# First Quarterly Report 2006

# Wumart Stores,Inc.

## 北京物美商業集團股份有限公司

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

Stock Code : 8277

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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 is 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 of the results for the first quarter of 2006 and the corresponding period of 2005

| | | Three months ended 31 March | |
|---|---|---|---|
| | Change | 2006 RMB'000 | 2005 RMB'000 |
| Revenue | +42.0% | **1,394,331** | 981,760 |
| Net profit | +42.5% | **62,409** | 43,800 |
| Earnings per share — basic | +40.0% | **RMB0.21** | RMB0.15 |

- Comparable store sales grew by 5.9%.
- Total number of stores increased from 468 to 503 (excluding 23 stores of Beijing MerryMart Chainstores Development Co., Ltd. ("MerryMart")).
- As of 31 March 2006, the Group had total net assets of approximately RMB1,794,328,000.
- For the three months ended 31 March 2006, the Group's inventory turnover was 26 days, and creditor turnover was 81 days.

## CHAIRMAN'S STATEMENT

I am pleased to present the unaudited first quarterly results of Wumart Stores, Inc. (the "Company") and its subsidiaries (collectively, the "Group") for the period ended 31 March 2006 (the "Period").

## FINANCIAL REVIEW

For the Period, the Group generated approximately RMB1,394,331,000 in revenue, representing a growth of approximately 42% as compared with the corresponding period of 2005. The rise in revenue was mainly attributable to an increase in the number of retail stores (increased from 468 stores for the corresponding period of last year to 503 stores for the current period) and a surge of approximately 5.9% in comparable store sales (stores that had been operating both for the first quarter of 2006 and the first quarter of 2005) from the corresponding period of the previous year. The growth in comparable store sales was mainly attributable to the Group's continual effort in reinforcing category management, optimising pricing policy and enhancing service quality, resulting in increasing recognition of "Wumart" brand and an increase in the number of daily transactions and average transaction value per capita.

For the Period, the Group's gross profit amounted to approximately RMB201,549,000, representing a growth of approximately 34.5% as compared with the corresponding period of 2005. Consolidated gross margin was approximately 14.5%. Excluding the revenue of merchandise sale at cost to managed and franchised stores and associated companies, gross margin of the Group would have risen to approximately 17.9%, an increase of approximately 0.2 percentage points compared with the corresponding period of 2005. The rise in gross margin mainly benefited from the economy of scale arising from centralised purchasing, which has lowered the unit cost of merchandise. During the Spring Festival in particular, with more rational selection of promotional items and a reasonable pricing policy, together with the joint promotion activities conducted across business segments, a satisfactory gross margin was sustained through increased marketing efforts, reflecting further improvement of the operational capability of the Group.

During the Period, net profit of the Group was approximately RMB62,409,000, representing an increase of approximately 42.5% compared with the same period of last year. The increase in net profit was primarily attributable to the growth of sales, increase in gross profit and effective cost control. The aggregate of selling and distribution costs and administrative expenses accounted for 9.0% of revenue, representing a decrease of 2.0 percentage points as compared with 11.0% for the corresponding period of last year.

During the Period, rental expenses and salaries and staff benefits, the two major expense items of the Group, amounted to approximately RMB28,219,000 and RMB40,087,000, respectively, representing approximately 2.0% and 2.9% of the Group's revenue, respectively (first quarter of 2005: approximately RMB22,067,000 and RMB35,586,000, respectively, representing approximately 2.2% and 3.6% of the Group's revenue, respectively).

During the Period, the Group's net profit margin was approximately 4.5%. Excluding merchandise sales at cost to managed and franchised stores and associated companies, net profit margin would have increased to approximately 5.6%, an increase of approximately 0.4 percentage points as compared with the corresponding period of 2005.

For the three months ended 31 March 2006, the Group recorded an earnings per share of approximately RMB0.21, which was calculated on the basis of the weighted average number of 294,068,111 outstanding shares in total, approximately 40% higher than the earnings per share of approximately RMB0.15 for the corresponding period of the previous year.

