



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)



Third
Quarterly
Report
2004



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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 GEM of the Stock Exchange (“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 third quarter in 2004 and the corresponding period in 2003

	Change	Three months ended 30th September,	
		2004 RMB'000	2003 RMB'000
Turnover	+60.46%	602,934	375,764
Net profit	+53.60%	23,194	15,100
Earnings per share	—%	RMB0.08	RMB0.08

	Change	Nine months ended 30th September,	
		2004 RMB'000	2003 RMB'000
Turnover	+64.16%	1,831,699	1,115,787
Net profit	+54.75%	72,065	46,569
Earnings per share	+0.8%	RMB0.263	RMB0.261

As of 30th September, 2004 the Group had:

- net assets of approximately RMB1,130,617,000
- total assets of approximately RMB1,714,948,600
- cash and deposits with financial institutions of approximately RMB739,985,000
- current ratio of approximately 229%
- gearing ratio of 0%

For the three months ended 30th September, 2004, the Group had:

- inventory turnover of approximately 31 days
- creditors turnover of approximately 68 days.

CHAIRMAN'S STATEMENT

I am pleased to present the unaudited third quarterly results of Wumart Stores, Inc. (the "Company") and its subsidiaries (collectively, the "Group") for the period ended 30th September, 2004.

Financial Review

For the third quarter of 2004, the Group generated approximately RMB602,934,000 in turnover, representing a growth of approximately 60.46% as compared with the corresponding period of 2003. The rise in turnover was mainly attributable to the increase in the number of retail stores and a surge of approximately 9.49% in comparable store sales (stores that had been operating both for the third quarter of 2003 and the third quarter of 2004) from the corresponding period in the previous year. The growth in comparable store sales was attributable to the increase in the number of store visitors and pay per visit of customers, which was in turn resulted from both the improvement in operational efficiency with the Group's continual efforts of strengthening operational management, and the reputation brought about from the Group's various campaigns to promote the Wumart brand name.

For the period under review, the Group's gross profit amounted to approximately RMB93,499,000, representing a growth of approximately 47.30% as compared with the corresponding period of 2003. Gross profit margin was approximately 15.51%, being approximately 1.38 percentage points less than that for the corresponding period of 2003. The reduction in gross profit margin was due to the sales at cost made to managed stores and an associated company. Excluding sales of goods to managed stores and an associated company at cost, gross profit margin during the third quarter of 2004 would have increased to approximately 17.05%.

For the period under review, the net profit of the Group amounted to approximately RMB23,194,000, representing a growth of approximately 53.60% as compared with the corresponding period of 2003. The growth in net profit was mainly attributable to sales increase resulting from expansion of number of stores and the period-on-period increase in comparable store sales, which resulted in the increase in gross profit and other operating income. The administrative expenses and selling and distribution costs represented approximately 12.17% as a percentage of turnover during the quarter compared with approximately 11.83% of the corresponding period of 2003. The increase was mainly due to opening expenses of new stores incurred

during the third quarter versus comparable period last year. Rental expenses and salaries and staff benefits, the two major expense items for the Group, amounted to approximately RMB15,526,000 and RMB20,955,000 respectively, accounting for 2.58% and 3.48% of the Group's turnover respectively (2003: approximately RMB7,661,000 and RMB14,286,000 respectively, accounting for 2.04% and 3.80% of the Group's turnover, respectively).

For the period under review, the net profit margin was approximately 3.85%, a decrease of 0.17 percentage points compared with the same period last year. The reduction in net profit margin was mainly due to the increase in sales at cost to managed stores and an associated company, excluding which the net profit margin for the third quarter of 2004 would have increased to 4.23%.

