Third 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 UNAUDITED RESULTS BETWEEN THE THIRD QUARTER OF 2006 AND THE CORRESPONDING PERIOD OF 2005

	Change	Three months ended 30th September 2006 RMB'000	2005 RMB'000
Revenue	54.1%	1,459,180	946,920
Net profit	53.2%	55,341	36,125
Earnings per share	38.5%	RMB0.18	RMB0.13

	Change	Nine months ended 30th September 2006 RMB'000	2005 RMB'000
Revenue	47.2%	4,075,390	2,768,961
Net profit	47.1%	164,234	111,655
Earnings per share	38.5%	RMB0.54	RMB0.39

- Comparable store sales grew by 8.4%.
- Total number of stores increased from 496 to 567.
- As of 30th September 2006, the Group had net assets of approximately RMB1,847,478,000.
- For the three months ended 30th September 2006, the Group's inventory turnover was 21 days, and creditor turnover was 88 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 2006 (the "Reporting Period").

Financial Review

For the third quarter of 2006, the Group generated approximately RMB1,459,180,000 in revenue, representing a growth of approximately 54.1% as compared with the corresponding period in 2005. The rise in revenue was mainly attributable to the growth in sales, especially the revenue generated by the new stores which opened in 2005 and the consolidation of revenue generated by Beijing MerryMart Chainstores Development Co., Ltd. ("Mei Lian Mei") in September 2006. A surge of approximately 8.4% in comparable stores sales (stores that have been operating in both the third quarter of 2005 and the third quarter of 2006) over the corresponding period of last year demonstrated improvements in operational capability, effective promotion and premier quality services, resulting in increases in transaction volume and average transaction value.

For the nine months ended 30th September 2006, the Group recorded revenue of approximately RMB4,075,390,000 and net profit of approximately RMB164,234,000, representing increases of approximately 47.2% and 47.1% respectively over the corresponding period of last year.

During the Reporting Period, the Group's gross profit amounted to approximately RMB217,031,000, representing a growth of approximately 42.6% as compared with the corresponding period of 2005. Gross profit margin was approximately 14.9%. Excluding merchandise sales at cost to managed and franchise stores and associated companies, gross profit margin would have increased to approximately 17.9%. Gross profit margin for the nine months ended 30th September 2006 was 18.2%.

During the Reporting Period, net profit of the Group was approximately RMB55,341,000, representing an increase of approximately 53.2% compared with the corresponding period of last year. The increase in net profit was primarily attributable to (1) period-on-period growth in comparable store sales; (2) improvement in gross profit margin; and (3) the reduction of merchandise costs as a result of economies of scale through centralized procurement. The aggregate of administrative expenses, selling and distribution costs accounted for 10.4% of revenue, representing a decrease of 2.1 percentage points as compared with approximately 12.5% for the corresponding period of last year. The decrease was mainly due to the reinforcement of budgetary cost control, as a result the increase in administrative expenses, selling and distribution costs was less than that of revenue.

During the Reporting Period, rental expenses and salaries and staff benefits, the two major expenses for the period, amounted to approximately RMB33,833,000 and RMB32,237,000, respectively, accounting for approximately 2.3% and 2.2% of the Group's revenue, respectively (corresponding period of 2005: approximately RMB21,494,000 and RMB31,732,000 respectively, accounting for approximately 2.3% and 3.4% of the Group's revenue, respectively).

During the Reporting Period, the Group's net profit margin was approximately 3.8%. Excluding merchandise sales at cost to managed and franchise stores and associated companies, net profit margin would have increased to approximately 4.6%. For the nine months ended 30th September 2006, net profit margin was 4%; and 5% excluding merchandise sales at cost.

For the nine months ended 30th September 2006, the Group recorded earnings per share of approximately RMB0.54, compared to approximately RMB0.39 for the corresponding period in 2005. The calculation of earnings per share for the nine months ended 30th September 2006 is based on the weighted average number of 301,454,399 shares in issue, as compared to 283,987,000 shares in the corresponding period of 2005.

