabilities (including borrowings, trade and other payables and amounts due to related parties) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, (where appropriate), a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of property, plant and equipment

The property, plant and equipment are reviewed for impairment when events or circumstances indicate the carrying amount may not be recoverable. Factors that would indicate impairment may include, but are not limited to, operating losses of individual store, any significant change in economic environment, operating cash flows associated with the cash-generating unit. The recoverable amount is determined by the calculation of the value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. During the year ended 31 December 2014, an impairment loss of RMB91,982,000 (2013: Nil) has been recognised in respect of property, plant and equipment (see note 16). Where the actual future cash flows are less or more than expected, or changes in events and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss may arise.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units or groups of cash-generating units to which goodwill has been allocated, which is the higher of fair value less costs of disposal and value in use. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit (or group of units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or changes in events and circumstances which result in revision of the estimated future cash flows for the purpose of determining value in use, further impairment loss may arise. As at 31 December 2014, the carrying amount of goodwill is RMB793,879,000 (2013: RMB844,964,000) and an impairment loss of RMB 51,085,000 (2013: Nil) has been recognised. Details of the recoverable amount calculation are disclosed in note 18.

Deferred tax assets

As at 31 December 2014, deferred tax assets of RMB153,985,000 (2013: RMB106,968,000) in relation to temporary differences and unused tax losses have been recognised in the consolidated statement of financial position. The recognition of the deferred tax assets mainly depends on whether sufficient taxable temporary differences or future assessable profits will be available in the future. In cases where the actual future assessable profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be reversed or recognised in profit or loss in the period such a reversal takes place.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives of its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Useful lives of property, plant and equipment (Continued)

The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2014, the carrying amount of property, plant and equipment is RMB3,632,527,000 (31 December 2013: RMB3,621,250,000). Details of the useful lives of property, plant and equipment are disclosed in note 16.

Estimated impairment of loan receivables, trade receivables and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of loan receivables, trade receivables and other receivables is RMB565,149,000 (31 December 2013: RMB615,549,000), net of allowance for doubtful debts of RMB18,328,000 (31 December 2013: RMB18,328,000).

5. REVENUE AND OTHER REVENUES

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

	2014 **RMB'000**	2013 RMB'000
Revenue		
Sales of goods	**18,902,300**	16,988,172
Other revenues		
Rental income from leasing of retail booths	**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

6. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to segments and to assess their performance. The information reported to the executive directors of the Company, who are the Group's chief operating decision makers for resource allocation and performance assessment, is based on revenue analysis by superstores and mini-marts and the profit for the year of the Group. As no other discrete financial information is available for each store or group of stores, no operating segment information is presented other than entity-wide disclosures.

The Group is principally engaged in the operations of superstores and mini-marts in the PRC and all non-current assets of the Group are located in the PRC. Accordingly, no geographical information has been presented.

No revenue from a single external customer amounts to 10 percent or more of the Group's revenue. Accordingly, no geographical information has been presented.

7. INVESTMENT AND OTHER INCOME AND OTHER GAINS

	2014 **RMB'000**	2013 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 RMB22,330,000 during the year ended 31 December 2014 (2013:RMB26,954,000), for the recognition of the Group's contribution to local community and fulfilling other conditions which the local government considered necessary.

8. IMPAIRMENT AND OTHER LOSSES

	2014 RMB'000	2013 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 (note 16)	91,982	–
Impairment loss recognised in respect of goodwill (note 18)	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).

9. FINANCE COSTS

	2014 RMB'000	2013 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

10. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
The charge (credit) comprises:		
PRC income tax	186,648	225,057
Deferred tax (note 31)	(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%.

10. INCOME TAX EXPENSE (Continued)

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 RMB'000	2013 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

11. PROFIT FOR THE YEAR

	2014 RMB'000	2013 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 (included in distribution and selling expenses)	**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

12. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

(a) Executive directors, chief executive and independent non-executive directors

The emoluments paid or payable to each of the seven (2013: seven) directors and the chief executive were as follows:

	Xu Ying(ii) RMB'000	Yu Jian-bo RMB'000	Xu Shao-chuan RMB'000	Wang Jun-yan RMB'000	Li Lu-an RMB'000	Lv Jiang RMB'000	Han Ying(iii) RMB'000	Total RMB'000
2014								
Fees	**–**	**–**	**–**	**78**	**78**	**78**	**–**	**234**
Other emoluments								
Salaries and other benefits	**1,020**	**1,026**	**1,040**	**–**	**–**	**–**	**–**	**3,086**
Contributions to retirement benefits schemes	**86**	**86**	**86**	**–**	**–**	**–**	**–**	**258**
Incentive share expense	**317**	**317**	**317**	**–**	**–**	**–**	**–**	**951**
Total emoluments	**1,423**	**1,429**	**1,443**	**78**	**78**	**78**	**–**	**4,529**
2013								
Fees	–	–	–	78	78	78	78	312
Other emoluments								
Salaries and other benefits	739	967	739	–	–	–	–	2,445
Contributions to retirement benefits schemes	88	88	88	–	–	–	–	264
Total emoluments	827	1,055	827	78	78	78	78	3,021

Notes:

(i) The amounts disclosed above included directors' fees of RMB234,000 (2013: RMB312,000) payable to independent non-executive directors. No other emoluments were paid to the independent non-executive directors during the year.

(ii) Ms. Xu Ying is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive.

(iii) Mr. Han Ying retired as the director of the Company in June 2014.

12. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (Continued)

(b) Supervisors

The emoluments paid or payable to each of the three (2013: three) supervisors were as follows:

	Zhang Zheng-yang RMB'000	Fan Kui-jie RMB'000	Xu Ning-chun RMB'000	Total RMB'000
2014				
Fees	**–**	**48**	**48**	**96**
Other emoluments				
Salaries and other benefits	**914**	**–**	**–**	**914**
Contributions to retirement benefits schemes	**86**	**–**	**–**	**86**
Incentive share expense	**159**	**–**	**–**	**159**
Total emoluments	**1,159**	**48**	**48**	**1,255**
2013				
Fees	–	48	48	96
Other emoluments				
Salaries and other benefits	822	–	–	822
Contributions to retirement benefits schemes	88	–	–	88
Total emoluments	910	48	48	1,006

None of the directors and supervisors waived any emoluments during the current and prior year.

13. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included four (2013: four) directors/supervisor for the year ended 31 December 2014 (details of whose emoluments are set out in note 12 above), the emoluments of the remaining one (2013: one) highest paid individual for the year was as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	**992**	742
Retirement benefits scheme contributions	**86**	88
	1,078	830

14. DIVIDENDS

	2014 **RMB'000**	2013 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.

15. EARNINGS PER SHARE

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

	2014 **RMB'000**	2013 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 **'000**	2013 '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 (as defined in note 39) is not considered in the calculation of the diluted earnings per share as the effect is negligible.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2013	2,184,694	1,610,994	659,628	202,264	43,890	26,753	4,728,223
Additions	–	267,099	95,782	27,110	4,289	223,899	618,179
Transfer	–	140,193	–	–	–	(140,193)	–
Disposals/write-off	–	(77,397)	(26,561)	(10,804)	(12,780)	–	(127,542)
At 31 December 2013	2,184,694	1,940,889	728,849	218,570	35,399	110,459	5,218,860
Additions	–	189,413	90,671	51,254	8,179	147,631	487,148
Transfer	–	106,083	–	–	–	(106,083)	–
Disposals/write-off	–	(31,963)	(17,787)	(9,036)	(3,568)	–	(62,354)
At 31 December 2014	2,184,694	2,204,422	801,733	260,788	40,010	152,007	5,643,654
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2013	(281,036)	(603,392)	(340,656)	(84,767)	(8,496)	–	(1,318,347)
Depreciation expense	(56,380)	(185,273)	(73,372)	(22,025)	(4,828)	–	(341,878)
Eliminated on disposals/ write-off of assets	–	24,160	20,549	10,537	7,369	–	62,615
At 31 December 2013	(337,416)	(764,505)	(393,479)	(96,255)	(5,955)	–	(1,597,610)
Depreciation expense	(59,636)	(207,346)	(76,296)	(26,096)	(3,572)	–	(372,946)
Eliminated on disposals/ write-off of assets	–	26,067	15,583	8,852	909	–	51,411
Impairment losses recognised in profit or loss	–	(91,982)	–	–	–	–	(91,982)
At 31 December 2014	(397,052)	(1,037,766)	(454,192)	(113,499)	(8,618)	–	(2,011,127)
CARRYING AMOUNTS							
At 31 December 2014	1,787,642	1,166,656	347,541	147,289	31,392	152,007	3,632,527
At 31 December 2013	1,847,278	1,176,384	335,370	122,315	29,444	110,459	3,621,250

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease, and 25 – 40 years
Leasehold improvements	Over the shorter of the term of the lease, and 10 – 20 years
Furniture, fixtures and equipment	6.44% – 19%
Electronic equipment	19%
Motor vehicles	9.5% – 19%

The leasehold land and buildings are held under medium-term lease in the PRC.

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.

At 31 December 2014, included in the leasehold land and buildings is a building acquired upon the acquisition of a subsidiary in 2008 with carrying amount of approximately RMB7,288,000 (2013: RMB7,490,000) whereby the Group is still in the progress of obtaining the Housing Ownership Certificate.

Impairment losses recognised in the current year

The management reviewed the impairment of leasehold improvements on individual store basis when events or circumstances indicate the carrying amount may not be recoverable. Impairment assessment is performed on stores with operating losses which is considered as an impairment indicator for the year ended 31 December 2014 and 2013. The review led to the recognition of an impairment loss of RMB91,982,000 for the year ended 31 December 2014 (2013: Nil), which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 11.36% per annum. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of each CGUs and management's expectations for the market development.

17. PREPAID LEASE PAYMENTS

	2014 **RMB'000**	2013 RMB'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	**23,574**	25,618
Prepaid lease rentals	**115,342**	148,228
	138,916	173,846
Analysed for reporting purposes as:		
Current assets	**42,457**	66,594
Non-current assets	**96,459**	107,252
	138,916	173,846

Prepaid lease rentals represent the prepayment of rentals for stores situated in the PRC under operating lease with unexpired lease periods between 1 to 19 years.

18. GOODWILL

	2014 **RMB'000**	2013 RMB'000
COST		
Balance at beginning and end of year	**844,964**	844,964
ACCUMULATED IMPAIRMENT LOSSES		
Balance at beginning of year	**–**	–
Impairment losses recognised in the year	**(51,085)**	–
Balance at end of year	**(51,085)**	–
CARRYING AMOUNTS		
Balance at end of year	**793,879**	844,964

The carrying amounts of goodwill allocated to groups of cash-generating units ("CGUs") of the relevant companies, represent the lowest level within the Group at which goodwill is monitored for internal management purpose, as are set out below:

	2014 **RMB'000**	2013 RMB'000
Hangzhou Tiantian Wumart Commerce Company, Ltd. – Superstores	**350,386**	350,386
Beijing Merrymart Chain stores Development Company, Ltd. – Superstores	**260,148**	260,148
Beijing Huixin Hypermarket – Superstores ("Huixin Hypermarket")	**92,475**	143,560
Zhejiang Gongxiao Supermarket Company, Ltd. – Superstores and Minimarts	**88,611**	88,611
Huzhou Laodafang Supermarket Company, Ltd. – Superstores and Minimarts	**1,256**	1,256
Beijing Wumart Bolante Convenience Stores Company, Ltd. – Minimarts	**698**	698
Beijing Wumart Convenience Stores Company, Ltd. – Minimarts	**255**	255
Beijing Mencheng Wumart Shangcheng Company, Ltd. – Superstores	**50**	50
	793,879	844,964

18. GOODWILL (Continued)

During the year ended 31 December 2014, the directors of the Company determine that there are no impairments of any of its CGUs containing goodwill other than that of Huixin Hypermarket. The Group recognised an impairment loss of RMB51,085,000 (2013:Nil) in relation to goodwill allocated to Huixin Hypermarket mainly due to downward revision of budgeted sales by the management as the current year operating result of Huixin Hypermarket was significantly lower than the management's original budget. The difference between the recoverable amount and the carrying amount of the CGUs was recognised as impairment loss.

