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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

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Interim Report 2010

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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 of Interim Results

	For the six months ended 30 June		
	2010 **RMB'000**	2009 RMB'000	**Change**
Total revenue(Note 1)	**6,716,999**	5,705,440	17.7%
Consolidated gross profit(Note 2)	**1,282,669**	1,088,723	17.8%
Profit attributable to equity owners of the Company	**280,361**	233,157	20.2%
Earnings per share — basic(Note 3) (RMB yuan per share)	**0.22**	0.19	15.8%
Comparable store sales growth(Note 4)	**8.5%**	3.5%	

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: During the Reporting Period, the Group issued a total of 30,000,000 H shares to Wealth Retail Holding ("WR", a subsidiary of TPG Asia V L.P. ("TPG")) and Fit Sports Limited ("FS"), earnings per share for the six months ended 30 June 2010 has been calculated on the basis of the weighted average number of 1,255,749,254 shares. Earnings per share for the corresponding period of 2009 was calculated on the basis of the weighted average number of 1,220,348,000 shares.

Note 4: The stores that had been operating on both 30 June 2010 and 30 June 2009.

Report of Interim Results

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 2010 (the "Reporting Period").

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the three months and six months ended 30 June 2010

		Three months ended 30 June 2010		Six months ended 30 June 2010	
	Note	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Revenue from sales of goods	4	**2,719,348**	2,338,565	**6,031,422**	5,109,873
Cost of sales		**(2,462,253)**	(2,123,072)	**(5,434,330)**	(4,616,717)
Gross profit		**257,095**	215,493	**597,092**	493,156
Other revenues	4	**343,249**	299,263	**685,577**	595,567
Investment and other income		**32,302**	19,547	**81,621**	41,270
Distribution and selling expenses		**(398,238)**	(296,832)	**(813,271)**	(619,137)
Administrative expenses		**(51,123)**	(68,698)	**(128,998)**	(129,219)
Share of profit of associates		**1,879**	2,789	**949**	4,930
Share of profit of a jointly controlled entity		**996**	1,101	**2,772**	2,349
Finance costs		**(3,288)**	(4,716)	**(10,796)**	(16,124)
Profit before tax		**182,872**	167,947	**414,946**	372,792
Income tax expense	5	**(52,363)**	(42,677)	**(115,028)**	(93,230)
Profit and total comprehensive income for the period	6	**130,509**	125,270	**299,918**	279,562
Profit and total comprehensive income for the period attributable to the following:					
Equity owners of the Company		**124,157**	103,271	**280,361**	233,157
Minority interests		**6,352**	21,999	**19,557**	46,405
		130,509	125,270	**299,918**	279,562
Earnings per share — basic (RMB yuan per share)	8	**0.10**	0.08	**0.22**	0.19

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2010

	Note	**30 June 2010 RMB'000 (unaudited)**	31 December 2009 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	**2,338,412**	2,237,538
Prepaid lease payments		**73,661**	76,543
Goodwill	11	**844,964**	844,964
Intangible assets		**95,630**	94,909
Interests in associates	10	**135,601**	139,553
Interests in a jointly controlled entity	10	**100,981**	98,209
Deferred tax assets	16	**43,655**	43,655
		3,632,904	3,535,371
Current assets			
Inventories		**821,892**	838,803
Trade and other receivables	12	**961,960**	706,486
Amounts due from related parties	13	**72,370**	95,522
Prepaid lease payments		**94,245**	63,933
Bank balances and cash		**1,120,954**	1,171,575
		3,071,421	2,876,319
Current liabilities			
Trade and other payables	14	**3,351,941**	3,355,280
Amounts due to related parties	13	**62,356**	67,901
Tax liabilities		**134,489**	134,738
Bank loans	15	**404,386**	456,086
Obligations under finance leases		**—**	508
		3,953,172	4,014,513
Net current liabilities		**(881,751)**	(1,138,194)
Total assets less current liabilities		**2,751,153**	2,397,177

