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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

FIRST QUARTERLY REPORT 2009

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

FINANCIAL HIGHLIGHTS (UNAUDITED)

Comparison of the unaudited results for the three months ended 31 March 2009 with the corresponding period of 2008

	Change	Three months ended 31 March **2009** **RMB'000**	 2008 RMB'000
Total revenue [Note 1]	24.2%	**3,067,612**	2,469,213
Consolidated gross profit [Note 2]	41.2%	**573,967**	406,419
EBITDA	38.2%	**270,867**	195,951
EBIT	32.6%	**216,254**	163,099
Net profit	25.5%	**129,886**	103,513
Earnings per share (RMB yuan per share) [Note 3]	25.5%	**0.11**	0.08

- Comparable store sales [Note 4] grew by 2.44%.

- Total number of stores amounted to 417.

- As at 31 March 2009, the Group had net assets of approximately RMB2,572,100,000 in aggregate.

- For the three months ended 31 March 2009, the Group's inventory turnover was 26 days, and creditor turnover was 68 days.

Note 1: Total revenue includes revenue and other revenues.

Note 2: Consolidated gross profit is the difference between total revenue and cost of sales.

Note 3: The nominal value of the Company's shares is RMB0.25 each.

Note 4: Stores that have been operating in both first quarters of 2009 and 2008.

CHAIRMAN'S STATEMENT

I am pleased to present the unaudited results of Wumart Stores, Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2009 (the "Reporting Period").

FINANCIAL REVIEW

For the Reporting Period, the Group recorded total revenue of approximately RMB3,067,612,000, up by approximately 24.2% over the corresponding period of last year. Excluding sales at cost to managed stores and related companies, total revenue would have grown by approximately 27.9% over the corresponding period of last year. The growth in total revenue was mainly derived from sales generated by newly-opened stores, revenue contributed by Hangzhou Tiantian Wumart Commerce Company Limited (杭州天天物美商業有限公司) ("Hangzhou Commerce") and Zhejiang Gongxiao Supermarket Company Limited (浙江供銷超市有限公司) ("Zhejiang Gongxiao") and year-on-year growth in income from suppliers and rental income.

For the Reporting Period, the Group's consolidated gross profit amounted to approximately RMB573,967,000, representing a growth of approximately 41.2% over the corresponding period of last year. The Group's consolidated gross profit margin was approximately 18.7%, an increase of approximately 2.2 percentage points over 16.5% for the corresponding period of last year. Excluding sales at cost to managed stores and related companies, the Group's consolidated gross margin was approximately 19.4%, an increase of approximately 1.8 percentage points over 17.6% for the corresponding period of last year. The increase in consolidated gross margin was primarily attributable to the further application and continuous optimisation of the WINBOX@ SAP and Retalix POS systems, and enhanced analysis and control over gross profit of the Group on the back of more sophisticated technology, continual optimisation of suppliers and merchandise category and reduction in unit cost of merchandise as a result of economies of scale attained through centralised procurement.

For the Reporting Period, the Group's net profit was approximately RMB129,886,000, grew by approximately 25.5% over the corresponding period of last year, which was primarily due to the growth in consolidated gross profit.

For the Reporting Period, administrative expenses and distribution and selling expenses amounted to approximately RMB60,521,000 and RMB322,305,000, representing approximately 2.0% and 10.5% of total revenue, respectively (2008: approximately RMB46,801,000 and RMB234,543,000, respectively, representing approximately 1.9% and 9.5% of total revenue, respectively). The increase in distribution and selling expenses was mainly attributable to the distribution and selling expenses of Hangzhou Commerce and Zhejiang Gongxiao and newly-opened stores.

For the Reporting Period, the Group's net profit margin was approximately 4.2%. Excluding sales at cost to managed stores and related companies, net profit margin would have risen to approximately 4.4%, at the same level as that of corresponding period of 2008.