For the nine months ended 30th September, 2004, the Group recorded a turnover of approximately RMB1,831,699,000 and net profit of approximately RMB72,065,000, representing increases of 64.16% and 54.75% respectively compared to the same period last year. During the nine months ended 30th September, 2004, revenue from hypermarkets, supermarkets and convenience stores accounted for approximately 22.8%, 58% and 19.2% of the Group's total turnover respectively, whereas in the corresponding period for 2003, the ratio was nil, 75.5% and 24.5% respectively. During the first nine months of 2004, the Group's selling and distribution costs and administrative expenses accounted for approximately 7.2% and 3.7% of the Group's turnover respectively, compared to approximately 7.7% and 4.4% for the corresponding period in 2003 respectively. Rental and salary expenses accounted for approximately 2.3% and 3.6% respectively of the Group's turnover for the nine months ended 30th September, 2004.

For the nine months ended 30th September, 2004, the Group recorded earnings per share of approximately RMB0.263, versus approximately RMB0.261 for the corresponding period in 2003. The calculation of earnings per share for the nine months ended 30th September, 2004 is based on the weighted average number of 273,651,270 shares in issue, as compared to 178,445,000 shares in the corresponding period of 2003. On the basis of 178,445,000 shares, earnings per share of the Group for the nine months ended 30th September, 2004 would be approximately RMB0.404 or approximately 54.79% higher than the corresponding period of the previous year.

Business Review

As at 30th September, 2004, the retail network of the Group consisted of 451 stores, comprising 5 hypermarkets, 33 supermarkets, 405 convenience stores and 8 chained drug stores.

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

	As of 30th September, 2004	As of 30th September, 2003
Hypermarkets	4	Nil
Supermarkets (Note 1)	27	23
Convenience stores		
Direct ownership (Note 2)	133	111
Franchise (Note 3)	235	52
Drug stores	8	7
Total	407	193

Notes:

1. Comprised 26 self-owned stores and 1 store owned through an associated company as of 30th September, 2004.
2. Comprised 125 self-owned stores and 8 stores owned through an associated company directly as of 30th September, 2004.
3. Franchise stores refer to outlets managed by the Group through various franchise arrangements.

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")) and the management agreement entered into between the Company, Wumei Holdings Inc. ("Wumei Holdings") and its relevant subsidiaries in Tianjin ("Managed Stores") are as follows:

	As of 30th September, 2004	As of 30th September, 2003
Hypermarket	1	Nil
Supermarkets	6	Nil
Convenience stores	37	Nil
Total	44	Nil

The Group adhered to its strategy of regional expansion to put additional focus on expanding its retail network by way of merger and acquisition. During the period under review, the Company entered into a merger agreement with Huairou Bureau of Commerce, Beijing and Beijing Jingbei Dashijie Commercial and Trading Group ("Dashijie") to acquire, through its subsidiary Beijing Wumei Jingbei Dashijie Commercial and Trading Company Limited, all the assets and relevant liabilities of Dashijie. This expanded the Group's Beijing retail network into the Huairou District and further consolidated the Group's leading position in the retail chain industry in Beijing and Northern China. (For details, please refer to the report dated 9th August, 2004 (Discloseable Transaction: Merger Agreement) and the report dated 10th August, 2004 (Takeover Agreement) of the Company).

In addition, the Group also continued its expansion in Haidian District through, among others, the taking over of a state owned enterprise with approximately 6,000 sq.m. of saleable area. The consideration was based on the appraised net asset value of the stores.

At a general meeting convened by a subsidiary Beijing Chao Shifa Company Limited ("Chao Shifa") on 29th July, 2004, a resolution was passed to approve the change of board composition of Chao Shifa in its entirety as proposed by the Company. As a result, the Company had an effective control of approximately 59.8% interest in Chao

Shifa. (For details, please refer to the report dated 5th May, 2004 (Major Transaction: Acquisition of Shares in Beijing Chaoshifa Company Limited and Resumption of Trading)).

Hypermarkets

As at 30th September, 2004, the Group operated and managed 5 hypermarkets, comprising 4 directly owned hypermarkets and 1 managed store, with a total net saleable area of 37,884 sq.m..

For the third quarter of 2004, turnover derived from hypermarkets amounted to approximately RMB171,084,000, or approximately 28.4% of the Group's total turnover (2003: No hypermarket operations in place).

