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WU MART

Wumart Stores,Inc.
北京物美商業集團股份有限公司

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

Stock Code : 8277

INTERIM REPORT 2008

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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 of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Wumart Stores, Inc. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material aspects and that the contents are not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

REVIEW OF INTERIM RESULTS

- For the six months ended 30 June 2008, comparable store Note 1 sales grew by approximately 13.9%;

- As at 30 June 2008, our retail network comprised 352 stores with net saleable area of approximately 411,398 square metres (excluding the stores of associates and franchises), up by approximately 62,444 square metres over the corresponding period of last year;

- For the six months ended 30 June 2008, total revenue Note 2 amounted to approximately RMB4,643,417,000, representing a growth of approximately 23.6% over the corresponding period in 2007;

- For the six months ended 30 June 2008, consolidated gross profit Note 3 amounted to approximately RMB808,486,000, representing a growth of approximately 32.2% over the corresponding period in 2007;

- For the six months ended 30 June 2008, net profit was approximately RMB327,036,000. Ignoring the effect of the net gain on disposal of equity of approximately RMB135,348,000 arising from the equity swap between Hangzhou Tiantian Wumart Commerce Company Limited ("Hangzhou Commerce") and Yinchuan Xinhua Department Store Company Limited ("Xinhua Department Store"), the Group's net profit would have been approximately RMB191,688,000, representing an actual growth of approximately 36.7% over the net profit of the corresponding period of 2007, after excluding the book gain of approximately RMB20,041,000 arising from the fair value change of the derivative financial liabilities in 2007.

Note 1: Stores that have been operating in both interim periods of 2008 and 2007.

Note 2: Total revenue includes turnover and other revenues.

Note 3: Consolidated gross profit is the difference between the total revenue and the cost of sales.

INTERIM REPORT

The board of Directors (the "Board") is pleased to present the unaudited interim results of Wumart Stores, Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2008 (the "Reporting Period").

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Total Revenue

During the Reporting Period, the Group maintained its rapid sales growth, with a total revenue of approximately RMB4,643,417,000 for the six months ended 30 June 2008, up by approximately 23.6% over the corresponding period in 2007. Excluding sales at cost to managed and franchised stores and related companies, total revenue would have increased by approximately 28.5% over the corresponding period of the previous year. The increase in total revenue was mainly attributed to the growth in comparable store sales, sales from new stores in the second half of 2007 and the Reporting Period, and sales contributions from Hangzhou Commerce since 1 May 2008. Comparable store sales increased by approximately 13.9% over the corresponding period of the previous year. Apart from escalation of prices of certain food products, the increase in comparable store sales was attributed to the continual enhancement of merchandise category management, improvement of merchandise mix, optimization of pricing policies and continuous improvement in services quality, resulting in increases in the number of transactions and average transaction amount per customer. Increases in services income from suppliers continued to reflect the Group's regional advantages and the bargaining power of its centralized procurement. Rental income was derived from leasing of store premises to its business partners by the Group. The increase in rental income was mainly attributed to the increase in the number of newly opened stores, thereby leading to an increase in lease-out area and the increases in rentals on some of the lease-out areas upon renewal of leases.

Cost of Sales and Gross Margin

During the Reporting Period and the corresponding period of 2007, the cost of sales of the Group were approximately RMB3,834,931,000 and RMB3,145,591,000, respectively, with the consolidated gross margin for these two periods at approximately 17.4% and approximately 16.3%, respectively. Excluding sales at cost to managed stores, franchised stores and related companies, the consolidated gross margin for these two periods would have been approximately 18.6% and 18.1%, respectively. The increase in gross margin was primarily attributed to the following three factors: (1) the decline in unit cost due to the economies of scale attained through centralized procurement; (2) a more reasonable pricing policy and continuous optimization of selection on promotional items; and (3) a more accurate means of strengthening control over gross profit following the successful go-live of the WINBOX@SAP system. The increased gross profit margin reflected further improvements in the Group's operating capabilities.

Operating Costs and Profit

During the Reporting Period, administrative expenses and selling and distribution costs of the Group were, in aggregate, approximately RMB574,203,000, accounting for approximately 12.3% of the total revenue, compared with approximately 11.8% in the corresponding period of 2007. Of which, administrative expenses of the Group were approximately RMB80,696,000, representing approximately 1.7% of the total revenue, and selling and distribution costs of the Group were approximately RMB493,507,000, making up approximately 10.6% of the total revenue.

During the Reporting Period, the Group's administrative expenses and selling and distribution costs primarily included staff related costs of approximately RMB169,847,000 and rental expenses of approximately RMB148,907,000. Staff related costs and rental expenses for the corresponding period in 2007 were approximately RMB90,912,000 and RMB112,467,000, respectively. Total staff related costs increased over the corresponding period of the previous year mainly due to overall rise in labour costs and increase in total staff costs resulting from newly opened stores (subsequent to the acquisition of Hangzhou Commerce). The increase in rental expenses over the corresponding period of the previous year was mainly attributed to the increase in the number of newly opened stores since the second half of 2007, thereby leading to a corresponding increase in total rental expenses over the corresponding period of the previous year, while rental expenses as a proportion of total revenue remained the same as that of the corresponding period of the previous year.

During the Reporting Period, finance costs of the Group amounted to approximately RMB9,822,000, compared with approximately RMB5,922,000 in the corresponding period of 2007.

During the Reporting Period, net profit of the Group was approximately RMB327,036,000. Ignoring the effect of the net gain on disposal of equity of approximately RMB135,348,000 arising from the equity swap between Hangzhou Commerce and Xinhua Department Store, the Group's net profit would have been approximately RMB191,688,000, representing an actual growth of approximately 36.7% over the net profit of the corresponding period of 2007, after excluding the book gain of approximately RMB20,041,000 arising from the fair value change of the derivative financial liabilities in 2007 with net margin at approximately 4.1%, Excluding total sales at cost to managed and franchised stores and related companies of approximately RMB295,182,000, the Group's net margin would have been approximately 4.4%.