For the Reporting Period, the Group's earnings per share was approximately RMB0.11, up by about 25.5% over approximately RMB0.08 for the corresponding period of 2008.

QUARTERLY RESULTS

The unaudited results of the Group for the three months ended 31 March 2009 together with the comparative unaudited consolidated figures for the three months ended 31 March 2008 are as follows:

	Notes	Three months ended 31 March 2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Total revenue	2	**3,067,612**	2,469,213
Cost of sales		**(2,493,645)**	(2,062,794)
Consolidated gross profit		**573,967**	406,419
Other revenues		**21,723**	20,478
Distribution and selling expenses		**(322,305)**	(234,543)
Administrative expenses		**(60,521)**	(46,801)
Finance costs		**(11,408)**	(5,567)
Share of profit of associates		**2,141**	16,586
Share of profit of jointly-controlled entity		**1,248**	960
Profit before tax	3	**204,845**	157,532
Income tax expense	4	**(50,553)**	(34,793)
Profit for the period		**154,292**	122,739
Attributable to:			
Equity holders of the Company		**129,886**	103,513
Minority interests		**24,406**	19,226
		154,292	122,739
Earnings per share — basic (RMB yuan per share)	6	**RMB0.11**	RMB0.08

NOTES TO THE FINANCIAL INFORMATION:

1. BASIS OF PRESENTATION

The unaudited financial statements of the Group have been prepared on the historical cost convention in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public accountants.

The accounting policies and basis of preparation adopted in the unaudited results for the Reporting Period are consistent with those adopted in the preparation of the Group's financial statements for the year ended 31 December 2008.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK (IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK (IFRIC) — Int 15	Agreements for the Construction of Real Estate[2]
HK (IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK (IFRIC) — Int 17	Distribution of Non-cash Assets to Owners[3]
HK (IFRIC) — Int 18	Transfer of Assets from Customers[6]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.
[4] Effective for annual periods ending on or after 30 June 2009.
[5] Effective for annual periods beginning on or after 1 October 2008.
[6] Applicable to transfers of assets from customers received on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

2. TOTAL REVENUE

The Group is principally engaged in the operation and management of superstores and mini-marts in Beijing, Tianjin and Zhejiang Province. Total revenue recognized for the Reporting Period was as follows:

	Three months ended 31 March	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods	**2,771,308**	2,241,237
Rental income from leasing of shop premises	**86,130**	64,710
Income from suppliers, including store display income and promotion income	**232,194**	180,410
Business taxes and other government surcharges	**(22,020)**	(17,144)
Total revenue	**3,067,612**	2,469,213

3. CONSOLIDATED INCOME/EXPENSES

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

	Three months ended 31 March	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation and amortization	**54,614**	32,852
Interest income	**(1,469)**	(1,401)
Operating lease rentals in respect of rented land and property	**92,562**	66,997
Salaries and staff benefits	**127,246**	77,738

4. INCOME TAX EXPENSE

	Three months ended 31 March	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
PRC income tax	**50,553**	34,793

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

	Three months ended 31 March	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax	**204,845**	157,532
Tax at PRC income tax rate of 25%	**51,211**	39,383
Tax effect of share of profit of associates and a jointly-controlled entity	**(847)**	(4,387)
Tax effect of items that are deductible in determining taxable profit	**—**	(203)
Tax effect of utilisation of tax losses not previously recognised	**189**	—
Income tax expense for the period	**50,553**	34,793

Note: Since 1 January 2008, PRC income tax is calculated at 25% of the estimated taxable 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 does not recommend the payment of a dividend for the three months ended 31 March 2009 (Three months ended 31 March 2008: Nil).

The final dividend of RMB0.15 per share (inclusive of tax) for 2008 proposed by the Board is subject to approval of the annual general meeting.

6. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period attributable to equity holders of the Company	**129,886**	103,513
Number of shares:		
Weighted average number of shares for the purposes of basic earnings per share (Shares)	**1,220,348,000**	1,220,348,000

No diluted earnings per share is presented as the Company did not have any potential ordinary shares outstanding during the Reporting Period and the same period of 2008.