## 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 ended 31 March 2006 together with the comparative unaudited consolidated figures for the three months ended 31 March 2005:

| | Notes | For the three months ended 31 March<br>2006<br>RMB'000<br>(Unaudited) | <br>2005<br>RMB'000<br>(Unaudited) |
|---|---|---|---|
| Revenue | 2 | 1,394,331 | 981,760 |
| Cost of sales | | (1,192,782) | (831,955) |
| Gross profit | | 201,549 | 149,805 |
| Other income | | 15,964 | 18,103 |
| Selling and distribution costs | | (97,388) | (82,859) |
| Administrative expenses | | (28,230) | (25,907) |
| Finance costs | | (1,192) | (159) |
| Share of profit of associates | | 3,127 | 2,151 |
| Profit before tax | 3 | 93,830 | 61,134 |
| Income tax expense | 4 | (29,404) | (16,152) |
| Profit for the period | | 64,426 | 44,982 |
| Attributable to: | | | |
| Equity holders of the Company | | 62,409 | 43,800 |
| Minority interests | | 2,017 | 1,182 |
| | | 64,426 | 44,982 |
| Earnings per share — basic | 6 | RMB0.21 | RMB0.15 |

Notes:

1. Basis of presentation

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

The financial statements for the period under view have been prepared under the historical cost convention, and reassessed and adjusted for the purpose of security investment.

The accounting policies adopted in the financial statements, are consistent with those adopted in the preparation of the Group's financial statements for the year ended 31 December 2005.

In 2005, 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 Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The Group has early adopted the HKFRS 3, HKAS 36 and HKAS 38 since 1 January 2004. 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 has 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 year adjustment has been required.

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

| | |
|---|---|
| HKAS 1 (Amendment) | Capital Disclosures[1] |
| HKAS 19 (Amendment) | Actuarial Gains and Losses, Group Plans and Disclosures[2] |
| HKAS 39 (Amendment) | Cash Flow Hedge Accounting of Forecast Intra-group Transactions[2] |
| HKAS 39 (Amendment) | The Fair Value Option[2] |
| HKAS 39 and HKFRS 4 (Amendment) | Financial Guarantee Contracts[2] |
| HKFRS 6 | Exploration for and Evaluation of Mineral Resources[2] |
| HKFRS 7 | Financial Instruments: Disclosures[1] |
| HK(IFRIC) — Int 4 | Determining whether an Arrangement contains a Lease[2] |
| HK(IFRIC) — Int 5 | Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2] |
| HK(IFRIC) — Int 6 | Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment[3] |
| HK(IFRIC) — Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4] |

1. Effective for annual periods beginning on or after 1 January 2007

2. Effective for annual periods beginning on or after 1 January 2006

3. Effective for annual periods beginning on or after 1 December 2005

4. Effective for annual periods beginning on or after 1 March 2006

## 2. Revenue

The Group is principally engaged in the operation and management of hypermarkets, supermarkets and convenience stores in Beijing, Tianjin and Hebei. Revenue recognised for the three months ended 31 March 2006 was as follows:

| | Three months ended 31 March | |
|---|---|---|
| | 2006 | 2005 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Sales of merchandise | 1,279,849 | 898,870 |
| Rental income from leasing shop premises | 39,782 | 28,160 |
| Service income, including store display income and promotion income | 82,447 | 60,682 |
| | 1,402,078 | 987,712 |
| Business tax and other government charges | (7,747) | (5,952) |
| | 1,394,331 | 981,760 |

## 3. Consolidated income/expense for the period

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

| | Three months ended 31 March | |
|---|---|---|
| | 2006 | 2005 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Depreciation and amortisation | 13,752 | 11,847 |
| Interest income | (3,844) | (7,604) |
| Operating lease rentals in respect of rented land and premises | 28,219 | 22,067 |
| Salaries and staff benefits | 40,087 | 35,586 |

4. Income tax expense

| | Three months ended 31 March | |
|---|---|---|
| | 2006 RMB'000 (Unaudited) | 2005 RMB'000 (Unaudited) |
| The charge comprises: | | |
| PRC income tax | 29,404 | 18,575 |
| Deferred tax | — | (2,423) |
| | 29,404 | 16,152 |

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

| | Three months ended 31 March | |
|---|---|---|
| | 2006 RMB'000 (unaudited) | 2005 RMB'000 (Unaudited) |
| Profit before tax | 93,830 | 61,134 |
| Tax at income tax rate of 33% | 32,614 | 20,174 |
| Tax effect of share of profit of associates | (1,032) | (710) |
| Effect of government subsidies that are not taxable in determining assessable profit | (890) | (979) |
| Tax effect of expenses that are not deductible in determining assessable profit | (1,288) | (635) |
| Deferred tax (Note 2) | — | (1,698) |
| Income tax expense | 29,404 | 16,152 |

Note 1: 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.