Liquidity and Financial Resources

During the Reporting Period, cash income from operations was the primary source of the Group's funds. As at 30 June 2008, the Group had non-current assets of approximately RMB2,824,791,000, which mainly included property, plant and equipment of approximately RMB1,816,959,000, interests in associates and a joint venture of approximately RMB182,307,000 and goodwill of approximately RMB763,036,000.

As at 30 June 2008, the Group recorded net current liabilities of approximately RMB341,233,000. Its current assets mainly comprised cash and bank balances of approximately RMB685,909,000, inventories of approximately RMB586,310,000, trade and other receivables of approximately RMB478,804,000 and amounts due from related parties of approximately RMB359,596,000. Current liabilities were approximately RMB2,488,042,000, mainly comprised trade payables of approximately RMB1,400,769,000, other payables, advances and receipts in advance of approximately RMB562,504,000, dividend payable of approximately RMB158,645,000, taxes payable of approximately RMB51,977,000 and secured bank loans of approximately RMB267,910,000.

During the Reporting Period, the Group had an average account payable turnover of approximately 68 days, compared with approximately 91 days in the corresponding period of 2007; inventory turnover of approximately 25 days, compared with approximately 20 days in the corresponding period of 2007; gearing ratio of approximately 11.8%, compared with approximately 8.6% in the corresponding period of 2007.

FINANCIAL INFORMATION

Condensed Consolidated Income Statement

For the three months and six months ended 30 June 2008

	Note	For the three months ended 30 June 2008 RMB'000 (Unaudited)	For the three months ended 30 June 2007 RMB'000 (Unaudited)	For the six months ended 30 June 2008 RMB'000 (Unaudited)	For the six months ended 30 June 2007 RMB'000 (Unaudited)
Turnover	4	**1,962,045**	1,497,492	**4,203,282**	3,424,197
Cost of sales		**(1,772,137)**	(1,369,551)	**(3,834,931)**	(3,145,591)
Gross profit		**189,908**	127,941	**368,351**	278,606
Other revenues	4	**212,159**	173,148	**440,135**	333,119
Gain on disposal of an associate	18	**180,463**	—	**180,463**	—
Other income		**25,130**	30,728	**45,608**	52,148
Selling and distribution costs		**(258,964)**	(173,358)	**(493,507)**	(345,656)
Administrative expenses		**(33,895)**	(51,713)	**(80,696)**	(98,459)
Finance costs		**(4,255)**	(3,231)	**(9,822)**	(5,922)
Share of profit of associates		**5,625**	15,586	**22,211**	27,126
Share of profit of a joint venture		**419**	—	**1,379**	—
Profit before tax		**316,590**	119,101	**474,122**	240,962
Income tax expense	5	**(78,672)**	(30,724)	**(113,465)**	(67,179)
Profit for the period	6	**237,918**	88,377	**360,657**	173,783
Attributable to:					
Equity holders of the Company		**223,523**	82,265	**327,036**	160,269
Minority interests		**14,395**	6,112	**33,621**	13,514
		237,918	88,377	**360,657**	173,783
Earnings per share — basic	8	**RMB0.18**	RMB0.07	**RMB0.27**	RMB0.13

Condensed Consolidated Balance Sheet

As at 30 June 2008

	Note	**30 June 2008 RMB'000 (Unaudited)**	31 December 2007 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**1,816,959**	1,722,560
Interests in associates	10	**133,354**	358,807
Interests in a joint venture	10	**48,953**	47,574
Goodwill	11	**763,036**	404,711
Land use rights		**27,778**	28,215
Prepaid lease payments		**13,247**	16,766
Deferred tax assets	16	**21,464**	12,823
		2,824,791	2,591,456
Current assets			
Inventories		**586,310**	480,271
Prepaid lease payments		**35,546**	27,971
Held-for-trading investments		**644**	—
Trade and other receivables	12	**478,804**	412,234
Amounts due from related parties	13	**359,596**	370,657
Cash and bank balances		**685,909**	815,179
		2,146,809	2,106,312

	Note	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Current liabilities			
Trade and other payables	14	**1,963,273**	2,086,319
Amounts due to related parties	13	**42,254**	48,051
Dividend payable		**158,645**	—
Tax liabilities		**51,977**	46,097
Bank loans	15	**267,910**	275,460
Obligations under finance leases		**3,983**	5,110
		2,488,042	2,461,037
Net current liabilities		**(341,233)**	(354,725)
Total assets less current liabilities		**2,483,558**	2,236,731
Capital and reserves			
Share capital	17	**305,087**	305,087
Reserves		**1,973,509**	1,805,118
Equity attributable to equity holders of the Company		**2,278,596**	2,110,205
Minority interests		**153,674**	120,354
Total equity		**2,432,270**	2,230,559
Non-current liabilities			
Deferred tax liabilities	16	**46,172**	1,056
Obligations under finance leases		**5,116**	5,116
		51,288	6,172
		2,483,558	2,236,731

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008 (unaudited)

	Equity attributable to equity holders of the Company							
	Share capital	Share premium	Statutory common reserve fund	Statutory common welfare fund	Accumulated profit	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000 (Note 1)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	305,087	1,132,062	107,806	—	350,596	1,895,551	93,360	1,988,911
Profit for the period	—	—	—	—	160,269	160,269	13,514	173,783
Dividends paid by subsidiaries	—	—	—	—	—	—	(1,104)	(1,104)
At 30 June 2007	305,087	1,132,062	107,806	—	510,865	2,055,820	105,770	2,161,590
Dividend paid by the Company	—	—	—	—	(85,424)	(85,424)	—	(85,424)
Dividends paid by subsidiaries	—	—	—	—	—	—	(553)	(553)
Contributions from minority shareholders	—	—	—	—	—	—	3,150	3,150
Profit for the period	—	—	—	—	139,809	139,809	11,987	151,796
Profit appropriations	—	—	31,682	—	(31,682)	—	—	—
At 31 December 2007 (audited)	305,087	1,132,062	139,488	—	533,568	2,110,205	120,354	2,230,559
Profit for the period (Note 2)	—	—	—	—	327,036	327,036	33,621	360,657
Dividends paid by subsidiaries	—	—	—	—	—	—	(301)	(301)
Dividend payable by the Company	—	—	—	—	(158,645)	(158,645)	—	(158,645)
At 30 June 2008 (unaudited)	305,087	1,132,062	139,488	—	701,959	2,278,596	153,674	2,432,270