7. RESERVES

Movements in the Group's reserves during the three months ended 31 March 2009 were as follows:

	Three months ended 31 March					
	2009					2008
	Share premium RMB'000 (unaudited)	Other reserves RMB'000 (unaudited)	Statutory common reserve fund RMB'000 (unaudited)	Retained profits RMB'000 (unaudited)	Total RMB'000 (unaudited)	Total RMB'000 (unaudited)
As at 1 January	1,132,062	311	194,809	809,945	2,137,127	1,805,118
Profit for the Reporting Period	—	—	—	129,886	129,886	103,513
As at 31 March	1,132,062	311	194,809	939,831	2,267,013	1,908,631

BUSINESS REVIEW

Expansion of Retail Network

In expanding its retail network through organic growth and merger and acquisition, the Company adhered strictly to its regional development strategy. As at 31 March 2009, the Group had a retail network of 417 stores comprising 104 superstores and 313 mini-marts, which were either directly owned or operated and managed through franchise agreements or management agreements by the Group, its associates and a jointly controlled entity. The Group had an aggregate saleable area of 464,780 square metres, excluding stores under associates and franchises.

During the Reporting Period, the Group opened 2 new directly-owned superstores and terminated cooperation with 2 managed superstores. We also opened 8 directly-owned mini-marts, closed down 2 loss-making directly-owned mini-marts, terminated cooperation with 2 managed mini-marts and 21 non-compliant franchised mini-marts.

Stores operated and managed, which were directly owned by the Group, its associates and jointly controlled entity or through franchise agreements, were as follows:

	As at 31 March 2009	
	Number of Stores	Geographical Distribution
Superstores		
Directly-owned	98	Beijing, Tianjin, Zhejiang
Mini-marts		
Directly-owned	200	Beijing, Zhejiang
Franchised	75	Beijing, Zhejiang
Total *(Note)*	373	

Note: Excluding stores under Beijing Chao Shifa Company Limited.

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

	As at 31 March 2009	
	Number of Stores	Geographical Distribution
Superstores	6	Hebei, Tianjin
Mini-marts	38	Tianjin
Total	44	

Category Optimization

During the Reporting Period, the Group's merchandise category management entered into the stage of centralization, standardization and sophistication, as it conducted with initial success an overall re-alignment of its merchandise mix in relation to the allocation and gross profit level of various items. The Group completed overall planning and specific arrangements for various merchandise in terms of brand, specification, material, price range, gross profit level and selling price with full implementation. The market influence of our superstores was further extended with an overwhelming promotion of brandname products. Our mini-marts focused on fresh food, packaged food and daily-use cosmetics to enhance customer loyalty and foster affinity. As a result, we were able to increase our gross profit level as well as sales.

The Group persisted in day-to-day gross profit margin review. Regular analyses and assessments were conducted in respect of merchandise with underachieving gross profit. Purchasing prices and selling prices were then adjusted on the basis of these analyses and assessments to make sure that the gross profit target for each merchandise and category was being met. Meanwhile, efforts were made to maximize the marketing potential and gross profit level of individual merchandise items to ensure overall growth in its contributions to consolidated gross profit.

Optimization of Suppliers

In-depth cooperation with suppliers represents one of the major business strategies of the Group for 2009. During the Reporting Period, the Group worked with large suppliers and launched joint initiatives with manufacturers or mega-sized agents. Strategic alliance with suppliers was enhanced by stronger marketing efforts, collaborated study on category optimization and agreed display principles. Meanwhile, broader choices from fresh food suppliers assured more stable growth in sales and gross profit.

During the Reporting Period, the Group continued to adhere to its performance-based supplier selection system. Suppliers were sorted according to their performances in the previous year. Contracts with the worst-performing suppliers in terms of sales and gross profit were terminated, while new suppliers who matched our sales standards and gross profit policy and demonstrated potentials for development were enlisted. Such replacements served to improve our supplier system and enrich our merchandise categories.

