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WU MART

FIRST QUARTERLY REPORT 2010

Wumart Stores,Inc.
北京物美商業集團股份有限公司

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

Stock Code : 8277

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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (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.

HIGHLIGHTS

Comparison of the unaudited results for the three months ended 31 March 2010 with the corresponding period of 2009

		Three months ended 31 March	
	Change	**2010**	2009
		RMB'000	RMB'000
Total revenue	19.1%	**3,654,402**	3,067,612
Consolidated gross profit	18.9%	**682,326**	573,967
Profit attributable to owners of the Company	20.3%	**156,204**	129,886
Basic earnings per share (RMB yuan per share)	17.3%	**0.1248**	0.1064
Weighted average number of shares (Shares)	30,926,116	**1,251,274,116**	1,220,348,000

QUARTERLY RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 31 March	
	Notes	**2010** **RMB'000** **(Unaudited)**	2009 RMB'000 (Unaudited)
Revenue from sales of goods	2	**3,312,074**	2,771,308
Cost of sales		**(2,972,077)**	(2,493,645)
Gross profit		**339,997**	277,663
Other revenues	2	**342,328**	296,304
Investment and other income		**49,319**	21,723
Distribution and selling expenses		**(415,033)**	(322,305)
Administrative expenses		**(77,875)**	(60,521)
Share of profit of associates		**(930)**	2,141
Share of profit of a jointly controlled entity		**1,776**	1,248
Finance costs		**(7,508)**	(11,408)
Profit before tax		**232,074**	204,845
Income tax expense	3	**(62,665)**	(50,553)
Profit for the period	4	**169,409**	154,292
Attributable to:			
Owners of the Company		**156,204**	129,886
Minority interests		**13,205**	24,406
		169,409	154,292
Basic earnings per share (RMB yuan per share)	6	**0.1248**	0.1064

NOTES TO 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 financial statements for the Reporting Period are consistent with those adopted in the preparation of the Group's financial statements for the year ended 31 December 2009.

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendments)	Classification of Rights Issues[4]
HKAS 39 (Amendments)	Eligible Hedged Items[1]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendments)	Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[7]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1. Effective for annual periods beginning on or after 1 July 2009.
2. Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010 as appropriate.
3. Effective for annual periods beginning on or after 1 January 2010.
4. Effective for annual periods beginning on or after 1 February 2010.
5. Effective for annual periods beginning on or after 1 July 2010.
6. Effective for annual periods beginning on or after 1 January 2011.
7. Effective for annual periods beginning on or after 1 January 2013.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010.

The Directors of the Company anticipate that the application of the other new and revised standards, amendments and 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	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**3,312,074**	2,771,308
Other revenues		
Rental income from leasing of shop premises	**95,329**	86,130
Income from suppliers, including store display income and promotion income	**273,250**	232,194
Business taxes and other government surcharges	**(26,251)**	(22,020)
Total revenue	**3,654,402**	3,067,612

3. INCOME TAX EXPENSE

	Three months ended 31 March	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The charge comprises:		
PRC income tax	**62,665**	50,553

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

	Three months ended 31 March	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	**232,074**	204,845
Taxation at the PRC income tax rate of 25%	**58,019**	51,211
Tax effect of share of profit of associates and a jointly-controlled entity	**(212)**	(847)
Tax effect of unrecognized tax losses	**4,858**	189
Income tax expense for the period	**62,665**	50,553

Note: Since 1 January 2008, the tax rate of Company and the PRC's subsidiaries is 25%. No provision for Hong Kong profits tax has been made as the Group's income is not arising in or derived from Hong Kong.

4. PROFIT FOR THE PERIOD

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

	Three months ended 31 March	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation and amortization	**63,769**	54,614
Interest income	**(2,127)**	(1,469)
Operating lease rentals in respect of rented land and premises	**110,112**	92,562
Salaries and staff benefits	**152,821**	127,246

5. DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 31 March 2010 (Three months ended 31 March 2009: Nil).

The final dividend of RMB0.18 per share (inclusive of tax) for 2009 proposed by the Board has been approved by 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	
	2010	2009
	(Unaudited)	(Unaudited)
Profit for the Period attributable to owners of the Company (RMB'000)	**156,204**	129,886
Number of shares:		
Weighted average number of shares for the purposes of basic earnings per share (shares)	**1,251,274,116**	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 Corresponding Period of 2009.

