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Interim 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 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.

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the unaudited interim results of Wumart Stores, Inc. (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30th June, 2006 (the "Period").

REVIEW OF RESULTS

- Our retail network of 524 outlets, representing an addition of 34 stores over the corresponding period of last year;
- Comparable same store sales (turnover recognized by a particular store in respect of different periods of time) increased by approximately 9.17% over the corresponding period of last year;
- Turnover amounted to approximately RMB2,616,210,000, representing a growth of approximately 43.6% over the corresponding period of last year;
- Gross profit amounted to approximately RMB379,233,000, representing a growth of approximately 31.8% over the corresponding period of last year;
- Net profit reached approximately RMB108,893,000 representing a growth of approximately 44.2% over the corresponding period of last year;

During the Period, the Group sustained good results in terms of simultaneous growth of both turnover and profit. Turnover grew by more than 43%, which was attributable to turnover generated by newly opened stores as well as the continued improvement in the operational capability of the existing stores, in particular, significant growth in sales of new hypermarkets opened in 2005. Net profit grew by more than 44%, which exemplified the Group's effective control over costs and enhancement in efficiency during the process of rapid store network expansion.

During the Period, the Group capitalized upon the opportunities of retail network expansion by means of merger and acquisition. On 1st February, 2006, the Company and Beijing MerryMart Chainstores Development Co., Ltd. ("MerryMart") entered into a strategic cooperation agreement ("Strategic Cooperation Agreement"). Following the completion of the acquisition and capital increase, the Company shall own a 75% equity interest in MerryMart.

After signing the Strategic Cooperation Agreement, the Company and MerryMart underwent precise preparation in respect of integration subsequent to the acquisition, including realignments of the financial systems in accordance with the requirements of the Hong Kong Accounting Standards, analysis and comparison of merchandise, pricing and supply channels of the procurement system, and centralisation of planning over opening of new stores in order to capitalise upon the competitive advantages of both parties and to ensure that the quality of new stores and future operation management efficiency are maximised.

On 9th April, 2006, the Company signed an agreement to acquire 27.7% equity interest in Yinchuan Xinhua Department Store Company Limited ("Xinhua Co") (the shares of Xinhua Co are listed on the Shanghai Stock Exchange in form of A shares). On 9th August, 2006, the amended share reform plan of Xinhua Co was approved by the shareholders of Xinhua Co. Xinhua Co will be the Company's strategic platform in the north-western region, which established the foundation for expansion of the north-western market for the Company.

During the Period, the Company successfully placed 21,100,000 H Shares at the price of HK$21.4 per share pursuant to the general mandate granted to the Board of Directors at the Annual General Meeting held on 29th April, 2005. Subsequent to the placing, the total number of shares of the Company was 305,087,000 shares, of which 126,642,000 shares were H Shares. Such successful placing exemplified the sound operating results of the Group and investors' confidence in the Group.

While expanding its size, the Group is also focused on improving its internal business process and management structure in order to upgrade its efficiency continuously. During the Period, the Group made extensive contacts with international premier software providers and implementation consultants in undergoing detailed studies and comparison in terms of selection and implementation of a retail enterprise solution. Selection of a retail enterprise solution shall accelerate improvements in the Company's business process by capitalising upon the best business practices embedded in such system in combination with local practices, thereby enhancing the Company's core competency. Implementation of such solution on enterprises being merged and acquired will accelerate the successful completion of post-acquisition integration.

PROSPECTS

The Group fully understands that future competition in the retail industry is the competition between domestic enterprises and international premier enterprises as the PRC retail industry is quickening its pace of integration while facing unprecedented competition and development opportunities. The Group will adhere to its stated strategy of regional development by means of selective regional expansion through mergers and acquisitions in establishing regional advantages and then through a combination of organic growth and mergers and acquisitions to effect continual size expansion within the regions.

Enhancing operational capability, maintaining comparative same store sales growth and stringent cost controls are still the Group's important benchmarks in appraising all levels of management staff. The Group intends to attract and retain talents through effective appraisal procedures and "people-oriented and results-driven" corporate cultures. The Group will cultivate its human capital effectively and transform it into corporate value.

