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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)

Interim Report 2005

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This report, for which the directors of Wumart Stores, Inc. (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "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.

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CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the report on the unaudited interim results of Wumart Stores, Inc. (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30th June, 2005 (the "Period").

Review of Results

- Our retail network comprised of 490 outlets, representing a growth of 61 stores as compared with the corresponding period of last year. Net saleable area (area within the cashier counter of the store) grew by 45.4%;

- Comparable store sales (the turnover of a particular store in respect of different periods of time) increased by 7.7% as compared with the corresponding period of last year;

- Turnover amounted to approximately RMB1,822,041,000, representing a growth of 48.3% as compared with the corresponding period of last year;

- Gross profit amounted to approximately RMB287,829,000, representing a growth of 61.6% as compared with the corresponding period of last year;

- Net profit reached approximately RMB75,530,000, representing a growth of 54.6% as compared with the corresponding period of last year;

- Gross profit margin was approximately 15.8%, an increase of 1.3 percentage points from the corresponding period of last year; and

- Net profit margin was approximately 4.1%, an increase of 0.1 percentage points from the corresponding period of last year.

During the Period, the Group reported growth in terms of both turnover and profits. Turnover grew by more than 48%, which was attributable to turnover generated by newly opened stores as well as the continued improvement in the operational capability of the existing stores. Net profit for the Period increased by more than 50%, which was the result of the Group's on-going emphasis on profitability alongside with rapid store network expansion and implementation of effective cost control.

At the beginning of 2005, the Group started with effort on, amidst its steady expansion, laying a solid foundation in order to strengthen its dominant position in Beijing and set the scene for further expansion in the years ahead. It is the Group's strategy to pursue regional expansion by developing its retail network with Beijing as its hub. With an approach of rapid expansion at low cost, assessing opportunities of new store openings or acquisition in a prudent manner, the Group thus guarantees its future growth and further profitability.

The Group attached great importance to the continual enhancement of its core competence during the Period. The implemented IT system facilitated the optimization of product mix in prompt response to market demand. At the same time, the Group sought to fortify its long-term cooperation with suppliers whilst strictly implementing a supplier screening system. Steps were also taken to sustain profitability by means of effective cost control and ongoing enhancement of operational standards.

Prospects

China retail industry will continue to benefit from rapid economic growth of the nation and the upswing of its household consumption. Retail enterprises, both domestic as well as international, will be confronted with a new competitive landscape and a mushrooming market. Whilst fully recognizing the pressure associated with intensified competition, the Group has full confidence in the future and believes that it will reap fruitful results for the shareholders in the process of sustaining steady growth of turnover and profitability by the continual enhancement of its core competence, strenuous efforts to expand operational scale and market share, thorough review of consumer demand and preference and provision of a richer mix of products.

The management team and myself are fully confident on the prospect of the Group, having every reason to believe that targets laid down for the current year will be duly accomplished. Meanwhile, I would like to express my gratitude to the Company's shareholders for their unfailing support, and to the Company's staff for their excellent performance in the past six months.

Dr. Zhang Wen-zhong
Chairman

Beijing, the PRC
10th August, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the Period, turnover of the Group was approximately RMB1,822,041,000, representing an increase of approximately 48.3% as compared with the corresponding period of last year. The increase of turnover was mainly attributable to the increase in number of retail outlets (to 490 from 429 in the corresponding period of last year), and the growth of comparable store sales of approximately 7.7% over the corresponding period of last year. The growth of comparable store sales was mainly attributable to continually reinforced category management, a refined pricing policy, increasingly enhanced service quality and "Wumart" brand promotion, resulting in the increase in transaction volume and average transaction value.

During the Period, the Group's gross profit was approximately RMB287,829,000, representing an increase of approximately 61.6% compared with the corresponding period of last year. The Group's gross profit margin was approximately 15.8%, an increase of approximately 1.3 percentage points over the corresponding period of last year. The increase in gross profit margin was mainly attributable to the more reasonable pricing policy and the reduction in unit cost of merchandise as economies of scale improved with a centralized purchase system. In addition, excluding merchandise sales to managed and franchised stores and associated companies at cost, gross profit margin would have increased to approximately 18.8%.

During the Period, the net profit of the Group was approximately RMB75,530,000, representing an increase of approximately 54.6% compared with the corresponding period of last year. The increase of net profit was primarily attributable to the increase in gross profit and other operating income resulting from an improvement of operation and the increase of turnover from network expansion as well as the growth of the same store sales. Administrative expenses together with selling and distribution costs accounted for 12.4% of turnover, representing an increase of 2.1 percentage points compared with 10.3% for the corresponding period of last year. The increase was mainly due to the opening of new stores during the Period.

Rental expenses and salaries and staff benefits, the two major expense items for the Period, amounted to approximately RMB43,703,000 and RMB69,622,000, respectively, accounting for approximately 2.4% and 3.8% of the Group's turnover, respectively (corresponding period of 2004: approximately RMB26,048,000 and RMB44,403,000 respectively, accounting for approximately 2.1% and 3.6% of the Group's turnover, respectively).

The Group's net profit margin for the Period was approximately 4.1%, an increase of approximately 0.1 percentage points over the corresponding period last year. This was primarily due to growth in gross profit and effective cost control and economies of scale. In addition, excluding merchandise sales at cost to the managed and franchised stores and associated companies, the Group's net profit margin would have increased to approximately 4.9%.

Earnings per share for the Period was approximately RMB0.27, as compared with approximately RMB0.18 for the corresponding period last year. Earnings per share was based on the weighted average of 283,987,000 shares in issue, as compared to the weighted average of 268,329,967 shares in the corresponding period last year.

The Group mainly financed its capital requirements by cash income from operations during the Period. As at 30th June, 2005, the Group had non-current assets of approximately RMB900,875,000, which mainly comprised property, plant and equipment of approximately RMB584,109,000, interests in associated companies of approximately RMB115,418,000, goodwill of approximately RMB144,564,000, land use right of approximately RMB40,527,000 and prepaid lease payments of approximately RMB13,833,000.

As at 30th June, 2005, the Group had net current assets of approximately RMB390,760,000. Total current assets of the Group, amounting to RMB1,299,594,000, mainly comprised cash and bank balance of approximately RMB312,074,000, investments held for trading of approximately RMB340,026,000 (including RMB330,000,000 on purchase of an investment fund in the PRC, which is a highly-liquid and low-risk fund. The Group may apply for subscription and redemption according to predetermined procedures.), pledged deposit of RMB100,000,000 to secure the grant of bank loans to Beijing Chao Shifa Company Limited ("Chao Shifa"), inventories of approximately RMB165,856,000, prepayments, deposits and other receivables of approximately RMB197,015,000, and amounts due from related parties of approximately RMB178,268,000. Current liabilities mainly comprised trade payables of approximately RMB628,088,000, other payables, deposits received and accruals of approximately RMB144,389,000, tax liabilities of approximately RMB31,051,000 and amounts due to related parties of approximately RMB92,723,000.