During the Reporting Period, the Group continued to work with suppliers on the basis of win-win and revised its merchandise contracts to the effect that fairer and more reasonable terms in relation to gross profit compensation, return of goods and simplification of procedures were offered. The arrangement was met with positive response from the suppliers which also gave more comprehensive support to the Group.

During the Reporting Period, the Group started to operate certain brands directly, as opposed to concessionary in the past. Meanwhile, we continued to attempt direct procurements from production bases by either placing orders with manufacturers directly or otherwise engaged in direct liaison with production bases. These efforts enriched our experience in organizing procurements at sources and lowered purchasing prices, making greater gross profit margin possible.

Marketing Optimization

During the Reporting Period, the Group devised a variety of marketing campaigns and promotional packages with the support of the Retalix POS system. They included discretionary combination for RMB10 (free combination of three designated items for only RMB10), 50% off for the second item, redemption of membership bonus points as cash coupons and uniform pricing. The "combination" offer was especially popular with patrons and returned outstanding sales, as it was more flexible and practical in meeting customers' needs in comparison to the traditional practice of bundled sales. Growth in the number of patrons and sales was reported as the "3 for RMB10" package enjoyed increasing publicity with extensive media coverage, such as reports by Beijing Evening News (北京晚報) and Beijing Times (京華時報).

During the Reporting Period, the Group also made a strong effort to standardize its DM in terms of printing, logos and POP formats. Meanwhile, we sought to renovate the format of our DM by partitioning the face of the DM in proportion to the extent of prices discounts, as opposed to the traditional grouping of information according to categories. Improved sales were reported as the eye-catching information on prices discounts combined with novel marketing maneuvers to make a strong impact on shoppers and encourage buying.

At the "PRC Model Chain Store Award Ceremony 2008 and Fifth Forum on the International Competitiveness of PRC Enterprises" jointly hosted by the Association of PRC Financial Newspapers and Journals (中國經濟報刊協會), China Enterprise News (中國企業報), Beijing TV (北京電視台), sina.com (新浪網), linkshop.com.cn (聯商網) and xcmlm.com (新傳媒網) in Beijing during the Reporting Period, the Group was named one of the "Top Ten Brands of PRC Model Chain Stores" and a "Top Brand in PRC Model Chain Stores — Investment Value", while Beijing MerryMart Chainstores Development Co., Ltd. (北京美廉美連鎖商業有限公司), was named a "Top Brand in PRC Model Chain Stores - Social Responsibility" and a "Top Brand in Media Exposure". In addition, Beijing Wumart Convenience Stores Company Limited was named a "Top Brand of Beijing Facilitating People's Livelihood - 2008" at the "Top Ten Business Brands of Beijing 2008 Awards" jointly organized by Beijing Daily Group (北京日報報業集團) and the Beijing Business Federation (北京市商業聯合會) and endorsed by numerous government bodies such as Beijing Municipal Bureau of Commerce and Beijing Municipal State-owned Assets Supervision and Administration Commission.

Store Optimization

The Group's efforts in store optimization during the Reporting Period were guided by the fundamental principle of "enhancing the core competitive strengths and overall competitive advantages of the company" and the dual focus on "enhancing the image of the stores as well as the company" and "optimizing business formats and merchandise categories", pursuant to which the Group re-standardized Store VI during the Reporting Period and fine-tuned the color mix and lighting effects of our marts to create a cosy and heartwarming shopping environment.

In line with overall arrangements of the store and the practical requirements of customers, the Group reduced the ineffective leasing area and concessionary area, and standardized display requirements regarding piles and end-stacks at all stores. With enhanced merchandise impact resulting from re-aligned and enlarged merchandise categories, the overall image of our stores was further standardized and bolstered, while our core competitive strengths were also improved. In short, store optimization has played a significant role in driving sales.

