



物美
WU MART

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 2005



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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM Website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this report.

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 of the Stock Exchange (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 that the contents are 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 2005 and the corresponding period in 2004

	Change	Three months ended 30th September,	
		2005 RMB'000	2004 RMB'000
Turnover	57.1%	946,920	602,934
Net profit	55.8%	36,125	23,194
Earnings per share	62.5%	RMB0.13	RMB0.08
		Nine months ended 30th September,	
	Change	2005 RMB'000	2004 RMB'000
Turnover	51.2%	2,768,961	1,831,699
Net profit	54.9%	111,655	72,065
Earnings per share	50.0%	RMB0.39	RMB0.26

- Comparable store sales grew by 6.5%.
- Total number of stores increased from 451 to 496.
- As of 30th September, 2005, the Group had total net assets of approximately RMB1,227,000,000.
- For the three months ended 30th September, 2005, the Group's inventory turnover was 18 days, and creditor turnover was 77 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, 2005 (the "Period").

Financial Review

For the third quarter of 2005, the Group generated approximately RMB946,920,000 in turnover, representing a growth of approximately 57.1% as compared with the corresponding period of last year. The rise in turnover was mainly attributable to the dramatic increase in the number of retail stores (excluding stores of Chaoshifa) from 451 in the corresponding period of last year to 496 in the corresponding period of 2005 (with an increase of 7 hypermarkets compared to 2004), and a surge of approximately 6.5% in comparable stores sales (stores that had been operating both for the third quarter of 2004 and the third quarter of 2005) from the corresponding period in the previous year. The growth in comparable stores sales was attributable to continually optimizing product mix, increasingly enhanced service quality and "Wumart" brand recognition, resulting in the increase in number of transactions and average transaction value per customer.

For the Period, the Group's gross profit amounted to approximately RMB152,242,000, representing a growth of approximately 62.8% as compared with the corresponding period of 2004. Gross profit margin was approximately 16.1%, representing an increase of approximately 0.6 percentage points over the same period of last year. During the period of "Golden September and Silver October" (the period of Chinese Mid Autumn Festival and the National Day Holiday) in particular, better selected promotional products and more reasonable pricing policy, and the joint promotion activities across the formats have attributed to the increase of gross profit, which reflected an continually improved operational capability of the Group. Excluding merchandise sales at cost to managed and franchise stores and associated companies, gross profit margin would have increased to approximately 18.1%.

During the Period, the net profit of the Group was approximately RMB36,125,000, representing an increase of approximately 55.8% compared with the corresponding period of last year. The increase of net profit was primarily attributable to the growth of sales, the increase in gross profit and the effective control over cost increase. The aggregate of administrative expenses, selling and distribution costs accounted for 12.5% of turnover, representing an increase of 0.3 percentage points compared with 12.2% for the corresponding period of last year. The slight increase was mainly due to the opening of new stores during the Period.

During the Period, rental expenses and salaries and staff benefits, the two major expense items of the Group, amounted to approximately RMB21,494,000 and RMB31,732,000, respectively, accounting for 2.3% and 3.4% of the Group's turnover, respectively (corresponding period of 2004: approximately RMB15,526,000 and RMB20,955,000 respectively, accounting for approximately 2.6% and 3.5% of the Group's turnover, respectively).

During the Period, the Group's net profit margin was approximately 3.8%. Excluding merchandise sales at cost to managed and franchised stores and associated companies, net profit margin would have increased to approximately 4.3%.

For the nine months ended 30th September, 2005, the Group recorded a turnover of approximately RMB2,768,961,000 and a net profit of approximately RMB111,655,000, representing increases of approximately 51.2% and 54.9% respectively over the corresponding period last year. During the first nine months of 2005, the Group's selling and distribution costs and administrative expenses accounted for approximately 8.7% and 3.7% of the Group's turnover respectively, compared to approximately 7.2% and 3.7% for the corresponding period of 2004 respectively. Rental and salary expenses accounted for approximately 2.4% and 3.7% of the Group's turnover respectively, compared to approximately 2.3% and 3.6% for the corresponding period of 2004 respectively. The net profit margin of the Group was 4.0%.

For the nine months ended 30th September, 2005, the Group recorded earnings per share of approximately RMB0.39, compared to approximately RMB0.26 for the corresponding period in 2004. The calculation of earnings per share for the nine months ended 30th September, 2005 is based on the weighted average number of 283,987,000 shares in issue, as compared to 273,651,270 shares in the corresponding period of 2004. On the basis of 273,651,270 shares, earnings per share of the Group for the nine months ended 30th September, 2005 would be approximately RMB0.41 or approximately 57.7% higher than that in the corresponding period of the previous year.