As at 30th June, 2005, the Group had bank borrowings of approximately RMB92,790,000, being liabilities assumed from Beijing Jingbei Dashijie Commercial and Trading Group.

During the Period, the Group's average account payable turnover was 64 days, as compared with 50 days for the corresponding period of last year. Inventory turnover reduced to 18 days from 21 days for the corresponding period of last year.

Use of Proceeds

Proceeds from the initial public offering of the Company had been fully utilized as at 30th June, 2005 as illustrated below:

	Intended application from 1st January, 2005 to 30th June, 2005 (Note 1)	Actual application from 1st January, 2005 to 30th June, 2005	Unutilized balance from 1st January, 2005 to 30th June, 2005
	HK$'000	HK$'000	HK$'000
Store network expansion			
Hypermarkets — open not less than 2 hypermarkets in Beijing and surrounding areas	0	112,000 (Note 2)	0
Supermarkets — open not less than 8 supermarkets in Beijing and surrounding areas	0	0	0
Convenience stores — open not less than 36 convenience stores in Beijing and surrounding areas	0	0	0
		112,000	0
Brand management	0	0	0
Operating, information and logistics systems enhancement	0	0	0
Staff training	0	0	0
Working capital	0	0	0
Total		112,000	0

Notes:

1. The use of proceeds set out in the Prospectus was arranged based on the planned net proceeds of approximately HK$336,000,000, thereby the proceeds should have been fully utilized in 2004. Therefore, the intended application of the proceeds of the Company from 1st January, 2005 to 30th June, 2005 are shown as zero.

2. As of 31st December, 2004, the remaining balance of the net proceeds arising from the listing of the Company was approximately HK$112,000,000, which was used by the Company to open hypermarkets during the Period.

Business Review

During the Period, Beijing experienced a steady economic growth under the persistent influence of the austerity measures adopted in the PRC. As the opening up of the domestic retail market pursuant to the nation's commitment upon accession to the World Trade Organization, the Group has been fostering its core competence by stepping up retail network expansion and revamping fundamental operational and management processes.

Retail Network

The Group sustained a rapid and steady pace of development of its retail network during the Period. As at 30th June, 2005, the retail network of the Group and its associated companies consisted of a total of 490 stores, comprising 10 hypermarkets, 48 supermarkets, 424 convenience stores and 8 chain drug stores which were either directly owned or operated and managed by the Group and its associated companies through franchise arrangements or various management agreements.

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

	As of 30th June, 2005	As of 30th June, 2004	Region
Hypermarkets	**10**	4	Beijing, Tianjin
Supermarkets (Note 1)	**32**	25	Beijing, Hebei
Convenience stores			
Direct ownership (Note 2)	**133**	130	Beijing
Franchise (Note 3)	**238**	229	Beijing
Drug stores	**8**	8	Beijing
Total	**421**	396	

Stores operated and managed by the Group under various management agreements ("Managed Stores") comprise:

	As of 30th June, 2005	As of 30th June, 2004	Region
Hypermarkets (Note 4)	**nil**	1	Beijing
Supermarkets	**16**	2	Tianjin, Hebei
Convenience stores	**53**	30	Beijing, Tianjin
Total	**69**	33	

Notes:

1. Supermarkets comprised 31 stores directly owned by the Group and 1 store owned through an associated company on 30th June, 2005.

2. Directly owned convenience stores comprised 123 stores directly owned by the Group and 10 stores owned through an associated company on 30th June, 2005.

3. Franchised stores refer to outlets operated and managed by the Group through various franchise arrangements.

4. An outlet Huixin Hypermarket (the "Beijing Huixin Hypermarket") under Beijing Wumart Hypermarket Commerce Company Limited ("Beijing Hypermarket") which is in turn a subsidiary of Wumei Holdings, Inc. (物美控股集團有限公司) (renamed in Chinese on 3rd June, 2005, formerly known as 北京物美投資集團有限公司 in Chinese), was previously managed by the Group. Following approval at the annual general meeting 2004 of the Company held on 29th April, 2005 in respect of the Company's acquisition of the entire assets and business operations of Beijing Huixin Hypermarket and the completion of the acquisition by the Company in accordance with the asset acquisition agreement, Beijing Huixin Hypermarket became directly owned by the Company.

Store Operations

During the Period, the Group strengthened the management of basic operational processes aiming at "high standards on the back of solid foundations", "overall enhancement through exemplifying the best", "sales promotion by capturing business opportunities" and "development through team building", which emphasized the improvement of operational processes starting with operational management and has proved to be effective.

Hypermarkets

As at 30th June, 2005, the Group had a total of 10 hypermarkets, an increase of 6 compared to the corresponding period of last year. Total saleable area increased to 65,489 square metres.

With changes in lifestyle and working patterns, consumers are in greater demand for one-stop shopping such as that offered by hypermarkets. In response to these changes, the Group has expedited the development of its hypermarkets operations. During the Period, turnover from our hypermarket operations amounted to approximately RMB658,211,000, an increase of approximately 166.2% compared to approximately RMB 247,223,000 for the corresponding period of last year and represented approximately 36% as a percentage of the Group's turnover.

Aiming at "high standards on the back of solid foundations", the Group has attached importance to the formulation of processes at its hypermarkets to improve operational efficiency. During the Period, work processes and systems in respect of new outlet development, product procurement, operations, finance, information systems and human resources have been refined and adjusted to standardize, simplify and make more user-friendly the processes and systems which would help to enhance operational efficiency and management standards.

During the Period, the focus of some of the Group's outlets has been changed with reference to further market researches and internal analysis as well as reassessment, whereby their respective product mix have been adjusted to meet the needs of the particular locality and commercial circles. In particular, adjustments have been made to general merchandise items for suburban stores and fresh food items for city stores. In this connection, consumers are provided with merchandise that fully meets their requirements, thereby increasing the average transaction value.

"Sales promotion by capturing business opportunities" is another key issue for the hypermarket operations. During the Period, an Italian Food Festival was jointly organized by the Group and the Italian Trade Commission, presenting to local consumers hundreds of well-known Italian brands in different categories. The activity enriched the varieties of overseas merchandise items at our stores and provided more quality product offerings to consumers, giving them a taste of foreign sophistication at affordable prices.