Management of store inventory was strengthened with more specific and detailed monitoring efforts during the Reporting Period. Definitions of the store merchandise service management indicators were finalized and related system support was put in place. Monitoring efforts were specifically targeted at areas where irregularities in the aforesaid indicators were reported and stores were instructed to rectify accordingly. This measure helped to lay the foundation for optimizing category management as it ensured richer variety in store display with a balanced and comprehensive mix of merchandise. Our overall operational capabilities were also improved as we exercised control over other irregularities in store inventory and made timely rectifications in respect of any problems identified.

Merchandise Quality and Food Safety

During the Reporting Period, the Group continued to strengthen its management of suppliers with stringent implementation of pre-appointment qualification vetting and the directive of removing non-compliant items from stacks within two hours upon notification to ensure the quality of merchandise sold by the Group.

To enhance communications with customers, the Group invited them for direct participation in the Group's food safety management. Forums under the themes quality, shoppers' security, sales growth and business development were held and quality inspection delegations were organized to give customers an opportunity to visit the production bases of the Group's suppliers, so that they could witness the quality control and safety assurance processes taking place in the course of production and sales of food products and inform themselves on the production processes and inspection procedures for these products. These activities, which boosted customers' confidence in the Group's merchandise while enhancing their safety awareness, were highly commended by relevant government authorities as well as shoppers.

WINBOX@SAP

During the Reporting Period, our WINBOX@SAP team completed a number of system optimization measures as they persisted in "improving business performance" and "making preparations for operations conducive to the ongoing application of the system".

Following successful data filing and preliminary consolidation of patron counts by BW in the first stage of optimizing the reporting process, preliminary consolidation of upper-level business data was also accomplished in the second stage with marked improvements in the operating efficiency of certain reports. An administrator's portal was also built for the next stage, laying solid foundations for optimization initiatives regarding report customization, graphic presentation and warnings on irregularities.

During the Reporting Period, the electronic funds transfer ("EFT") system went on-line at 6 stores for a revamped mode of payment and settlement. By facilitating bank card payments through dedicated lease lines connecting the stores and the headquarters in place of the previous dialed mode, business performance was markedly improved in addition to potential savings in communications costs of close to RMB1 million.

The WINBOX@SAP team continued to optimize vendor relationship management ("VRM") and advance the retailer/supplier relationship with the assistance of information technology. A faster enquiry process on orders from suppliers was facilitated through ongoing VRM optimization; while suppliers' set-off billings was also expedited on the back of optimized financial techniques. Upload and download formats and digits for purchasing orders were established at the local PCs of suppliers on the back of VRM. This improvement facilitated convenient communications between suppliers and their sub-contract vendors and contributed to more efficient collection of merchandise.

During the Reporting Period, the WINBOX@SAP project team facilitated a series of marketing campaigns through Retalix POS, such as "bonus item marketing" (attractive low cash prices for certain items after redemption of membership bonus points), "50% off for the second item" (labeled price for first item and half-price for the second) and "3 for RMB10" (free combination of three designated items for RMB10). Improvements in results driven by various marketing campaigns during the Reporting Period were in no small part due to these marketing manoeuvres, the implementation of which had been totally dependent on the application of the Group's information technology.

During the Reporting Period, the WINBOX@SAP project team developed the asset management function for the system and the functions of our asset management system were able to meet our requirements in asset management. Full-scale asset management and control through the system was accomplished as all assets were being processed in the asset system during the Reporting Period. The entire process from the application for purchase, acquisition and deployment to the scrapping and settlement of assets was monitored and controlled. Physical stocks were checked against account books through the system and vice versa. A system for the management of idle equipment was set up. Asset inspection and examination in respect of departing staff was conducted.

