

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

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This report, for which the directors of Wumart Stores, Inc. (“Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (“GEM Listing Rules”) for the purpose of giving information with regard to Wumart Stores, Inc. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL HIGHLIGHTS

Comparison between results for the first quarter in 2004 and the corresponding period in 2003

	Change	Three months ended 31st March,	
		2004 RMB'000	2003 RMB'000
Turnover	+72.34%	666,885	386,967
Net profit	+58.91%	28,471	17,916
Earnings per share	+10.00%	RMB0.11	RMB0.10

- As of 31st March, 2004, the Group had net assets of approximately RMB828,086,000
- For the three months end 31st March 2004, the Group's inventory turnover was 18 days, and average account payable turnover was 47 days.

CHAIRMAN'S STATEMENT

I am pleased to present the unaudited results of Wumart Stores, Inc. ("Company") and its subsidiaries (together, the "Group") for the three months ended 31st March, 2004.

Financial Review

During the period under review, the Group generated approximately RMB666,885,000 in turnover, representing a growth of approximately 72.34% as compared with the first quarter of 2003. The rise in turnover was mainly attributable to the increase in the number of retail stores and a surge of approximately 11.57% in comparable store sales (from stores that had been operating both for the first quarter of 2003 and the first quarter of 2004) from the corresponding period in the previous year.

The Group's gross profit during the period under review amounted to approximately RMB87,656,000, representing a growth of approximately 39.07% as compared with the first quarter of 2003. Gross profit margin was approximately 13.14%, being approximately 3.15% less than the gross profit margin of approximately 16.29% for the first quarter of 2003. The reduced gross profit margin was due to the sales made to managed stores and associated company (which were at cost). Excluding sales of goods to managed stores and associated company at cost, the gross profit margin for the period under review was approximately 17.06%, being 0.07% higher than that for the first quarter of 2003.

Net profit for the Group during the period under review amounted to approximately RMB28,471,000, representing a growth of approximately 58.91% as compared with the first quarter of 2003. The growth in net profit was mainly attributable to the increase in gross profit plus reduction of administrative expenses and sales and distribution costs (as a percentage of turnover) of 2.49% to approximately 8.56%, as compared to approximately 11.05% in the corresponding period of the previous year. A lower operating cost was primarily due to, among other things, a stringent and effective costs control and economies of scale. Rental expenses and salaries and staff benefits, the two major expense items for the Group, amounted to approximately RMB10,834,000 and RMB21,881,000, respectively, accounting for approximately 1.62% and 3.28% of the Group's turnover, respectively (2003: approximately RMB8,929,000 and RMB16,579,000 respectively, accounting for 2.31% and 4.28% of the Group's turnover, respectively).

Net profit margin for the period under review was approximately 4.3%, compared to approximately 4.6% for the same period last year. This was mainly due to an increase in sales to managed stores and associated company (which were at cost), excluding which the net profit margin for the first quarter of 2003 and 2004 would be approximately 4.8% and 5.5% respectively.

During the period under review, the Group recorded earnings per share of approximately RMB0.11, versus approximately RMB0.10 for the corresponding period in 2003. The earnings per share for the first quarter of 2004 was based on a total issued shares of 266,397,000 shares, as compared to 178,445,000 shares in the first quarter of 2003. Based on 178,445,000 shares in issue, the earnings per share of the Company for the first quarter of 2004 would be approximately RMB0.16 or approximately 60% higher than the corresponding period in the previous year.

Business Review

As at 31st March, 2004, the retail network of the Group consisted of 389 stores, comprising 4 hypermarkets, 26 supermarkets, 351 convenience stores and 8 drug stores.