Note 1: Pursuant to the changes in the relevant regulations of the PRC, the Company and its subsidiaries are no longer required to transfer part of its profit to the statutory common welfare fund commencing from the year ended 31 December 2006. The balance of the statutory common welfare fund was transferred to the statutory common reserve fund during the year ended 31 December 2006.

Note 2: During the Reporting Period, profit of the Group was approximately RMB327,036,000. Excluding the net gain on disposal of equity of approximately RMB135,348,000 arising from the equity swap between Hangzhou Commerce and Xinhua Department Store, the profit for the period of the Group would have been approximately RMB191,688,000.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**55,525**	68,124
Investing activities		
Purchases of property, plant and equipment	**(172,292)**	(182,569)
Investment deposits paid	**—**	(50,000)
Dividends received from associates	**4,900**	15,007
Decrease in pledged deposits	**—**	93,067
Other investing cash flows	**395**	10,158
Net cash used in investing activities	**(166,997)**	(114,337)
Financing activities		
Repayments of bank loans	**(7,550)**	—
Interest paid	**(9,747)**	(5,478)
Other financing cash flows	**(501)**	(1,548)
Net cash used in financing activities	**(17,798)**	(7,026)
Net decrease in cash and cash equivalents	**(129,270)**	(53,239)
Cash and cash equivalents at beginning of the period	**815,179**	725,093
Cash and cash equivalents at end of the period	**685,909**	671,854
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**685,909**	671,854

NOTES TO THE FINANCIAL INFORMATION

For the six months ended 30 June 2008

1. BASIS OF PRESENTATION

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

2. PRINCIPAL ACCOUNTING POLICIES

In 2007, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's accounting period beginning on 1 January 2007.

The adoption of the new HKFRSs had no material effect on how the results and financial conditions for the Reporting Period or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions

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 consolidated financial statements of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKAS 3 (Amendment)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 12	Service Concession Arrangements[3]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009.

2 Effective for annual periods beginning on or after 1 July 2009.

3 Effective for annual periods beginning on or after 1 January 2008.

4 Effective for annual periods beginning on or after 1 July 2008.

3. SEGMENT INFORMATION

The Group is principally engaged in the operation of superstores and mini-marts in the PRC. All identifiable assets of the Group are located in the PRC. Accordingly, no segmental analysis is presented.

4. TOTAL REVENUE

The Group is principally engaged in the operation of superstores and mini-marts in the PRC. Total revenue recognized for the three months and six months ended 30 June 2008 is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover				
Sales of merchandise	**1,962,045**	1,497,492	**4,203,282**	3,424,197
Other revenues				
Rental income from leasing of shop premises	**61,051**	54,958	**121,235**	101,245
Income from suppliers, including store display income and promotion income etc	**151,108**	118,190	**318,900**	231,874
	212,159	173,148	**440,135**	333,119
Total revenue	**2,174,204**	1,670,640	**4,643,417**	3,757,316

5. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
The charge comprises:				
PRC income tax	**42,196**	31,101	**76,991**	67,556
Deferred tax	**36,474**	(377)	**36,474**	(377)
	78,672	30,724	**113,465**	67,179

The charge for the three months and six months ended 30 June 2008 can be reconciled to the income statement as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit before tax	**316,590**	119,101	**474,122**	240,962
Tax at domestic income tax rate of 25% (2007: 33%)	**79,148**	39,303	**118,531**	79,517
Tax effect of share of profit of associates and a joint venture	**(1,511)**	(5,143)	**(5,898)**	(8,952)
Tax effect of expenses that are not deductible in determining taxable profit	**—**	2,414	**—**	2,464
Tax effect of expenses that are deductible in determining taxable profit	**(976)**	—	**(1,179)**	—
Tax effect of income that is not taxable in determining taxable profit	**—**	(6,614)	**—**	(6,614)
Tax effect of tax loss not recognized	**2,011**	764	2,011	764
Income tax for the period	**78,672**	30,724	113,465	67,179

PRC income tax is calculated at a rate of 25% of the estimated assessable profit for each period (2007: 33%).

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

6. PROFIT FOR THE PERIOD

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

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover	**1,962,045**	1,497,492	**4,203,282**	3,424,197
Cost of sales	**(1,772,137)**	(1,369,551)	**(3,834,931)**	(3,145,591)
Investment and other income	**237,289**	203,876	**485,743**	385,267
Gain on disposal of an associate	**180,463**	—	**180,463**	—
Depreciation for property, plant and equipment	**(28,004)**	(26,617)	**(52,366)**	(51,632)
Amortisation of prepaid lease payments	**(1,926)**	(1,303)	**(3,851)**	(2,606)
Amortisation for land use right	**(218)**	(218)	**(437)**	(437)
Total depreciation and amortisation	**(30,148)**	(28,138)	**(56,654)**	(54,675)
Finance costs	**(4,255)**	(3,231)	**(9,822)**	(5,922)
Profit before tax	**316,590**	119,101	**474,122**	240,962
Operating lease rentals in respect of rented land and premises	**(81,910)**	(55,479)	**(148,907)**	(112,467)
Staff costs including director remuneration	**(92,136)**	(40,891)	**(169,874)**	(90,912)
Share of tax of associates and a joint venture (included in share of profit of associates and a joint venture)	**(1,511)**	(5,143)	**(5,898)**	(8,952)
Interest income	**5,128**	950	**6,529**	5,158

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (for the six months ended 30 June 2007: Nil).