The recoverable amounts of the CGUs are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rate of revenue and the rate of gross margin. The Group prepared cash flow forecasts derived from the one year financial budgets and extrapolates cash flows for future periods based on an estimated growth rate of 2% to 8% and a discount rate of 11.36% (2013: 11.30%), taking into consideration of the lease tenures and the expected lease renewal. The growth rate used does not exceed the average long-term growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of each CGUs and management's expectations for the market development. Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of each CGUs.

19. OTHER INTANGIBLE ASSETS

	Land use right RMB'000	Other operating lease contracts RMB'000	Total RMB'000
COST			
At 1 January 2013 and 31 December 2013 and 2014	90,727	27,790	118,517
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2013	(14,686)	(17,232)	(31,918)
Amortisation expense	(2,705)	(1,848)	(4,553)
At 31 December 2013	(17,391)	(19,080)	(36,471)
Amortisation expense	(2,705)	(1,431)	(4,136)
At 31 December 2014	(20,096)	(20,511)	(40,607)
CARRYING AMOUNTS			
At 31 December 2014	70,631	7,279	77,910
At 31 December 2013	73,336	8,710	82,046

(i) All above intangible assets were acquired on acquisition of subsidiaries.

(ii) The following useful lives are used in the calculation of amortisation:

Land use right	40 years
Operating lease contracts	1- 24 years

20. INTERESTS IN ASSOCIATES

	2014 RMB'000	2013 RMB'000
Cost of investments in associates, unlisted	**107,964**	107,964
Share of post-acquisition profits, net of dividends received	**57,000**	53,888
Impairment of interest in an associate, unlisted (note i)	**(12,265)**	(12,265)
	152,699	149,587

As at 31 December 2014, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of establishment	Principal place of operation	Registered capital (RMB'000)	Proportion of Ownership interest/ voting rights held by the Group 2014	2013	Principal activities
Beijing Chao Shifa Company Limited (i) ("Chao Shifa")	Joint stock company	PRC	Beijing, PRC	91,980	**25.03%**	25.03%	Operation of superstores
Beijing Chongwenmen Vegetable Market Supermarket Company Limited ("Chongwenmen Market")	Limited liability company	PRC	Beijing, PRC	60,000	**49%**	49%	Operation of superstores and mini-marts
Beijing New Life Investment and Development Company Limited	Limited liability company	PRC	Beijing, PRC	10,000	**49%**	49%	Operation of investment,real estimate management

(i) The excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of Chao Shifa was included in the cost of investment in associate arising from acquisition of Chao Shifa, which was amounted to RMB57,525,000. An impairment loss amounting to RMB 12,265,000 was recognised attributed to the investment in an associate in year 2011.

20. INTERESTS IN ASSOCIATES (Continued)

(ii) Summarised financial information of material associates

The summarised financial information below represents amounts shown in associates' financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

(a) Chao Shifa and its subsidiaries (the "Chao shifa Group")

	2014 **RMB'000**	2013 RMB'000
Current assets	**773,079**	767,322
Non-current assets	**216,787**	239,323
Current liabilities	**698,638**	705,885
Non-current liabilities	**76,000**	92,362
Non-controlling interests	**3,466**	3,316
Revenue	**2,627,887**	2,640,873
Total profit and other comprehensive income for the year attributable to:		
Owners of the Chao Shifa Group	**6,680**	7,038
Non-controlling interests	**150**	66
	6,830	7,104

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 **RMB'000**	2013 RMB'000
Net assets attributable to owners of Chao Shifa	**211,762**	205,082
Proportion of the Group's ownership interest in Chao Shifa (%)	**25.03**	25.03
Group's share of net assets	**53,004**	51,332
Goodwill	**57,525**	57,525
Impairment loss	**(12,265)**	(12,265)
Carrying amount of the Group's interest in Chao Shifa	**98,264**	96,592

20. INTERESTS IN ASSOCIATES (Continued)

(ii) Summarised financial information of material associates (Continued)

(b) Chongwenmen Market

	2014 RMB'000	2013 RMB'000
Current assets	**187,143**	232,567
Non-current assets	**154,365**	129,494
Current liabilities	**240,417**	263,908
Revenue	**352,821**	272,640
Total profit and other comprehensive income for the year	**11,438**	13,430
Dividends received from the associate during the year	**4,165**	3,871

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 RMB'000	2013 RMB'000
Net assets of the Chongwenmen Market	**101,091**	98,153
Proportion of the Group's ownership interest in Chongwenmen Market (%)	**49**	49
Carrying amount of the Group's interest in Chongwenmen Market	**49,535**	48,095

(iii) Information of the associate that is not material

	2014 RMB'000	2013 RMB'000
Profit for the year	**–**	–
Other comprehensive income for the year	**–**	–
Total profit and other comprehensive income for the year	**–**	–
Carrying amount of the Group's interest in the associate	**4,900**	4,900

21. INTEREST IN A JOINT VENTURE

Details of the Group's investment in a joint venture are as follows:

	2014 RMB'000	2013 RMB'000
Cost of investment in a joint venture, unlisted	**100,000**	100,000
Share of post-acquisition profit or loss and other comprehensive income, net of dividends received	**(1,404)**	330
	98,596	100,330