The Group was the first operator in Beijing to sell the first batch of fruits from Taiwan at zero tariff. It has aroused substantial public awareness and market response was overwhelmingly positive. It was through capturing such new business opportunities and an increase of average daily transaction volume at the stores that sale turnover were enhanced.

In response to the swift development and expansion of the hypermarket operations which have in turn created demand for a larger number of competent employees, training courses are commissioned to provide systematic and professional trainings on corporate culture, operational notions, compliance systems, operational techniques as well as management skills to cater to the respective needs of different levels and positions of staff and managers. The training courses are so designed to expedite the staff's and manager's adaptation to their respective positions and facilitate continual improvement and advancement in their career.

Supermarkets

As at 30th June, 2005, the Group owned and/or operated a total of 48 supermarkets with a total saleable area of 89,444 square metres.

Supermarket operations continued to be the most developed store format of the Group and the major revenue contributor. During the Period, turnover from the supermarket operations amounted to approximately RMB902,775,000, representing an increase of approximately 22.1% compared to the corresponding period of last year, and represented 50% of turnover.

To further enhance its core competence, during the Period, the supermarket operations put particular emphasis on the notion of "high standards on the back of solid foundations" to further upgrade its current operational standards. Frequent inspections are conducted by the supermarket division. In their weekly inspection, general manager and supervision team will pay particular attention to basic operational management. In addition, in line with the notion of "solid foundation", a specific check and assessment system has been implemented at the supermarkets whereby assessment would be conducted on individual basis by using standard form of job duty assessment, promotion scheme assessment, operations assessment (50 items) and standardised display assessment to raise the management standard of store operations.

In addition, the Group sought to refine procurement management to standardize procurement processes through the implementation of the "System of Assessment for the Admission of Suppliers", which would serve to better assess the quality of suppliers and their products and facilitate engagement of more qualified suppliers. Meanwhile, the Group was in persistent efforts to improve and ensure the rationality of product mix through the implementation of the "System of Assessment for the Addition" and "Expulsion and Replacement of Merchandise Items", whereby slow-moving items have been expelled in order to upgrade and ensure the product mix.

During the Period, "Overall Improvement through Exemplifying the Best" program enabled the supermarket stores with outstanding management performance to help expedite enhancement of basic operational management of poorly managed stores. Such implementation will help the overall enhancement of store operations and management standards of our supermarkets.

During the Period, the "Merchandise Credit Monitoring System", where networked computer terminals are installed to conduct merchandise credit searches and authenticity check, has been implemented at selected supermarkets. Information relating to the credit and authenticity of merchandise items can be searched and retrieved from such terminals to facilitate consumers' selection. The system is essential in safeguarding consumers' benefits. Since its introduction, the system has increasingly been a boost to consumers' confidence. The Group will continue to provide high quality, expertise services as such to customers.

During the Period, in light of rapid business expansion and its internal demand for technical staff and adhering to the notion of "Development through Team Building", arrangements were entered into with two business and finance institutions for collaboration. In the next two years commencing 2005, a few hundred students will be trained to take up roles in the respective areas of cashier services, maintenance and chain store management for Wumart Group. Trainees will be taught in a classroom setting at the institutions and be placed at the Group's stores on an internship basis before they become key technical personnel at our supermarkets. This lays a good foundation for of human resources the fast and sustainable growth of the Group.

Convenience Stores

During the Period, the Group opened 8 directly-owned stores and 11 franchised stores, whereas 9 directly-owned stores and 8 non-complying franchised stores were closed down as part of the initiative to classify stores into different types and in view of their respective historical profitability and future growth potential. As at 30th June, 2005, the Group owned and/or operated a total of 424 convenience stores, whose total net saleable area (excluding franchised stores) was 35,559 square metres.

During the Period, in pursuit of the Group's notion of "High Standards on the back of Solid Foundations", certain new management systems were implemented at the convenience stores, whereby basic operational processes have been revised. Daily checks and integrated inspections form the basis upon which standards of inspections are revised and regulated for an overall assessment and implementation of basic operational management, thereby raising store management standards.

Convenience stores are classified into types such as community minimarts, school campus outlets and those in high pedestrian flow area. Market research and data analysis were conducted on a large scale at the pre-inception stage to form the basis upon which product mix is optimized to further satisfy the needs of consumers at various extents of commercial circles, thereby increasing store turnover.

Expansion of the network of school campus outlets continued as the total number hits 11 as at 30th June, 2005. Apart from the positive response and acclamation by faculty and students, such mode of operations has enhanced the brand awareness of the Group.

During the Period, a community campaign named "100 plus 100 sunshine project" was launched by the minimarts to get in closer contact with the community. Under the project, 100 selected convenience stores are commissioned to regularly conduct home cleaning work for elderly people with no families living in the respective community or its vicinity, give out daily necessities to them and celebrate their birthdays. The helped ones will also benefit from free delivery services and emergency call services provided by the stores. Well recognized by the community, the campaign has served to foster harmony and cultivation in the society. Meanwhile, it will serve to establish good relationships with the surrounding community and customers, thereby maximizing the brand recognition and corporate image of the Group.

Social Contributions and Recognitions

In April 2005, Dr. Zhang Wen-zhong, chairman of the Company, was recognized as a "Model Worker" by the municipal government of Beijing. In June 2005, Dr. Zhang Wen-zhong was nominated as the Capital Outstanding Individual by the party commission and municipal government of Beijing in recognition of his excellence and performance in his contributions to the economic construction of Beijing.

In April 2005, one of the supermarket outlets Xi Huang Cun Store was recognized as a "Model Organization of Beijing" by the municipal government of Beijing.

Prospects and Strategy

During the Period, China maintained its rapid economic growth, registering a year-on-year GDP growth of 9.5% on a national basis and a growth of 10.4% for Beijing. Gross retail sales amounted to RMB2,961 billion, an increase of 13.2% compared to the corresponding period of last year (which, excluding price factors, would represent real growth of 12.0%). Beijing reported gross retail sales amounting to RMB140.8 billion or a year-on-year growth of 9.5% with rising living standard.

The management of the Company believes that the persistent economic growth sustained by the nation has created ample room for development of the retail industry and the retail chain sector in particular. Against the new landscape of increasingly intensified competition along with the opening up of the sector to foreign investment in according with government policies pursuant to the nation's commitment upon its accession to the World Trade Organization, both domestic and international operators are equally subject to the same market conditions where growth opportunities as well as competition are common to all players.