The final dividend of RMB0.13 (2006: RMB0.07) per share for the year ended 31 December 2007 had been approved and was paid before 24 July 2008.

8. EARNINGS PER SHARE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	**2008**	2007
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit for the period attributable to equity holders of the Company (RMB'000)	**223,523**	82,265	**327,036**	160,269
Weighted average number of shares for the purposes of basic earnings per share (shares)	**1,220,348,000**	1,220,348,000	**1,220,348,000**	1,220,348,000

No diluted earnings per share is presented as the Company had no outstanding potential shares during the Reporting Period.

Excluding the net gain on disposal of equity of approximately RMB135,348,000 arising from the equity swap between Hangzhou Commerce and Xinhua Department Store, the earnings per share for the Reporting Period and three months ended 30 June 2008 were approximately RMB0.16 and RMB0.07, respectively.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2008, the Group spent approximately RMB46,094,000 (2007: approximately RMB21,762,000) on additions to furniture, fixtures and equipment, of which approximately RMB12,906,000 was attributed to Hangzhou Commerce; approximately RMB53,081,000 (2007: approximately RMB30,443,000) on additions to leasehold improvements, of which approximately RMB12,306,000 was attributed to Hangzhou Commerce; none (2007: approximately RMB153,972,000) on additions to land and buildings and none (2007: approximately RMB38,781,000) on additions to construction in progress.

10. INTERESTS IN ASSOCIATES AND A JOINT VENTURE

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Cost of investments in associates		
Listed in the PRC	—	210,304
Unlisted	**103,189**	103,189
Share of post-acquisition profits, net of dividend received	**30,165**	45,314
	133,354	358,807
Cost of unlisted investment in a jointly controlled entity	**50,000**	50,000
Share of post-acquisition loss	**(1,047)**	(2,426)
	48,953	47,574
	182,307	406,381

As at 30 June 2008, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital/registered capital held by the Group 30 June 2008	31 December 2007	Principal activities
Beijing Chao Shifa Company Limited ("Chao Shifa")	Incorporated	PRC	PRC Beijing	Ordinary	25.03%	25.03%	Superstores
Beijing Chongwenmen Vegetable Market Wumart Supermarket Company Limited	Incorporated	PRC	PRC Beijing	Ordinary	49%	49%	Superstores and mini-marts
Beijing Meiyijia Marketing Limited	Incorporated	PRC	PRC Beijing	Ordinary	25%	25%	Design, production, agency and distribution of advertisements in the PRC

As at 30 June 2008, the Group had interests in the following joint venture:

Name of entity	Form of business structure	Place of incorporation/ operation	Registered Capital RMB'000	Proportion of registered capital held by the Group 30 June 2008	31 December 2007	Proportion of voting rights held 30 June 2008	31 December 2007	Principal activity
Beijing Aoshikai Wumart Company Ltd.	Incorporated	PRC	100,000	50%	50%	50%	50%	Superstores

11. GOODWILL

	RMB'000
COST	
At 1 January 2008 (audited)	404,711
Additions on acquisition of subsidiaries (unaudited)	358,325
At 30 June 2008 (unaudited)	763,036
CARRYING AMOUNT	
At 30 June 2008 (unaudited)	763,036

12. TRADE AND OTHER RECEIVABLES

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Trade receivables	**99,777**	24,745
Prepayments, deposits and other receivables	**379,027**	387,489
	478,804	412,234

Trade receivables represent receivables from supply of merchandise to franchised stores, managed stores and retail sales to customers. The average credit period is within 30 days for receivables from supply of merchandise to franchised stores and managed stores. The Group's retail sales to customers are mainly conducted on cash basis, including payments by cash and credit cards.

The aging analysis of trade receivables is as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
0–30 days	**73,835**	18,990
31–60 days	**25,942**	5,755
	99,777	24,745

The fair values of the Group's trade and other receivables as at 30 June 2008 approximated their corresponding carrying amounts.

13. AMOUNTS DUE FROM/TO RELATED PARTIES

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Loans to associates	**100,000**	100,000
Amounts due from associates and a joint venture	**66,057**	70,022
Amounts due from subsidiaries of the Company's shareholder which has significant influence over the Company (the "Company's Controlling Shareholder")	**168,560**	175,656
Amounts due from minority shareholders of subsidiaries	**24,979**	24,979
	359,596	370,657
Amounts due to associates	**24,065**	15,603
Amounts due to subsidiaries of the Company's Controlling Shareholder	**18,189**	32,448
	42,254	48,051

Loans to associates were loans granted to the associates repayable within one year and interest-bearing at fixed rates of 6.57% (2007: 6.12%) per annum.

Amounts due from associates, a joint venture and subsidiaries of the Company's Controlling Shareholder are trade in nature. The average credit period is 30 to 60 days. The aging analysis of these balances is as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
0–30 days	119,809	120,537
31–60 days	78,270	83,259
61–90 days	36,538	41,882
	234,617	245,678

Those amounts that are not trade in nature have no fixed repayment terms.

The fair values of the Group's amounts due from/to related parties as at 30 June 2008 approximated their corresponding carrying amounts.

14. TRADE AND OTHER PAYABLES

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Trade payables	1,400,769	1,466,118
Other payables, deposits and accruals	562,504	620,201
	1,963,273	2,086,319

The aging analysis of trade payables is as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
0–30 days	**898,745**	907,729
31–60 days	**333,510**	380,310
61–90 days	**98,300**	99,369
Over 90 days	**70,214**	78,710
	1,400,769	1,466,118

The fair values of the Group's trade and other payables as at 30 June 2008 approximated their corresponding carrying amounts.