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Form of business structure	Place of incorporation/ operation	Registered capital	Proportion of ownership interest held by the Group		Proportion of voting power held by the Group		Principal activity
			RMB'000	**2014**	2013	**2014**	2013	
Beijing Aoshikai Wumart Company Ltd.	Limited liability company	PRC	200,000	**50%**	50%	**50%**	50%	Operation of superstores

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2014 RMB'000	2013 RMB'000
Current assets	**55,660**	66,833
Non-current assets	**190,171**	194,379
Current liabilities	**48,640**	60,552
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**29,300**	40,337

21. INTEREST IN A JOINT VENTURE (Continued)

	2014 RMB'000	2013 RMB'000
Revenue	**323,139**	337,243
Profit for the year	**6,347**	11,801
Total profit and other comprehensive income for the year	**6,347**	11,801
Group's share of profit of a joint venture for the year	**3,174**	5,541
Dividends received	**4,908**	4,809
The above profit for the year include the following:		
Depreciation and amortisation	**6,022**	6,187
Interest income	**164**	203
Income tax expense	**3,712**	4,261

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2014 RMB'000	2013 RMB'000
Net assets	**197,191**	200,660
Proportion of the Group's ownership interest (%)	**50**	50
Carrying amount of the Group's interest	**98,596**	100,330

22. INVENTORIES

	2014 RMB'000	2013 RMB'000
Merchandise for resale	**1,482,053**	1,456,564
Consumables	**2,921**	3,858
	1,484,974	1,460,422

23. LOAN RECEIVABLES

	2014 RMB'000	2013 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	Carrying amount 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 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 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 a 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 unsecured and interest free.

23. LOAN RECEIVABLES (Continued)

(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.

24. TRADE AND OTHER RECEIVABLES

	2014 **RMB'000**	2013 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.

24. TRADE AND OTHER RECEIVABLES (Continued)

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 RMB'000	2013 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.

25. AMOUNTS DUE FROM/TO RELATED PARTIES

	2014 RMB'000	2013 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

25. AMOUNTS DUE FROM/TO RELATED PARTIES (Continued)

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 following is an aged analysis of amounts due from related parties based on the invoice dates which approximated the respective dates on which revenue was recognised:

	2014 **RMB'000**	2013 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.

26. SHORT-TERM INVESTMENTS

	2014 **RMB'000**	2013 RMB'000
Short-term investments	**92,000**	110,000
Total	**92,000**	110,000

Short-term investments are financial products operated by financial institutions. The financial products were non-principal protected with variable returns and can be redeemed by the Group any time at its discretion from the relevant counterparty issuers. The fair values of the financial products were determined based on the executable redemption prices provided by the respective issuing financial institutions.

27. RESTRICTED BANK BALANCES AND BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits with an original maturity of three months or less and cash held by the Group. The bank deposits carry interests at market rates which range from 0.35% to 2.75% (2013: 0.35% to 2.85%) per annum.

Bank balances and cash were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is subject to control by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Bank balances and cash that are denominated in currencies other than RMB are set out below:

	2014 RMB'000 equivalent	2013 RMB'000 equivalent
Hong Kong dollar ("HK dollar")	**86,400**	85,446
United States dollar ("US dollar")	**342**	315

Restricted bank balances

The restricted bank balances represent deposits pledged for advance of deposit card and deposits for bill payables and short-term bank loan. As at 31 December 2014, restricted bank balances of RMB1,277,402,000 (2013: RMB378,244,000) carry interest from 0.35% to 3.08% (2013: 0.35% to 2.85%) per annum.

28. 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 (note 39)	**29,030**	–
Dividends payable	**73,811**	33,696
	7,132,567	6,724,461

28. TRADE AND OTHER PAYABLES (Continued)

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).

29. 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.

30. SHARE CAPITAL

	Number of Domestic Shares '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 par value of RMB1.00 per share to certain employees, directors and a supervisor according to the Incentive Share Scheme (as defined in note 39), which are considered as treasury shares prior to fulfilment of vesting conditions. Detailed information was disclosed in Note 39.

31. DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the current and prior years:

	Impairment for deposit paid for acquisition of an associate RMB'000	Effective rent RMB'000	Tax losses RMB'000	Differences in tax depreciation RMB'000	Fair value adjustments on business combination RMB'000	Impairment for tangible assets and goodwill RMB'000	Total RMB'000
At 1 January 2013	4,582	85,105	17,781	5,014	(24,481)	3,458	91,459
Credit (charged) to profit or loss	–	11,585	(9,560)	(760)	1,456	–	2,721
At 31 December 2013	4,582	96,690	8,221	4,254	(23,025)	3,458	94,180
Credit (charged) to profit or loss	–	21,704	991	(263)	1,352	22,995	46,779
At 31 December 2014	4,582	118,394	9,212	3,991	(21,673)	26,453	140,959

31. DEFERRED TAXATION (Continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 **RMB'000**	2013 RMB'000
Deferred tax assets	**153,985**	106,968
Deferred tax liabilities	**(13,026)**	(12,788)
	140,959	94,180

At 31 December 2014, the Group had unused tax losses of RMB417,314,000 (2013: RMB474,387,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB36,849,000 (2013: RMB32,885,000) of such losses. No deferred tax asset has been recognised in respect of other tax losses of RMB 380,465,000 (2013: RMB441,502,000) due to unpredictability of future profit stream, which will expire from the year of 2015 to 2019 (2013: from the year of 2014 to 2018).