The Group will take full advantage of growth opportunities to seek swift and steady expansion in the second half of the year by means of organic growth, merger, acquisition, and collaboration in adherence to its strategy of regional development.

In its continual pursuit of sustainable profitability, the Group will leverage on its solid business foundation to enhance its management standards, improve its operating results and gather growth potentials to cultivate its unique competitiveness in terms of cultural distinction, strategy, technology, cohesive strength and innovation. The pragmatic and focused approach will be further implemented in the management and operational functions. Operational processes will be formulated, refined, implemented and observed for improvement in workflows towards an industrialized retailing.

On the basis of the strategic alliance forged with its top ten suppliers in respect of information sharing, online purchasing and etc., the Group will continue to develop long-term cooperation with its suppliers by working closely with them to curb costs and improve efficiency.

The Group is committed to provide a richer selection of merchandise to the satisfaction of customers. Given the increasingly diversified demand for customized offerings of merchandise, the Group, being one of the top retail chain operators in Beijing, will endeavour to innovate to meet the demand from different consumers.

Through the pursuit of management excellence, our staff will be fully committed to creating values to the customers, fortifying the Group's leading position in northern China as well as strengthening its competence in Beijing and its surrounding areas.

Future plans for material investments or capital assets and their expected sources of funding

The Company had no material acquisition or capital expenditure plan as of 30th June, 2005.

REVIEW OF BUSINESS OBJECTIVES

The following is a comparison between the actual business progress for the six months ended 30th June, 2005 and the business objectives as set out in the prospectus for the same period.

Store Network Expansion

	Implementation schedule as set out in the prospectus	Current progress
Hypermarkets	Open not less than 2 hypermarkets in Beijing and surrounding areas	Opened 4 new hypermarkets in Beijing (note 1)
Supermarkets	Open not less than 8 supermarkets in Beijing and surrounding areas	Opened 6 new supermarkets in Beijing
Convenience Stores	Open not less than 36 convenience stores in Beijing and surrounding areas	Opened 8 convenience stores in Beijing (note 2)
	Open not less than 54 convenience stores in Beijing and surrounding areas through franchise arrangements	Opened 11 convenience stores in Beijing through franchise arrangements (note 3)

Notes:

1. Not including Beijing Huixin Hypermarket acquired from Beijing Hypermarket. With changes in the market and consumers' demand, the Group expedited development of its hypermarket operations.

2. Actual opening of new stores was less than that set out in the prospectus. To avoid irrational pursuit of quantity rather than quality for opening new outlets, the Group strictly controls the site selection process and conducts thorough assessment of the potential profitability of new outlets to ensure profitable operations with better store quality. The Group will continue to identify suitable premises for new opening of various types of convenience stores to expand the Group's retail network.

3. Actual opening of new stores was less than that set out in the prospectus. It is because the franchise standards are strictly followed in opening new franchise stores to maintain the positive image of Wumart along with its initiatives of retail network expansion.

Brand management

Implementation schedule set out in the prospectus	Current progress
Enhancing the quality of customer services	
Develop and launch the "Quality Service Campaign"	The "Quality Service Campaign" was launched to establish the image of "100% customer satisfaction at Wumart" by arousing service awareness such as using standard greetings and applying the rule of first-asked helps you through etc
Introduce and offer additional value-added services to customers	Offer a number of additional value-added services to customers, such as a "100 plus 100 Sunshine Project" by the minimarts and community services from the supermarkets

Implementation schedule set out in the prospectus	Current progress

Enhancing the quality of merchandise offered

Continue the sampling checks campaign on all categories of merchandise offered	Apart from the quality check upon receipt of incoming merchandise by the inspection department, operations department also conducted periodic and random sampling checks on the quality of every type of merchandise and revise inspection standards from time to time in order to ensure product quality

Introducing new "Wumart" branded merchandise

Develop and introduce "Wumart" branded household products	A total of 11 items of "Wumart" branded household products were developed and introduced

Operating, information and logistics systems enhancement

Supermarkets/hypermarkets

Launch new standard store layout	Launch new standard store layout format and establish model store
Renovation of certain outlets according to the new standard store layout	Commence renovation, adjustment and revamping of certain retail stores according to the new standard store layout

Implementation schedule set out in the prospectus	**Current progress**
Set up information system to enable (1) online purchase from suppliers; (2) information management with suppliers; and (3) online settlement	Operations efficiency has been enhanced with the completion of online supplier management including online purchase, settlement and data management etc
Convenience Stores	
Implementation of standardised procedures to enhance operations efficiency	Operational processes were amended and adjusted to achieve standardised and regulated operations. Commenced implementation of certain standardised procedures
Expand the centralised procurement and logistics centre to enhance logistics efficiency	Increase scale of centralised procurement. Construction planning and feasibility study in respect of logistics centre is in progress
Continue the installation of the integrated "purchase-sell-inventory" system to achieve individual product management	An integrated "purchase-sell-inventory" was installed in all stores except those under Beijing Tongtang Wumart Convenience Stores Company Limited

Staff training

Implementation schedule set out in the prospectus	Current progress
Offer additional professional training courses to the store managers	15 training sessions on professional skills have been provided to store managers at Wumart Development and Training Institute, with participations of more than 360
Offer training courses to newly-employed staff to promote the unique culture of Wumart Group	Apart from attending training sessions on Wumart culture, every new recruit was assigned a mentor by the human resources department for the inculcation of Wumart's corporate culture
Offer additional operational training courses to the staff of supervisor-level or above	12 training sessions, mainly on operational skills, have been provided to the staff of supervisor-level or above at Wumart Development and Training Institute, with participations of more than 350

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30th June, 2005

	Notes	Three months ended 30th June, 2005 RMB'000 (Unaudited)	Three months ended 30th June, 2004 RMB'000 (Unaudited)	Six months ended 30th June, 2005 RMB'000 (Unaudited)	Six months ended 30th June, 2004 RMB'000 (Unaudited)
Revenue	3	**840,281**	561,880	**1,822,041**	1,228,765
Cost of sales		**(702,257)**	(471,466)	**(1,534,212)**	(1,050,695)
Gross profit		**138,024**	90,414	**287,829**	178,070
Other income		**32,636**	9,664	**50,739**	20,200
Selling and distribution costs		**(77,833)**	(44,410)	**(160,692)**	(86,490)
Administrative expenses		**(39,112)**	(25,116)	**(65,019)**	(40,139)
Finance costs		**(2,956)**	(40)	**(3,115)**	(147)
Share of profit of associates		**(833)**	672	**1,318**	2,563
Profit before tax		**49,926**	31,184	**111,060**	74,057
Income tax expense	5	**(16,716)**	(9,617)	**(32,868)**	(23,378)
Profit for the period		**33,210**	21,567	**78,192**	50,679
Attributable to:					
Equity holders of the parent		**31,730**	20,400	**75,530**	48,871
Minority interests		**1,480**	1,167	**2,662**	1,808
		33,210	21,567	**78,192**	50,679
Earnings per share (Basic)	8	**RMB0.11**	RMB0.08	**RMB0.27**	RMB0.18