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. Meanwhile, I would like to express my gratitude to the Company's shareholders for their continuing support, and to the Company's staff for their diligent and hard work in the past six months.

Dr. Zhang Wen-zhong
Chairman

Beijing, PRC
10th August, 2006

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Period, the Group generated approximately RMB2,616,210,000 in revenue, representing a growth of approximately 43.6% over the corresponding period of 2005. The rise in revenue was mainly attributable to an increase in the number of retail stores (from 490 stores for the corresponding period of last year to 524 stores for the current period) and a surge of approximately 9.17% in comparable store sales over the corresponding period of the previous year. In particular, the robust growth of the new hypermarkets opened in 2005 became the principal contribution to the Group's sales growth. The growth in comparable store sales was mainly attributable to the Group's continual effort in reinforcing category management, store location, and merchandise portfolio, enhancing service quality to attract more customers through merchandise and service and increases in the numbers of daily transactions and average transaction value per capita.

For the Period, the Group's gross profit amounted to approximately RMB379,233,000, representing a growth of approximately 31.8% over 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 18.3%.

During the Period, net profit of the Group was approximately RMB108,893,000, representing an increase of approximately 44.2% over the same period of last year. The increase in net profit was primarily attributable to the growth of sales and gross profit and effective cost control. The aggregate of administrative expenses and selling and distribution costs accounted for 9.5% of revenue which decreased by 2.9 percentage points over the 12.4% for the corresponding period of last year.

During the Period, rental expenses and staff salaries and benefits, the two major expense items of the Group, amounted to approximately RMB51,547,000 and RMB70,780,000, respectively, representing approximately 2.0% and 2.7% of the Group's revenue, respectively (first half of 2005: approximately RMB46,601,000 and RMB69,622,000, respectively, representing approximately 2.6% and 3.8% of the Group's revenue, respectively).

During the Period, the Group's net profit margin was approximately 4.2%, representing an increase of approximately 0.1 percentage points over the same period of last year, which was primarily attributable to the growth in turnover and the economy of scale arising from centralised purchasing. Excluding merchandise sales at cost to managed and franchised stores and associated companies, net profit margin would have increased to approximately 5.3%.

During the Period, the Company's earnings per share was approximately RMB0.36, as compared with approximately RMB0.27 for the same period of last year. Earnings per share for the Period was calculated on the basis of the weighted average number of 299,607,994 shares outstanding in total, as compared with the weighted average number of 283,987,000 shares outstanding for the corresponding period of 2005.

The Group's main source of funds is the cash income derived from operations. For the six months ended 30th June, 2006, the Group had non-current assets of approximately RMB1,478,931,000, which mainly comprised property, plant and equipment of approximately RMB927,897,000, interests in associated companies of approximately RMB115,489,000 and investment deposits of approximately RMB170,000,000.

As at 30th June, 2006, the Group had net current assets of approximately RMB349,249,000. Total current assets of the Group, amounting to approximately RMB2,182,041,000, mainly comprised balances with banks and other financial institutions and cash of approximately RMB480,812,000, pledged deposit of RMB100,000,000 to secure the grant of bank loans to

MANAGEMENT DISCUSSION AND ANALYSIS

Beijing Chao Shifa Company Limited ("Chao Shifa"), inventories of approximately RMB197,255,000, trade and other receivables of approximately RMB486,823,000, and amounts due from related parties of approximately RMB843,106,000. Current liabilities mainly comprised trade payables of approximately RMB1,363,598,000, other payables of approximately RMB305,297,000, tax liabilities of approximately RMB37,266,000 and amounts due to related parties of approximately RMB46,671,000.

As at 30th June, 2006, the Group had bank borrowings of approximately RMB79,960,000, being liabilities assumed from Beijing Jingbei Dashijie Commercial and Trading Group.

During the Period, the Group's average account payable turnover was approximately 96 days, as compared with 64 days for the corresponding period of last year. Inventory turnover was still 18 days approximately as compared with 18 days for the corresponding period of last year.