Stores directly owned or franchised by the Group and its associated companies:

	As of 31st March, 2004	As of 31st March, 2003	Region
Hypermarkets	3 (Note 1)	Nil	Beijing, Tianjin
Supermarkets	24 (Note 2)	20	Beijing
Convenience stores			
Direct ownership	125 (Note 3)	117	Beijing
Franchise (Note 4)	196	15	Beijing
Drug stores (Note 5)	8	7	Beijing
Total	356	159	

Notes:

1. Comprised 2 stores in Beijing and 1 store in Tianjin, both directly owned by the Group.
2. Comprised 23 stores directly owned by the Group and 1 store owned through an associated company.
3. Comprised 117 stores directly owned by the Group and 8 stores owned through an associated company.
4. Franchise stores refers to outlets operated by the Group through various franchise arrangements.
5. All were owned through an associated company.

Stores operated and managed by the Group under the Management Agreement (for details, please refer to the Company's prospectus dated 11th November, 2003 ("Prospectus")) ("Managed Stores"):

	As of 31st March, 2004	As of 31st March, 2003	Region
Hypermarket	1	Nil	Beijing
Supermarkets	2	Nil	Hebei
Convenience stores	30	Nil	Beijing, Tianjin
Total	33	Nil	

Hypermarkets

Subsequent to the opening of the Group's first hypermarket in December 2003, the Company opened 2 additional hypermarkets in Beijing and Tianjin, respectively, during the period under review. As at 31st March, 2004, the Group operated and managed 4 hypermarkets, comprising 3 directly owned hypermarkets and 1 Managed Store, with a total net saleable area of 30,751 sq.m..

Hypermarkets represented a new store format in the Company's operations. During the period under review, revenue derived from hypermarkets amounted to approximately RMB97.4 million, or approximately 14.6% of the Group's total turnover (2003: Nil). Based on the spending characteristics, needs and preferences of targeted customers, the Group formulated different management systems and requirements, as compared to other store formats, in terms of the classification of merchandise, service and other operational aspects, with a view to providing customers with a more comfortable shopping environment, more competitive prices and a richer variety of merchandise offered.

The Group will further strengthen the management of hypermarkets with an aim to enhancing operational efficiency, expanding its business radius and increasing brandname awareness. The Group's next focus for hypermarkets would be increasing the revenue per transaction.

Supermarkets

The number of supermarkets increased by 6 compared to the first quarter of 2003 (resulting in a total net saleable area of 47,373 sq.m.), while comparable store sales grew by approximately 10.8%. As a result, revenue derived from supermarkets in the first quarter of 2004 amounted to approximately RMB454.2 million, representing a growth of approximately 61% from approximately RMB282.1 million for the corresponding period in 2003. Gross profit margin for supermarkets during the period under review was approximately 13.1%, as compared to approximately 15.9% for the corresponding period in 2003. A lower gross profit margin was due to the sale to Managed Stores and associated company at cost. Should such sales be excluded, gross profit margin for the first quarter of 2003 and 2004 would be 16.85% and 17.67% respectively.

During the period under review, realignment and renovation was conducted at various supermarkets of the Group with a view to enhancing the overall image of the stores by improving the allocation and display of goods and further standardising the shop image and layout design.

"Early Bird Fresh Food Counters" were introduced in some of the Group's supermarket stores during the period under review. These fresh food counters typically opened for business 60 to 90 minutes ahead of the main stores to offer fresh vegetables, fruits and fresh meat, and were well received by shoppers as a

convenient access to daily food items. Comparable store sales for fresh food merchandise increased by approximately 40% compared to the corresponding period in the previous year after the introduction of the "Early Bird Fresh Food Counters."

Sales of stores that recorded a below average performance in the previous period saw improvements in varying degrees as a result of focused analyses and steps taken by the Group in respect of these stores.

The Group will continue to enhance the management standards of its supermarkets, which represented the most well-managed and developed store format under the Group's operations, by constantly upgrading their IT systems with a view to maintaining a sustainable growth.