Condensed Consolidated Statement of Financial Position (Unaudited) — continued

As at 30 June 2010

	Note	**30 June 2010 RMB'000 (unaudited)**	31 December 2009 RMB'000 (audited)
Capital and reserves			
Share capital	17	**320,319**	312,819
Share premium and reserves		**2,286,262**	1,949,344
Equity attributable to owners of the Company		**2,606,581**	2,262,163
Minority interests		**128,175**	118,617
Total equity		**2,734,756**	2,380,780
Non-current liabilities			
Deferred tax liabilities	16	**16,397**	16,397
		16,397	16,397
		2,751,153	2,397,177

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2010

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Statutory common reserve fund RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
As at 1 January 2009 (audited)	305,087	1,132,062	311	194,809	809,945	2,442,214	194,616	2,636,830
Profit and total comprehensive income for the period	—	—	—	—	233,157	233,157	46,405	279,562
Dividend payable by the Company	—	—	—	—	(183,052)	(183,052)	—	(183,052)
Dividend paid to minority shareholders	—	—	—	—	—	—	(73,639)	(73,639)
As at 30 June 2009 (unaudited)	305,087	1,132,062	311	194,809	860,050	2,492,319	167,382	2,659,701
Profit and total comprehensive income for the period	—	—	—	—	204,607	204,607	7,191	211,798
Shares issued	7,732	291,069	—	—	—	298,801	—	298,801
Dividend paid to minority shareholders	—	—	—	—	—	—	(781)	(781)
Increase in minority interests as a result of acquisition of a subsidiary	—	—	—	—	—	—	9,819	9,819
Acquisition of additional interests in a subsidiary	—	—	(733,564)	—	—	(733,564)	(64,994)	(798,558)
Profit appropriations	—	—	—	44,664	(44,664)	—	—	—
As at 31 December 2009 (audited)	312,819	1,423,131	(733,253)	239,473	1,019,993	2,262,163	118,617	2,380,780
Profit and total comprehensive income for the period	—	—	—	—	280,361	280,361	19,557	299,918
Shares issued *(Note 17)*	7,500	281,688	—	—	—	289,188	—	289,188
Dividend paid to minority shareholders	—	—	—	—	—	—	(9,999)	(9,999)
Dividend paid by the Company	—	—	—	—	(225,131)	(225,131)	—	(225,131)
As at 30 June 2010 (unaudited)	320,319	1,704,819	(733,253)	239,473	1,075,223	2,606,581	128,175	2,734,756

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2010

	Six months ended 30 June 2010	
	2010	2009
	RMB'000	RMB'000
Net cash flow generated from operating activities	**251,120**	256,979
Investing activities		
Acquisition of property, plant and equipment	**(228,264)**	(97,599)
Dividend received from associates	**4,900**	6,370
Payments for acquisition of subsidiaries	**(44,460)**	—
Cash flow from other investing activities	**—**	6,581
Net cash used investing activities	**(267,824)**	(84,648)
Financing activities		
Repayments of bank loans	**(51,700)**	(15,000)
Interest paid	**(3,725)**	(5,859)
Proceeds from issue of shares	**289,188**	—
Dividend paid	**(225,131)**	—
Dividend paid to minority shareholders of subsidiaries	**(42,549)**	(61,017)
Cash flow from other financing activities	**—**	3,006
Net cash used in financing activities	**(33,917)**	(78,870)
Net decrease (increase) in cash and cash equivalents	**(50,621)**	93,461
Cash and cash equivalents at 1 January	**1,171,575**	1,348,349
Cash and cash equivalents at 30 June		
Bank balances and cash	**1,120,954**	1,441,810

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

1. GENERAL

The Company is registered in the PRC as a joint stock company with limited liability and its H shares are listed on GEM. The Company's registered office is located at 10/F, Yuquan Building, 3 Shijingshan Road, Shijingshan District, Beijing, The PRC and its principal place of business in Hong Kong is located at 18th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The Group is principally engaged in the operation of superstores and mini-marts.

2. BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange and with Hong Kong Accounting Standard 34 — Interim Financial Reporting ("HKAS 34").

The condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair value, which are further explained in the accounting policies set out as follows.