Business Review

During the Period, the Group sustained a rapid and steady development of its retail network. As at 30th September, 2005, the retail network of the Group and its associated companies consisted of a total of 496 stores, comprising 12 hypermarkets, 46 supermarkets, 430 convenience stores and 8 chain drug stores which were either directly owned or operated and managed by the Group and its associated companies through several franchise arrangements or Management Agreement.

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

	As of 30th September, 2005	As of 30th September, 2004	Region
Hypermarkets	12	4	Beijing, Tianjin
Supermarkets (Note 1)	32	27	Beijing, Hebei
Convenience stores			
Direct ownership (Note 2)	138	133	Beijing
Franchise (Note 3)	239	235	Beijing
Drug stores	8	8	Beijing
Total	429	407	

Stores operated and managed by the Group under various Management Agreements (“Managed Stores”) comprise:

	As of 30th September, 2005	As of 30th September, 2004	Region
Hypermarkets	0	1	Beijing
Supermarkets	14	6	Hebei, Tianjin
Convenience stores	53	37	Beijing, Tianjin
Total	67	44	

Notes:

1. Supermarkets comprised 31 stores directly owned by the Group and 1 store owned through an associated company on 30th September, 2005.
2. Directly owned convenience stores comprised 128 stores directly owned by the Group and 10 stores owned through an associated company on 30th September, 2005.
3. Franchised stores refer to outlets operated and managed by the Group through various franchise arrangements.

Hypermarkets

As at 30th September, 2005, the Group had a total of 12 hypermarkets, an increase of 7 compared to the corresponding period of last year. Total net saleable area increased to 79,707 square metres.

During the Period, the Group opened two hypermarkets in Beijing at a location with high growth potential and strong consumption power. Turnover and number of visitors during the initial operations at the two outlets reached a record high level compared with that of other hypermarkets under the Group. During the promotional campaign at

stores under Beijing Jingbei Dashijie, sales turnover exceeding RMB1 million was recorded for a number of consecutive days, which broke the highest daily record on a single-store basis.

With an increase in the number of hypermarkets and the improved operation and management, the overall gross profit sustained by our hypermarkets remained at similar level to that attained during the first half of the year. During the Period, the Rules for Transfer of Inventory among Outlets were amended to further regulate and standardize the procedures of transferring merchandise items, and for the easier and more timely transferring procedures at lower manpower costs.

Supermarkets

As at 30th September, 2005, the Group owned and/or operated a total of 46 supermarkets with a total net saleable area of 85,229 square metres.

During the Period, the Group strengthened its supervision and control over out-of-stock promotional items by putting in place a more scientific forecast of volume for promotional items, as well as specifying initial purchase volumes in an agreement with suppliers, which secured stable supply of merchandise and more sensible production and inventory arrangements from the suppliers' perspectives. The supervision and control have markedly improved the timing and volume of incoming merchandise items and in turn contributed to the success of the promotional campaign. Purchasing of branded products from different formats are in the process of being consolidated and transferred to the manufacturers from the wholesalers. This will improve the stock availability as manufacturers being able to guarantee a more stable and on-time supply of merchandise, whilst cost is expected to be reduced under a shortened supply chain.

Convenience Stores

During the Period, the Group opened 6 directly-owned stores and 7 franchised stores, whereas 1 loss-making directly-owned store and 6 non-complying franchised stores were closed down. As at 30th

September, 2005, the Group owned and/or operated a total of 430 convenience stores, whose total net saleable area (excluding franchised stores) was 36,104 square metres.

During the Period, the amended Rules for Using and Marking Price Tags (05 New Version) was applied. The Rules helped to provide information about prices and specifications in a more standardized and complete manner and clearer indications of special offers, promotional items and recommended items, in order to convey product information to customers more clearly and accurately and facilitate the placing of orders. By implementing a Three-Tier Inspection Process and amending the Store Inspection Checklist (40 Items), inspection forms with varied items adjusted for managers at different levels including general managers and supervision teams were designed so that inspection records will become more sensible and comprehensive. The series of checks and inspections aimed at better store management.