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2005

	Notes	**30.6.2005 RMB'000 (Unaudited)**	31.12.2004 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**584,109**	421,073
Interests in associates		**115,418**	114,100
Goodwill	10	**144,564**	1,004
Land use rights		**40,527**	—
Prepaid lease payments		**13,833**	20,317
Deferred tax asset	19	**2,424**	—
		900,875	556,494
Current assets			
Inventories		**165,856**	147,410
Investments held for trading	11	**340,026**	12,125
Trade receivables	12	**6,355**	3,878
Prepayments, deposits and other receivables		**197,015**	166,039
Amounts due from related parties	13	**178,268**	133,611
Pledged deposit	14	**100,000**	100,000
Trust monies placed with a financial institution	15	**—**	450,000
Cash and bank balances		**312,074**	274,257
		1,299,594	1,287,320

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

At 30th June, 2005

	Notes	30.6.2005 RMB'000 (Unaudited)	31.12.2004 RMB'000 (Audited)
Current liabilities			
Trade payables	16	**628,088**	464,252
Other payables, deposits received and accruals		**144,389**	161,862
Amounts due to related parties	13	**92,723**	12,893
Dividend payable		**3**	3
Tax liabilities		**31,051**	20,103
Borrowings (current portion)	17	**12,580**	—
		908,834	659,113
Net current assets		**390,760**	628,207
Total assets less current liabilities		**1,291,635**	1,184,701
Non-current liabilities			
Borrowings	17	**80,210**	—
Net assets		**1,211,425**	1,184,701
Capital and reserves			
Share capital	18	**283,987**	283,987
Reserves		**907,025**	882,613
Equity attributable to equity holders of the parent		**1,191,012**	1,166,600
Minority interests		**20,413**	18,101
Total equity		**1,211,425**	1,184,701

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2005

	Share capital RMB'000	Share premium RMB'000	Statutory common reserve fund RMB'000	Statutory common welfare fund RMB'000	Accumulated profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1st January, 2004	266,397	449,566	8,305	4,010	67,343	795,621	14,813	810,434
Placing of shares	17,590	253,701	—	—	—	271,291	—	271,291
Share issue expense	—	(8,249)	—	—	—	(8,249)	—	(8,249)
Contribution from a minority shareholder	—	—	—	—	—	—	500	500
Profit for period	—	—	—	—	48,871	48,871	1,808	50,679
Dividend paid by a subsidiary	—	—	—	—	—	—	(1,542)	(1,542)
At 30th June, 2004	283,987	695,018	8,305	4,010	116,214	1,107,534	15,579	1,123,113
Profit for the period	—	—	—	—	59,066	59,066	2,645	61,711
Profit appropriations	—	—	17,094	8,548	(25,642)	—	—	—
Dividend paid by a subsidiary	—	—	—	—	—	—	(123)	(123)
At 31st December, 2004	283,987	695,018	25,399	12,558	149,638	1,166,600	18,101	1,184,701
Profit for the period	—	—	—	—	75,530	75,530	2,662	78,192
Dividend paid by the parent	—	—	—	—	(51,118)	(51,118)	—	(51,118)
Dividend paid by a subsidiary	—	—	—	—	—	—	(350)	(350)
At 30th June, 2005	283,987	695,018	25,399	12,558	174,050	1,191,012	20,413	1,211,425

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

For the six months ended 30th June, 2005

	Six months ended 30th June,	
	2005	2004
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**112,734**	103,296
Net cash (used in) from investing activities		
Purchases of property, plant and equipment	**(94,033)**	(75,180)
Acquisition of hypermarket operation	**(67,168)**	—
Purchases of investments held for trading	**(330,000)**	(10,000)
Increase in pledged deposit	**—**	(100,000)
Investment deposits paid	**—**	(73,664)
Proceeds on disposal of property, plant and equipment	**8,816**	1,050
Other investing cash flows	**14,301**	7,109
	(468,084)	(250,685)
Net cash (used in) from financing activities		
Dividend paid	**(51,118)**	—
Proceeds on issue of shares	**—**	271,291
Share issue expenses	**—**	(8,249)
Repayments of borrowings	**(2,600)**	—
Other financing cash flows	**(3,115)**	(147)
	(56,833)	262,895

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

For the six months ended 30th June, 2005

	Six months ended 30th June, 2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Net (decrease) increase in cash and cash equivalents	**(412,183)**	115,506
Cash and cash equivalents at beginning of the period	**724,257**	571,559
Cash and cash equivalents at end of the period	**312,074**	687,065
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**312,074**	137,065
Trust monies placed with a financial institution	**—**	550,000
	312,074	687,065

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30th June, 2005

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Chapter 18 of GEM Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention except for investments held for trading which are measured at fair values.

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, 2004, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment had been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for an Evaluation of Mineral Resources
Interpretation HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
Interpretation HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

3. REVENUE

The Group is principally engaged in the operation and management of hypermarkets, supermarkets and conveniences stores in the Peoples Republic of China ("PRC"). Revenue recognised for the three months and six months ended 30th June, 2005 are as follows:

	Three months ended 30th June,		Six months ended 30th June,	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
Sales of merchandise	**756,210**	505,523	**1,655,080**	1,130,698
Rental income from leasing shop premises	**27,649**	15,828	**55,809**	31,786
Service income, including store display income and promotion income	**61,897**	44,380	**122,579**	73,440
	845,756	565,731	**1,833,468**	1,235,924
Business tax and other government charges	**(5,475)**	(3,851)	**(11,427)**	(7,159)
	840,281	561,880	**1,822,041**	1,228,765

4. SEGMENT INFORMATION

The Group is primarily engaged in the operations of supermarkets, convenience stores and hypermarkets and operates in the PRC. Accordingly, no segmental analysis is presented.