32. DEPOSIT PAID

In November and December 2013, the Group entered into a series of agreements, including a cooperation agreement, a loan agreement and relevant supplementary agreements (hereinafter collectively refer to "the Agreements") with two independent third parties, a cooperative economy organisation ("the Organisation") and its subordinate entity (the "Project Entity"), which was set up for development and construction of a commercial property (the "Property"). According to the Agreements, the Group will obtain the operating right of the Property for 40 years for an upfront consideration of RMB450,000,000 payable by four instalments through acquiring 75% equity interest of the Project Entity (the "Equity Interest"). The Equity Interest will be transferred to the Group after the Group paid the third instalment of RMB100,000,000 and when the Project Entity obtains the land use right certificate of the Property. The Group is entitled to 100% operating result of the Project Entity and required to pay RMB220,000,000 in aggregate by instalments to the Organisation in the forthcoming 40 years. After 40 years, the Group will return the Equity Interest to the Organisation for nil consideration and the operating right of the Property will be terminated.

As at 31 December 2013, the first and second instalments, amounting to RMB255,445,000 had been paid, including RMB230,000,000 injected to the Project Entity under a loan agreement. As at 31 December 2014, the Project Entity has not obtained the land use right certificate of the Property.

33. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of net debt (which includes borrowings and cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and retained profits).

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the Company considers the cost of capital and the risks associates with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as raising of borrowings.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Designated as at FVTPL		
Short-term investments	**92,000**	110,000
Loans and receivables (including cash and cash equivalents)		
Loan receivables	**236,100**	251,220
Trade receivables	**182,206**	169,855
Other receivables	**146,843**	194,474
Amounts due from related parties	**140,255**	179,675
Restricted bank balances	**1,277,402**	378,244
Bank balances and cash	**2,187,761**	2,269,912
	4,170,567	3,443,380
Financial liabilities		
Amortised costs		
Bill payables	**75,400**	115,366
Trade payables	**3,779,588**	3,579,270
Other payables	**482,967**	332,471
Amounts due to related parties	**10,389**	9,481
Borrowings	**1,060,000**	581,863
	5,408,344	4,618,451
Deposits received from lessee	**307,952**	287,648

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include held-for-trading investments, loan receivables, borrowings, bank balances and cash, restricted bank balances, trade and other receivables, trade and other payables and amounts due from/to related parties. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rate risk and foreign currency exchange rate. There has been no change to the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

Interest rate risk management

The Group's fair value interest rate risk relates primarily to loan receivables and borrowings (see notes 23 and 29 respectively for details) and the Group's cash flow interest rate risk relates primarily to floating rate bank balances (see note 27 for details).

The Group aims at keeping its borrowings at fixed-rate of interest so as to minimise the cash flow interest rate risk.

The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk section of this note.

Interest rate sensitivity

No sensitivity analysis on cash flow interest rate risk is presented as management consider the sensitivity of interest rate risk on bank balances is insignificant.

Foreign currency risk management

The Group undertakes certain financing and treasury transactions in foreign currencies, which expose the Group to foreign currency risk. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency risk management (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets of bank balances that are subject to currency risk at the reporting date are as follows:

	Assets	
	2014	2013
	RMB'000	RMB'000
Hong Kong dollar ("HK dollar")	**86,400**	85,446
United States dollar ("US dollar")	**342**	315

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuations in the exchange rate between HK dollar/US dollar against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK dollar and US dollar. 5% is the sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to RMB at year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB weakens 5% against the relevant currency. For a 5% strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	HK dollar		US dollar	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit or loss	**3,240**	3,204	**13**	12

Other price risk management

During both years, the Group has invested in financial products operated by financial institutions which exposed the Group to other price risk. The management manages the other price risk by closely monitoring the portfolio of the investments. In view of short term in nature, the management does not expect a material change in fair value of the short term investment and accordingly, no sensitivity analysis is presented.

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For loan receivables, the management of the Group accesses the lessors' credit quality by evaluating their historical credit records. In addition, majority of the loan receivables are secured by the equity interests of the counterparties to minimise the credit risk. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and loan receivables due from certain lessors of the Group, the Group does not have any other significant concentration of credit risk. Trade receivables consist of various franchised stores and retail sale customers located in Beijing, Tianjin and Zhejiang province.

Liquidity risk management

At 31 December 2014, the Group had net current liabilities amounting to RMB1,602,735,000 (2013: RMB1,632,656,000). The Group is exposed to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on cash generated from operating activities and borrowings as a significant source of liquidity. For the year ended 31 December 2014, the Group had cash generated from operating activities of approximately RMB958,244,000 (2013: RMB1,558,969,000). Other than the cash generated from operating activities, the Group's management is responsible to maintain sufficient funding from borrowings. The management monitors the utilisation of borrowings and ensures compliance with borrowing covenants. As at 31 December 2014, three banking facilities of RMB700,000,000 (2013: RMB900,000,000) in aggregate are available, which comprised: (a) a banking facility of RMB100,000,000 from Bank A which is available until 10 September 2015, (b) a banking facility of RMB100,000,000 from Bank B which is available until 22 May 2015, (c) a banking facility of RMB500,000,000 from Bank C which is available until 10 October 2015. The banking facilities of RMB678,107,000 has not been utilised as of the end of the reporting period and the date of issuance of these consolidated financial statements.

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

The directors believe that the Group will have sufficient funds available to meet its financial obligations in the foreseeable future based on management's working capital forecast.

The following tables detail the Group's contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	On demand or Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at year end
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014							
Non – derivative financial liabilities							
Trade and other payables		789,566	3,512,339	36,050	–	4,337,955	4,337,955
Amount due to related parties		10,389	–	–	–	10,389	10,389
Borrowings – fixed rate	3.00	–	1,000,000	3,000	61,000	1,064,000	1,060,000
Deposits received from lessee		–	–	307,952	–	307,952	307,952
		799,955	4,512,339	347,002	61,000	5,720,296	5,716,296
At 31 December 2013							
Non – derivative financial liabilities							
Trade and other payables		636,945	3,279,740	110,422	–	4,027,107	4,027,107
Amount due to related parties		9,481	–	–	–	9,481	9,481
Borrowings – fixed rate	4.89	–	524,600	2,250	64,000	590,850	581,863
Deposits received from lessee		–	–	287,648	–	287,648	287,648
		646,426	3,804,340	400,320	64,000	4,915,086	4,906,099

34. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets/ Financial liabilities	Fair value as at (RMB'000)		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2014	31/12/2013		
Non-derivative financial assets (see note 26)	**92,000**	110,000	Level 2	Executable redemption prices provided by the issuing financial institutions which are computed based on the fair values of the underlying investment portfolio.