Note 2: According to the PRC enterprise income tax law, unutilized tax losses can be carried forward for five years. During the first quarter of 2005, the Group recognized corresponding deferred tax asset for the tax losses incurred by its subsidiary.

## 5. Dividend

The Board does not recommend the payment of any dividend for the three months ended 31 March 2006 (first quarter of 2005: Nil).

The profit distribution plan recommended by the Board regarding the payment of a final dividend of RMB0.18 per share (tax inclusive) for the year 2005 has been approved at the annual general meeting held on 28 April 2006.

## 6. Earnings per share

The calculation of earnings per share is based on the unaudited profit of the Company for the three months ended 31 March 2006 of approximately RMB62,406,000 (first quarter of 2005: approximately RMB43,800,000) and on the weighted average number of 294,068,111 shares in issue during the three months ended 31 March 2006 (first quarter of 2005: 283,987,000 shares).

## 7. Reserves

Movements in the Group's reserves for the three months ended 31 March 2006 were as follows:

| | Three months ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | | | | 2005 |
| | Share premium RMB'000 (unaudited) | Statutory common reserve fund RMB'000 (unaudited) | Statutory common welfare fund RMB'000 (unaudited) | Accumulated profits RMB'000 (unaudited) | Total RMB'000 (unaudited) | Total RMB'000 (unaudited) |
| At 1 January | 695,018 | 48,451 | 24,084 | 228,475 | 996,028 | 882,613 |
| Placing of shares | 444,664 | — | — | — | 444,664 | |
| Share issue expenses | (13,860) | — | — | — | (13,860) | |
| Profit for the three months ended 31 March | — | — | — | 62,409 | 62,409 | 43,800 |
| At 31 March | 1,125,822 | 48,451 | 24,084 | 290,884 | 1,489,241 | 926,413 |

## BUSINESS REVIEW

During the Period, the Group sustained steady and robust development of its retail network. As at 31 March 2006, the retail network directly owned or operated and managed by the Company and its subsidiaries and associated companies through certain franchise arrangements or management agreements comprised a total of 503 stores, including 13 hypermarkets, 46 supermarkets and 444 convenience stores.

Stores directly owned or franchised by the Company and its subsidiaries and associated companies comprised:

| | As of 31 March 2006 | As of 31 March 2005 | Regional Coverage |
|---|---|---|---|
| Hypermarkets | 13 | 8 | Beijing, Tianjin |
| Supermarkets (Note 1) | 33 | 40 | Beijing, Tianjin, Hebei |
| Convenience stores | | | |
| Direct ownership (Note 2) | 142 | 135 | Beijing |
| Franchise (Note 3) | 248 | 233 | Beijing |
| Drug stores (Note 4) | 0 | 8 | Beijing |
| Total | 436 | 424 | |

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

| | As of 31 March 2006 | As of 31 March 2005 | Regional Coverage |
|---|---|---|---|
| Hypermarkets | 0 | 1 | Beijing, |
| Supermarkets | 13 | 6 | Hebei, Tianjin |
| Convenience stores | 54 | 37 | Beijing, Tianjin |
| Total | 67 | 44 | |

Notes:

1. Comprised of 32 self-owned stores and 1 store owned through an associated company of the Company as at 31 March 2006.

2. Comprised of 132 self-owned stores and 10 stores owned through an associated company of the Company as at 31 March 2006.

3. Managed Stores refer to outlets operated and managed by the Group through franchise arrangements.

4. In January 2006, the Company transferred its 50% equity interests in Beijing Wumart Shanhe Medicine Company Limited to an independent third party.

Pursuant to a general mandate granted to the Board on its annual general meeting held on 29 April 2005 (the "General Mandate"), the Company successfully placed a total of 21,100,000 H shares at a price of HK$21.4 per share on 17 February 2006. Subsequent to the placing, corresponding amendments to the Articles were made by the Board under the General Mandate. Subsequent to such amendments, the registered capital of the Company was RMB305,087,000 divided into a total of 305,087,000 shares, of which 126,642,000 shares were H shares. This successful placing exemplified the Group's sound operating results as well as investors' confidence in the Group.