During the period, as the Management Models and Systems of the Business Development Department were introduced and put into effect, commodity areas in our hypermarkets had been under more standardised and systematic management which revamped the overall image and grading of our hypermarkets. At the same time, operational efficiency has been improved with the introduction and implementation of the Rules for Prevention of Wastage, which have instilled a better sense of responsibility into employees regarding prevention of wastage and has lowered the rate of wastage of merchandise.

During the period under review, improvements were made to the free shopping shuttle arrangements at our hypermarkets to provide better and more fitting services to customers. More routes were added and a more frequent shuttle schedule has been put in effect, while air-conditioning was made available in part of the fleet for the hot summer season. Meanwhile, parking lots at our hypermarkets were expanded to make shopping more convenient.

During the Mid-Autumn Festival, the five hypermarkets under the Group launched a spectacular festive product called the "Mega Golden Moon-cake." Made of "9999" gold foil, the latest of high-end, exquisite food ingredients, this mega-sized moon-cake boasted a diameter of 100 cm and was designed for the consumption by as many as 1,000 persons. Five mega moon-cakes would form the five rings of the Olympic emblem, signifying the pursuit of excellence and endurance in the face of adversity. It was also a tribute to the outstanding performance of the Chinese

Olympic team at the Athens Olympic Games. The launch attracted international attention with media coverage from Korea and Singapore, which was a huge boost of brand awareness for the Group.

Supermarkets

During the period, 2 stores were added to the Group's portfolio of directly-owned supermarkets while 4 stores were added to its list of managed supermarkets (resulting in a total net saleable area of 68,714 sq.m.). Turnover derived from supermarkets in the third quarter of 2004 amounted to approximately RMB322,883,000, representing a growth of approximately 13.78% from approximately RMB283,787,000 for the corresponding period in 2003. Comparable store sales increased by 10.7% for the first nine months of 2004 versus same period of 2003. Gross profit margin for the first nine months ended 30th September, 2004 was approximately 16.1%, compared to approximately 16.5% for the same period last year. The decrease was due to the increase in sale to managed stores at cost. Should the sale to managed stores be disregarded, gross profit margin for the nine months ended 30th September, 2003 and 2004 would be 18.4% and 18.7% respectively.

During the period, our supermarkets took further initiatives in commodity area purchase order management, whereby all stores are divided into groups by region and specific order hours were designated for each region such that orders from stores were consolidated within a specific period. Operational efficiency was improved as individual orders from stores have been reduced. Transportation costs of suppliers were also reduced, making it possible for the Group to negotiate more favourable prices from suppliers.

During the period, the Group also launched a series of promotional activities, such as "Summer Sale", "Olympics Sale" and "Back To School Sale", during which improvements were noted both in pay per visit of customers for supermarkets and comparable store sales.

Convenient Stores

During the period, the Group opened 3 new directly-owned stores and managed 9 additional stores. 19 new franchise stores were opened while 13 were closed due to non-compliance with franchise benchmarks (resulting in a total net saleable area,

excluding the 235 franchised stores, of 35,260 sq.m.). Turnover generated from convenience stores in the third quarter of 2004 was approximately RMB108,967,000, representing a growth of approximately 18.5% from approximately RMB91,977,000 for the corresponding period in 2003. Comparable store sales increase by 6.8% for the first nine months of 2004 versus the same period of 2003. Gross profit margin for the period was 15.8%, compared to 18.2% for the corresponding period last year. A lower gross profit margin was due to the increase on sale made to managed stores at cost. Should such amount be disregarded, gross profit margin for the first nine months ended 30th September, 2003 and 2004 would be 18.6% and 17.5% respectively.

During the period, the Group continued to emphasize on pragmatism and attention to details by amending operational rules such as Rules for Display and Price Labelling and Rules for Out of Stock Items, with a view to enhancing management of basic routines and further improving operational efficiency.

The Group continued to strengthen management over franchises by formulating the Documents for Management Filing of Franchise Stores and amending the Three-Tier Management of Customer Complaints for Franchise Stores and the Franchise Store Inspection Schedule. Stores in breach of franchise rules and regulations were handed with severe penalties, with a view to enhancing the management standards of franchise stores in terms of operation, management and commodities and protecting the Wumart brand name.