15. BANK LOANS

The loans are repayable within one year and carry interest at fixed rates ranging from 6.48% to 7.29% (2007: 6.48% to 7.29%) per annum.

As at 30 June 2008, a bank loans of approximately RMB67,910,000 (2007: RMB75,460,000) was secured by the pledge of leasehold land and buildings with carrying amounts of approximately RMB103,799,000 (2007: RMB105,126,000). The unsecured bank loans are guaranteed by the Company's Controlling Shareholder.

The fair values of the Group's bank loans as at 30 June 2008 approximated their corresponding carrying amounts.

16. DEFERRED TAX ASSETS/LIABILITIES

The major deferred tax assets recognized by the Group and movements thereon during the Reporting Period and prior period are as follows:

	Impairment for deposits paid for acquisition of associates	Effective rent	Fair value adjustments of properties	Tax losses	Gain on disposal of an associate	Increase in assets from acquisition of subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008 (audited)	4,582	16,277	(11,697)	2,605	—	—	11,767
Credited for the year (unaudited)	—	965	161	(552)	(45,116)	8,068	(36,474)
At 30 June 2008 (unaudited)	4,582	17,242	(11,536)	2,053	(45,116)	8,068	(24,707)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The analysis of deferred tax balances for financial reporting purposes is as follows:

	30 June 2008	31 December 2007
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Deferred tax assets	**21,465**	12,823
Deferred tax liabilities	**(46,172)**	(1,056)
	(24,707)	11,767

At 30 June 2008, the Group had unutilised tax losses of approximately RMB30,156,000 (31 December 2007: RMB27,781,000) available for offset against future profit. A deferred tax asset has been recognized in respect of approximately RMB8,212,000 (31 December 2007: RMB10,420,000) of such losses. No deferred tax asset has been recognized in respect of the balance of approximately RMB21,944,000 (31 December 2007: RMB17,361,000) due to unpredictability of future profit stream.

17. SHARE CAPITAL

	Number of domestic shares '000	Number of H shares '000	Value RMB'000
Authorized, issued and fully paid:			
Ordinary shares of RMB0.25 each at 1 January 2007 and 31 December 2007	713,780	506,568	305,087
Ordinary shares of RMB0.25 each at 30 June 2008	713,780	506,568	305,087

Note: Domestic shares and H shares are all ordinary shares in the share capital of the Company. However, H shares may only be subscribed for by, and traded in currencies other than RMB between, legal or natural persons of Hong Kong, the Macau Special Administrative Region, Taiwan or any country other than the PRC. Domestic shares must be subscribed for and traded in RMB. All dividends in respect of H shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in RMB. Pursuant to the applicable laws and regulations, domestic shares may not be sold within a period of three years from 5 December 2002. This period expired on 4 December 2005. The domestic shares and the H shares rank pari passu with each other in all respects and in particular, rank equally for all dividends or distributions declared, paid or made.

18. ACQUISITION OF SUBSIDIARIES

Acquisition in 2008

On 23 January 2008, the Company and Wumei Holdings Inc. ("Wumei Holdings") entered into the Equity Transfer Agreement, pursuant to which the Company acquired the entire equity interests in Hangzhou Commerce from Wumei Holdings, for a non-cash consideration payable by means of the Company's holding of 29.27% of the shares in Xinhua Department Store.

The Equity Transfer Agreement and the acquisition were approved at the extraordinary general meeting of the Company held on 8 April 2008 by way of poll. Upon completion of the acquisition, Hangzhou Commerce became a wholly-owned subsidiary of the Company. Wumei Holdings ceased to have the equity of Hangzhou Commerce and the Company did not hold any shares in Xinhua Department Store.

The Company completed the registration of the change of equity on 29 April 2008. The qualified professional appraisal organisation appointed by the Company adopted the market approach in assessing the values of the 29.27% of the shares in Xinhua Department Store. Pursuant to the appraisal results, the Company recorded a gain on disposal arising from the transfer of Xinhua Department Store of approximately RMB180,463,000 and goodwill on the acquisition of Hangzhou Commerce of approximately RMB358,325,000.

	Carrying amount and fair value of the acquiree prior to acquisition RMB'000
Property, plant and equipment	79,280
Cash and bank balances	18,809
Prepaid lease payments	3,664
Deferred tax assets	8,067
Inventories	47,797
Trade and other receivables	25,113
Trade and other payables	101,760
Tax liabilities	16,067
	64,903
Goodwill	358,325
Total consideration (non-cash payment)	423,228

Goodwill arising from the acquisition was attributable to the anticipated profit and the future operational synergies brought about by combination derived from the geographical advantages of Hangzhou Commerce and the characteristics of the commercial zone where it is located.

For the period of about two months between the completion date of the acquisition and 30 June 2008, the acquiree contributed approximately RMB146,389,000 to the total revenue and approximately RMB4,846,000 to the profit after tax of the Group.

19. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under operating leases in respect of rented premises which fall due as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within one year	**211,804**	243,791
In the second to fifth year inclusive	**951,677**	899,045
Over five years	**1,475,539**	1,773,322
	2,639,020	2,916,158

The Group as lessor

At the balance sheet date, the Group has contracted with tenants in respect of leasing of retail kiosks for the following future minimum lease payments which fall due as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within one year	**123,822**	121,364

20. COMMITMENTS

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Capital commitments		
Capital expenditure in respect of property, plant and equipment	**8,168**	18,720
Interests in a joint venture	**50,000**	50,000
	58,168	68,720

21. RELATED PARTY DISCLOSURES

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

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales to associates and a joint venture	**171,603**	116,483
Sales to subsidiaries of the Company's Controlling Shareholder	**129,629**	258,176
Service fee income from subsidiaries of the Company's Controlling Shareholder in respect of merchandise delivery services	**2,250**	2,850
Service fee income from associates and a joint venture in respect of merchandise delivery services	**682**	556
Management fee income from subsidiaries of the Company's Controlling Shareholder	**157**	419
Rental expense paid to subsidiaries of the Company's Controlling Shareholder	**1,822**	2,671