During the Period, the Group entered into a Strategic Cooperation Agreement with MerryMart in respect of the acquisition of 68% equity interests in MerryMart for a consideration of RMB253,500,000 (equivalent to approximately HK$243,750,000). Subsequent to completion of the acquisition, the Company will make a contribution by means of a capital increase of RMB120,000,000 (equivalent to approximately HK$115,385,000) for an additional 7% equity interests in MerryMart. Upon completion of the said acquisition and capital increase, the Company shall own 75% equity interests in MerryMart.

The acquisition is of great significance to the Company in the sense that it not only synergises the sourcing, logistics and information systems of both parties, thereby greatly enhancing the competitiveness of the Group and strengthening the Group's absolute leadership in Beijing market, but also accelerates the centralisation process of Beijing retail market, thus further enhancing efficiency of the retailing industry.

During the Period, the Group continued with its operation process reengineering with an aim to optimising operation processes and improving operational efficiency. Such process reengineering, which was interwoven with upgrading of store management standard and performance enhancement, was then assessed against key indicators in order to ensure its effectiveness.

## Hypermarket and Supermarket Operations

As at 31 March 2006, excluding MerryMart's 23 large and medium-sized stores, the Group had a total of 13 hypermarkets, an increase of 4 stores over the corresponding period of last year, and the net saleable area increased to 86,098 square metres. The Group had a total of 46 supermarkets with net saleable area of 85,479 square metres.

In order to strengthen its operation and management and further enhance its economy of scale, the Group integrated the two business segments of hypermarkets and supermarkets by setting up its headquarter in Beijing and centralising management of large and medium scale hypermarket operation during the Period. Likewise, the Group also shortened management lines, further streamlined its work procedures and saved administration costs through an integrated organisational structure, which enhanced its management efficiency.

## Quality Management

During the Period, the Group formulated the "Procedures for Emergency Removal of Questionable Merchandise", whereby the quality management team is responsible for collecting and receiving information issued by the government authority regarding the merchandise to be removed and any merchandise information reported by the media. Once the information has been retrieved by relevant departments from the quality management team, they would relay the information to the stores as soon as possible, to ensure that the questionable merchandise would be removed within 2 hours. With excellent results being reported ever since the application of the procedure and recognition from customers and relevant government departments, the merchandise quality was further warranted.

## Merchandise Management

During the Period, the Group rationalised the suppliers of hypermarkets and supermarkets by introducing suppliers of well-known brands of its hypermarkets to the supermarkets of the Group, thereby eliminating some of its existing brands and agents and improving the gross margin of supermarkets. Introduction and realignment of key categories, brands and suppliers further refined the supplier base and the portfolio of merchandise.

The Group analysed the operating area and coverage of stores for each business segment. We also reviewed and planned the merchandise structure of hypermarkets and supermarkets by eliminating slow-moving and duplicate merchandise, establishing a standardised merchandise structure and store layout for each type of store and setting up model stores, in order to further differentiate the merchandise structure among different types of stores and better suit the needs of our target customers.

## Convenience Store Operation

As at 31 March 2006, the Group owned and/or managed 444 convenience stores with a net saleable area (excluding franchised stores) of 36,902 square metres.

During the Period, all the stores of Beijing Tongtang Wumart Convenience Stores Company Limited, a subsidiary of the Company, had installed a comprehensive transaction and inventory system, through which centralised management over merchandise and sales was implemented, problems arising from sales management of stores were resolved and technical supports was provided for the enhancement of store sales and profitability.

During the Period, the convenience store companies of the Group implemented a performance display management system, whereby sales target and actual performance were displayed on the notice board in each store, in which the staff were divided into groups. Sales achievement was recorded and updated daily. The staff were notified of their daily job target and the current performance of their own group timely through the implementation and review of performance display management, thereby boosting staff morale to the fullest extent.

With the cooperation of a telecommunications service provider, terminal devices installed in some of the convenience stores allowing customers to effect self-service bill payment, like telephone bills, were well-received by the customers. The Group will continue to seek to provide more value-added services in convenience stores for the customers' convenience.

## Subsequent Event

On 9 April 2006, the Group acquired the 28,500,000 shares in Yinchuan Xinhua Department Store Company Limited ("Xinhua Co") held by Yinchuan Xinhua Department Store, a state-owned enterprise, for a consideration of RMB176,700,000 (equivalent to approximately HK$169,900,000).