Convenience stores

During the period under review, the total number of convenience stores increased by 219 compared to the first quarter of 2003 (resulting in a total net saleable area, excluding the 196 franchised stores, of 19,634 sq.m.), while comparable store sales grew by approximately 13.7%. As a result, revenue generated from convenience stores in the first quarter of 2004 was approximately RMB115.3 million, representing a growth of approximately 10.9% from approximately RMB104.9 million for the corresponding period in 2003. Gross profit margin for the first quarter of 2003 and 2004 was approximately 17.34% and 17.47% respectively.

During the period under review, the Group adopted gradual measures to enhance and standardise the management of convenience stores, focusing on improvement in operation efficiency. A new system for the operation and management of the Group's convenience stores has been put into effect since April 2004.

Meanwhile, the Group strengthened the management of its franchised convenience stores. During the period under review, the Group revised its franchise standards, franchised store approval systems and management standards. Such revisions are now being implemented, with a view to ensuring compliance with the Group's management standards for franchised stores in terms of operation, management, merchandise and service.

Business prospects

China's ongoing, sound economic growth is set to provide further development opportunities in respect of the retail sector.

The Group will continue to expand its retail network by, among others, entering into more joint ventures to enlarge its market share in Beijing and peripheral areas, taking full advantage of its core competence, namely brandname dominance, and opportunities to co-operate with state-owned or other enterprises. Meanwhile, the Group will seek to further enhance its operational efficiency by improving internal management system and to reinforce its core competitive strengths by exercising stringent cost controls.

The Group has refined its plans on retail network expansion and management enhancement to ensure that its business will be operated in accordance with stated objectives for continually bringing value to shareholders.

The PRC Government has recently adopted a series of measures aiming at adjusting the pace of economic growth. Such adjustment policies, including measures to avoid unwarranted investments and repetitive projects with low quality standards, are not expected to have any material impact on the retail industry and, in particular, retail chain operations remain to be a sector whose development is supported and encouraged by the PRC Government. As such, it is expected that the Group will continue to grow steadily in the future.

Dr. Zhang Wen-Zhong

Chairman

Beijing, the PRC
11th May, 2004

Post-Balance Sheet Date Event

1. The Company entered into a Share Purchase Agreement with Beijing Chao Shifa Company Limited Staff Shareholding Union (北京超市發連鎖股份有限公司職工持股會) on 19th April, 2004 pursuant to which, the Company agreed to acquire a 25.03% interest in Beijing Chao Shifa Company Limited (北京超市發連鎖股份有限公司) ("Chao Shifa") at a total consideration of RMB73,664,000.
2. The Company entered into a Trust Agreement with Beijing Chao Shifa State-owned Asset Management Company (北京超市發國有資產經營公司) on 21st April, 2004, pursuant to which the Company agreed to hold a 34.77% interest in Chao Shifa on trust as trustee for Beijing Chao Shifa State-owned Asset Management Company (北京超市發國有資產經營公司).

For details of the above transactions, please refer to the Company's announcement dated 4th May 2004 (Major Transaction: Acquisition of Beijing Chao Shifa Company Limited and Resumption of Trading)

Immediately following completion of the above two agreements, the Company will be able to effectively control the exercise of an aggregate of approximately 59.8% interest in Chao Shifa, a major retail chain operator in Beijing with over 6,000 staff. After completion of the above agreements, the Group will conduct detail study on the operation and management of Chao Shifa. It is the Group's current intention to leverage on its experience in collaboration with state-owned enterprises to improve the operation efficiency of Chao Shifa. In this regard, the Group will (i) implement its management and operation system, including central purchasing for lowering overall purchase cost; and (ii) provide staff training and introduce the Company's results driven corporate culture, into Chao Shifa.