5. INCOME TAX EXPENSE

	Three months ended 30th June, 2005 RMB'000	2004 RMB'000	Six months ended 30th June, 2005 RMB'000	2004 RMB'000
The charge comprises:				
PRC income tax	**16,716**	9,617	**35,292**	23,378
Deferred tax	**—**	—	**(2,424)**	—
	16,716	9,617	**32,868**	23,378

The charge for the three months and six months ended 30th June, 2005 can be reconciled to the profit per the income statement as follows:

	Three months ended 30th June, 2005 RMB'000	2004 RMB'000	Six months ended 30th June, 2005 RMB'000	2004 RMB'000
Profit before tax	**49,926**	31,184	**111,060**	74,057
Tax at domestic income tax rate of 33%	**16,476**	10,291	**36,649**	24,439
Tax effect of share of profit of associates	**275**	(222)	**(435)**	(846)
Tax effect of expenses that are not deductible for tax purpose	**2,366**	(79)	**34**	348
Tax effect of income not taxable for tax purposes	**(2,401)**	(373)	**(3,380)**	(563)
Income tax for the period	**16,716**	9,617	**32,868**	23,378

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

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group's income neither arises in, nor is derived from Hong Kong.

6. CONSOLIDATED REVENUE/EXPENSE FOR THE PERIOD

Consolidated profit for the period has been arrived at after charging (crediting) the following items:

	Three months ended 30th June, 2005 RMB'000	2004 RMB'000	Six months ended 30th June, 2005 RMB'000	2004 RMB'000
Depreciation and amortisation	**15,478**	7,994	**26,742**	13,287
Change in fair value of investments held for trading	**—**	2,175	**2,099**	1,171
Discount on acquisition of business released to income	**—**	—	**(9,577)**	—
(Gain) loss on disposal of property, plant and equipment	**(2,605)**	7	**(3,336)**	153
Interest income	**(6,697)**	(5,304)	**(14,301)**	(7,109)

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the period.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Three months ended 30th June, 2005 RMB'000	2004 RMB'000	Six months ended 30th June, 2005 RMB'000	2004 RMB'000
Profit for the period attributable to equity holders of the parent	**31,728**	20,400	**75,530**	48,871
Weighted average number of shares for the purpose of basic earnings per share	**283,987,000**	268,329,967	**283,987,000**	268,329,967

No diluted earnings per share has been presented as the Company had no outstanding potential shares during the period or at the balance sheet date.

9. PROPERTY, PLANT AND EQUIPMENT

Other than the businesses acquisition as set out in note 20, the Group spent approximately RMB25,595,000 (2004: RMB32,094,000) on additions to furniture, fixtures and equipment, approximately RMB33,693,000 (2004: RMB21,540,000) on additions to leasehold improvement, approximately RMB26,587,000 (2004: RMB3,896,000) on additions to lands and buildings and approximately RMB8,158,000 (2004: RMB17,650,000) on additions to construction in progress during the six months ended 30th June, 2005.

10. GOODWILL

During the six months ended 30th June, 2005, the Company acquired a hypermarket operation from a fellow subsidiary which resulted in an addition of goodwill of RMB143,560,000 (note 20).

11. INVESTMENTS HELD FOR TRADING

During the six months ended 30th June, 2005, the Group invested RMB330,000,000 (2004: nil) on purchase of an investment fund quoted in the PRC.

12. TRADE RECEIVABLES

Trade receivables mainly represent receivables from credit card sale which allows an average credit period of 30 days.

The aged analysis of trade receivables is as follows:

	30.6.2005 RMB'000	31.12.2004 RMB'000
0–30 days	**5,903**	3,852
31–60 days	**452**	26
	6,355	3,878

13. AMOUNTS DUE FROM (TO) RELATED PARTIES

	30.6.2005 RMB'000	31.12.2004 RMB'000
Amounts due from associates	**40,548**	29,956
Amounts due from fellow subsidiaries	**110,504**	81,887
Amounts due from minority shareholders of subsidiaries	**27,216**	21,768
	178,268	133,611
Amount due to a fellow subsidiary	**(92,723)**	(12,893)

The amounts due from associates and fellow subsidiaries are trading in nature, and the age of these balances is within 30 days.

The amounts are unsecured, non-interest bearing and have no fixed repayment terms.

14. PLEDGED DEPOSIT

The amount represents a deposit pledged to a bank in respect of a bank loan granted to Chao Shifa, an associate of the Company.

15. TRUST MONIES PLACED WITH A FINANCIAL INSTITUTION

The amount represented trust monies placed with a financial institution incorporated in the PRC that is engaged in the business of assets management. The amount was fully settled during the six months ended 30th June, 2005 and interest income was determined at a mutually agreed interest rate.

16. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	30.6.2005	31.12.2004
	RMB'000	RMB'000
0–30 days	**196,118**	168,876
31–60 days	**417,544**	284,472
61–90 days	**10,257**	5,670
Over 90 days	**4,169**	5,234
	628,088	464,252

17. BORROWINGS

During the six months ended 30th June, 2005, the Group took over borrowings of approximately RMB95,390,000 as a result of acquisition of a business (note 20). The loans bear interest at market rates and are repayable in installments over a period of two years.

18. SHARE CAPITAL

	Number of Domestic Shares of RMB1 each	**Number of H Shares of RMB1 each**	**Share Capital**
			RMB'000
At 1st January, 2004	178,445,000	87,952,000	266,397
Issue of H Shares through placing (Note a)	—	17,590,000	17,590
At 31st December, 2004 and 30th June, 2005	178,445,000	105,542,000	283,987

Notes:

(a) On 28th May, 2004, arrangements were made for a private placement to independent investors of 17,590,000 H Shares of RMB1.00 each in the Company at a price of HK$14.55 per share, representing a discount of 4.59% to the closing market price of the Company's shares on 28th May, 2004. The net proceeds were intended to be used for possible acquisition and/or investment of retail network. These shares rank pari passu with the then existing H Shares in issue in all respects.

(b) As at 30th June, 2005, the Company's authorised and issued share capital of Domestic Shares and H Shares was RMB283,987,000 (31.12.2004: RMB283,987,000), divided into 283,987,000 (31.12.2004: RMB283,987,000) ordinary shares of RMB1 each.

19. DEFERRED TAX ASSET

The following is the major deferred tax asset recognised by the Group and movements thereon during the current and prior reporting periods:

	Tax losses
	RMB'000
At 1st January, 2004, 30th June, 2004 and 31st December, 2004	—
Credit to income for the period	2,424
At 30th June, 2005	2,424

At 30th June, 2005, the Group had unused tax losses of RMB19,509,000 (31.12.2004: RMB13,400,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB7,345,000 (31.12.2004: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB12,164,000 (31.12.2004: 13,400,000) due to unpredictability of future profit streams.