Subsequent to completion of the acquisition, the Company holds approximately 27.7% equity interests of Xinhua Co, with the remaining shareholders holding social legal person shares (non-tradeable shares) and tradeable shares (A shares). Currently, the share reform plan of Xinhua Co is under application.

Xinhua Co has been listed on Shanghai Stock Exchange since 1997 with the share code 600785. Its principal activity is the operation of department stores and supermarket chain stores in Ningxia. At present, Xinhua Co, with 6 subsidiaries operating 23 supermarket chain stores and 4 department stores, is one of the largest and most distinguished commercial retailing enterprises in northwestern region. According to the audited financial information of Xinhua Co for the year ended 31 December 2005, sales and net profit were approximately RMB1.879 billion and RMB39.87 million, respectively. In recent years, with a market share of approximately 20% in Yinchuan, Xinhua Co enjoyed an absolute leading position in the market and popularity among the consumers in Ningxia and Northwestern China.

The acquisition of Xinhua Co is a strategic move of replicating the proven successful model of regional development of the Group in the northwestern region. Leveraging on Xinhua Co's outstanding management team, premiem retailing assets and brandname as well as its market leadership in Ningxia enable the Group to become a leading local retailer within a short period of time and continue expansion and proliferation in the northwestern market through such platform.

## Business Prospects

Given the immense challenges and opportunities of the retailing industry, the Group has been persisting and will continue to persist in implementing its regional development strategy by centralising resources and expanding retail network quickly. The Group will also increase the number of stores through organic growth, merger and acquisition and ensure the potential profitability of new stores is in the best interests of the Company and its shareholders through a stringent and cautious assessment system. The Group will continue to upgrade its management standard and operating techniques, refine and optimise its core operating procedures, expand its scale as well as enhance efficiency and sustain steady and robust growth in order to strengthen its absolute leadership in the retail chain industry in Beijing, so as to make the Group a Chinese local retailer with solid foundation and advanced technology as well as international standard.

The management team and I are fully confident of the Group's development prospects and believe we can achieve the development goals of this year successfully. I would like to express my appreciation to the shareholders' for their continuing support and all the staff for their diligent and hard work.

Wumart Stores, Inc.
Dr. Zhang Wen-zhong
*Chairman*

Beijing, PRC
9 May 2006

## 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 convened one meeting of the audit committee, on which members of the audit committee and senior management of the Company reviewed the accounting principles and treatments adopted by the Group and discussed, inter alia, 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, in compliance with GEM Listing Rules 5.28, 5.29 and 5.33.

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

As at 31 March 2006, 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 pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules were as follows:

### Long positions in domestic shares of the Company

| Name | Number of domestic shares held | Approximate percentage of total issued domestic share capital | Type of interests |
|---|---|---|---|
| | | (%) | |
| Dr. Zhang Wen-zhong (張文中博士) (note 1) | 124,483,232 shares | 69.76 | Interest of controlled corporation |
| Dr. Zhang Wen-zhong (張文中博士) (note 2) | 6,245,575 shares | 3.50 | Interest of controlled corporation |
| Dr. Wu Jian-zhong (吳堅忠博士) (note 3) | 124,483,232 shares | 69.76 | Interest of controlled corporation |
| Dr. Wu Jian-zhong (吳堅忠博士) (note 4) | 6,245,575 shares | 3.50 | Interest of controlled corporation |
| Dr. Wu Jian-zhong (吳堅忠博士) (note 5) | 40,114,436 shares | 22.48 | Interest of controlled corporation |
| Dr. Meng Jin-xian (蒙進暹博士) (note 6) | 5,817,307 shares | 3.26 | Interest of controlled corporation |
| Dr. Meng Jin-xian (蒙進暹博士) (note 6) | 6,245,575 shares | 3.50 | Interest of controlled corporation |

| Name | Number of domestic shares held | Approximate percentage of total issued domestic share capital | Type of interests |
|---|---|---|---|
| | | (%) | |
| Mr. Wang Jian-ping (王堅平先生) (note 7) | 124,483,232 shares | 69.76 | Interest of controlled corporation |
| Mr. Wang Jian-ping (王堅平先生) (note 8) | 6,245,575 shares | 3.50 | Interest of controlled corporation |
| Mr. Wang Jian-ping (王堅平先生) (note 8) | 5,817,307 shares | 3.26 | Interest of controlled corporation |

Notes:

1. The 124,483,232 domestic shares are held by one of the promoters of the Company, Wumei Holdings, Inc. (物美控股集團有限公司) ("Wumei Holdings"), 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 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 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 one of the promoters of the Company, Beijing Hekang Youlian Technology Company Limited (北京和康友聯技術有限公司) ("Hekang Youlian"), 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 one of the promoters of the Company, 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"), which has a direct interest in the 40,114,436 domestic shares.