7. RESERVES

Movements in the Group's reserves during the three months ended 31 March 2010 were as follows:

	Three months ended 31 March					
	2010					2009
	Share premium	**Other reserve**	**Statutory common reserve fund**	**Retained profits**	**Total**	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	(Unaudited)
As at 1 January (audited)	**1,423,131**	**(733,253)**	**239,473**	**1,019,993**	**1,949,344**	2,137,127
Profit for the three months ended 31 March	**—**	**—**	**—**	**156,204**	**156,204**	129,886
As at 31 March	**1,423,131**	**(733,253)**	**239,473**	**1,176,197**	**2,105,548**	2,267,013

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors of Wumart Stores, Inc. (the "Company") is pleased to present the unaudited results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2010 (the "Reporting Period").

FINANCIAL REVIEW

For the Reporting Period, the Group recorded total revenue of approximately RMB3,654,402,000, up by approximately 19.1% over the corresponding period of last year. Excluding merchandise sales at cost to managed stores and related companies, total revenue for the year represented an approximately 19.8% growth over the corresponding period of last year. The growth in total revenue was primarily attributable to the growth in comparable store (based on stores existing in both the Reporting Period and the corresponding period of last year), sales and contributions to total revenue from new stores opened during the current year and the previous year. The Group continued to renovate its existing stores during the Reporting Period, with the aim of meeting consumer needs under generally improving standards of living against intense market competition. Our service quality and merchandise mix were further improved, while the soft/hardware of the stores were further optimised for an improved shopping environment. Merchandise display by themes was introduced and diversified approaches were adopted in sales promotion. Ongoing improvements were made to the operational foundations of stores, while initiatives to enhance members' loyalty and solicit new members were launched. Theses efforts contributed to a growth of 10.6% in comparable store sales an improvement by 8.2 percentage points over the corresponding period of last year.

For the Reporting Period, the Group's consolidated gross profit (being the difference between total revenue and cost of sales) amounted to approximately RMB682,326,000, representing a growth of approximately 18.9% over the corresponding period of last year. The Group's consolidated gross margin was approximately 18.7%, which was close to the corresponding period of last year. Excluding merchandise sales at cost to managed stores and related companies, the Group's consolidated gross margin would have increased to approximately 19.3%, which was largely unchanged from the corresponding period of last year. During the Reporting Period, the Group exercised effective control over cost of sales by stocking up merchandise at low prices at appropriate timing and in suitable volumes in its new distribution center and by further advancing joint procurement or centralised procurement. Meanwhile, the Group maintained its consolidated gross profit margin at a stable level by adjusting its merchandise mix and pricing strategy on the basis of refined store group classification and gross profit monitoring and analysis conducted on its advanced IT system.

For the Reporting Period, administrative expenses and distribution and selling expenses of the Group mainly comprised staff costs, rental expenses, depreciation and amortization costs, utilities and promotional expenses. Administrative expenses amounted to approximately RMB77,875,000 and distribution and selling expenses amounted to RMB415,033,000, representing approximately 2.1% and 11.4% of total revenue, respectively (Corresponding period of 2009: approximately RMB60,521,000 and RMB322,305,000, respectively, representing approximately 2.0% and 10.5% of total revenue, respectively). The increase in distribution and selling expenses was mainly reflected distribution and selling expenses of new distribution centres and new stores.

For the Reporting Period, profit attributable to the owners of the Company amounted to approximately RMB156,204,000, representing a growth of approximately 20.3% over the corresponding period of last year.

For the Reporting Period, the Group's net profit margin was approximately 4.3%, which was 0.1 percentage point higher compared to the corresponding period of last year. Excluding sales at cost to managed stores and related companies, net profit margin would have risen to approximately 4.4%, which was consistent with that of the corresponding period of last year.

For the Reporting Period, the Group's earnings per share was approximately RMB0.1248 (based on the weighted average number of 1,251,274,116 shares in issue), up by about 17.3% over approximately RMB0.1064 for the corresponding period of 2009 (based on the weighted average number of 1,220,348,000 shares in issue).