QUARTERLY RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the unaudited consolidated results of the Group for the three months ended 31st March, 2004, together with the comparative unaudited consolidated figures for the three months ended 31st March, 2003:

	Notes	For the three months ended	
		2004	2003
		RMB'000	RMB'000
Turnover	2	666,885	386,967
Cost of Sales		(579,229)	(323,936)
Gross profit		87,656	63,031
Other operating income	3	10,536	4,766
Administrative expenses		(15,023)	(11,679)
Selling & distribution costs		(42,080)	(31,094)
Profit from operations		41,089	25,024
Finance costs		(107)	(102)
Share of results of associates		2,822	2,887
Profit before taxation		43,804	27,809
Taxation	4	(14,692)	(8,680)
Profit before minority interests		29,112	19,129
Minority interests		(641)	(1,213)
Net profit for the period		28,471	17,916
Dividend	5	—	—
Earnings per share	6	RMB0.11	RMB0.10

Notes:

1. Basis of Presentation

The Company was incorporated in the People's Republic of China (the "PRC") as a limited liability company on 9th August, 2000 and was converted into a joint stock limited company in accordance with the PRC Company Law on 5th December, 2002. The Company conducted its initial public offering and its H shares were listed on GEM on 21st November, 2003. Its ultimate holding company is Beijing Jingxi Guigu Technology Company Limited (北京京西硅谷科技有限公司), a company incorporated in the PRC with limited liability.

The financial statements for the period under review have been prepared under the historical cost convention, modified for the revaluation of certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2003.

2. Turnover

The Group is principally engaged in the operation and management of hypermarkets, supermarkets and convenience stores in Beijing, Tianjin and Hebei. Turnover recognised for the three months ended 31st March, 2004 was as follows:

	Three months ended 31st March,	
	2004	2003
	RMB'000	RMB'000
Sales of merchandise	625,175	356,041
Rental income from leasing shop premises	15,958	13,610
Service income, including store display income and promotion income	29,060	19,665
	670,193	389,316
Business tax and other government charges	(3,308)	(2,349)
	666,885	386,967

3. Other operating income

	Three months ended 31st March,	
	2004	2003
	RMB'000	RMB'000
Government subsidies	577	1,457
Interest income	1,805	295
Excess cash at check-outs	285	228
Delivery service income	3,337	740
Others	4,532	2,046
	10,536	4,766

4. Taxation

	Three months ended 31st March,	
	2004	2003
	RMB'000	RMB'000
The charge comprises:		
PRC corporate income tax attributable to the Company and its subsidiaries	13,761	7,730
Share of taxation of associates	931	950
	14,692	8,680

PRC corporate income tax is calculated at 33% of the estimated assessable profit for the year.

The charge for the period can be reconciled to the profit in the consolidated income statement as follows:

	Three months ended 31st March,			
	2004		2003	
	RMB'000	%	RMB'000	%
Profit before taxation	<u>43,804</u>		<u>27,809</u>	
Taxation at the corporate income tax rate of 33%	14,455	33.00	9,177	33.00
Effect of government subsidies that is not assessable in determining taxable profit	(190)	(0.43)	(481)	(1.73)
Other tax effects	—	—	(16)	(0.06)
Tax effects of expenses that are not deductible in determining taxable profit	<u>427</u>	<u>0.97</u>	<u>—</u>	<u>—</u>
Taxation for the period	<u>14,692</u>	<u>33.54</u>	<u>8,680</u>	<u>31.21</u>

No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

5. Dividend

The board of directors does not recommend the payment of any dividend for the three months ended 31st March, 2004 (2003: Nil).

6. Earnings per share

The calculation of earnings per share is based on the net profit for the three months ended 31st March, 2004 of RMB28,471,000 (2003: RMB17,916,000) and on the weighted average number of 266,397,000 shares in issue during the year (2003: 178,445,000 shares).