CHAIRMAN'S STATEMENT

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 the nine months ended 30th September 2006, together with the comparative unaudited consolidated figures for the corresponding periods ended 30th September 2005:

		For the three months ended 30th September		For the nine months ended 30th September	
	Notes	**2006 RMB'000 (Unaudited)**	2005 RMB'000 (Unaudited)	**2006 RMB'000 (Unaudited)**	2005 RMB'000 (Unaudited)
Revenue	2	**1,459,180**	946,920	**4,075,390**	2,768,961
Cost of sales		**(1,242,149)**	(794,678)	**(3,479,126)**	(2,328,890)
Gross profit		**217,031**	152,242	**596,264**	440,071
Other income		**23,979**	15,791	**63,554**	66,530
Selling and distribution costs		**(109,509)**	(79,955)	**(290,995)**	(240,647)
Administrative expenses		**(41,952)**	(38,283)	**(110,167)**	(103,302)
Finance costs		**(1,951)**	(1,384)	**(4,243)**	(4,499)
Share of profit of associates		**2,989**	1,667	**5,308**	2,985
Profit before tax		**90,587**	50,078	**259,721**	161,138
Income tax expense	4	**(31,649)**	(13,279)	**(88,183)**	(46,147)
Profit for the period		**58,938**	36,799	**171,538**	114,991
Attributable to:					
Equity holders of the parent		**55,341**	36,125	**164,234**	111,655
Minority interests		**3,597**	674	**7,304**	3,336
		58,938	36,799	**171,538**	114,991
Earnings per share (Basic)	6	**RMB0.18**	RMB0.13	**RMB0.54**	RMB0.39

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, adjusted 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 2005.

During the 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 2006. The adoption of the new HKFRSs has resulted in changes in the disclosure in the income statement, balance sheet and statement of changes in equity, particularly in the disclosure of minority interests and share of tax of associates. Retrospective adjustments have been made to these disclosures. The adoption of the new HKFRSs has had no material effect on operational results of the current or prior accounting periods. Accordingly, no prior period adjustment was required.

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

2. Revenue

The Group is principally engaged in the operation and management of superstores and mini-marts in Beijing, Tianjin, Hebei and the north-western region. Revenue recognised for the period ended 30th September 2006 was as follows:

	Three months ended 30th September		Nine months ended 30th September	
	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Sales of merchandise	1,347,375	856,888	3,730,411	2,511,968
Rental income from leasing shop premises	33,578	32,452	107,964	88,261
Service income, including store display income and promotion income	87,178	63,523	261,736	186,102
	1,468,131	952,863	4,100,111	2,786,331
Business tax and other government charges	(8,951)	(5,943)	(24,721)	(17,370)
	1,459,180	946,920	4,075,390	2,768,961

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 30th September		Nine months ended 30th September	
	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Depreciation and amortization	17,062	10,324	51,359	37,066
Discount on acquisition of business released to income	—	—	—	(9,577)
(Gain) loss on disposal of property, plant and equipment	—	(91)	53	(3,427)
Interest income	(889)	(3,633)	(3,479)	(17,934)

4. Income tax expense

	Three months ended 30th September		Nine months ended 30th September	
	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
The charge comprises:				
PRC income tax	31,649	13,279	88,183	48,571
Deferred tax	—	—	—	(2,424)
	31,649	13,279	88,183	46,147

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

	Three months ended 30th September		Nine months ended 30th September	
	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)	**2006 RMB'000 (Unaudited)**	2005 RMB'000 (Unaudited)
Profit before tax	**90,587**	50,078	**259,721**	161,138
Tax at domestic income tax rate of 33%	**29,894**	16,526	**85,708**	53,175
Tax effect of share of profit of associates	**(986)**	(550)	**(1,751)**	(985)
Tax effect of expenses not deductible for tax purposes	**2,791**	(2,367)	**5,661**	(2,333)
Tax effect of income not taxable for tax purposes	**(50)**	(330)	**(1,435)**	(3,710)
Income tax for the period	**31,649**	13,279	**88,183**	46,147

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 is not arising in or derived from Hong Kong.