BUSINESS REVIEW

Expansion of Retail Network

As at 30 June 2008, the Group, its associates and a joint venture directly owned, and, through franchise agreements or management agreements, operated and managed a retail network of 352 stores, comprising 83 superstores and 269 mini-marts. The Group had an aggregate saleable area of 411,398 square metres, excluding the stores of associates and franchises, representing a net increase of approximately 62,444 square metres over the corresponding period of last year. During the Reporting Period, 8 directly-owned superstores (2 in the first quarter) and 3 directly-owned mini-marts (2 in the first quarter) were added by the Group. 2 loss-making directly-owned superstores (in the format of supermarkets) and 18 directly-owned mini-marts were closed and the cooperation with 5 loss-making managed stores and 70 franchised stores that failed to meet the standards were terminated (including those disclosed in the first quarter).

The transaction relating to the acquisition of the entire equity interests in Hangzhou Commerce by the Company was approved by the extraordinary general meeting of the Company on 8 April 2008 (please refer to the Company's announcement dated 23 January 2008: Discloseable and Connected Transaction for details). Upon completion of the acquisition on 29 April 2008, Hangzhou Commerce became a wholly-owned subsidiary of the Company. Hangzhou Commerce owned 5 superstores with an aggregate saleable area of 37,160 square metres. Hangzhou Commerce has been consolidated in the financial statements of the Company since 1 May 2008.

Stores, which were directly owned by the Group, its associates or a joint venture or operated through franchise agreements, were as follows:

	As at 30 June 2008	
	Number of Stores	**Geographical distribution**
Superstores		
Direct ownership	74	Beijing, Tianjin, Zhejiang
Mini-marts		
Direct ownership	124	Beijing
Franchise	105	Beijing
Total (Note)	303	

Stores operated and managed by the Group through various management agreements (the "Managed Stores") were as follows:

	As at 30 June 2008	
	Number of Stores	**Geographical distribution**
Superstores	9	Hebei, Tianjin
Mini-marts	40	Beijing, Tianjin
Total (Note)	49	

Note: Excluding stores of Chao Shifa.

Store Optimization

With the successful go-live of SAP, relevant amendments to the business processes of the head office and stores became necessary. The Group completed enhancing and upgrading the processes of the head office and stores according to the best business practices to provide support for the standardized operation of the Group.

In response to the Beijing 2008 Olympic Games and in order to meet the latest national standard, the Group has replaced all price labels in its stores with bilingual labels for the convenience of domestic and foreign customers. The Group introduced smart card payment and value-adding services in each store to provide convenience in shopping and transportation for customers. Meanwhile, foreign currency credit card payment services were introduced to the stores near the Olympic stadiums to better serve the customers and the Olympic Games.

The Group's attempt to promote new stores by mailing promotion leaflets was successful. The penetration rate of the promotion leaflets reached 85%, of which 90% of the recipients visited the stores. The Group continued with its personnel training and education programmes to improve fresh food operation skills and operational skills of store employees and strengthen the displaying and promotional capability of the stores. The Group cooperated with major manufacturers in implementing category optimization on certain merchandise categories in respect of their numbers, display methods, props and decorative effects for a better presentation and higher utilization rate of the shelves in stores.

During the Reporting Period, the Group enhanced the technical standardization of in-store produced deli products by revising and improving costs with the aid of the SAP system.

Optimization of Supplier Network

During the Reporting Period, the Group continued with greater efforts in optimizing the supplier network by carrying out stringent controls, whereby suppliers with poor performance were timely replaced with suppliers with promising prospects and stable operations. By reducing intermediaries, carrying out strategic, bulk and direct purchases from production bases and actively improving the means of cooperation with suppliers, the Group enjoyed greater uplift in efficiency. As at 30 June 2008, the number of suppliers was down by approximately 41.5% over that at the end of 2007.

Marketing Optimization

To toe the line with the "free plastic bag ban" issued by the government effective from 1 June, the Group completed the conversion of plastic shopping bags from necessities into normal merchandise during the Reporting Period and took initiatives in selling plastic shopping bags that were in compliance with the new standards in Beijing in early May, which were widely recognized by government departments and customers.

During the Reporting Period, the Group completed two actual operation tests for Retalix POS system. When the POS system of the Group's stores are fully implemented, there should be a complete overhaul of its marketing patterns. The adoption of more innovative and flexible marketing activities may provide customers with more services and beneficial to the improvement of our gross profit.

The Group made adjustments to DM specifications by printing its leaflets on newspapers in octavo format during major festivals and holidays to exhibit clearer and more pleasing images of merchandise in order to increase readability and promoting image of the leaflets, which were highly welcomed by customers. To welcome the forthcoming Beijing Olympic Games, the Group increased its mainstream media exposure by placing merchandise advertisements on mainstream media every month. A full-page shopping special issue was placed twice on evening newspapers in May and June, respectively, and achieved good promotional effect.

WINBOX@SAP

During the Reporting Period, the Group successfully completed eight system conversions with adoption of the SAP system by all directly-owned stores. In particular, the system switch, which were conducted on 1 June and 30 June, respectively, and led by the Group's WINBOX team without any support from external consultants, established a firm foundation for independent system integration of the Group in the future. Meanwhile, we also launched the SAP EHR module, completed business blueprints and conducted system configurations and data clearance, of which the go-live is expected to be completed in the second half of 2008. During the whole go-live process of SAP, the Group successfully achieved the objective of "Successful Go-live, Sustained Performance". While completing the go-live processes successfully, the Group also recorded satisfactory performance growth, in terms of both sales and gross profit. From June onwards, the Group has been promoting the whole Retalix POS system to the fullest extent and continuing with the implementation of SAP EHR software and the continual optimization of the SAP system.