NETWORK EXPANSION

As at 30th June, 2006, the retail network of the Group consisted of a total of 524 stores, comprising 46 superstores and 478 mini-marts. Stores directly owned or operated by the Group and its associated companies through franchise agreements comprise:

	As at 30th June, 2006	Region
Superstores (Note 1)	32	Beijing, Hebei, Tianjin
Mini-marts		
Direct ownership (Note 2)	154	Beijing
Franchise (Note 3)	257	Beijing
Total	443	

Stores operated and managed by the Group ("Managed Stores") under Trust Operation and Management Agreements comprise:

	As at 30th June, 2006	Region
Superstores	14	Hebei, Tianjin
Mini-marts	67	Beijing, Tianjin
Total	81	

Notes:

1. Superstores comprised 31 stores directly owned by the Group and 1 store owned through an associated company on 30th June, 2006.

2. Directly owned mini-marts comprised 145 stores directly owned by the Group and 9 stores owned through an associated company on 30th June, 2006.

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

4. The total excludes stores operated by Chao Shifa and MerryMart.

STORE FORMATS

As at 30th June, 2006, the Group operated a total of 46 superstores (excluding 23 stores of MerryMart) with a total saleable area of 147,899 square metres; and a total of 221 mini-marts with a total saleable area of 70,880 square metres.

During the Period, the Group rationalised and reconfigured its stores by re-designating the hypermarkets and larger supermarkets by means of locations and features into superstores and those smaller community supermarkets and the original convenience stores into mini-marts. The gradual differentiation in operations between stores of different formats will enable a further positioning for each format as well as standardisation of store management and regulation of merchandise data management which are beneficial for capitalising competitive advantages of different types of stores. Reclassification of stores facilitate enhancements in efficiencies of merchandise deployment, operation and marketing activities with a position effect in increasing the communications between sales and procurements and gross profit on sales. Subsequent to the migration of supermarkets into the mini-marts I.T. system, all merchandises are supplied through the distribution center which reduces stockouts.

SUPPLY CHAIN OPTIMIZATION

During the Period, the Group continued to drive the enrichment of the supply chain with centralisation of merchandise procurement as the take-off point. Through integration of supply channels and reduction of number of suppliers in increasing procurement size and upgrading bargaining power as well as direct and effective cooperation and communication with suppliers. As a long-term strategic goal, internal and external supply chain optimization will be further promoted through the implementation of the ERP system.

OPERATION MANAGEMENT

During the Period, the Group practised regional management of superstores, by dividing superstores into 5 regions according to their geographical location, with well defined management functions and tapering management to stores as well as in time understanding and service at the frontline. Through implementation of regional management, comparable same store sales in each region achieved larger upswings.

During the Period, in regulating store operation management, the Group further enhanced workflow, fortified execution capability, streamlined store operating procedures and simplified forms. Application of weekly operating guides enable headquarters orders in relation to merchandise, operation and marketing being transmitted to the stores timely for the operating system being practicable, store management regulated and operating efficiency enhanced.

The Group also applied fine tuning to a number of mini-marts and reconfiguring existing floor space for sub-leasing to achieve more reasonable use of resources.

HUMAN RESOURCES AND TRAINING

As at 30th June, 2006, the Group employed 9,856 full-time employees, who were paid with salary in accordance with market level.

During the Period, the Group attracts and retains talents through continual enhancement of its performance assessment system with emphasis on performance and results and be people-oriented in its corporate cultures. We also solidify our training of different levels of management and staff in organising a total of 62 training courses, including new employee orientation, managerial executives, store managers, officer executives and professional skills training. Through systematic training, professional skills of executives and staff are further enhanced in grasping more advanced management tools and upgrading execution capability, being prepared for the Group's further growth.

CUSTOMER SERVICE

During the Period, the Group continued to promote the terminal equipment project with over 100 stores being equipped with terminals for ease of self service payments of customers. In addition, the Group has also introduced service items, such as phone ordering, customer monitoring and catalogue sales, which provides greater customer conveniences that are well recognized.