The Group's inventory turnover for the Reporting Period was 28 days and trade payable turnover was 71 days.

As at 31 March 2010, the Group recorded total net assets of approximately RMB2,418,367,000.

BUSINESS REVIEW

Retail Network

During the Reporting Period, the Group stepped up with the opening of new stores. As at 31 March 2010, a retail network of 472 stores comprising 116 superstores and 356 mini-marts with a total were either directly operated and managed through franchise agreements or management agreements by the Group, its associates and a jointly controlled entity, occupying an aggregate saleable area of 542,241 square metres (excluding stores of associates and franchised stores and 4 superstores acquired from Tianjin Lotus Supermarket Chain Store Co., Ltd.). During the Reporting Period, 3 directly-owned superstores and 5 directly-owned mini-marts were opened, while 6 directly-owned mini-marts were closed down either upon expiry of leases or to terminate loss-making operations. One new franchised store was added during the period.

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

	As at 31 March 2010	
	Number of Stores	**Geographical Distribution**
Superstores		
Directly-owned	113	Beijing, Tianjin, Zhejiang
Mini-marts		
Directly-owned	239	Beijing, Zhejiang
Franchised	79	Zhejiang
Total	431	

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

	As at 31 March 2010	
	Number of Stores	Geographical Distribution
Superstores	3	Tianjin
Mini-marts	38	Tianjin
Total	41	

Category Optimisation

During the Reporting Period, the Group implemented detailed management of store business formats by further refining the grouping of stores in various business formats and formulated respective category mix, merchandise allocation and pricing strategies for different groups. Meanwhile, the Group also formed joint task force groups with key suppliers to carry out category optimisation and management on a joint basis. The joint task force groups arrived at reasonable merchandise category allocation by applying stack allocation management on the basis of integrated analysis of specific merchandise and display resources. We have also conducted dynamic adjustments to the merchandise mix based on the performance after the change and our sales and gross profit level have improved with a more reasonable merchandise mix.

During the Reporting Period, the Group's operations department worked with the WINBOX@SAP project team to normalize the merchandise mix and allocation standards of the store groups and standardise management over merchandise replacements through the system. The efficiency of category management has been enhanced with improved standardisation, as the control over the quantity of merchandise items has been automated, as opposed to manual controls in the past.

Optimisation of Suppliers

During the Reporting Period, the Group continued to optimise the structure of its suppliers and intensified its cooperation with premium brand-name suppliers, whereby intermediaries were reduced with a view to maintaining the standards of its merchandise quality and the supply channels.

In order to reinforce its harmonious relations with suppliers, the Group further introduced mutually beneficial improvements to the details and terms of procurement contracts during the Reporting Period in strict accordance with national laws and regulations, emphasising strict compliance with annual contracts by both parties and calling for elimination of malpractices. This initiative won wide approval among suppliers and paved the way for successful contract negotiations in 2010. Meanwhile, we convened the largest suppliers' meeting in Beijing during the Reporting Period to share with suppliers the Group's development and facilitate retailer-supplier communications. The activity was also highly commended by suppliers and the retail-supply relationship was further improved as a result.

Marketing Optimisation

During the Reporting Period, the Group continued to introduce bold innovations in marketing strategies and changed the conventional approach of resorting solely to price concessions during the Chinese New Year period, amid intense price competition from other players offering excessive discounts. Instead, we offered a brand new shopping experience to patrons, in which they would be attracted by enriched merchandise display and diverse marketing activities rather than preoccupied with pricing concerns. As a result, we reported significant improvements in gross profit in addition to stable sales growth.

With the support of the Retalix POS system, the Group introduced further innovations during the Reporting Period on the back of the immensely successful promotional offer of "redemption on designated purchase amounts". During the period leading up to the Chinese New Year, the traditional high season for supermarket sales, a marketing campaign was launched whereby coupons useful for a period of two weeks after the Chinese New Year holidays were gifted for designated purchase amounts. This particular campaign had the effect of significantly boosting sales during the traditional low season following the Chinese New Year. Complemented by appropriate levels of promotional discounts, this campaign has facilitated stable sales growth while assuring gross profit levels.