7. Reserves

Movements in the Group's reserves during the three months ended 31st March, 2004 were as follows:

	Three months ended 31st March,						2003
	2004						
	Share premium	Capital reserve	Statutory		Accumulated profits	Total	
			reserve fund	common welfare fund			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Total RMB'000	
At 1st January	449,566	—	8,305	4,010	67,232	529,113	7,951
Net profit for the three months ended 31st March	—	—	—	—	28,471	28,471	17,916
At 31st March	449,566	—	8,305	4,010	95,703	557,584	25,867

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March, 2004, the interests or short positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 in accordance with Rule 5.46 of the GEM Listing Rules, were as follows:

Interests in the domestic shares of the Company

Director's name	Number of Domestic Shares held	Approximate percentage of total issued domestic share capital interest (%)	Type of interest
Dr. Zhang Wen-zhong (張文中博士) (note 1)	124,483,232	69.76	Interest of controlled corporation
Dr. Zhang Wen-zhong (張文中博士) (note 2)	6,245,575	3.50	Interest of controlled corporation
Dr. Wu Jian-zhong (吳堅忠博士) (note 3)	124,483,232	69.76	Interest of controlled corporation
Dr. Wu Jian-zhong (吳堅忠博士) (note 4)	6,245,575	3.50	Interest of controlled corporation
Dr. Wu Jian-zhong (吳堅忠博士) (note 5)	40,114,436	22.48	Interest of controlled corporation
Dr. Meng Jin-xian (蒙進疆博士) (note 6)	5,817,307	3.26	Interest of controlled corporation
Dr. Meng Jin-xian (蒙進疆博士) (note 6)	6,245,575	3.50	Interest of controlled corporation
Mr. Wang Jian-ping (王堅平先生) (note 7)	124,483,232	69.76	Interest of controlled corporation
Mr. Wang Jian-ping (王堅平先生) (note 8)	6,245,575	3.50	Interest of controlled corporation
Mr. Wang Jian-ping (王堅平先生) (note 8)	5,817,307	3.26	Interest of controlled corporation

Notes:

1. The 124,483,232 domestic shares are held by Wumei Holdings, Inc. (北京物美投資集團有限公司) ("Wumei Holdings") one of the promoters of the Company, which is directly and indirectly owned by Beijing CAST Technology Investment Company Limited (北京卡斯特科技投資有限公司) ("CAST Technology Investment") as to 70% and as to 7.22% of its share capital, respectively. CAST Technology Investment is directly and indirectly owned by Beijing Zhongsheng Huate Technology Company Limited (北京中勝華特科技有限公司) ("Zhongsheng Huate") and Beijing Jingxi Guigu Technology Company Limited (北京京西硅谷科技有限公司) ("Jingxi Guigu") as to 20% and as to 80% of its share capital, respectively. Dr. Zhang Wen-zhong holds 60% and 85% of the share capital of Zhongsheng Huate and Jingxi Guigu, respectively.
2. The 6,245,575 domestic shares are held by Beijing Hekang Youlian Technology Company Limited (北京和康友聯技術有限公司) ("Hekang Youlian"), one of the promoters of the Company, which is directly owned by CAST Technology Investment as to 50% of its share capital. For details of Dr. Zhang Wen-zhong's interest in CAST Technology Investment, please refer to note 1 above.
3. Dr. Wu Jian-zhong holds 25% of the share capital of Zhongsheng Huate, which has an indirect interest in the 124,483,232 domestic shares directly held by Wumei Holdings. For details, please refer to note 1 above.
4. Dr. Wu Jian-zhong holds 25% of the share capital of Zhongsheng Huate, which has an indirect interest in the 6,245,575 domestic shares directly held by Hekang Youlian. For details, please refer to note 2 above.
5. Dr. Wu Jian-zhong holds 70% of the share capital of Beijing Wangshang Shijie E-business Company Limited (北京網商世界電子商務有限公司) ("Wangshang Shijie E-business"), one of the promoters of the Company, which has a direct interest in the 40,114,436 domestic shares of the Company.
6. Dr. Meng Jin-xian holds 40% of the share capital of Beijing Junhe Investment Company Limited (北京君合投資有限公司) ("Junhe Investment"), one of the promoters of the Company, which has a direct interest in the 5,817,307 domestic shares of the Company. Junhe Investment also holds 50% of the share capital of Hekang Youlian, which has a direct interest in the 6,245,575 domestic shares of the Company.
7. Mr. Wang Jian-ping holds 5% of the share capital of Jingxi Guigu, which has an indirect interest in the 124,483,232 domestic shares directly held by Wumei Holdings. For details, please refer to note 1 above.
8. Mr. Wang Jian-ping holds 30% of the share capital of Junhe Investment, one of the promoters of the Company, which has a direct interest in the 5,817,307 domestic shares of the Company. Junhe Investment also holds 50% of the share capital of Hekang Youlian, which has a direct interest in the 6,245,575 domestic shares of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 31st March, 2004, none of the directors, supervisors, chief executive of the Company or their respective associates had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