During the Reporting Period, the Group's informatization project received the "Significant Enterprise Informatization Achievement Award" from National Informatization Evaluation Centre, marking another enormous accomplishment for the Group since implementing the information modernization project and capturing the "First Class Award for Business Management Modernization Achievements" in 2003. The award also underpinned recognition of the Group's informatization development from an authoritative national institution. The Group has become a PRC enterprise equipped with advanced technology for the retail industry, positioned well above its industry peers in the application of information technology in the operation of chain stores.

Process Optimization

During the Reporting Period, the Group continued to promote the process re-engineering with an aim to attain the simplified and efficient business management process system of "centralized procurement/category optimization + demand forecast-driven supply chain + simplified store sales model" in line with the design of the WINBOX system. We focused on finance-related processes during the Reporting Period and completed the optimization of our finance process system, which was set to contribute positively to the Group's stable financial operation and risk control.

During the Reporting Period, the WINBOX process team continued to amend and optimize the Wumart Group Operation Process Manual (《物美集團流程作業手冊》), adding 31 processes such as the headquarters expenses process, the on-line banking internal management system, the salaries and wages accounting process, the merchandise naming rules, additions or revisions of operating processes of various units and the Wumart administrative rules for training and appraisal; as well as upgrading and optimizing 37 processes such as the fees and expenses process, the VAT tax return filing process, the personal income tax return filing process, the annual account set-off for suppliers, the financial preparation for store-opening, the protection of master staff database and the Wumart remuneration management measures.

During the Reporting Period, process optimization was conducted in tandem with WINBOX@SAP system optimization to ensure overall upgrading and optimization of WINBOX@SAP in terms of people, technologies and processes. The synchronized progress of the Group's process optimization and system optimization will generally improve the Group's operations and management in terms of specialization and standardization.

Optimization of Logistics

Operating on the WINBOX@SAP system, the supply chain management department continued to innovate in business and operational models and seek reductions in operating costs such as labor and transportation expenses through various measures. Meanwhile, the supply chain management department itself was in the process of turning from a cost centre to a profit centre.

During the Reporting Period, the novel business approach of suppliers' consignment was developed by the supply chain management department as an innovative operational measure to resolve issues arising from suppliers' difficulties in stocking goods and the relatively long lead-time for delivery. The system of including major suppliers in distribution centres was implemented. Efforts were made to investigate the possibility and support the implementation of centralized, seamless transition from marketing maneuver planning/implementation at frontline store terminals, through distribution via intermediary supply chains, to direct procurement at production bases. Such efforts were aimed at forging a value-added chain for the benefit of both the retailer and the supplier. In terms of management, costs were effectively reduced with the implementation of new models in transportation, such as the "performance of subordinate-level duties without compromising the grades and ranks of the performer and undertaking of multiple tasks in one specialized position" and the "low-price commitment and additional discounts for monthly deductions". The going-live of the SAP TMS (transportation management system) at distribution centres signified the inclusion of transportation in our system management and facilitated more precise control over transportation costs. New distribution methods, such as flow through and cross docking, were introduced on the SAP WMS (warehouse management system) platform on a trial basis to reduce the space and time requirements in the operation of the "base/major supplier – distribution centre – stores" supply chain. Inventory turnover was effectively managed and the value of the supply chain was enhanced.

Human Resources Development

During the Reporting Period, the Group completed its staff performance appraisal for 2008, whereby the performance of each employee was assessed by matching his/her qualities and abilities against his/her duties and position. Employees delivering outstanding performance were recognized by way of commendation, reward and salary improvement. Underperforming employees were either demoted, replaced, imposed with salary cuts or given relevant training. Our performance appraisal system reinforces the foundation for an efficient and cohesive team of high-calibre business people by motivating employees to deliver their best and effectively enhancing their professional qualities.