The Group introduced innovative membership marketing during the Reporting Period by launching a large-scale membership-points redemption campaign to impart the concept that retail spending is actually an act of investment that generates reward. Members' loyalty was enhanced as they became more focused on scoring points. Meanwhile, the Group will start constructing the Wumart SMS platform in association with the Beijing Branch of China Mobile. The functions of this platform will include the release of key promotional marketing messages, membership-points enquiries, SMS notification of point fulfillment and the handling of electronic card/coupon rewards. In connection with this new initiative, the Group offered concessions and benefits to encourage members to update their personal information and the effort was met with positive response from the members.

Store Optimisation

The Group further implemented detailed management over stores of various business formats during the Reporting Period. The Group continued to carry out persistent investigations on possible moves to enhance offerings of department-store display, while advancing the operation of Everyday Shops with an emphasis on fresh food. Specific category mix, merchandise allocation and pricing strategies were formulated for different business formats to cater to the needs of their particular patron groups, while differentiated merchandise allocation to the extent controllable was also introduced to increase store competitiveness, taking into account the characteristics of the respective business circles where these stores were located.

During the Reporting Period, the Group carried on with store realignment and renovation. Major efforts were made to enhance the image of supermarkets, seeking to provide a bright, cosy and intimate shopping environment with more reasonable dynamic-line designs, cross-merchandise display themes and portfolio display. Decorations, stacks and displays closer to the style of higher-end department stores were introduced in a gradual manner. The renovated store appearance won consumers' approval, as evidenced by substantial improvements in sales.

During the Reporting Period, promotion process control at the convenience stores in the Beijing area was enhanced, while the refined fruit and vegetable processing ratio of stores, and thus the gross profit margin, was advanced through the establishment of a pricing profile based on regular market surveys. Meanwhile, unit positioning management was achieved at convenience stores through facing management, which not only avoided the randomness and irregularity of display resources, but also contributed valuable reference for store data analysis.

WINBOX@SAP

During the Reporting Period, the Group entered into a strategic cooperation agreement with the Beijing Branch of China Mobile for mutually complementary efforts in cell-phone re-charging, e-payments through cell-phones and e-passwords of rewards points, etc in the Beijing area, on the basis of the WINBOX system. Cell-phone re-charging and e-password of rewards for points services are now available from any POS terminal in our stores within the Beijing area. This service has significantly enhanced the reputation of the Group, as it has afforded enormous convenience to the mutual customers of China Mobile and the Group. This service also has marked the first step of the successful application of WINBOX in the provision of value-added services through cross-sector cooperation and multi-industry alliance.

During the Reporting Period, the human resource alert platform of WINBOX was completed. Through information integration development of the SAP, OA and MRM systems, information integration of organisational structure, personnel data and performance appraisal data was achieved. Department heads and officers in-charge may exercise dynamic personnel management by retrieving human resources reports and staff information through MRM.

During the Reporting Period, the VRM of WINBOX was upgraded and certain functions were optimised. In terms of safety, the feature of centralised input of invoice set-off was introduced to VRM to avoid data deviations, while a daily log record was also added to facilitate enquiries of historical operations. For value-added services, VRM introduced advertising space on websites as a means to broaden revenue. Inventory and sales data sharing with suppliers, which has improved the upstream supply chain, has won wide approval from suppliers and resulted in a closer and more harmonious retailer-supplier relationship.

WINBOX renders direct support for WINDC information building. With the development of the "fresh food operating platform" system was completed during the period, the issue of offline taking of fresh food deliveries was resolved. Delivery-taking was more organised and reasonable with the VRM pre-booking deliveries acceptance system (station management) which enabled online pre-booking with suppliers. The development of system convergence between SAP and RF/WCS ensured timely information delivery at the system end and enabled fast turnaround of bills that provided effective support for core operations such as DC delivery-taking, inventory transit, stock-taking and dispatch, etc.

Supply-chain Optimisation

During the Reporting Period, the Group's supply chain department continued to introduce innovations to the business and operating models to advance the transformation of the supply-chain operation from a cost centre to a profit centre, as 15 major suppliers including Pepsi Cola, Coca Cola and Lotte Huabang were lined up. Significant growth in the dispatch volume of the distribution centres was noted during the Reporting Period, as we continued to advance business models such as direct purchases from production bases and consignments.