The accounting policies and basis of preparation used in the unaudited interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK (IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

2. BASIS OF PRESENTATION — continued

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

[2] Effective for annual periods beginning on or after 1 February 2010

[3] Effective for annual periods beginning on or after 1 July 2010

[4] Effective for annual periods beginning on or after 1 January 2011

[5] Effective for annual periods beginning on or after 1 January 2013

The Directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

3. SEGMENT INFORMATION

The Group is principally engaged in the operations of superstores and mini-marts in the PRC and all non-current assets of the Group are located in the PRC. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker has been identified as the Board of Directors of the Company, The information reported to the Board of Directors of the Company for the purpose of resource allocation and assessment of performance is based on the overall operation of all superstores and mini-marts, which is the only operating segment reported internally. Accordingly, no segmental analysis is presented.

4. REVENUE AND OTHER REVENUES

Revenue and other revenues of the Group recognised for the three months and six months ended 30 June 2010 is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	**2010 RMB'000 (unaudited)**	2009 RMB'000 (unaudited)
Revenue from the sales of goods	**2,719,348**	2,338,565	**6,031,422**	5,109,873
Other revenues				
Rental income from leasing of shop premises	**88,107**	75,075	**178,193**	161,204
Income from suppliers, including store display income and promotion income	**255,142**	224,189	**507,384**	434,363
	343,249	299,263	**685,577**	595,567
Total revenue	**3,062,597**	2,637,828	**6,716,999**	5,705,440

5. INCOME TAX EXPENSES

	For the three months ended 30 June		For the six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	**2010 RMB'000 (unaudited)**	2009 RMB'000 (unaudited)
The charge comprises:				
PRC income tax	**52,363**	41,377	**115,028**	91,930
Deferred tax *(note 16)*	**—**	1,300	**—**	1,300
	52,363	42,677	**115,028**	93,230

The charge for the three months and six months ended 30 June 2010 is reconciled to the condensed consolidated statement of comprehensive income as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	**2010 RMB'000 (unaudited)**	2009 RMB'000 (unaudited)
Profit before tax	**182,872**	167,947	**414,946**	372,792
Taxation at the PRC income tax rate of 25%	**45,718**	41,987	**103,736**	93,198
Tax effect of share of profit of associates and a jointly controlled entity	**(719)**	(973)	**(930)**	(1,820)
Tax effect of non-deductible expense in determining taxable profit	**30**	—	**30**	—
Tax effect of unrecognised tax losses	**7,334**	1,663	**12,192**	1,852
Income tax for the period	**52,363**	42,677	**115,028**	93,230

6. PROFIT FOR THE PERIOD

Profit for the Reporting Period has been arrived at after charging the following items:

	For the three months ended 30 June		For the six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	**2010 RMB'000 (unaudited)**	2009 RMB'000 (unaudited)
Depreciation for property, plant and equipment	**(29,067)**	(25,930)	**(58,680)**	(53,444)
Amortisation of leasehold improvements	**(14,139)**	(11,184)	**(30,932)**	(29,228)
Amortisation of prepaid lease payments	**(15,984)**	(10,054)	**(31,967)**	(18,461)
Amortisation of land use rights	**(1,380)**	(649)	**(2,760)**	(1,299)
Total depreciation and amortization	**(60,570)**	(47,817)	**(124,339)**	(102,432)

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: nil).

The final dividend of RMB0.18 per share for the year ended 31 December 2009 (2008: RMB0.15) had been approved by the general meeting and was paid in June 2010.

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	
	2010 (unaudited)	2009 (unaudited)	**2010 (unaudited)**	2009 (unaudited)
Profit for the period attributable to equity holders of the Company (RMB'000)	**124,157**	103,271	**280,361**	233,157
Weighted average number of shares for the purpose of basic earnings per share (shares)	**1,260,175,215**	1,220,348,000	**1,255,749,254**	1,220,348,000
Earnings per share — basic (RMB)	**0.10**	0.08	**0.22**	0.19

9. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group spent approximately RMB66,020,000 (2009: approximately RMB32,615,000) on additions to furniture, fixtures and equipment and RMB126,854,000 (2009: RMB63,869,000) on additions to leasehold improvements.