During the three months ended 31st March, 2004, none of the Company, any of its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangement which enables the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2004, as recorded in the register required to be kept pursuant to section 336 of the SFO, the interests and short positions of every person (other than a director, supervisor or chief executive of the Company) were as follows:

Interests in the domestic shares of the Company

Name	Number of Domestic Shares held	Approximate percentage of total issued domestic share capital (%)
Dr. Zhang Wen-zhong (note 1)	124,483,232	69.76
Dr. Wu Jian-zhong (note 2)	40,114,436	22.48
Jingxi Guigu (note 1)	124,483,232	69.76
CAST Technology Investment (note 1)	124,483,232	69.76
Wumei Holdings (note 1)	124,483,232	69.76
Wangshang Shijie E-business (note 2)	40,114,436	22.48
Dr. Meng Jin-xian (note 3)	12,062,882	6.76

Notes:

- (1) Jingxi Guigu is owned as to 85% by Dr. Zhang Wen-zhong, and therefore Dr. Zhang Wen-zhong is entitled to control the exercise of one-third or more of the voting power at general meetings of Jingxi Guigu. CAST Technology Investment is owned as to 80% by Jingxi Guigu, and therefore Jingxi Guigu is entitled to control the exercise of one-third or more of the voting power at general meetings of CAST Technology Investment. Wumei Holdings is owned as to 70% by CAST Technology Investment, and therefore CAST Technology Investment is entitled to control the exercise of one-third or more of the voting power at general meetings of Wumei Holdings. Each of Dr. Zhang Wen-zhong, Jingxi Guigu and CAST Technology Investment is therefore deemed, by virtue of Part XV of the SFO, to be interested in the domestic shares held by Wumei Holdings.
- (2) Wangshang Shijie E-business is owned as to 70% by Dr. Wu Jian-zhong, and therefore Dr. Wu Jian-zhong is entitled to control the exercise of one-third or more of the voting power at general meetings of Wangshang Shijie E-business. Dr. Wu Jian-zhong is therefore deemed, by virtue of Part XV of the SFO, to be interested in the domestic shares held by Wangshang Shijie E-business.

- (3) Junhe Investment is owned as to 40% by Dr. Meng Jing-xian, and therefore Dr. Meng Jing-xian is entitled to control the exercise of one-third or more of the voting power at general meetings of Junhe Investment. 5,817,307 domestic shares are directly owned by Junhe Investment. Hekang Youlian is owned as to 50% by Junhe Investment, and therefore Junhe Investment is entitled to control the exercise of one-third or more of the voting power at general meetings of Hekang Youlian. 6,245,575 domestic shares are directly owned by Hekang Youlian. Dr. Meng Jing-xian is therefore deemed, by virtue of Part XV of the SFO, to be interested in the domestic shares held by Junhe Investment and Hekang Youlian.