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost at the end of the reporting period approximated their corresponding fair values.

35. OPERATING LEASES

The Group as lessee

At the end of reporting period, the Group had commitments for future minimum lease payments under operating leases in respect of rented premises which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	**1,076,031**	920,438
In the second to fifth year inclusive	**3,166,469**	3,744,618
Over five years	**9,664,909**	8,169,245
	13,907,409	12,834,301

These leases were negotiated for lease terms of one to twenty years. Rentals are fixed throughout the lease periods and none of the leases includes any contingent rentals.

35. OPERATING LEASES (Continued)

The Group as lessor

Operating leases relate to retail booths of the stores owned or leased by the Group being rented out with lease terms ranging from six months to one year.

At the end of reporting period, the Group had contracted with tenants in respect of leasing of retail booths for the following future minimum lease payments:

	2014 **RMB'000**	2013 RMB'000
Within one year	**936,820**	783,509

36. CAPITAL AND OTHER COMMITMENTS

	2014 **RMB'000**	2013 RMB'000
Capital expenditure In respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,100,840**	391,637
Other commitment In respect of the Equity Interest (see note 32) contracted for but not provided in the consolidated financial statements (Note)	**414,555**	414,555
Capital expenditure In respect of property, plant and equipment authorised but not contracted for	**89,419**	274,705

Note: Other commitment includes the remaining amount payable for the 75% equity interest in the Project Entity (whose sole activity is development and construction of a commercial property) and its 100% operating results in accordance with the Agreements set out in note 32.

37. RELATED PARTY TRANSACTIONS

(a) Apart from the amounts due from and to related companies as disclosed in note 25, during the year, the Group had the following related party transactions:

	2014 RMB'000	2013 RMB'000
Sales of goods to a joint venture	**231,750**	215,776
Sales of goods to subsidiaries of the Company's Substantial Shareholder	**160,824**	151,084
Sales of goods to associates	**183,184**	149,710
Purchase of goods from associates	**66,853**	72,268
Rental expense to a subsidiary of the Company's Substantial Shareholder (Note)	**17,153**	17,636
Service fee income from associates and a joint venture in respect of merchandise delivery services	**6,222**	5,478
Service fee income from subsidiaries of the Company's Substantial Shareholder in respect of merchandise delivery services	**4,821**	4,526
Management fee income from subsidiaries of the Company's Substantial Shareholder	**211**	190

As at 31 December 2014, the Company's Substantial Shareholder provided guarantee to secure general banking facilities of RMB200,000,000 (2013: RMB400,000,000) granted to the Group.

Note: As at 31 December 2014, the Group had commitment for future minimum lease payments under operating leases in respect of rented premises of a subsidiary of the Company's Substantial Shareholder which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	**18,680**	18,680
In the second to fifth year inclusive	**19,097**	37,639
Over five years	**225**	363
	38,002	56,682

37. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2014 RMB'000	2013 RMB'000
Short-term benefits	**8,004**	8,498
Post-employment benefits	**1,120**	790
Incentive share expense	**1,326**	–
	10,450	9,288

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

38. RETIREMENT BENEFIT SCHEMES

The PRC employees of the Group are members of state-managed retirement benefit schemes operated by the local governments. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The retirement benefit cost charged to profit or loss for the year ended 31 December 2014, amounts to RMB123,346,000 (2013: RMB105,930,000).

39. INCENTIVE SHARE SCHEME

On 17 May 2013, the board of directors was authorised to issue up to 12,812,741 new domestic shares, which were represents 1% and 1.72% of the aggregate amount of the Company's total issued shares and total issued domestic shares, respectively, as incentive shares to directors (other than the independent directors) and supervisors (other than external supervisors) of the Company, and key personnel of the Group, and other persons as approved by the board (the "Participants", hereinafter collectively referred to as the "Incentive Share Scheme"). According to the Incentive Share Scheme, the incentive shares will be issued and granted to the Participants, subject to vesting conditions. On issuance of the incentive share, the Group recorded the par value of the shares as share capital, with a corresponding debit entry to incentive share reserve. According to the Incentive Share Scheme, the incentive shares shall be automatically unlocked on the unlocking dates in accordance with the relevant proportions and during the next 5 years. During the locked-up period, the Participant shall not dispose of the shares granted. The unlocking of shares by 5 tranches are considered as vesting conditions. If the incentive shares are forfeited prior to vesting, the Company is authorised by the Participant to transfer the incentive shares held by such Participant and yet to be unlocked to other Participants at the grant price on his/her behalf, or repurchase the aforesaid incentive shares at the grant price for cancellation. Accordingly, the Company's obligation to repurchase the unlocked incentive shares prior to vesting is recognised as obligation under the incentive scheme. Upon vesting of the incentive shares, the obligation to repurchase and the amount previously recognised in the incentive share reserve, net of the par value of the relevant shares, will be transferred to share premium. Details of the Incentive Share Scheme are set out in the Company's announcement dated 2 April 2013.