To meet the need for talents in its business development, the Group continued to conduct various staff training programmes. During the Reporting Period, the Group organized 39 training sessions with a total attendance of 1,624. They included: an on-site store manager internship training programme under the Group's "Centurion Programme" with 9 employees participating and passing the written examination and 5 of them further passing the interview to become fully qualified for the job; a special training camp for the position of damage prevention division head with an enrolment of 45 employees; 7 sessions of training in fresh food operations for store managers, managers and division heads with a total enrolment of 214 employees; 3 sessions of business officer/team leader promotion training with a total enrolment of 157 employees; 13 tailor-made training sessions to support the WINBOX@SAP project with a total enrolment of 412 employees; a new employee induction programme held at the headquarters with 21 newcomers attending; a training course in innovative marketing for headquarters-based executives of manager grade or above with a total enrolment of 216 persons; merchandise quality control training course with a total enrolment of 72 employees; a procurement training session with an enrolment of 130 employees and 2 sessions of customer service managers/officer training with a total enrolment of 48 employees.

Prospects

The Chinese economy reported year-on-year growth of 6.1% in GDP and 15% in gross retail sales for the first quarter of 2009. Positive changes were identified in the national economy, with better-than-expected overall performance.

The Group's information system has covered the purchase, sales, logistics, finance, human resource and marketing aspects of its operations. We are claiming world-advanced standards in the application of information technology in the operation of chain stores. In view of the enormous opportunities as well as challenges inherent in the international financial crises and the domestic retailing industry, the Group will be more practical and down-to-earth in fine-tuning management, building continuously our strength in modernising information technology and logistics, reducing operating costs and promoting actively the application, penetration and integration of information technology in our operation. At the same time, we will further optimising operation processes in enhancing our overall operating efficiency, sustaining our merchandise safety and quality, so that Wumart brand will hammer out its solid foundation with the utmost competitiveness for the Group.

The members of the Board of Directors join me in expressing full confidence in the Group's sustainable growth. We would also like to thank our shareholders, loyal customers and suppliers for their continued support, and our staff for their diligent efforts.

Audit Committee

The audit committee of the Company comprises the three independent non-executive Directors, Mr. Han Ying (chairman of the committee), Mr. Li Lu-an and Mr. Lu Jiang. During the Reporting Period, one audit committee meeting was held during which members of the audit committee reviewed with the senior management the accounting principles and practices adopted by the Group, and discussed such issues 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.

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

As at 31 March 2009, the interests and 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

Name	Number of domestic shares held (Shares)	Approximate percentage of total issued domestic share capital (%)	Approximate percentage of total share capital (%)	Type of interests held
Dr. Wu Jian-zhong (吳堅忠博士) *(Note 1)*	160,457,744	22.48	13.15	Interests of controlled corporation
Dr. Meng Jin-xian (蒙進暹博士) *(Note 2)*	48,251,528	6.76	3.95	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 31 March 2009, 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 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 Rule 5.46 of the GEM Listing Rules.

As at 31 March 2009, 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 31 March 2009, 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

Name	Number of domestic shares held (Shares)	Approximate percentage of total domestic share capital (%)	Approximate percentage of total share capital (%)
Dr. Zhang Wen-zhong (張文中博士) *(Note 1)*	497,932,928	69.76	40.80
Beijing Jingxi Guigu Technology Company Limited (北京京西硅谷科技有限公司) ("Jingxi Guigu") *(Note 1)*	497,932,928	69.76	40.80
Beijing CAST Technology Investment Company (北京卡斯特科技投資有限公司) ("CAST Technology Investment") *(Note 1)*	497,932,928	69.76	40.80
Wumei Holdings Inc. (物美控股集團有限公司) ("Wumei Holdings") *(Note 2)*	497,932,928	69.76	40.80
Yinchuan Xinhua Department Store Company Limited (銀川新華百貨商店股份有限公司) ("Xinhua Department Store") *(Note 3)*	497,932,928	69.76	40.80
Wangshang Shijie E-business	160,457,744	22.48	13.15

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 of the Company held by Wumei Holdings.