5. Dividend

The board of directors does not recommend the payment of any dividend for the nine months ended 30th September 2006 (corresponding period of 2005: Nil).

6. Earnings per share

The calculation of earnings per share is based on the net profit for the three months and the nine months ended 30th September 2006 of approximately RMB55,341,000 and RMB164,234,000 (corresponding period of 2005: approximately RMB36,125,000 and RMB111,655,000) and on the number of 305,087,000 shares in issue during the three months ended 30 September 2006 and on the weighted average number of 301,454,399 shares in issue during the nine months ended 30th September 2006 (corresponding period of 2005: 283,987,000 shares).

7. Reserves

Movements in the Group's reserves during the three months and the nine months ended 30th September 2006 were as follows:

Three months ended 30th September

	2006					2005
	Share premium RMB'000	Statutory common reserve fund RMB'000	Statutory common welfare fund RMB'000	Retained earnings RMB'000	Total RMB'000	Total RMB'000
At 1st July	1,132,062	48,451	24,084	282,453	1,487,050	907,025
Net profit for the period	—	—	—	55,341	55,341	36,125
At 30th September	1,132,062	48,451	24,084	337,794	1,542,391	943,150

Nine months ended 30th September

	2006					2005
	Share premium RMB'000	Statutory common reserve fund RMB'000	Statutory common welfare fund RMB'000	Retained earnings RMB'000	Total RMB'000	Total RMB'000
At 1st January	695,018	48,451	24,084	228,475	996,028	882,613
Placing of shares	444,667	—	—	—	444,667	—
Share issue expenses	(7,623)	—	—	—	(7,623)	—
Net profit for the period	—	—	—	164,234	164,234	111,655
Dividend paid	—	—	—	(54,915)	(54,915)	(51,118)
At 30th September	1,132,062	48,451	24,084	337,794	1,542,391	943,150

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

As at 30th September 2006, the retail network of the Group consisted of a total of 567 stores, of which 80 were superstores and 487 were mini-marts. Stores directly owned or operated by the Group and its associated companies through franchise agreements comprise:

	As at 30th September 2006	Region
Superstores		
Direct Ownership (Note 1)	64	Beijing, Hebei, Tianjin, Yinchuan
Franchise (Note 2)	1	Yinchuan
Mini-marts		
Direct Ownership (Note 3)	157	Beijing, Yinchuan
Franchise (Note 2)	258	Beijing, Yinchuan
Total (Note 4)	480	

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

	As at 30th September 2006	Region
Superstores	15	Hebei, Tianjin
Mini-marts	72	Beijing, Tianjin
Total	87	

Notes:

1. Superstores comprised 54 stores directly owned by the Group and 10 stores owned through an associated company as at 30th September 2006.

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

3. Mini-marts comprised 147 stores directly owned by the Group and 10 stores owned through an associated company as at 30th September 2006.

4. The total excludes stores operated by Beijing Chao Shifa Company Limited ("Chao Shifa") and Jiangsu Times Supermarket Company Limited ("Jiangsu Times"), but includes stores operated by Mei Lian Mei and Yinchuan Xinhua Department Store Company Limited ("Xinhua Co").

On 29th August 2006, Wumart Enterprise Corporation Limited (物美國際有限公司), a wholly-owned subsidiary of the Company, acquired 50% of the total equity interest in Times Supermarket Limited from CS International Investment Limited at a consideration of HK$1,141,826,923, and would thereafter own 50% of the total equity interest in Jiangsu Times indirectly. Jiangsu Times is a retail chain operator with footholds in eastern China. Its operational capacity and profitability are strong and have enormous growth potential. Upon completion of the acquisition, the extensive exchange and complementary advantages in respect of human resources, procurement, information system, operation management and skills will further enhance the competitiveness of the Group and Jiangsu Times, and will accelerate the development of the Group in eastern China. This acquisition is an important step for the Company to implement its regional development strategies in eastern China.