On 14 March 2014, the Company granted 3,500,000 incentive shares to three directors and a supervisor that the grantees shall pay the initial grant price of RMB4.63 per share. On 3 June 2014, 2,770,000 incentive shares were granted to non-connected Participants that the grantees shall pay the initial grant price of RMB4.63 per share. The fair value of the incentive shares granted was calculated based on the Binominal Option pricing model with several assumptions valued by an independent valuer. The fair values of the incentive shares granted at the respective grant date were RMB5.73 and RMB5.17 per share, taking into consideration of discount for lack of marketability of domestic shares. The Group recognised the incentive share expenses of approximately RMB1,428,000 into the profit or loss during the current year (2013:Nil). The obligation under the incentive share scheme amounting to RMB29,030,000 was provided as at 31 December 2014.

40. EVENT AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

41. PRINCIPLE SUBSIDIARIES

General information of principle subsidiaries

Details of the Company's principle subsidiaries as at 31 December 2014 and 2013 are set out below.

Name of subsidiary	Place/Country of incorporation or registration/ operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest and proportion of voting power held by the Company				Principal activities
			Directly		Indirectly		
			2014	2013	**2014**	2013	
			%	%	**%**	%	
Beijing Wumart Bolante Convenience Stores Company Limited	Beijing PRC	10,000,000	**80**	80	**–**	–	Operation of mini-marts
Beijing Wumart Stores Company Limited	Beijing PRC	10,000,000	**80**	80	**16**	16	Operation of superstores
Beijing Mencheng Wumart Shangcheng Company Limited	Beijing PRC	1,000,000	**70**	70	**–**	–	Operation of superstores
Beijing Wumart Tongfu Commerce Company Limited	Beijing PRC	1,000,000	**55**	55	**–**	–	Operation of superstores
Beijing Wumart Tianxiang Convenience Stores Company Limited	Beijing PRC	1,000,000	**60**	60	**–**	–	Operation of mini-marts
Beijing Tongtang Wumart Convenience Stores Company Limited	Beijing PRC	1,000,000	**100**	100	**–**	–	Operation of mini-marts
Beijing Wumart Jingxi Convenience Stores Company Limited	Beijing PRC	1,000,000	**75**	75	**–**	–	Operation of mini-marts
Beijing Wumart Gulou Commerce and Trading Company Limited	Beijing PRC	10,000,000	**65**	65	**–**	–	Operation of superstores
Beijing Wumart Convenience Stores Company Limited	Beijing PRC	50,000,000	**80**	80	**–**	–	Operation of mini-marts
Beijing Jiahe Wumart Commerce Company Limited	Beijing PRC	10,000,000	**80**	80	**14.4**	14.4	Operation of superstores

41. PRINCIPLE SUBSIDIARIES (Continued)

General information of principle subsidiaries (Continued)

Name of subsidiary	Place/Country of incorporation or registration/ operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest and proportion of voting power held by the Company				Principal activities
			Directly		Indirectly		
			2014 %	2013 %	**2014** %	2013 %	
Tianjin Wumart WeiLai Commercial Development Company Limited	Tianjin PRC	100,000,000	**99.8**	99.8	**0.19**	0.19	Operation of superstores
Wumart (Tianjin) Chain Stores Company Limited	Tianjin PRC	97,639,384	**–**	–	**100**	100	Operation of superstores
Baoding Wumart Stores Company Limited	Beijing PRC	1,000,000	**80**	80	**19.2**	19.2	Operation of superstores
Beijing Wumart Hypermarket Commercial Management Company Limited	Beijing PRC	10,000,000	**95**	95	**4.8**	4.8	Operation of superstores
Beijing Wumart Jingbei Dashijie Commercial and Trading Company Limited	Beijing PRC	20,000,000	**95**	95	**4.8**	4.8	Operation of superstores
Beijing Wumart Distribution Technology Company Limited	Beijing PRC	8,000,000	**80**	80	**20**	20	Operation of superstores
Beijing Wumart Home Appliance Company Limited	Beijing PRC	20,000,000	**100**	100	**–**	–	Operation of home appliance wholesales
Beijing Merrymart Chain stores Development Company Limited	Beijing PRC	52,480,000	**100**	100	**–**	–	Operation of superstores
Hangzhou Tiantian Wumart Commerce Company Limited	Zhejiang PRC	50,000,000	**100**	100	**–**	–	Operation of superstores
Zhejiang Gongxiao Supermarket Company Limited	Zhejiang PRC	21,000,000	**–**	–	**63.64**	63.64	Operation of mini-marts
Huzhou Laodafang Supermarket Company Limited	Zhejiang PRC	5,000,000	**–**	–	**32.46**	32.46	Operation of mini-marts

41. PRINCIPLE SUBSIDIARIES (Continued)

General information of principle subsidiaries (Continued)

Name of subsidiary	Place/Country of incorporation or registration/ operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest and proportion of voting power held by the Company				Principal activities
			Directly		Indirectly		
			2014 %	2013 %	**2014** %	2013 %	
Wumart Jialian (Hangzhou) Commerce Company Limited	Zhejiang PRC	68,269,000	**–**	–	**100**	100	Operation of superstores
Wumart Jiacheng (Hangzhou) Commerce Company Limited	Zhejiang PRC	68,272,000	**–**	–	**100**	100	Operation of superstores
Tianjin Wumart Lianjing Commerce Company Limited	Tianjin PRC	1,000,000	**100**	100	**–**	–	Operation of superstores
Langfang Wumart Commerce Company Limited	Hebei PRC	5,000,000	**100**	100	**–**	–	Operation of superstores
Zhangjiakou Wumart Commerce Company Limited	Hebei PRC	10,000,000	**100**	100	**–**	–	Operation of superstores
Beijing Jingtaiyi Wumart Supermarket Company Limited	Beijing PRC	10,000,000	**100**	100	**–**	–	Operation of superstores
Beijing Jingshun Wumart Supermarket Company Limited	Beijing PRC	10,000,000	**100**	100	**–**	–	Operation of superstores
Xianghe Wumart Supermarket Company Limited	Hebei PRC	5,000,000	**100**	100	**–**	–	Operation of superstores
Beijing Wumart Haoweilai Commerce Company Limited (note)	Beijing PRC	30,000,000	**–**	–	**86.40**	–	Operation of superstores
Hebei Wumart Logistics Company Limited (note)	Hebei PRC	10,000,000	**100**	–	**–**	–	Operation of Logistics

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

In the opinion of the directors of the Company, the Group does not have any non-wholly owned subsidiaries with material non-controlling interests.