6. Dr. Meng Jin-xian holds 40% of the share capital of one of the promoters of the Company, Beijing Junhe Investment Company Limited (北京君合投資有限公司) ("Junhe Investment"), which has a direct interest in the 5,817,307 domestic shares. Junhe Investment also holds 50% of the share capital of Hekang Youlian, which has a direct interest in the 6,245,575 domestic shares.

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 one of the promoters of the Company, Junhe Investment, which has a direct interest in the 5,817,307 domestic shares. Junhe Investment also holds 50% of the share capital of Hekang Youlian, which has a direct interest in the 6,245,575 domestic shares.

Save as disclosed above, to the best knowledge of the Directors, as at 31 March 2006, none of the Directors, supervisors and, chief executives of the Company or their respective associates had any interests or short positions 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 31 March 2006, 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 acquiring shares in, or debentures of, the Company.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, the interests or short positions of persons other than the Directors, supervisors or chief executives of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

### Long positions in domestic shares of the Company

| Name | Number of domestic shares held | Approximate percentage of total issued domestic share capital |
|---|---|---|
| | | (%) |
| Dr. Zhang Wen-zhong (張文中博士) (note 1) | 124,483,232 | 69.76 |
| Dr. Wu Jian-zhong (吳堅忠博士) (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 (蒙進暹博士) (note 3) | 12,062,882 | 6.76 |

Notes:

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

2. Wangshang Shijie E-business is owned as to 70% by Dr. Wu Jian-zhong, and therefore Dr. Wu Jian-zhong is entitled to control the exercise of one-third or more of the voting power at general meetings of Wangshang Shijie E-business. Dr. Wu Jian-zhong is therefore deemed, by virtue of Part XV of the SFO, to be interested in the domestic shares held by Wangshang Shijie E-business.

3. Junhe Investment is owned as to 40% by Dr. Meng 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 held 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 held by Hekang Youlian. Dr. Meng Jin-xian is therefore deemed, by virtue of Part XV of the SFO, to be interested in the domestic shares held by Junhe Investment and Hekang Youlian.

## Long positions in 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) | 13,236,000 | 10.45 |
| OppenheimerFunds, Inc. (Note 2) | 9,347,000 | 7.38 |
| J.P. Morgan Chase & Co. (Note 3) | 7,691,968 | 6.07 |

Notes:

1. These 13,236,000 H shares were held by The Capital Group Companies, Inc. in its capacity as investment manager.

2. These 9,347,000 H shares were held by OppenheimerFunds, Inc. in its capacity as investment manager.

3. 2,186,000 H shares were held by J.P. Morgan Chase & Co. in its capacity as investment manager and 5,505,968 H shares were held in its capacity as custodian corporation or approved lending agent.

## 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 surrounding areas, then the northern region and followed by the eastern region of the PRC and ultimately across other regions of the PRC. On 29 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 12 November 2004, the Company and Wumei Holdings entered into management agreements respectively with (a) Beijing Wumart Pujinda Convenience Stores Company Limited and (b) Tianjin subsidiaries (see note). Since then, Wumei Holdings has been operating in strict compliance with the aforementioned agreements in order to avoid business competition with the Group.

Save as the competing operations disclosed above, Wumei Holdings did not engage in any operations that were in direct or indirect competition against the Group, nor did it have any interests in any of such operations.

Note: Tianjin subsidiaries include 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
**Wumart Stores, Inc.**
**Dr. Zhang Wen-zhong**
*Chairman*

Beijing, PRC
9 May 2006

As at the date of this report, the Board comprises Dr. Zhang Wen-zhong, Dr. Wu Jian-zhong and Dr. Meng Jin-xian as executive Directors, Mr. Wang Jian-ping as an non-executive Director, and Mr. Han Ying, Mr. Li Lu-an and Mr. Lu Jiang as independent non-executive Directors.

For the purpose of this report, unless otherwise specified, conversion of RMB into HK$ is based on the exchange rate of RMB1.04 = HK$1.00.