NUMBER OF STORES

As at 30th September 2006, the Group operated a total of 79 superstores with a net saleable area of 317,314 square metres; and a total of 229 mini-marts with a net saleable area of 72,045 square metres.

OPERATIONAL MANAGEMENT

During the Reporting Period, the Group enhanced its control over the shortage of merchandise, and improved the delivery rate of ordered merchandise by means of tracking and inspecting inventories and orders and providing incentives and penalties for responsible persons. Immediate inspection and supervision were undertaken to maintain minimum inventory levels and displays at stores. The shortage of merchandise was reduced and the inventory level was maintained, thus safeguarding sales.

The Group launched a "New Experience" programme for superstores. This programme targeted at 5 areas, which included adjusting the uniform display standards, enhancing the outer appearances of employees, improving the internal cleanliness of superstores, standardizing POP and overhead decorations, and improving the cleanliness and tidiness of the external appearance of stores. This programme has greatly enhanced the images of stores, in particular, the adjustment to the display standards led to an outstanding performance of merchandise and boosted consumption of customers. The Group also launched the "New Best-located Shelf Space Programme", which focused on the preparation of merchandise, placement of orders and display planning of promotional items. This programme standardized the ordering of seasonal merchandise and implementation of display plans, and ensured that the stores would have accurate control over the volume of orders, display modes and locations.

QUALITY MANAGEMENT

During the Reporting Period, the Group formulated operational procedures for managing the quality of suppliers, which reviewed competency, production workflow and capacity, and storage and delivery capacity of suppliers. Those that are unqualified will be eliminated. The Group also set out procedures for random and selected inspection. The outer appearances, labels, manufacturing dates and expiry dates of merchandise will be inspected according to our inspection standards. Items that are below standards will be returned. Quality of merchandise can be guaranteed by reinforcing the management of suppliers and inspection of merchandise.

MERCHANDISE MANAGEMENT

During the Reporting Period, the Group continued to optimise its supply chain based on the implementation of centralised procurement. The Group, Mei Lian Mei and Chao Shifa actively underwent integration in respect of the procurement of merchandise and management of logistics and distribution.

The Group had a strategic cooperation meeting with domestic and overseas large-scale suppliers, and established a synergistic operation mode in areas of information sharing, category management, inventory management and joint promotion. This strategic cooperation meeting was the first joint action on procurement and logistics after the acquisition of Chao Shifa and Mei Lian Mei by the Group. Based on the original foothold, reinforcement of synergies with suppliers could further facilitate the cooperation between large-scale suppliers and the Group's procurement department and reduce procurement costs. With cost control and quality control plans implemented jointly with suppliers, this synergistic cooperation ensures that customers could purchase high-quality merchandise with low prices at the Group's stores, thus satisfying the customers' needs in the greatest extent.

CUSTOMER SERVICE

During the Reporting Period, the Group continued to work with telecommunications companies and installed and promoted a terminal system at our mini-marts. Customers could make self-service fee payments (e.g. telephone bills) via these terminals. In addition, the Group has been negotiating with telecommunications companies for the installation of invoice printers at our mini-marts, with a view to providing more convenient service to our customers.

The Group continued to promote catalogue sales at mini-marts. Stores issue merchandise catalogues regularly, and customers can purchase merchandise at any mini-marts nearby according to catalogues. If that store does not sell the required merchandise listed on the catalogue or runs out of stock, that store will be responsible for replenishment by transferring stock from other stores, so as to ensure that customers can purchase their required merchandise at any store. Catalogue sales are conveniences for customers and can satisfy their needs. This model of sales is highly appreciated by customers. Sales of mini-marts are therefore improved with this model of sales.

SUBSEQUENT EVENT

The share sub-division of the Company became effective on 26th October 2006. Subsequent to the share sub-division, each existing share (with a nominal value of RMB1.00 each) in issue of the Company would be sub-divided into four shares with a nominal value of RMB0.25 each and the board lot size on the Stock Exchange would remain at 1,000 shares. The number of issued shares of the Company has been changed to 1,220,348,000 shares.