During the Period, the Group and China Children and Youth Foundation jointly organised the heart-loving "Wumart Sunshine Project" by placing 100 donation boxes in our stores for collecting loose change of our staff and customers. The funds so raised are intended for children of poorer areas in improving their educational environment, constructing a harmonic community and contributing to the children education sectors.

OUTLOOKS

The Group will capitalise any opportunity in China where huge potential awaits development of retail industry by adhering to its regional development strategy of continuing opening new stores or through mergers and acquisition in Beijing and Tianjin area and consolidating its market leadership in Beijing and peripheral areas. We will enter other strategic regions selectively through mergers and acquisition in order to expand steadfastly and achieve faster growth in scale.

At present, the Group is in the fast development phase of overall enhancement of its management standard. Operating at an international standard is to cope with the global competition and localized management model is the competitive advantage enjoyed by domestic retailers over its international peers in the PRC market. Learning the experience of excellent firm, adopting advanced operation concepts and retail knowledge in combination with local actual situation will help to build up a business model suitable for China market and customers.

Our management will continue to lead our staff whole-heartedly with endeavour, fully leverage the opportunity of the growing market and industry integration, strive to upgrade its operation capacity and sustain profitability, as well as create satisfactory returns for shareholders and investors through effective consolidation and merger and acquisitions of businesses to achieve synergy and larger market share.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30th June, 2006

	NOTES	Three months ended 30th June, 2006 RMB'000 (Unaudited)	Three months ended 30th June, 2005 RMB'000 (Unaudited)	Six months ended 30th June, 2006 RMB'000 (Unaudited)	Six months ended 30th June, 2005 RMB'000 (Unaudited)
Revenue	3	1,221,879	840,281	2,616,210	1,822,041
Cost of sales		(1,044,195)	(702,257)	(2,236,977)	(1,534,212)
Gross profit		177,684	138,024	379,233	287,829
Other income		23,611	32,636	39,575	50,739
Selling and distribution costs		(84,098)	(77,833)	(181,486)	(160,692)
Administrative expenses		(39,985)	(39,112)	(68,215)	(65,019)
Finance costs		(1,100)	(2,956)	(2,292)	(3,115)
Share of profit of associates		(808)	(833)	2,319	1,318
Profit before tax		75,304	49,926	169,134	111,060
Income tax expense	5	27,130	(16,716)	(56,534)	(32,868)
Profit for the period		48,174	33,210	112,600	78,192
Attributable to:					
Equity holders of the parent		46,484	31,730	108,893	75,530
Minority interests		1,690	1,480	3,707	2,662
		48,174	33,210	112,600	78,192
Earnings per share (Basic)	8	RMB0.15	RMB0.11	RMB0.36	RMB0.27

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2006

	NOTES	30th June, 2006 RMB'000 (Unaudited)	31st December, 2005 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	927,897	878,023
Interests in associates		115,489	120,765
Investment deposits	10	170,000	—
Deposit paid for acquisition of property, plant and equipment	11	62,389	—
Goodwill		144,564	144,564
Land use rights		29,576	29,961
Prepaid lease payments		28,089	26,255
Deferred tax asset	19	927	1,997
		1,478,931	1,201,565
Current assets			
Inventories		197,255	238,813
Investments held for trading		14,452	31,546
Available-for-sale investment	12	59,593	—
Trade and other receivables	13	486,823	384,760
Amounts due from related parties	14	843,106	375,956
Pledged deposit	15	100,000	100,000
Cash and bank balances		480,812	415,998
		2,182,041	1,547,073

	NOTES	30th June, 2006 RMB'000 (Unaudited)	31st December, 2005 RMB'000 (Audited)
Current liabilities			
Trade and other payables	16	1,668,895	1,302,660
Amounts due to related parties	14	46,671	49,691
Tax liabilities		37,266	13,555
Bank loans	17	79,960	79,960
		1,832,792	1,445,866
Net current assets		349,249	101,207
Net assets		1,828,180	1,302,772
Capital and reserves			
Share capital	18	305,087	283,987
Reserves		1,487,050	996,028
Equity attributable to equity holders of the parent		1,792,137	1,280,015
Minority interests		36,043	22,757
Total equity		1,828,180	1,302,772