10. INTERESTS IN ASSOCIATES AND A JOINTLY CONTROLLED ENTITY

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Cost of unlisted investments in associates	**103,389**	103,389
Share of post-acquisition profits, net of dividend received	**32,212**	36,164
	135,601	139,553
Cost of unlisted investment in a jointly controlled entity	**100,000**	100,000
Share of post-acquisition profit (loss)	**981**	(1,791)
	100,981	98,209
	236,582	237,762

Notes to the Condensed Consolidated Financial Statements — continued

For the six months ended 30 June 2010

10. INTERESTS IN ASSOCIATES AND A JOINTLY CONTROLLED ENTITY — continued

As at 30 June 2010, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued share capital/registered capital held by the Group 30 June 2010	31 December 2009	Principal activities
Beijing Chao Shifa Company Limited 北京超市發連鎖股份有限公司	Incorporated	PRC	Beijing, PRC	Ordinary	25.03%	25.03%	Operation of superstores and mini-marts
Beijing Chongwenmen Vegetable Market Supermarket Company Limited 北京崇文門菜市場物美綜合超市有限公司	Incorporated	PRC	Beijing, PRC	Ordinary	49%	49%	Operation of superstores and mini-marts
Beijing Meiyijia Marketing Limited 北京美意家廣告有限公司	Incorporated	PRC	Beijing, PRC	Ordinary	25%	25%	Operation of design, production, agency and distribution of advertisements in the PRC
Anji Mini-Mart Limited 安吉縣供銷超市有限公司	Incorporated	PRC	Zhejiang, PRC	Ordinary	20%	20%	Operation of mini-marts

10. INTERESTS IN ASSOCIATES AND A JOINTLY CONTROLLED ENTITY — continued

As at 30 June 2010, the Group had interests in the following jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation/ operation	Registered capital (RMB'000)	Proportion of nominal value of registered capital held by the Group 30 June 2010	Proportion of nominal value of registered capital held by the Group 31 December 2009	Proportion of voting power held 30 June 2010	Proportion of voting power held 31 December 2009	Principal activities
Beijing Aoshikai Wumart Company Ltd. 北京奧士凱物美商業有限公司	Incorporated	PRC	200,000	50%	50%	50%	50%	Operation of superstores

11. GOODWILL

	RMB'000
Cost	
As at 1 January 2010 (audited)	**844,964**
As at 30 June 2010 (unaudited)	**844,964**
Carrying amount	
As at 30 June 2010 (unaudited)	**844,964**

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Trade receivables	**70,417**	54,269
Prepayments to suppliers	**67,030**	80,266
Deductible input value added tax	**247,819**	238,380
Deposits and other receivables	**576,694**	333,571
	961,960	706,486

Trade receivables represent receivables from supply of merchandise to franchised stores, managed stores and retail sales customers. The average credit period is 30 to 60 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 following is an aged analysis of trade receivables:

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
0–30 days	**28,871**	22,179
31–60 days	**41,546**	32,090
	70,417	54,269

13. AMOUNTS DUE FROM/TO RELATED PARTIES

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Amounts due from associates	**13,304**	28,628
Amounts due from a jointly controlled entity	**27,141**	31,297
Amounts due from subsidiaries of a Company's shareholder which has significant influence over the Company ("Company's Controlling Shareholder")	**31,925**	35,597
	72,370	95,522
Amount due to associates	**17,981**	17,637
Amount due to subsidiaries of the Company's Controlling Shareholder	**44,375**	50,264
	62,356	67,901

Amounts due from associates and a jointly controlled entity and subsidiaries of the Company's Controlling Shareholder are trade in nature, unsecured and non-interest bearing. The average credit period for trade in nature balances is 30 to 60 days. The aged analysis of trade in nature balances are as follows:

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
0–30 days	**36,185**	48,338
31–60 days	**18,816**	24,859
61–90 days	**17,369**	22,325
	72,370	95,522

14. TRADE AND OTHER PAYABLES

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Trade payables	**2,042,427**	2,101,898
Advances from customers	**493,550**	640,843
Other payables, deposits and accruals	**815,964**	612,529
	3,351,941	3,355,280
Less: amount due for settlement within 12 months	**(3,351,941)**	(3,355,280)
Amount due for settlement after 12 months	**—**	—

The following is an aged analysis of trade payables:

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
0–30 days	**1,331,867**	1,457,198
31–60 days	**449,742**	279,592
61–90 days	**143,583**	239,305
Over 90 days	**117,235**	125,803
	2,042,427	2,101,898

15. BANK LOANS

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Secured	**11,000**	17,700
Unsecured	**393,386**	438,386
	404,386	456,086

The loans are repayable within one year and carry interests at fixed rates ranging from 4% to 6.11% (2009: 4% to 6.37%) per annum.