Business Prospects

China's economy continued to grow at a steady pace, recording a GDP growth of 9.5% and a 13% growth in gross retail sales, on a period-on-period basis, for the first nine months of 2004. China's retail market is generally performing well and, with the growing share of gross retail sales as a percentage of GDP, the retail chain business has become an indispensable sector in China's economy.

China's homegrown retail businesses are facing increasing competition, not the least from their foreign counterparts when the sector becomes fully open to foreign investments by the end of 2004. With the number and size of foreign-invested retail stores growing substantially beyond expectation, China's retail market is set to be dominated by expansion, merger and reorganisation initiatives in the coming years.

As one of the largest and most prestigious retail operators in Beijing, the Group will continue to pursue the strategy of regional expansion by leveraging on its experience in collaborating with state-owned enterprises and its well-recognised brand name in facing challenges as well as opportunities. We will keep actively seeking effective means in expanding our retail network. We are open to a number of options, including organic growth, collaboration and merger and acquisition. We are also considering the possibility of acquiring certain retail outlets from Wumei Holdings as referred to in the Prospectus. As we have been emphasising all along, we will carefully evaluate each business opportunity to ensure that any acquisition/expansion is made in the best interest of the Company and its shareholders as a whole. We will also keep evaluating our capital structure and financial capability to ensure that we are well equipped to take any future expansion opportunities.

The Directors believe that the Group will maintain sound growth in results for the fourth quarter of 2004 and fulfil the goals for the full year.

Meanwhile, I would like to express gratitude to our shareholders for their continued support of the Group, as well as all members of our staff team for their dedicated work.

QUARTERLY RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited results of the Group for the three months and nine months ended 30th September, 2004, together with the comparative unaudited consolidated figures for the corresponding periods ended 30th September, 2003:

	Notes	For the three months ended 30th September,		For the nine months ended 30th September,	
		2004 RMB'000 (Unaudited)	2003 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)	2003 RMB'000 (Unaudited)
Turnover	2	602,934	375,764	1,831,699	1,115,787
Cost of Sales		(509,435)	(312,287)	(1,560,130)	(926,289)
Gross profit		93,499	63,477	271,569	189,498
Other operating income	3	15,179	4,434	35,379	14,008
Administrative expenses		(27,957)	(19,356)	(68,096)	(48,887)
Selling & distribution costs		(45,450)	(25,079)	(131,940)	(86,307)
Profit from operations		35,271	23,476	106,912	68,312
Finance costs		(277)	(384)	(424)	(695)
Gain (loss) on disposal of subsidiaries		—	—	—	(74)
Share of results of associates		1,807	1,131	6,468	6,184
Profit before taxation		36,801	24,223	112,956	73,727
Taxation	4	(13,878)	(9,009)	(39,354)	(25,563)
Profit before minority interests		22,923	15,214	73,602	48,164
Minority interests		271	(114)	(1,537)	(1,595)
Net profit for the period		23,194	15,100	72,065	46,569
Dividend	5	—	—	—	—
Earnings per share	6	RMB0.08	RMB0.08	RMB0.263	RMB0.261

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.

These financial statements 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 31st 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 each of the three months and nine months ended 30th September, 2004 was as follows:

	Three months ended 30th September,		Nine months ended 30th September,	
	2004 RMB'000 (Unaudited)	2003 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)	2003 RMB'000 (Unaudited)
Sales of merchandise	554,058	345,217	1,684,756	1,028,731
Rental income from leasing shop premises	17,879	12,214	49,665	39,441
Service income, including store display income and promotion income	34,412	20,564	107,852	54,343
Business tax and other government charges	606,349 (3,415)	377,995 (2,231)	1,842,273 (10,574)	1,122,515 (6,728)
	602,934	375,764	1,831,699	1,115,787