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2006

	Equity attributable to equity holders of the parent							
	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, 2005	283,987	695,018	25,399	12,558	149,638	1,166,600	18,101	1,184,701
Profit for period	—	—	—	—	75,530	75,530	2,662	78,192
Dividend paid	—	—	—	—	(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
Profit for the period	—	—	—	—	89,003	89,003	2,468	91,471
Dividend paid by a subsidiary	—	—	—	—	—	—	(124)	(124)
Profit appropriations	—	—	23,052	11,526	(34,578)	—	—	—
At 31st December, 2005	283,987	695,018	48,451	24,084	228,475	1,280,015	22,757	1,302,772
Placing of shares	21,100	444,667	—	—	—	465,767	—	465,767
Share issue expense	—	(7,623)	—	—	—	(7,623)	—	(7,623)
Contribution from a minority shareholder	—	—	—	—	—	—	9,800	9,800
Profit for the period	—	—	—	—	108,893	108,893	3,707	112,600
Dividend paid	—	—	—	—	(54,915)	(54,915)	—	(54,915)
Dividend paid by a subsidiary	—	—	—	—	—	—	(221)	(221)
At 30th June, 2006	305,087	1,132,062	48,451	24,084	282,453	1,792,137	36,043	1,828,180

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

For the six months ended 30th June, 2006

	Six months ended 30th June, 2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Net cash from operating activities	15,868	112,734
Net cash used in investing activities		
Purchases of property, plant and equipment	(88,783)	(94,033)
Deposit paid for acquisition of PPE	(62,389)	—
Acquisition of hypermarket operation	—	(67,168)
Investment deposits paid	(170,000)	—
Purchases of available-for-sale investments	(59,593)	(330,000)
Proceeds on disposal of property, plant and equipment	4,559	8,816
Proceeds on disposal of an associate	4,849	—
Other investing cash flows	12,807	14,301
	(358,550)	(468,084)
Net cash from (used in) financing activities		
Dividend paid	(54,915)	(51,118)
Proceeds on issue of shares	465,767	—
Share issue expenses	(7,623)	—
Contribution from a minority shareholder	9,800	—
Repayments of borrowings	—	(2,600)
Other financing cash flows	(5,533)	(3,115)
	407,496	(56,833)
Net increase (decrease) in cash and cash equivalents	64,814	(412,183)
Cash and cash equivalents at beginning of the period	415,998	724,257
Cash and cash equivalents at end of the period	480,812	312,074
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	480,812	312,074

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30th June, 2006

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 the 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, 2005 except as described below.

During the 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 Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current and 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 condensed consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosure[1]
HKFRS 7	Financial Instrument: Disclosure[1]
HK (IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK (IFRIC) - Int 8	Scope of HKFRS 2[3]
HK (IFRIC) - Int 9	Reassessment of Embedded Derivatives[4]

1 Effective for annual periods beginning on or after 1st January, 2007

2 Effective for annual periods beginning on or after 1st March, 2006

3 Effective for annual periods beginning on or after 1st May, 2006

4 Effective for annual periods beginning on or after 1st June, 2006

3. REVENUE

The Group is principally engaged in the operation and management of superstores and mini-marts in the People's Republic of China ("PRC"). Revenue recognised for the three months and six months ended 30th June, 2006 is as follows:

	Three months ended 30th June,		Six months ended 30th June,	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Sales of merchandise	1,103,187	756,210	2,383,036	1,655,080
Rental income from leasing shop premises	32,207	26,013	69,674	52,234
Service income, including store display income and promotion income	86,485	58,058	163,500	114,727
	1,221,879	840,281	2,616,210	1,822,041

4. SEGMENT INFORMATION

The Group is primarily engaged in the operations of superstores and mini-marts operates in the PRC. Accordingly, no segmental analysis is presented.