BUSINESS PROSPECTS

China's retail industry sustains its strong growth momentum and its status in the economy has been improving. With the rapid reorganisation among enterprises (including merger and acquisition), the centralisation of industry will be enhanced. The retail industry faces enormous development opportunities and a number of challenges in various aspects. The Group persists in executing its regional development strategies, expands its scale of operation by acquisition, merger and establishment of new stores in regions where the Company has access. These strategies will increase the market share of the Group in local area, consolidate and strengthen the leading position and advantages of the Group in regions where it has access. With room for market development and opportunities for industry integration, the Group will impose stringent and prudent assessment mechanisms; with an aim to ensure the profitability and growth potential of newly-established stores, enhance the core competitiveness of the Group and create satisfactory return for shareholders and investors.

After acquiring Mei Lian Mei and Xinhua Co, the Group has established a strong foothold in northern and north-western regions of China. It actively procures the rapid integration among enterprises in the regions, starting from Beijing, in respect of procurement resources, supply chain management, logistics, human resources and information technology. The integration will reduce the operational and management costs of each enterprise. The Group will enhance the operational capacities and maintain the operational ability and profitability of companies being acquired through upgrading operational efficiency by using modern distribution technologies. With effective integration of acquired companies, the Group will attain greater synergies and larger market share, hence maintaining its steady growth.

The Group cooperates with SAP, a well-known enterprise in the world, with a view of establishing an ERP system called WinBox (Wumart in a Box) that can support future rapid development of the Group. This system will be established as an integrated management and information system for retail, financial and logistics data. By leveraging on actual business experiences of SAP in the global retail industry, the Group will improve its management mechanism, upgrade its operational efficiency, and implement the integration of enterprises and re-design its logistics at a fast pace, so as to create synergies.

The Group put its emphasis on attracting talents for establishing a professional and international management team with executive capabilities. The operational management team, headed by Group President Dr. Li Feng-jiang, consists of outstanding talents from Europe, Hong Kong and Taiwan. The team possesses extensive experience in managing international retail enterprises. Under the leadership of the Board, the operational management team will ensure the implementation of the Company's strategies and maintain the steady development of the Group.

All Directors, 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 diligence and hard work.

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 reporting period, the audit committee convened three meetings, in 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 and 5.29.

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

As at 30th September 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 Rule 5.46 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 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

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

Notes:

1. The 124,483,232 Domestic Shares are held by Wumei Holdings, Inc. (物美控股集團有限公司) ("Wumei Holdings") one of the promoters of the Company, which is directly and indirectly owned by Beijing CAST Technology Investment Company Limited (北京卡斯特科技投資有限公司) ("CAST Technology Investment") as to 70% and 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 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 40,114,436 Domestic Shares.

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. 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 Junhe Investment, one of the promoters of the Company, 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 30th September 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 30th September 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 30th September 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 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 directly 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 directly 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 the H shares

Name	Number of H shares held	Approximate percentage of total issued H share capital (%)
The Capital Group Companies, Inc. (Note 1)	11,919,000	9.41
Julius Baer Investment Management LLC (Note 2)	11,558,257	9.13
Oppenheimerfunds, Inc. (Note 3)	9,347,000	7.38
JPMorgan Chase & Co. (Note 4)	9,214,968	7.28
Julius Baer International Equity Fund (Note 5)	6,885,533	5.40

Notes:

1. These 11,919,000 H Shares were held by The Capital Group Companies, Inc. in its capacity as investment manager.

2. These 11,558,257 H Shares were held by Julius Baer Investment Management LLC in its capacity as investment manager.

3. These 9,347,000 H Shares were held by Oppenheimerfunds, Inc. in its capacity as investment manager.

4. 4,640,000 H Shares were held by JPMorgan Chase & Co. in its capacity as investment manager and 4,574,968 H Shares were held in its capacity as custodian corporation or approved lending agent.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting 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 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 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.

CHAIRMAN'S STATEMENT

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
7th November 2006