Process Optimization

According to the design of the WINBOX system, the Group continued with process reengineering task with an aim to attain the simplified and effective trinity business management process of "centralized procurement/category optimization + demand forecast-driven supply chain + simplified store operation model". During the Reporting Period, WINBOX process team continued to amend, edit and optimize the (WM-ABC: 2008 Wumart Group Operation Process Manual) (《WM-ABC: 2008 物美集團作業流程手冊》), with 32 processes supplemented, such as HR-B-15: 2008 cancellation and change processes of information system users V1.0, 、LS-B-50: 2008 membership card application processes of superstores V1.0, LS-B-52: 2008 selling price change processes of stores V1.0, 、LS-B-51: 2008 cash collection operation processes of superstores V1.0, SS-B-01: 2008 ordering processes of mini-marts V1.0, SS-B-03: 2008 receiving processes of mini-marts V1.0 and SS-B-07: 2008 major stock-taking processes of mini-marts; and another 24 processes upgraded and optimized, such as LS-B-08: 2008 inventory adjustment processes of superstores V1.1, FC-A-06:2008 capital safety management rules V1.1, HR-B-14: 2008 promoter management processes V1.1, HR-B-07-01: 2008 performance appraisal system V1.1 and IC-B-05-01: 2008 hardware configuration standards of superstores V1.3. With the concurrent optimization of systems and processes, the professional levels and standards in respect of operation and management will be improved.

Logistics Optimization

During the Reporting Period, the Group set up a leadership team for supply chain projects focusing on the selection of software manufacturers and the design of our supply chain management in future with an aim to support the future development of the Group in Northern China. The Group also strengthened the management of direct suppliers through collaboration management of supply chain optimization in order to enhance the efficiency of the supply chain.

Human Resources

During the Reporting Period, with an objective to enhance the professionalism of our staff and satisfy the demands of talents arising from rapid business development, the Group continued with its human resources development plans, and at the same time recruited senior management and professionals. The Group's Development and Training Institute organized 96 training sessions for 3,168 staff members. The Group launched The Second 100 Division Managers Training Program (二期課長百人培訓計劃), which included theoretical examinations, selection, off-job training and practical training, and 39 staff members have been selected to be candidates for positions of division manager to date. In order to match up with the launch of ERP system, our Development and Training Institute organized 21 training sessions for 678 staff members. To enrich our professional technical staff at store level, the Group commenced the "promotion and assessment scheme for processors of fresh food at stores" training program, through which 199 employees completed the professional training and assessment, and the assessment scheme would continue to be executed at stores. During the Reporting Period, the Group recruited 24 senior management and operational staff members.

During the Reporting Period, the Group launched a competition with a focus on "Strive for Better Results, Management and Skills", in response to the theme of "Window Industries of Beijing Welcoming the Olympics". Through this campaign, basic skills of employees at stores and level of services were improved.

OTHER INFORMATION

Corporate Governance

During the Reporting Period, the Company complied with all the code provisions set out in the Code on Corporate Governance Practices contained in the Appendix 15 to the GEM Listing Rules in line with the corporate governance principles, in order to establish sound corporate governance practices and perfect the management of the Company.

Board

Members of the third session of the Board of the Company were elected at the 2007 Annual General Meeting held on 26 June 2008, for a term expiring upon the conclusion of the 2010 annual general meeting of the Company. The Board comprises three independent non-executive Directors with influence.

Audit Committee

The audit committee of the Company comprises the three independent non-executive Directors, Mr. Han Ying, Mr. Li Lu-an and Mr. Lu Jiang, with Mr. Han Ying as the Chairman of the audit committee. During the Reporting Period, the audit committee held three meetings, during which the members of the audit committee and the management of the Group reviewed the accounting principles and methods adopted by the Group, and discussed issues such as internal control and financial reporting, including the review of the Company's financial statements prepared in accordance with the generally accepted accounting principles in Hong Kong.

Code of Conduct Regarding Securities Transactions by Directors

Regarding the securities transactions by Directors, the Company has adopted a set of code of conduct on terms no less exacting than the required standard of dealings as set out in the GEM Listing Rules. In accordance with the code of conduct, the Company confirmed that, having made specific enquiry of all Directors, all Directors had complied with the code of conduct regarding securities transactions by Directors.

Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Associated Corporations

As at 30 June 2008, 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 the Domestic Shares of the Company

Name	Number of domestic shares held (Shares)	Approximate percentage of total domestic share capital (%)	Type of interests
Dr. Wu Jian-zhong (吳堅忠博士) (Note 1)	160,457,744	22.48	Interests of controlled corporation
Dr. Meng Jin-xian (蒙進暹博士) (Note 2)	23,269,228	3.26	Interests of controlled corporation
Dr. Meng Jin-xian (蒙進暹博士) (Note 2)	24,982,300	3.50	Interests of controlled corporation

Notes:

1. Dr. Wu Jian-zhong holds 70% of the share capital of Beijing Wangshang Shijie E-business Co., Ltd. (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 160,457,744 domestic shares of the Company. By virtue of Part XV of the SFO, Dr. Wu Jian-zhong is deemed to be interested in the shares of the Company held by Wangshang Shijie E-business.

2. Dr. Meng Jin-xian holds 40% of the share capital of Beijing Junhe Investment Co., Ltd. (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 23,269,228 domestic shares of the Company. Junhe Investment also holds 50% of the share capital of Beijing Hekang Youlian Technology Company Limited (北京和康友聯技術有限公司) ("Hekang Youlian"), which has a direct interest in the 24,982,300 domestic shares of the Company. By virtue of Part XV of the SFO, Dr. Meng Jin-xian is deemed to be interested in the shares of the Company held by Junhe Investment and Hekang Youlian.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2008, none of the Directors, supervisors or 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 which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are 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 30 June 2008, none of the Company, any of its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangement which enabled the Directors or supervisors of the Company to acquire benefits by acquiring shares in, or debentures of, the Company.