In adherence to the design principles of "highly informatised, sufficiently mechanized, reasonably automated and staff assuming supervisory roles", a highly informatised system architecture was built by combining the WCS (Warehouse Control System), RF (Radio Frequency), DPS (Digital Picking System) and sorter conveyance line control system on the WINBOX platform. The operational efficiency of the modernised distribution centre has been significantly enhanced and operating costs have been reduced as a result.

Human Resources Development

In order to enhance the expertise of the Group's officers and staff and meet the need for talents in its rapid business development, the Group continued to implement a series of staff training programmes. During the Reporting Period, the Group organised 66 training sessions with a total of 1,226 participants, including 127 in ERP system upgrade training, 143 in management executive promotion training, 833 in various types of operational/specialised training and 123 in other areas. By basing promotion on training and capping training with evaluation, the internal cultivation and selection of talents was enhanced. While more executives would be rising through the ranks as "Wumart-trained", those who joined from elsewhere would also find themselves fitting in effectively to make a highly cohesive team.

For the purpose of providing a fair, just and open platform where the wisdom and talents of our staff will be realised to the fullest extent, improving the overall performance and productivity of the organisation for the benefit of our business results, and forging a highly efficient and cohesive team with aspiring, high-calibre staff, the Group commenced the performance appraisal process for the second half of 2009 during the Reporting Period. The philosophy of "promotion, reward and job rotation for the capable, versatile and committed versus dismissal and replacement of underperformers" was further reinforced, while promotion by merit was emphasised to encourage continuous learning and progress towards the goal of becoming the best player in the retail industry, both individually and as a corporation.

PROSPECTS

Total retail sales of consumer goods of China grew by 17.9% during the Reporting Period as compared to the corresponding period of last year. The growth rate was 2.9 higher than that reported for the corresponding period of last year. GDP growth for the Reporting Period was 11.9%, which was 5.7 percentage points higher than that reported for the corresponding period of last year. With the impact of the financial crisis in 2008 waning and the Chinese economy sustaining rapid and stable growth with an enormous domestic market, foreign-owned retail players are stepping up their expansion in China in full gear, resulting in the diversion of consumer groups from existing retail networks and a new era of heated competition in the domestic retail market.

Given an increasingly competitive environment amid the challenging outlook for the retail market, the Group will continue with the persistent implementation of its regional focus development strategy and seek breakthroughs with the benefit of a well-defined strategy. With the help of scientific methods and through incessant efforts, we will develop stores with stronger competitive edge to ensure rapid expansion of our retail network. The Group will continue to investigate and experiment with further sub-division of various business formats, with continuous efforts in store optimisation, business format optimisation and category optimisation as well as process and standard improvements. We will fully leverage advanced information technologies, logistics technologies and operation management technologies to enhance our core competitiveness, with a view to contributing to the industrialisation of the circulation business.

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 the accounting principles and practices adopted by the Group, reviewed the 2009 annual report of 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 IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2010, the interests 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:

Name	**Domestic shares** (shares)	**Approximate percentage of total issued domestic share capital** %	**Approximate percentage of total share capital** %	**Type of interests held**
Dr. Wu Jian-zhong *(Note 1)*	160,457,744	21.55	12.82	Interests of controlled corporation
Dr. Meng Jin-xian *(Note 2)*	48,251,528	6.48	3.86	Interests of controlled corporation

Notes:

1. Dr. Wu Jian-zhong holds 70% of the share capital of Beijing Wangshang Shijie E-business Co., Ltd. ("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. ("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 ("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 2010, 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 2010, 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

So far as the Directors are aware, as at 31 March 2010, the interests or short positions of persons, other than the Directors, supervisors or chief executives of the Company, who have interests and/or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the SFO are listed as follows (the interests in shares and short positions, if any, disclosed herein are addition to those disclosed in respect of the Directors, Supervisors and Chief Executives):