All of the PRC subsidiaries of the Company listed above are domestic enterprises.

None of the subsidiaries had issued any debt securities at the end of the year.

Note: Newly established during the year ended 31 December 2014.

42. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the Company at the end of the reporting period includes:

	Note	2014 RMB'000	2013 RMB'000
Non-current Assets			
Property, plant and equipment		**586,031**	592,234
Rental deposits		**40,578**	81,673
Investments in subsidiaries		**2,349,596**	2,329,596
Investment in associates		**95,699**	95,699
Investment in a joint venture		**100,000**	100,000
Deferred tax assets		**33,508**	21,262
Loan receivables		**120,000**	120,000
Deposit paid		**255,445**	255,445
Other non-current assets (Note)		**350,000**	–
		3,930,857	3,595,909
Current Assets			
Inventories		**295,201**	342,757
Loan receivables		**–**	54,720
Trade and other receivables		**599,316**	474,705
Amounts due from related parties		**49,291**	100,232
Amounts due from subsidiaries		**2,173,140**	1,903,436
Short-term investments		**–**	100,000
Restricted bank balances		**1,256,638**	357,559
Bank balances and cash		**888,083**	1,103,531
		5,261,669	4,436,940
Current Liabilities			
Trade and other payables		**2,081,903**	2,329,921
Amounts due to related parties		**20,488**	11,418
Amounts due to subsidiaries		**3,885,032**	2,775,470
Tax liabilities		**51,535**	68,082
Borrowings		**1,000,000**	521,863
		7,038,958	5,706,754
Net Current Liabilities		**(1,777,289)**	(1,269,814)
Total assets less Current Liabilities		**2,153,568**	2,326,095
Capital and Reserves			
Share capital	30	**1,287,544**	1,281,274
Share premium and reserves		**866,024**	1,044,821
Total equity		**2,153,568**	2,326,095

Note: The amount represents the capital invested into subsidiary but in the progress of the verification of the capital injection.

42. FINANCIAL INFORMATION OF THE COMPANY (Continued)

	Share capital RMB'000	Share premium RMB'000	Incentive share reserve RMB'000	Statutory common reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013	1,281,274	745,018	–	218,062	162,136	2,406,490
Profit and total comprehensive income for the year	–	–	–	–	188,672	188,672
Dividend declared by the Company	–	–	–	–	(269,068)	(269,068)
Profit appropriations	–	–	–	21,448	(21,448)	–
At 31 December 2013	**1,281,274**	**745,018**	**–**	**239,510**	**60,292**	**2,326,094**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**147,932**	**147,932**
Issuance of incentive shares	**6,270**	**–**	**(6,270)**	**–**	**–**	**–**
Expenses recognised as the equity-settled share-base payment	**–**	**–**	**1,428**	**–**	**–**	**1,428**
Dividend declared by the Company	**–**	**–**	**–**	**–**	**(321,886)**	**(321,886)**
Profit appropriations	**–**	**–**	**–**	**14,932**	**(14,932)**	**–**
At 31 December 2014	**1,287,544**	**745,018**	**(4,842)**	**254,442**	**(128,594)**	**2,153,568**

FINANCIAL SUMMARY

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**18,902,300**	16,988,172	15,362,984	14,562,642	12,571,524
Cost of sales	**(17,048,536)**	(15,089,331)	(13,947,953)	(13,243,768)	(11,446,293)
Gross profit	**1,853,764**	1,898,841	1,415,031	1,318,874	1,125,231
Other revenues	**2,735,263**	2,066,474	1,971,093	1,833,003	1,675,357
Investment and other income and other gains	**171,423**	189,542	299,166	228,148	143,568
Distribution and selling expenses	**(3,449,810)**	(2,858,417)	(2,394,258)	(2,104,200)	(1,839,130)
Administrative expenses	**(593,622)**	(508,901)	(388,152)	(322,843)	(314,470)
Impairment and other losses	**(151,423)**	(56,287)	(22,091)	(82,884)	(9,175)
Share of profit of associates	**7,277**	8,342	8,277	5,353	7,061
Share of profit of a joint venture	**3,174**	5,541	3,651	4,071	3,334
Finance costs	**(19,376)**	(28,788)	(27,312)	(15,941)	(14,527)
Profit before tax	**556,670**	716,347	865,405	863,581	777,249
Income tax expense	**(139,869)**	(222,336)	(226,688)	(245,071)	(217,712)
Profit for the year	**416,801**	494,011	638,717	618,510	559,537
Attributable to:					
Owners of the Company	**394,783**	459,031	601,706	586,041	529,837
Non-controlling interests	**22,018**	34,980	37,011	32,469	29,700
	416,801	494,011	638,717	618,510	559,537
Earnings per share					
– Basic (RMB yuan per share)	**0.31**	0.36	0.47	0.46	0.42
– Diluted (RMB yuan per share)	**0.31**	N/A	N/A	N/A	N/A

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**12,364,645**	11,419,724	10,067,317	8,439,080	7,448,710
Total liabilities	**(8,383,901)**	(7,526,753)	(6,355,427)	(5,094,084)	(4,453,180)
	3,980,744	3,892,971	3,711,890	3,344,996	2,995,530
Equity attributable to owners of the Company	**3,781,489**	3,707,164	3,531,611	3,186,997	2,857,211
Non-controlling interests	**199,255**	185,807	180,279	157,999	138,319
	3,980,744	3,892,971	3,711,890	3,344,996	2,995,530