2. As at the date hereof, Xinhua Department Store is owned as to 29.27% by Wumei Holdings. Pursuant to the share transfer agreement (please refer to the Company's announcement on 24 July 2008) entered into between Wumei Holdings and Xinhua Department Store, Wumei Holdings will be entitled to control the exercise of one-third or more of the voting power at general meetings of Xinhua Department Store subsequent to the completion of the share transfer agreement. Accordingly, Wumei Holdings is deemed to be interested in the shares of the Company held by Xinhua Department Store subsequent to the completion of the share transfer agreement.

3. Pursuant to the share transfer agreement entered into between Wumei Holdings and Xinhua Department Store, approximately 69.76% of the domestic shares of the Company would be held by Xinhua Department Store directly. As the share transfer agreement is not yet completed, the percentage of domestic shares of the Company held by Xinhua Department Store is yet to be determined.

Long Positions in H shares

Name	Number of H shares held (Shares)	Approximate percentage of total issued H share capital (%)	Approximate percentage of total share capital (%)
Arisaig Greater China Fund Limited *(Note 1)*	69,152,000	13.65	5.67
Arisaig Partners (Mauritius) Limited *(Note 2)*	69,152,000	13.65	5.67
Cooper Lindsay William Ernest *(Note 3)*	69,152,000	13.65	5.67
Zhao Danyang *(Note 4)*	65,950,500	13.02	5.40
Pure Heart Asset Management Co. Limited *(Note 5)*	63,313,500	12.50	5.19
Pure Heart China Growth Investment Fund *(Note 6)*	61,223,500	12.09	5.02
JPMorgan Chase & Co. *(Note 7)*	55,738,000	11.00	4.57
UBS AG *(Note 8)*	52,978,500	10.46	4.34
T. Rowe Price Associates, Inc. and its affiliates *(Note 9)*	50,642,000	9.99	4.15
The Capital Group Companies, Inc. *(Note 10)*	40,996,384	8.09	3.36
Invesco Hong Kong Limited (in its capacity as manager/advisor of various accounts) *(Note 11)*	25,360,000	5.01	2.08

Notes:

1. These 69,152,000 H shares are held by Arisaig Greater China Fund Limited in its capacity as a beneficial owner.

2. These 69,152,000 H shares are held by Arisaig Partners (Mauritius) Limited in its capacity as an investment manager.

3. These 69,152,000 H shares are held by Cooper Lindsay William Ernest through his interests in controlled corporations.

4. Among these shares held by Mr. Zhao Danyang, 2,027,000 H shares and 63,923,500 H shares are held in his capacity as a beneficial owner and through his interests in controlled corporations.

5. These 63,313,500 H Shares are held by Pure Heart Asset Management Co., Limited in its capacity as an investment manager.

6. These 61,223,500 H Shares are held by Pure Heart China Growth Investment Fund in its capacity as a beneficial owner.

7. Among these shares held by JPMorgan Chase & Co., 5,290,000 H shares and 50,448,000 H shares are held in its capacities as an investment manager and a trustee company/approved lending agent respectively.

8. These 52,978,500 H Shares are held by UBS AG in its capacity as a guaranteed interest holder.

9. These 50,642,000 H Shares are held by T. Rowe Price Associates, Inc. and its affiliates in its capacity as an investment manager.

10. These 40,996,384 H Shares are held by The Capital Group Companies, Inc. in its capacity as an investment manager.

11. These 25,360,000 H Shares are held by Invesco Hong Kong Limited in its capacity as an investment manager.

Save as disclosed above, no person was recorded as having any interests or short positions in the shares or underlying shares of the Company required to be disclosed under Section 336 of the SFO and the GEM Listing Rules.

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.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has been in compliance with all code provisions set out in "Code on Corporate Governance Practices" contained in the GEM Listing Rules, and adopted the recommended best practices where applicable.

COMPETING INTERESTS

Wumei Holdings operates retail chain business mainly in Tianjin, Yinchuan, Shanghai and Jiangsu.

The Group mainly expands its supermarket chain business in Beijing, Zhejiang and Tianjin. 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*(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 and except 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).

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

Beijing, the PRC
28 April 2009