3. Other operating income

	Three months ended 30th September,		Nine months ended 30th September,	
	2004 RMB'000 (Unaudited)	2003 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)	2003 RMB'000 (Unaudited)
Interest income and other investment income	7,731	121	16,132	562
Delivery service income	3,771	1,719	9,203	5,652
Government subsidies	1,470	296	3,175	1,753
Others	2,207	2,298	6,869	6,041
	15,179	4,434	35,379	14,008

4. Taxation

	Three months ended 30th September,		Nine months ended 30th September,	
	2004 RMB'000 (Unaudited)	2003 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)	2003 RMB'000 (Unaudited)
The charge comprises:				
PRC income tax attributable to the Company and its subsidiaries	13,161	8,466	36,539	23,249
Share of taxation of associates	717	543	2,815	2,314
	13,878	9,009	39,354	25,563

PRC income tax is calculated at 33% of the estimated assessable profit for the respective periods.

The charge for the period can be reconciled to the profit in the consolidated profit and loss account as follows:

	Three months ended 30th September,				Nine months ended 30th September,			
	2004		2003		2004		2003	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Profit before taxation	36,801		24,223		112,956		73,727	
Taxation at the income tax rate of 33%	12,144	33.00	7,994	33.00	37,275	33.00	24,330	33.00
Effect of government subsidies that is not assessable in determining taxable profit	(485)	(1.32)	(98)	(0.40)	(1,048)	(0.93)	(578)	(0.78)
Tax effects of expenses that are not deductible in determining taxable profit	2,219	6.03	1,113	4.59	3,127	2.77	1,811	2.45
Taxation for the period	13,878	37.71	9,009	37.19	39,354	34.84	25,563	34.67

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 nine months ended 30th September, 2004 (2003: Nil).

6. Earnings per share

The calculation of earnings per share is based on the unaudited net profit for the three months and nine months ended 30th September, 2004 of approximately RMB23,194,000 and RMB72,065,000 (2003: approximately RMB15,100,000 and RMB46,569,000) and on the weighted average number of 273,651,270 shares in issue during the three months and nine months ended 30th September, 2004 (2003: 178,445,000 shares).

7. Reserves

Movements in the Group's reserves during the three months and nine months ended 30th September, 2004 were as follows:

	Three months ended 30th September,					2003
	2004					
	Share premium	Statutory common reserve fund	Statutory common welfare fund	Accumulated profits	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1st July	695,018	8,305	4,010	116,103	823,436	39,420
Net profit for the three months ended 30th September	—	—	—	23,194	23,194	15,100
At 30th September	695,018	8,305	4,010	139,297	846,630	54,520
	Nine months ended 30th September,					2003
	2004					
	Share premium	Statutory common reserve fund	Statutory common welfare fund	Accumulated profits	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1st January	449,566	8,305	4,010	67,232	529,113	7,951
Premium arising from placing of shares	253,701	—	—	—	253,701	—
Share issue expenses	(8,249)	—	—	—	(8,249)	—
Net profit for the nine months ended 30th September	—	—	—	72,065	72,065	46,569
At 30th September	695,018	8,305	4,010	139,297	846,630	54,520

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

At the first extraordinary general meeting convened by the Company on 24th September, 2004, Mr. Li Lu'an (李祿安) and Mr. Lu Jiang (吕江) were appointed as independent non-executive Directors of the Company. At the same time, Dr. Robert E. Larson, an independent non-executive Director, has resigned with effect from 24th September, 2004 due to his personal commitment with other matters and difficulties arising from his residence in California of the United States. As a result, the Board will have 3 independent non-executive Directors including Mr. Lu Jiang who has expertise in the accounting or related financial management field (For details, please refer to the report dated 24th September, 2004 (changes in directorship)).

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely Mr. Han Ying (韓英), Mr. Li Lu'an and Mr. Lu Jiang, with Mr. Han Ying as the chairman of the audit committee. In its fourth meeting convened on 26th October, 2004 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, 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.

BOARD PRACTICES AND PROCEDURES

The Company had complied with the board practices and procedures set out in GEM Listing Rules 5.34 to 5.45 during the Period.