20. ACQUISITION OF BUSINESSES

(a) On 1st May, 2005, the Group acquired the entire business operation and related assets and liabilities of Beijing Huixin Hypermarket from a fellow subsidiary for a cash consideration of RMB143,560,000. This acquisition has been accounted for using purchase method of accounting.

The assets and liabilities acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination RMB'000	Fair value adjustment RMB'000	Fair value RMB'000
Property, plant and equipment	15,900	—	15,900
Inventories	9,812	—	9,812
Trade receivables	367	—	367
Prepayments, deposits and other receivables	16,084	—	16,084
Amount due from a related party	1,531	—	1,531
Bank balances and cash	4,612	—	4,612
Trade payables	(43,965)	—	(43,965)
Other payables and accruals	(4,341)	—	(4,341)
			—
Goodwill			143,560
Total consideration, satisfied by			143,560
Cash paid			71,780
Amount due to a fellow subsidiary			71,780
			143,560
Net cash outflow arising on acquisition Cash consideration paid			(71,780)
Bank balances and cash acquired			4,612
			(67,168)

The business acquired during the period contributed RMB34,424,000 to the Group's revenue, and a profit of RMB1,049,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1st January, 2005, total revenue contributed to the group for the period would have been RMB111,779,000, and profit contributed to the group for the period would have been RMB3,483,000. The proforma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2005, nor is it intended to be a projection of future results.

(b) On 1st January, 2005, the Group acquired the entire business operation and related assets and liabilities of Beijing Jingbei Dashijie Commercial and Trading Group ("Da Shijie") from a third party at nil consideration. This acquisition has been accounted for using purchase method of accounting.

The net assets acquired in the transaction, and the discount arising, are as follows:

	Acquiree's carrying amount before combination RMB'000	**Fair value adjustments** RMB'000	**Fair value** RMB'000
Property, plant and equipment	86,981	(1,652)	85,329
Land use rights	7,914	30,834	38,748
Deferred tax asset	10,175	(10,175)	—
Inventories	24,435	(287)	24,148
Trade receivables	147	—	147
Prepayments, deposits and other receivables	9,996	—	9,996
Trade payables	(36,972)	—	(36,972)
Other payables and accruals	(16,429)	—	(16,429)
Borrowings	(95,390)	—	(95,390)
Net assets acquired			9,577
Discount on acquisition			(9,577)
Consideration			—

The business acquired during the period contributed RMB74,743,000 to the Group's revenue, and a loss of RMB470,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

21. CAPITAL COMMITMENTS

	30.6.2005	31.12.2004
	RMB'000	RMB'000
Capital expenditure in respect of		
— Property, plant and equipment	**44,050**	96,991
— Investments in subsidiaries	**—**	145,420
	44,050	242,411

22. RELATED PARTY TRANSACTIONS

Apart from the amounts due from and to related companies as disclosed in note 13, during the period, the Group had the following related party transactions:

	Six months ended 30th June,	
	2005	2004
	RMB'000	RMB'000
Sales to an associate	**117,846**	100,381
Sales to fellow subsidiaries	**175,692**	130,628
Service fee income from a fellow subsidiary in respect of merchandise delivery services	**968**	585
Service fee income from an associate in respect of merchandise delivery services	**1,626**	1,609
Service fee income from fellow subsidiaries in respect of providing market materials	**—**	297
Management fee income from fellow subsidiaries	**467**	314

In addition, pursuant to an acquisition agreement entered into between the Company and a fellow subsidiary at 31st December, 2004, the Company acquired the entire business operations and related assets and liabilities of Beijing Huixin Hypermarket from the fellow subsidiary for cash consideration of RMB143,560,000. The transaction was completed on 1st May, 2005.

23. LITIGATION

On 20th May, 2004, the Company received notification from the Beijing Municipal High-Level People's Court that a shareholder of Chao Shifa ("Chao Shifa Shareholder") has instituted civil proceeding ("Claim") against, inter alia, the Company that (i) the trust agreement (the "Trust Agreement") entered into between the Company and Beijing Chao Shifa State-owned Asset Management Limited ("CSSAM"), pursuant to which CSSAM appointed the Company as trustee to hold 34.77% of the issued share capital of Chao Shifa on trust for CSSAM for a period of one year commencing from 22nd April, 2004, and (ii) the acquisition agreement (the "Acquisition Agreement") between the Company and Beijing Chao Shifa Company Limited Staff Shareholding Union in relation to the Company's acquisition of 25.03% interest in Chao Shifa, were invalid. For further details please refer to the Company's announcement dated 21st May, 2004.

Chao Shifa Shareholder alleges that the Trust Agreement and the transactions contemplated thereunder are in breach of, PRC legal requirements relating to the transfer of control in joint stock limited companies, the asset reorganisation agreement between Chao Shifa Shareholder and the articles of association of Chao Shifa. Chao Shifa Shareholder has applied to the court for, inter alia, (a) a declaration that the Trust Agreement is invalid; (b) an injunction to restrain the Company from performing the Trust Agreement; (c) an order to restore the shareholding structure of and the right to operate Chao Shifa to that of immediately prior to the execution of the Trust Agreement; and (d) an order requiring the defendants to bear all costs relating to the Claim.

Based on the PRC legal opinions, the Directors consider that the Claim does not and would not have a material adverse impact on the validity of the Acquisition Agreement and the Trust Agreement. The trial of the Claim has not yet commenced as at the date of the interim report.

OTHER INFORMATION

Employees

As at 30th June, 2005, the Group had a total of 8,504 full time employees whose remunerations are in line with market rates. During the reporting period, no employee share option scheme was in effect.

To strengthen our core competence by making available sufficient human resources in parallel to rapid development through persistent enhancement of the management skills and professional expertise of our management staff and service quality of our frontline staff, 115 training sessions were arranged at our Wumart Development and Training Institute, aiming at developing their general skills and technical expertise.

Audit Committee

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Han Ying, Mr. Li Lu-an and Mr. Lu Jiang, with Mr. Han Ying being the chairman. The Company has in compliance with GEM Listing Rules 5.28, 5.29 and 5.33 convened two meetings of the audit committee, during which members of the audit committee and senior management reviewed the accounting principles and methods adopted by the Group and discussed, inter alias, matters relating to internal control and financial reporting, including a review of the financial statements of the Company prepared in accordance with the generally accepted accounting principles of Hong Kong.

Standard of Dealings and Model Code of Practice for Securities Transaction by Directors

The Company has adopted a model code of practice with standards not lower than those required by GEM Listing Rules 5.48 to 5.67 for securities transactions by directors. The Company has confirmed after making due enquiries with the Directors in accordance with the code of practice, that all the Directors have complied with the standard of dealings and model code of practice in relation to securities transaction by directors.

Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30th June, 2005, 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 Rules 5.46 to 5.68 of the GEM Listing Rules, were as follows:

Long positions 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 (蒙進暹博士) (Note 6)	5,817,307	3.26	Interest of controlled corporation

Director's name	Number of domestic shares held	Approximate percentage of total issued domestic share capital interest	Type of interest
		(%)	
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 (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 30th June, 2005, 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) 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 to 5.68 of the GEM Listing Rules.

As at 30th June, 2005, 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 30th June, 2005, as recorded in the register required to be kept pursuant to section 336 of the SFO, the interests or short positions of every person (other than a director, supervisor or chief executive of the Company) in the shares and underlying shares of the Company were as follows:

Long positions in the domestic shares of the Company

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	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 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 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 owned by Hekang Youlian. Dr. Meng Jin-xian is therefore deemed, by virtue of Part XV of the SFO, to be interested in the shares held by Junhe Investment and Hekang Youlian.

Long positions in the H shares of the Company

Name	Number of H shares held	Approximate percentage of total issued H share capital
		(%)
JPMorgan Chase & Co. (Note 1)	10,514,000	9.99
The Capital Group Companies, Inc. (Note 2)	10,331,000	9.79
Morgan Stanley (Note 3)	9,888,000	9.37
Fidelity International Limited (Note 4)	6,298,000	5.97

Notes:

1. 530,000 H shares are held by JPMorgan Chase & Co. in its capacity as an investment manager and 10,011,000 H shares in its capacity as a custodian corporation/approved lending agent.

2. These 10,331,000 H shares are held by The Capital Group Companies, Inc. in its capacity as an investment manager.

3. The interest of these 9,888,000 H shares are deemed, by virtue of the SFO, to be indirectly held by Morgan Stanley through controlled corporations.

4. These 6,298,000 H shares are held by Fidelity International Limited in its capacity as an investment manager.

Save as disclosed above, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Purchase, Sale or Redemption of The Company's Listed Securities

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

Compliance with the Code on Corporate Governance Practices

The Code on Corporate Governance Practice set out in Appendix 15 of the GEM Listing Rules (the "Code on Corporate Governance Practice") effective for accounting periods commencing on or after 1st January, 2005 has replaced the minimum standard of good practice for issuers and their directors stated in GEM Listing Rules 5.35 to 5.45 relating to the general administrative obligations of board of directors and relevant matters. The Company has adopted the principles set out in the Code on Corporate Governance Practice and complied with all the code provisions and the majority of the recommended best practices therein, save and except for the following.

Under A.2.1 of the Code on Corporate Governance Practices, "the roles of chairman and chief executive officer should be separate and should not be performed by the same individual". Currently, Dr. Zhang Wen-zhong concurrently takes up both the roles of chairman and chief executive officer. The departure can be explained by the sole suitability of Dr. Zhang Wen-zhong, founder of the Group, to take up the role of chairman with his high standing both within the corporation and in the domestic retail industry at large in light of the swift expansion of the Group, a pioneer to operate the retail format of supermarkets in Beijing, over the years into a leading retail chain operator in Beijing and one of the largest retail enterprises in northern China under the leadership of Dr. Zhang. It can further be explained by his thorough grasp of the business models and development of the Group due to his hands-on involvement in the daily operations of the Group and extensive experience in retail operations and management since the commencement of operations when the first outlet was opened. In view of the foregoing, the Board of Directors, after due and careful consideration, is of the view that Dr. Zhang is to date the single most suitable person to be the chairman and chief executive officer of the Group. Therefore, functions of chairman and chief executive officer of the Company are performed by the same individual. The Company will pay efforts to look for a suitable person to fill the office of the chief executive of the Company, who will be in charged of the daily operation of the Company, so as to comply with all the code provisions set out in the Code on Corporate Governance Practices.

Over than the above, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices during the Period.

Pledge of The Group's Assets

During the Period, the Company made a pledged deposit for granting a loan of RMB100,000,000 (equivalent to approximately HK$94,340,000) to Chao Shifa to support its orderly operation.

In order to get loan from bank, Dashijie pledged its property, plant and equipment, office and operation equipments to bank, the carrying amount of the pledged assets is approximately RMB87,035,000 as of 30th June, 2005.

Exchange Rate Risk

The majority of the income and expenses of the Group are denominated in RMB. Proceeds from the initial public offering and placing in Hong Kong dollars have been converted into RMB. During the Period, the Group did not encounter any significant difficulties caused by fluctuations in exchange rates and neither its working capital nor liquidity was affected as a result.

Contingent Liabilities

The Group did not have any material contingent liability as of 30th June, 2005.

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 region and followed by the eastern region of the PRC and ultimately across other regions of the PRC. On 29th October, 2003, the Group entered into the non-competition agreement, the trademark licensing agreement and the letter of undertaking with Wumei Holdings with a view to avoiding business competition with Wumei Holdings. On 12th November, 2004, the Company entered into management agreements respectively with Wumei Holdings and (a) Beijing Wumart Pujinda Convenience Stores Company Limited and (b) Tianjin Subsidiaries (see note). Since then, Wumei Holdings has operated in strict compliance with the aforementioned agreements in order to avoid business competition with the Group to the fullest extent.

During the Period, the Company completed acquisition of Beijing Huixin Hypermarket from Beijing Hypermarket, a subsidiary of Wumei Holdings.

Save as disclosed above, Wumei Holdings did not engage in any direct or indirect competition against the Group, nor did it have any interest in any competing businesses.

Note: Tianjin Subsidiaries comprise Tianjin Hedong Wumart Commerce Company Limited, Tianjin Hebei Wumart Convenience Stores Company Limited, Tianjin Hezuo Wumart Commerce Company Limited, Tianjin Nankai Shidai Wumart Commerce Company Limited, Tianjin Hongqiao Wumart Convenience Stores Company Limited and Tianjin Wumart Huaxu Commerce Development Company Limited

Sponsor's Interests

Pursuant to the sponsor agreement entered into between the Company and Cazenove Asia Limited on 10th November, 2003, Cazenove Asia Limited (the "Sponsor") 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 ending 31st December, 2005. The Company shall pay to the Sponsor an agreed amount of fees for the services to be rendered.

The Company was informed by the Sponsor that as at 30th June, 2005, 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 securities of the Company or have any right to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Group. The Company was also informed by the Sponsor that neither the Sponsor nor any of its respective directors, employees or associates (as stated in Rule 6.36 of the GEM Listing Rules) had any competing interests.

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

Beijing, PRC
10th August, 2005