5. INCOME TAX EXPENSE

	Three months ended 30th June,		Six months ended 30th June,	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
The charge comprises:				
PRC income tax	26,060	16,716	55,464	35,292
Deferred tax	1,070	—	1,070	(2,424)
	27,130	16,716	56,534	32,868

The charge for the three months and six months ended 30th June, 2006 can be reconciled to the profit per the income statement as follows:

	Three months ended 30th June,		Six months ended 30th June,	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Profit before tax	75,304	49,926	169,134	111,060
Tax at domestic income tax rate of 33%	23,200	16,476	55,814	36,649
Tax effect of share of profit of associates	267	275	(765)	(435)
Tax effect of expenses that are not deductible for tax purpose	3,804	2,366	2,516	34
Tax effect of income not taxable for tax purposes	(495)	(2,401)	(1,385)	(3,380)
Tax effect of tax losses not recognized	354	—	354	—
Income tax for the period	27,130	16,716	56,534	32,868

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. PROFIT FOR THE PERIOD

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

	Three months ended 30th June,		Six months ended 30th June,	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Depreciation and amortisation	20,545	15,478	34,297	26,742
Change in fair value of investments held for trading	(2,951)	—	(2,951)	2,099
Discount on acquisition of business released to income	—	—	—	(9,577)
Loss (gain) on disposal of property, plant and equipment	53	(2,605)	53	(3,336)
Operating leases rental	23,328	24,534	51,547	46,601
Staff costs including director remuneration	40,698	34,036	70,780	69,622
Share of tax of associates included in share of results of associates	3,043	2,417	3,043	2,417
Interest income	(651)	(6,697)	(2,590)	(14,301)

7. DIVIDEND

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

The final dividend of RMB0.18 (2005: RMB0.18) per share for the year ended 31st December, 2005 has been approved and paid during the six months ended 30th June, 2006.

8. EARNINGS PER SHARE

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

	Three months ended 30th June,		Six months ended 30th June,	
	2006	2005	2006	2005
Profit for the period attributable to equity holders of the parent (RMB'000)	46,484	31,728	108,893	75,530
Weighted average number of shares for the purpose of basic earnings per share	305,087,000	283,987,000	299,607,994	283,987,000

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

During the six months ended 30th June, 2006, the Group spent approximately RMB30,061,000 (2005: RMB25,595,000) on additions to furniture, fixtures and equipment, approximately RMB49,329,000 (2005: RMB33,693,000) on additions to leasehold improvements, Nil (2005: RMB26,587,000) on additions to lands and buildings and approximately RMB9,393,000 (2005: RMB8,158,000) on additions to construction in progress.

10. INVESTMENT DEPOSITS

The amounts represent deposits paid in respect of the proposed acquisition of 68% interest in Mei Lian Mei and 27.7% interest in Xinhua Co amounting to RMB130,000,000 and RMB40,000,000 respectively. Details in respect of these proposed acquisitions are set out in the Company's announcements dated 1st February, 2006 and 10th April, 2006 respectively.

11. DEPOSIT PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The amount represents deposit paid for acquisition of a shopping premise located in Majiapu area, Fengtai District, Beijing City.

12. AVAILABLE-FOR-SALE INVESTMENTS

During the six months ended 30th June, 2006, the Group invested RMB59,593,000 (2005: RMB330,000,000) on purchase of an available-for-sale investment fund quoted in the PRC.

13. TRADE AND OTHER RECEIVABLES

	30th June, 2006 RMB'000	31st December, 2005 RMB'000
Trade receivables	113,548	74,483
Prepayments, deposits and other receivables	373,275	310,277
	486,823	384,760

Trade receivables represent receivables from supply of merchandise to franchised stores and stores managed by the Group, and from credit card sales which allows an average credit period of 30 days.