During the Period, our community campaign named "100 plus 100 Sunshine Project" continued. In addition to monthly home cleaning, giving out daily necessities, free delivery services and emergency call services offered to single elderly people, a series of "Warm Care" activities were also arranged to give out festive food such as dumplings, green beans, rock sugar and moon-cakes during festivals. The activities were well-acclaimed by the elderly and the community who returned their compliment by presenting a tapestry flag to the company. Well recognized by the community, the campaign has maximized the brand recognition and enhanced the corporate image of the Group.

Business Prospects

China's economy continued to grow at a steady pace. The persistent growth of the retail market of the nation together with its open door policy towards foreign investment has created a more dynamic and competitive environment for the retail sector. The Group will continue to actively pursue expansion of its retail network to add floor areas by way of organic growth, merger and acquisition or purchase of commercial facilities. A stringent and prudent assessment system is in place to

ensure that the profit potential of new stores are in the best interests of the Company and its shareholders. In respect of acquisition, the Group will pay attention to the performance and growth potential of the acquisition targets, the quality of the management team as well as the compatibility of the format and system so that synergy between different systems can be leveraged to the fullest extent within the shortest time frame.

Regarding provision of goods and services, the Group will continue the integration of procurement systems by consolidating the purchasing department of three formats into Group's merchandising centre, stringent implementation of a system of assessment for the admission of suppliers, ongoing optimization of product mix in response to market demand and customer characteristics, as well as planning and management of its supply chain to satisfy customer needs.

In regulating store operation and management, the Group will further improve the business processes, focusing on execution. An improved management structure between the headquarters and individual retail outlets will expedite responses to market demand and customer demand with an efficient management mechanism.

The management team and I am fully confident in the prospect of the Group and 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.

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, 2005 together with the comparative unaudited consolidated figures for the corresponding periods ended 30th September, 2004:

	Notes	For the three months ended 30th September,		For the nine months ended 30th September,	
		2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Turnover	2	946,920	602,934	2,768,961	1,831,699
Cost of sales		(794,678)	(509,435)	(2,328,890)	(1,560,130)
Gross profit		152,242	93,499	440,071	271,569
Other income		15,791	15,179	66,530	35,379
Selling and distribution costs		(79,955)	(45,450)	(240,647)	(131,940)
Administrative expenses		(38,283)	(27,957)	(103,302)	(68,096)
Finance costs		(1,384)	(277)	(4,499)	(424)
Share of profit of associates		1,667	1,090	2,985	3,653
Profit before tax		50,078	36,084	161,138	110,141
Income tax expense	4	(13,279)	(13,161)	(46,147)	(36,539)
Profit for the period		36,799	22,923	114,991	73,602
Attributable to:					
Equity holders of the parent		36,125	23,194	111,655	72,065
Minority interests		674	(271)	3,336	1,537
		36,799	22,923	114,991	73,602
Earnings per share (Basic)	6	RMB0.13	RMB0.08	RMB0.39	RMB0.26

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's H shares were listed on GEM on 21st November, 2003. Its ultimate holding company is Beijing Jingxi Guigu Technology Company Limited ("Jingxi Guigu") (北京京西硅谷科技有限公司), a company incorporated in the PRC with limited liability.

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

The accounting policies adopted are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31st December, 2004.

In the current period, the Group has applied 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 change 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

2. Turnover

The Group is principally engaged in the operation and management of hypermarkets, supermarkets and convenience stores in Beijing, Tianjin and Hebei. Revenue recognised for nine months ended 30th September, 2005 was as follows:

	Three months ended 30th September,		Nine months ended 30th September,	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Sales of merchandise	856,888	554,058	2,511,968	1,684,756
Rental income from leasing shop premises	32,452	17,879	88,261	49,665
Service income, including store display income and promotion income	63,523	34,412	186,102	107,852
	952,863	606,349	2,786,331	1,842,273
Business tax and other government charges	(5,943)	(3,415)	(17,370)	(10,574)
	946,920	602,934	2,768,961	1,831,699

3. Consolidated revenue/expense for the period

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

	Three months ended		Nine months ended	
	30th September,		30th September,	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation and amortisation	10,324	7,948	37,066	21,235
Change in fair value of investments held for trading	—	—	2,099	2,175
Discount on acquisition of business recognised as income	—	—	(9,577)	—
(Gains) loss on disposal of property, plant and equipment	(91)	(9)	(3,427)	144
Interest income	(3,633)	(7,731)	(17,934)	(14,840)

4. Income tax expense

	Three months ended		Nine months ended	
	30th September,		30th September,	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The charge comprises:				
PRC income tax	13,279	13,161	48,571	36,539
Deferred tax	—	—	(2,424)	—
	13,279	13,161	46,147	36,539