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** (%)
Dr. Zhang Wen-zhong *(Note 1)*	497,932,928	66.86	39.79
Beijing Jingxi Guigu Technology Company Limited ("Jingxi Guigu") *(Note 1)*	497,932,928	66.86	39.79
Beijing CAST Technology Investment Company ("CAST Technology Investment") *(Note 1)*	497,932,928	66.86	39.79
Wumei Holdings Inc. ("Wumei Holdings") *(Note 2)*	497,932,928	66.86	39.79
Yinchuan Xinhua Department Store Company Limited ("Xinhua Department Store") *(Note 3)*	497,932,928	66.86	39.79
Wangshang Shijie E-business	160,457,744	21.55	12.82

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 66.86% 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. On 16 January 2009, Xinhua Department Store announced that, due to uncertainties as a result of market changes, its board of directors was unable to issue the notice of a general meeting within six months of the first announcement of the board resolutions. Accordingly, pursuant to the "Regulations in Relation to Regulating Issues Arising from Material Assets Reorganisation of Listed Companies" (《關於規範上市公司重大資產重組若干問題的規定》) issued by the China Securities Regulatory Commission, Xinhua Department Store would re-convene a board meeting to consider the said share issue and asset acquisition.

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 (%)
JPMorgan Chase & Co. (Note 1)	106,654,000	21.05	8.52
Bonderman David (Note 2)	84,552,000	16.69 (Note 14)	6.76 (Note 15)
Coulter James G. (Note 3)	84,552,000	16.69 (Note 14)	6.76 (Note 15)
TPG Asia Advisors V, Inc (Note 4)	84,552,000	16.69 (Note 14)	6.76 (Note 15)
TPG Asia Genpar V, L.P. (Note 5)	84,552,000	16.69 (Note 14)	6.76 (Note 15)
TPG Asia V, L.P. (Note 6)	84,552,000	16.69 (Note 14)	6.76 (Note 15)
Arisaig Greater China Fund Limited (Note 7)	69,152,000	13.65	5.53
Arisaig Partners (Mauritius) Limited (Note 8)	69,152,000	13.65	5.53
Cooper Lindsay William Ernest (Note 9)	69,152,000	13.65	5.53
Pure Heart Asset Management Co. Limited (Note 10)	55,361,500	10.93	4.42
T. Rowe Price Associates, Inc. And Its Affiliates (Note 11)	50,713,000	10.01	4.05
The Capital Group Companies, Inc. (Note 12)	41,185,384	8.13	3.29
Invesco Hong Kong Limited (in its capacity as manager/advisor of various accounts) (Note 13)	40,939,000	8.08	3.27

Notes:

1. Including 2,057,000 H shares held by JPMorgan Chase & Co. as a beneficial owner, 47,699,000 H shares held in its capacity as an investment manager and 56,898,000 H shares as a trustee company/approved lending agent.

2. These 84,552,000 H shares are held by Bonderman David through his interests in controlled corporation.

3. These 84,552,000 H shares are held by Coulter James G. through his interests in controlled corporation.

4. These 84,552,000 H shares are held by TPG Asia Advisors V, Inc through his interests in controlled corporation.

5. These 84,552,000 H shares are held by TPG Asia Genpar V, L.P. through his interests in controlled corporation.

6. These 84,552,000 H shares are held by TPG Asia V, L.P. in its capacity as a beneficial owner. Pursuant to the "H Share Subscription Agreement," the Company shall conditionally issue 84,552,000 H shares to TPG. The issue has yet to be completed.

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

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

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

10. These 55,361,500 H shares are held by Pureheart Asset Management Co. Limited in its capacity as an investment manager.

11. These 50,713,000 H shares are held by T. Rowe Price Associates, Inc. and its affiliates in its capacity as an investment manager.

12. These 41,185,384 H shares are held by The Capital Group Companies, Inc. in its capacity as an investment manager.

13. These 40,939,000 H shares are held by Invesco Hong Kong Limited in its capacity as an investment manager.

14. The shareholding percentage of 16.69% is based on 506,568,000 H shares of the Company outstanding as at 31 December 2009. Assuming completion of the issue of 100,000,000 H shares by the Company pursuant to the H Share Subscription Agreement signed in 2009, such shareholding percentage would be 13.94%.