The aged analysis of trade receivables is as follows:

	30th June, 2006 RMB'000	31st December, 2005 RMB'000
0–30 days	97,386	47,165
31–60 days	2,702	27,318
60–90 days	6,515	—
90–180 days	6,945	—
	113,548	74,483

14. AMOUNTS DUE FROM (TO) RELATED PARTIES

	30th June, 2006 RMB'000	31st December, 2005 RMB'000
Amounts due from an associate	12,761	41,950
Amounts due from fellow subsidiaries	805,085	307,109
Amounts due from minority shareholders of subsidiaries	25,260	26,897
	843,106	375,956
Amounts due to an associate	11,038	9,515
Amount due to a fellow subsidiary	35,633	40,176
	46,671	49,691

The amounts are unsecured, non-interest bearing and have no fixed repayment terms. The amounts due from associates and fellow subsidiaries are trading in nature. The aged analysis of these balances is as follows:

	30th June, 2006 RMB'000	31st December, 2005 RMB'000
0–30 days	102,775	229,332
31–60 days	106,968	119,727
60–90 days	85,977	—
90–180 days	268,219	—
Over 180 days	253,907	—
	817,846	349,059

15. PLEDGED DEPOSIT

The amount represents a deposit pledged to a bank in respect of a bank loan granted to Beijing Chao Shifa Company Limited ("Chao Shifa"), an associate of the Company. The loan is repayable within one year and accordingly, the pledged deposit is classified as current asset.

16. TRADE AND OTHER PAYABLES

	30th June, 2006 RMB'000	31st December, 2005 RMB'000
Trade payables	1,363,598	1,013,320
Other payables, deposits and accruals	305,297	289,340
	1,668,895	1,302,660

An aged analysis of trade payables is as follows:

	30th June, 2006 RMB'000	31st December, 2005 RMB'000
0–30 days	468,158	243,197
31–60 days	369,636	557,326
61–90 days	338,668	202,664
90–180 days	178,549	10,133
Over 180 days	8,587	—
	1,363,598	1,013,320

17. BANK LOANS

The loans are repayable within one year and carry interests at fixed rates ranging from 5.6% to 6.1% per annum.

As at 30th June, 2006, the bank loan of RMB75,460,000 was secured by the pledge of building, land use right and prepaid lease payments with aggregate carrying amount of RMB112,819,000. The bank loan of RMB4,500,000 was guaranteed by an independent third party.

18. SHARE CAPITAL

	Number of Domestic Shares of RMB1 each	Number of H Shares of RMB1 each	Share Capital RMB'000
At 1st January, 2005 and 31st December, 2005	178,445,000	105,542,000	283,987
Issue of H Shares through placing (Note a)	—	21,100,000	21,100
At 30th June, 2006	178,445,000	126,642,000	305,087

Notes:

(a) On 7th February, 2006, arrangements were made for placing an aggregate of 21,100,000 H Shares of HK$21.4 per share, representing a discount of approximately 1.38% to the closing market price of the Company's shares on 6th February, 2006 and a premium of approximately 13.17% to the average closing market price of the Company's share for the five trading days immediately preceding on 7th February, 2006. The net proceeds of approximately RMB458,144,000 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, 2006, the Company's authorized and issued share capital of Domestic Shares and H Shares was RMB305,087,000 (31st December, 2005: RMB283,987,000), divided into 305,087,000 (31st December, 2005: 283,987,000) 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, 2006	1,997
Charged to expense for the period	(1,070)
At 30th June, 2006	927

At 30th June, 2006, the Group had unused tax losses of RMB10,366,000 (31st December, 2005: RMB9,294,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB2,810,000 (31st December, 2005: RMB 6,052,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB4,314,000 (31st December, 2005: RMB3,242,000) due to unpredictability of future profit streams.

20. CAPITAL COMMITMENTS

	30th June, 2006 RMB'000	31st December, 2005 RMB'000
Capital expenditure in respect of		
— Property, plant and equipment	93,584	70,000
— Investment in a subsidiary	359,500	—
— Investment in an associate	694,418	—
	1,147,502	70,000

21. RELATED PARTY TRANSACTIONS

(a) Apart from the amounts due from and to related companies as disclosed in note 14, during the period, the Group had the following related party transactions:

	Six months ended 30th June, 2006 RMB'000	2005 RMB'000
Sales to associates	114,627	117,846
Sales to fellow subsidiaries	463,490	175,692
Service fee from a fellow subsidiary in respect of merchandise delivery services	12,777	968
Service fee from an associate in respect of merchandise delivery services	2,071	1,626
Management fee income from fellow subsidiaries	384	467

(b) Compensation of key management personnel

The short term benefits paid or payable by the Group to directors of the Company and other members of key management during the year is RMB1,653,000 (2005: RMB1,038,000).