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

As at 30th September, 2004, the interests or short positions of the directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 5.52 of the GEM Listing Rules, were as follows:

Interests in domestic shares of the Company (“Domestic Shares”)

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 (蒙進暹博士) (note 6)	5,817,307	3.26	Interest of controlled corporation
Dr. Meng Jin-xian (蒙進暹博士) (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, one of the promoters of the Company, which is directly and indirectly owned by Beijing CAST Technology Investment Company Limited ("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 ("Zhongsheng Huate") and Beijing Jingxi Guigu Technology Company Limited ("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 ("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 ("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 ("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 30th September, 2004, none of the Directors, Supervisors, chief executives 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) 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 5.52 of the GEM Listing Rules.

During the nine months ended 30th September, 2004, none of the Company, any of its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangement which enables the Directors, Supervisors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2004, the interests and short positions of persons (other than a Director, Supervisor or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in Domestic Shares

Name	Number of Domestic Shares held	Approximate percentage of total domestic share capital
		(%)
Dr. Zhang Wen-zhong (Note 1)	124,483,232	69.76%
Dr. Wu Jian-zhong (Note 2)	40,114,436	24.48%
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	24.48%
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 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 Shares held by Wangshang Shijie E-business.
- (3) Junhe Investment is owned as to 40% by Dr. Meng Jin-xian, and therefore Dr. Meng Jin-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 Jin-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 H shares of the Company

Name	Number of H Shares held	Approximate percentage of total H share capital
		(%)
J.P. Morgan Chase & Co. (note 1)	22,142,000	20.98
The Capital Group Companies, Inc. (note 2)	12,802,000	12.13
Invesco Asia Limited in its capacity as manager/adviser of various accounts (note 3)	9,400,000	8.91
Morgan Stanley (note 4)	9,269,000	8.78
International Finance Corporation (note 5)	8,000,000	7.58
Fidelity International Limited (note 6)	5,351,000	5.07

Notes:

- 6,195,000 H Shares are held by J.P. Morgan Chase & Co. in its capacity as an investment manager and 15,947,000 H Shares in its capacity as a custodian or lending agent.
- These 12,802,000 H Shares are held by The Capital Group Companies, Inc. in its capacity as an investment manager.
- These 9,400,000 H Shares are held by Invesco Asia Limited in its capacity as an investment manager.
- These 9,269,000 H Shares are deemed, by virtue of the SFO, to be indirectly held by Morgan Stanley through controlled corporations.
- These 8,000,000 H Shares are directly held by International Finance Corporation.
- These 5,351,000 H Shares are held by Fidelity International Limited in its capacity as an investment manager.

SPONSOR'S INTERESTS

The Company was informed by Cazenove Asia Limited 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 to Rule 6.35 of the GEM Listing Rules) had any interests in the share capital of the Company as at 30th September, 2004.

Pursuant to the Sponsor Agreement entered into between the Company and Cazenove Asia Limited dated 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.

COMPETING INTERESTS

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

In line with its business objectives, the Group will implement its expansion plan first in Beijing and peripheral areas, then the northern China region and followed by the eastern China region of the PRC and ultimately across the other regions of the PRC. On 29th October, 2003, the Company 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 Group 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 Group, nor did it have any interests in any of such businesses during the reporting period.

During the period, several business opportunities in the retail sector (the “Business Opportunities”) emerged in Zhejiang, Shanghai and Tianjin. However, given the fact that these Business Opportunities are either not within the Group’s major target areas for development, or subject to legal problems in respect of certain properties, the Group has, with the approval of the independent non-executive Directors, referred those Business Opportunities to Wumei Holdings or its subsidiaries in accordance with the “Non-competition Agreement” and has entered into a management agreement with Wumei Holdings and its relevant subsidiaries in Tianjin.

The Directors confirm that Wumei Holdings has been actively taking steps to procure procedures for 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, the Group did not exercise any of its right to purchase the retail businesses under Wumei Holdings.

By order of the Board

Wumart Stores, Inc.

Dr. Zhang Wen-zhong

Chairman

Beijing, PRC, 26th October, 2004