Interests in the H shares of the Company

Name	Number of H Shares held	Approximate percentage of total issued H share capital (%)
J.P. Morgan Chase & Co. (note 1)	21,123,000	24.02
The Capital Group Companies, Inc. (note 2)	9,708,000	11.04
Morgan Stanley (note 3)	8,873,000	10.09
Invesco Asia Limited in its capacity as manager/adviser of various accounts (note 4)	8,630,000	9.81
International Finance Corporation (note 5)	8,000,000	9.10

Notes:

- 7,084,000 H Shares are held by J.P. Morgan Chase & Co. in its capacity as an investment manager and 14,039,000 H Shares in its capacity as a custodian or lending agent.
- These 9,708,000 H Shares are held by The Capital Group Companies, Inc. in its capacity as an investment manager.
- These 8,873,000 H Shares are deemed, by virtue of Part XV of the SFO, to be held by Morgan Stanley through controlled corporations.
- These 8,630,000 H Shares are held by Invesco Asia Limited in its capacity as investment manager.
- These 8,000,000 H Shares are directly held by International Finance Corporation.

AUDIT COMMITTEE

Pursuant to a resolution passed by the Board in October 2003, the Company established an audit committee in full compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary functions of the audit committee are to review the financial reporting process of the Company. The audit committee of the Company comprises two independent non-executive Directors, namely Mr. Han Ying and Dr. Robert E. Larson, with Mr. Han Ying as the chairman of the audit committee. In its second meeting, the audit committee of the Company, together with the senior management of the Company, reviewed the accounting principles and methods adopted by the Group and discussed, inter alia, matters relating to internal controls and financial reporting, including a review of the financial statements of the Company which were prepared in accordance with the accounting principles generally accepted in Hong Kong.

SPONSOR'S INTERESTS

The Company was informed by Cazenove Asia Limited, the Company's continuing sponsor, that, except for an employee who was interested in 1,000 H Shares, neither Cazenove Asia Limited nor any of its respective directors or employees or associates (as stated in Note 3 of Rule 6.35 of the GEM Listing Rules) had any interests in the share capital of the Company as at 31st March, 2004.

Pursuant to the Sponsor Agreement entered into between the Company and Cazenove Asia Limited on 10th November, 2003, Cazenove Asia Limited has been appointed as the sponsor of the Company for the remaining period for the year ended 31st December, 2003 and for the two years from 1st January, 2004. The Company shall pay to Cazenove Asia Limited an agreed amount of fees for the services to be rendered.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES

The Company had complied with the board practices and procedures set out in GEM Listing Rules 5.28 to 5.39 during the period from the listing of its H Shares on GEM on 21st November, 2003 to 31st March, 2004.

COMPETING INTERESTS

Wumei Holdings is the controlling shareholder and one of the management shareholders of the Group.

In line with its business objectives, the Group will implement its expansion plan first in Beijing and peripheral areas, then the northern region and followed by the eastern region of the PRC and ultimately across the other regions of the PRC. On 29th October, 2003, the Group entered into the Non-competition Agreement, the Management Agreement, the Trademark Licensing Agreement and the Letter of Undertaking (please see the Prospectus for details) with Wumei Holdings with a view to avoiding business competition with Wumei Holdings. Since then, Wumei Holdings has operated in strict compliance with the agreements in order to avoid business competition with the Company to the fullest extent. Save and except for the competing businesses disclosed in the Prospectus, Wumei Holdings did not engage in any direct or indirect competition against the Company, nor did it have any interests in any of such businesses during the reporting period.

The Directors confirm that Wumei Holdings has been actively taking steps in rectifying the legal title defects relating to Beijing Wumart Pujinda Convenience Stores Company Limited, Hebei Wumart Commerce Company Limited and Beijing Wumart Hypermarket Commerce Company Limited. During the period under review, the Group did not exercise any of its right to purchase the retail businesses from Wumei Holdings.

By order of the Board
Wumart Stores, Inc.
Zhang Wen-zhong
Chairman

Beijing, PRC
11th May, 2004