Substantial Shareholders

As at 30 June 2008, 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 (Shares)	Approximate percentage of total domestic share capital (%)
Dr. Zhang Wen-zhong (張文中博士) (Note)	497,932,928	69.76
Beijing Jingxi Guigu Technology Company Limited (北京京西硅谷科技有限公司) ("Jingxi Guigu") (Note)	497,932,928	69.76
Beijing CAST Technology Investment Company Limited (北京卡斯特科技投資有限公司) ("CAST Technology Investment") (Note)	497,932,928	69.76
Wumei Holdings (Note)	497,932,928	69.76
Wangshang Shijie E-business	160,457,744	22.48

Note: 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.

Long Positions in the H Shares of the Company

Name	Number of H shares (Shares)	Approximate percentage of total H share capital (%)
Sansar Capital Management, LLC (Note 1)	67,661,000	13.36
Sansar Capital Master Fund, LP (Note 2)	67,661,000	13.36
Arisaig Greater China Fund Limited (Note 3)	63,751,000	12.58
Arisaig Partners (Mauritius) Limited (Note 4)	63,751,000	12.58
Cooper Lindsay William Ernest (Note 5)	63,751,000	12.58
Pure Heart China Growth Fund (Note 6)	43,858,000	8.66
Pure Heart Asset Management Co., Ltd. (Note 7)	43,858,000	8.66
JPMorgan Chase & Co. (Note 8)	40,483,968	7.99
T. Rowe Price Associates, Inc. and its affiliates (Note 9)	36,402,000	7.19
Wellington Management Company, LLP (Note 10)	35,890,868	7.09
Julius Baer International Equity Fund (Note 11)	27,342,132	5.40
Julius Baer Investment Management LLC (Note 12)	27,342,132	5.40

Notes:

1. These 67,661,000 H shares are held by Sansar Capital Management, LLC in its capacity as an investment manager.

2. These 67,661,000 H shares are held by Sansar Capital Master Fund, LP in its capacity as a beneficial owner.

3. These 63,751,000 H shares are held by Arisaig Greater China Fund Limited in its capacity as a beneficial owner.

4. These 63,751,000 H shares are held by Arisaig Partners (Mauritius) Limited in its capacity as an investment manager.

5. These 63,751,000 H shares are held by Cooper Lindsay William Ernest through his controlled corporation.

6. These 43,858,000 H shares are held by Pure Heart China Growth Fund in its capacity as a beneficial owner.

7. These 43,858,000 H shares are held by Pure Heart Asset Management Co., Ltd. in its capacity as an investment manager.

8. These 40,483,968 H shares are held by JPMorgan Chase & Co. in its capacity as a trustee company/ approved lending agent.

9. These 36,402,000 H shares are held by T. Rowe Price Associates, Inc. and its affiliates in its capacity as an investment manager.

10. These 35,890,868 H shares are held by Wellington Management Company, LLP in its capacity as an investment manager.

11. These 27,342,132 H shares are held by Julius Baer International Equity Fund in its capacity as an investment manager.

12. These 27,342,132 H shares are held by Julius Baer Investment Management LLC in its capacity as an investment manager.

Save as disclosed above, no person has registered any interests or short positions in the shares or underlying shares of the Company that were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO.

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 one of the controlling shareholders and management shareholders of the Company. The Company entered into the non-competition agreement and the trademark licensing agreement with Wumei Holdings on 29 October 2003, and Entrusted Operation and Management Agreements with Wumei Holdings and Tianjin Affiliates (see note) on 24 October 2007, with a view to avoiding business competition with Wumei Holdings. Wumei Holdings has operated in strict compliance with the non-competition agreement and Entrusted Operation and Management Agreements in order to avoid business competition with the Group to the fullest extent. Save for the competing businesses disclosed above, Wumei Holdings did not engage in any direct or indirect competition against the Group, nor did it have any interests.

Note: Tianjin Affiliates include: Tianjin Hedong Wumart Trading Co., Ltd. (天津河東物美商貿有限公司), Tianjin Hebei Wumart Convenience Stores Co., Ltd. (天津河北區物美便利超市有限公司), Tianjin Hezuo Wumart Trading Co., Ltd. (天津合作物美商貿有限公司), Tianjin Nankai Shidai Wumart Commerce Co., Ltd. (天津市南開區時代物美商貿有限公司), Tianjin Hongqiao Wumart Convenience Stores Co., Ltd. (天津虹橋物美便利超市有限公司) and Tianjin Wumart Huaxu Commerce Development Co., Ltd. (天津物美華旭商貿發展有限公司).

Pledge of the Group's Assets

A bank loan of RMB67,910,000 was secured by the pledge of leasehold land and buildings with carrying amounts of RMB103,799,000.

Exchange Rate Risk

The majority of the income and expenses of the Group are denominated in RMB. During the Reporting 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 Liability

The Group did not have any material contingent liability as at 30 June 2008.

Subsequent Event

Wumei Holdings entered into a share transfer agreement (《非公開發行股份購買資產協議》) ("Share Transfer Agreement") with Xinhua Department Store, pursuant to which Wumei Holdings will transfer to Xinhua Department Store 497,932,928 domestic shares, representing approximately 40.80% of the total shares of the Company. The consideration of the transfer will be satisfied by Xinhua Department Store issuing to Wumei Holdings not more than 200,000,000 new shares. The above is subject to approvals of the general meeting of Xinhua Department Store and relevant regulatory departments. Upon completion of the Share Transfer Agreement, Xinhua Department Store will be interested in 40.80% of the shares of the Company and Wumei Holdings will be interested in not more than 73.002% of Xinhua Department Store. Details are set out in the announcement issued by the Company on 24 July 2008: Transfer of Shares by the Controlling Shareholder.

By Order of the Board
Wumart Stores, Inc.
Dr. Wu Jian-zhong
Chairman

Beijing, PRC
4 August 200