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

	Three months ended		Nine months ended	
	30th September,		30th September,	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit before tax	50,078	36,084	161,138	110,141
Tax at income tax rate of 33%	16,526	11,908	53,175	36,347
Tax effect of share of profit of associates	(550)	(360)	(985)	(1,205)
Tax effect of expenses that are not deductible for tax purpose	(2,367)	2,098	(2,333)	2,445
Tax effect of income not taxable for tax purposes	(330)	(485)	(3,710)	(1,048)
Income tax for the period	13,279	13,161	46,147	36,539

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 as the Group's income neither arises in, nor is derived from Hong Kong.

5. Dividend

The Board does not recommend the payment of any dividend for the nine months ended 30th September, 2005 (2004: 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, 2005 of approximately RMB36,125,000 and RMB111,655,000 (2004: RMB23,194,000 and RMB72,065,000) and on the weighted average number of 283,987,000 shares in issue during the three months and nine months ended 30th September, 2005 (2004: 273,651,270 shares).

7. Reserves

Movements in the Group's reserves during the three months and nine months ended 30th September, 2005 were as follows:

	Three months ended 30th September, 2005						2004
	Capital	Statutory	Statutory	Accumulated	Total	Total	
	Reserve	Reserve	Common				Profits
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1st July	695,018	25,399	12,558	174,050	907,025	823,547	
Profit for the period	—	—	—	36,125	36,125	23,194	
At 30th September	695,018	25,399	12,558	210,175	943,150	846,741	

	Nine months ended 30th September, 2005						2004
	Capital	Statutory	Statutory	Accumulated	Total	Total	
	Reserve	Reserve	Common				Profits
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1st January	695,018	25,399	12,558	149,638	882,613	529,224	
Placing of shares	—	—	—	—	—	253,701	
Share issue expenses	—	—	—	—	—	(8,249)	
Profit for the period	—	—	—	111,655	111,655	72,065	
Dividend paid	—	—	—	(51,118)	(51,118)	—	
At 30th September	695,018	25,399	12,558	210,175	943,150	846,741	

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. During the Period, the Company has convened, in compliance with GEM Listing Rules 5.28, 5.29 and 5.33, three meetings of the audit committee, during which members of the audit committee and senior management of the Company reviewed the accounting principles and methods adopted by the Group and discussed, inter alia, matters relating to internal control and financial statements, including a review of the financial statements of the Company prepared in accordance with the generally accepted accounting principles of Hong Kong.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the requirements set out in GEM Listing Rule 5.34 in relation to board practices and procedures.

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

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

Long positions in the domestic shares of the Company

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

Notes:

1. The 124,483,232 domestic shares are held by Wumei Holdings, one of the promoters of the Company, which is directly and indirectly owned by Beijing CAST Technology Investment Company Limited (北京卡斯特科技投资有限公司) ("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 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 September, 2005, none of the Directors, supervisors and 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 Rule 5.46 to 5.68 of the GEM Listing Rules.

As at 30th September, 2005, none of the Company, 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 September, 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:

- 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 of the Company 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 of the Company 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 (%)
The Capital Group Companies, Inc. (Note 1)	11,652,000	11.04
Morgan Stanley (Note 2)	9,626,157	9.12
J.P. Morgan Chase & Co. (Note 3)	9,512,000	9.01
Fidelity International Limited (Note 4)	6,298,000	5.97

Notes:

1. These 11,652,000 H shares are held by The Capital Group Companies, Inc. in its capacity as an investment manager.
2. The interest of these 9,626,157 H shares are deemed, by virtue of the SFO, to be indirectly held by Morgan Stanley through controlled corporations.

3. 481,000 H shares are held by J.P. Morgan Chase & Co. in its capacity as an investment manager and 9,031,000 H shares in its capacity as a custodian corporation/approved lending agent.
4. These 6,298,000 H shares are held by Fidelity International Limited in its capacity as an investment manager.

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 thereafter, until 31st December, 2005. The Company shall pay to the Sponsor an agreed amount of fees for the services rendered.

The Company was informed by the Sponsor that as at 30th September, 2005, neither Cazenove Asia Limited nor any of its respective directors, 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 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.

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.

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.

Save as the competing businesses disclosed above, Wumei Holdings did not engage in any business which was in 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.

By order of the Board

Dr. Zhang Wen-zhong

Chairman

Beijing, PRC

8th November, 2005