22. 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 reorganization 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 results.

OTHER INFORMATION

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, in compliance with GEM Listing Rules 5.28 and 5.29 convened two 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 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, 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 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

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

Notes:

(1) The 124,483,232 domestic shares are held by Wumei Holdings Inc. ("Wumei Holdings"), one of the promoters of the Company, which is directly and indirectly owned by Beijing CAST Technology Investment Company Limited ("CAST Technology Investment") as to 70%

and as to 7.22% of its share capital, respectively. CAST Technology Investment is directly and indirectly owned by Beijing Zhongsheng Huate Technology Company Limited ("Zhongsheng Huate") and Jingxi Guigu as to 20% and as to 80% of its share capital, respectively. Dr. Zhang Wen-zhong holds 60% and 85% of the share capital of Zhongsheng Huate and Jingxi Guigu, respectively.

(2) The 6,245,575 domestic shares are held by Beijing Hekang Youlian Technology Company Limited ("Hekang Youlian"), one of the promoters of the Company, which is directly owned by CAST Technology Investment as to 50% of its share capital. For details of Dr. Zhang Wen-zhong's interest in CAST Technology Investment, please refer to note 1 above.

(3) Dr. Wu Jian-zhong holds 25% of the share capital of Zhongsheng Huate, which has an indirect interest in the 124,483,232 domestic shares directly held by Wumei Holdings. For details, please refer to note 1 above.

(4) Dr. Wu Jian-zhong holds 25% of the share capital of Zhongsheng Huate, which has an indirect interest in the 6,245,575 domestic shares directly held by Hekang Youlian. For details, please refer to note 2.

(5) Dr. Wu Jian-zhong holds 70% of the share capital of Beijing Wangshang Shijie E-business Company Limited ("Wangshang Shijie E-business"), one of the promoters of the Company, which has a direct interest in the 40,114,436 domestic shares of the Company.

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

(7) Mr. Wang Jian-ping holds 5% of the share capital of Jingxi Guigu, which has an indirect interest in the 124,483,232 domestic shares directly held by Wumei Holdings. For details, please refer to note 1.

(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, 2006, 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 June, 2006, 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 June, 2006, as recorded in the register required to be kept pursuant to section 336 of the SFO, the interests or short positions of the following persons (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 Jinxian 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 the total issued H Share capital (%)
The Capital Group Companies, Inc. (Note 1)	13,236,000	10.45
Julius Baer Investment Management LLC (Note 2)	10,627,000	8.39
J.P. Morgan Chase & Co (Note 3)	10,143,968	8.01
Oppenheimerfunds, Inc. (Note 4)	9,347,000	7.38
Julius Baer International Equity Fund (Note 5)	6,885,533	5.4

Notes:

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

2. These 10,627,000 H Shares are held by Julius Baer Investment Management LLC in its capacity as an investment manager.

3. 4,751,000 H shares are held by J.P. Morgan Chase & Co. in its capacity as an investment manager and 5,392,968 H shares in its capacity as a custodian corporation/approved lending agent.

4. These 9,347,000 H Shares are held by Oppenheimerfunds, Inc. in its capacity as an investment manager.

5. These 6,885,533 H Shares are held by Julius Baer International Equity Fund in its capacity as an investment manager.

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 Practices set out in Appendix 15 of the GEM Listing Rules (the "Code on Corporate Governance Practices") effective for accounting periods commencing on or after 1st January, 2005 have 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 Practices 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.

Save for the above, the Group has complied with all code provisions set out in the Code on Corporate Governance Practices for 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 obtain bank loans, Beijing Jingbei Dashijie Commercial and Trading Group pledged its building, land use right and prepaid lease payments to bank, the carrying amount of the pledged assets was approximately RMB112,819,000 as of 30th June, 2006.

EXCHANGE RATE RISK

The majority of the income and expenses of the Group are denominated in 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, 2006.

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 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.

OTHER INFORMATION

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

Beijing, PRC
10th August, 2006