15. The shareholding percentage of 6.76% is based on the Company's total issued share capital of 1,251,274,116 shares as at 31 December 2009. Assuming completion of the issue of 100,000,000 H shares by the Company pursuant to the H Share Subscription Agreement signed in 2009, such shareholding percentage would be to 6.26%.

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

During the Reporting Period, the Company has applied the principles of the code provisions set out in "Code on Corporate Governance Practices" contained in Appendix 15 of the GEM Listing Rules, and adopted the recommended best practices where applicable through out the three months ended 31 March 2010.

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, the Board is not aware that Wumei Holdings has 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., Tianjin Hebei Wumart Convenience Stores Co., Ltd., Tianjin Hezuo Wumart Trading Co., Ltd., Tianjin Nankai Shidai Wumart Commerce Co., Ltd., Tianjin Hongqiao Wumart Convenience Stores Co., Ltd. and Tianjin Wumart Huaxu Commerce Development Co., Ltd..

SUBSEQUENT EVENTS

China Securities Regulatory Commission has recently issued its approval relating to the additional issue of overseas-listed foreign shares ("H Shares") with a par value of RMB0.25 each by the Board of Directors of the Company pursuant to the general mandate. During the approval period, as the further relaxation of the domestic credit lending policy facilitates the Company to obtain funds to support its expansion, the Company revised the issue size of the H Subscription Shares as stipulated in the Subscription Agreement relating to H Shares of Wumart, Inc. dated 12 August 2009 (the "H Share Subscription Agreement"). Accordingly, the Company entered into the "Deed of Amendment relating to H Shares of Wumart Stores, Inc. ("Deed of Amendment") with TPG Asia V, L.P. ("TPG") and Wealth Retail Holdings Limited ("WR"), a wholly-owned subsidiary of TPG on 7 May 2010, pursuant to which TPG novates all of its rights and obligations set out in the H Shares Subscription Agreement to WR. WR and Fit Sports Limited ("FS"), as the H subscribers (the "H Subscribers"), will subject to certain conditions subscribe for the H Subscription Shares, and 25,000,000 and 5,000,000 H Subscription Shares will be issued to WR and FS, respectively, by the Company. (Please refer to the announcement of the Company dated 7 May 2010.)

As the total number of H Subscription Shares to be issued to WR and FS will be reduced, certain terms of the "Investment Agreement relating to H Shares and Unlisted Domestic Shares of Wumart, Inc." (the "Investment Agreement") entered into among the Company, TPG, FS, Hony Capital RMB I. L.P. ("Hony Capital") and Legend Holdings Limited ("Legend") on 12 August 2009 was no longer applicable, while the Deed of Amendment covered certain terms of the Investment Agreement in relation to the Board and its corporate governance, therefore the Company, TPG, FS, Legend and Hony Capital unanimously agreed to cancel the Investment Agreement and entered into a deed of cancellation (the "Deed of Cancellation"). The parties agree to cancel the Investment Agreement and mutually release and discharge each other from all obligations, duties, responsibilities, claims and liabilities owed to any other party (if any) arising out of or in connection with the Investment Agreement and from the performance by the parties of any further obligations towards each other (if any) under the Investment Agreement.

The Company has completed settlement for the issuance of a total of 30,926,116 Domestic Subscription Shares to Legend and Hony Capital pursuant to the "Wumart Stores, Inc. Domestic Shares Subscription Agreement" ("Domestic Subscription Agreement") entered into on 12 August 2009 (for details please refer to the announcement dated 17 September 2009). The Board hereby confirms that the Domestic Subscription shares settled as aforesaid represent the full amount of Domestic shares issued by the Company under the Domestic Subscription Agreement and the remaining 19,073,884 Domestic Subscription shares under the Domestic Subscription Agreement will not be issued.

The Directors reconfirm that the introduction of international and domestic institutional investors, such as TPG, Legend and Hony Capital, is conducive to accelerating the growth of the Company and elevating the standard of the Company's corporate governance. The Board considers that amending the issue number of H Subscription Shares and Domestic Subscription Shares to be issued is in the interests of the Shareholders as a whole.

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

Beijing, the PRC
11 May 2010