As at 30 June 2010, secured bank loans of RMB11,000,000 (2009: RMB17,700,000) are secured by the Group's leasehold land and buildings with a carrying amount of approximately RMB21,245,000 (2009: RMB27,446,000). Unsecured bank loans of RMB200,000,000 (2009: RMB200,000,000) were guaranteed by the Company's Controlling Shareholder.

16. DEFERRED TAXATION

The following is the major deferred tax assets/liabilities recognised by the Group and movements thereon during the Reporting Period:

	Impairment for deposit paid for acquisition of an associate RMB'000	Effective rent RMB'000	Tax losses RMB'000	Pre-operating expenses RMB'000	Accumulated discrepancy with tax depreciation RMB'000	Fair value adjustments on business combination RMB'000	Total RMB'000
As at 1 January 2010 (audited)	4,582	37,847	14,037	453	(2,541)	(27,120)	27,258
As at 30 June 2010 (unaudited)	4,582	37,847	14,037	453	(2,541)	(27,120)	27,258

For the purpose of presentation of the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Deferred tax assets	**43,655**	43,655
Deferred tax liabilities	**(16,397)**	(16,397)
	27,258	27,258

As at 30 June 2010, the Group had unused tax losses of approximately RMB117,181,000 (2009: RMB68,413,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB56,148,000 (2009: RMB56,148,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB61,033,000 (2009: RMB12,265,000) due to unpredictability of future profit stream.

17. SHARE CAPITAL

	Number of Domestic Shares '000	Number of H Shares '000	Total number of shares '000	Value RMB'000
Authorised, issued and fully paid:				
As at 1 January 2009 *(note a)*	713,780	506,568	1,220,348	305,087
New issue of Domestic Shares *(note b)*	30,926	—	30,926	7,732
As at 31 December 2009	744,706	506,568	1,251,274	312,819
New issue of H Shares *(note c)*	—	30,000	30,000	7,500
As at 30 June 2010	744,706	536,568	1,281,274	320,319

Note:

(a) Domestic Shares and H Shares are all ordinary shares with a par value of RMB0.25 each 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 only 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. The Domestic Shares and the H Shares rank pari passu in all other respects and in particular, rank equally for all dividends or distributions declared, paid or made.

17. SHARE CAPITAL — continued

(b) Pursuant to the Domestic Shares Subscription Agreement dated 12 August 2009 and the Supplemental Agreement to the Domestic Shares Subscription Agreement of Wumart Stores, Inc. (the "Supplemental Agreement") dated 17 September 2009 entered into between the Company, Hony Capital RMBI, L.P. ("Hony Capital") and Legend Holdings Limited ("Legend"), the Company issued 23,619,364 Domestic Shares and 7,306,752 Domestic Shares to Hony Capital and Legend, respectively. Following the completion of the aforesaid issue, the total number of shares of the Company increased from 1,220,348,000 shares to 1,251,274,116 and the total registered capital of the Company shall increase to RMB312,818,529.

(c) Pursuant to the H Shares Subscription Agreement entered into by and between the Company, TPG and FS on 12 August 2009 and the Deed of Amendment relating to H Shares of Wumart Stores, Inc. ("Deed of Amendment") entered into by and between the Company, TPG, WR (a wholly-owned subsidiary of TPG) and FS on 7 May 2010 with WR and FS as H shares subscribers, the Company shall issue 25,000,000 H Shares and 5,000,000 H Shares to WR and FS, respectively. On 3 June 2010, the Company completed the aforesaid issue pursuant to the approvals of the CSRC and the Stock Exchange. Following the completion of the issue, the total number of issued shares of the Company increased from 1,251,274,116 shares to 1,281,274,116 shares and the total registered capital of the Company increased to RMB320,318,529.

18. OPERATING LEASE COMMITMENTS

The Group as lessee

As at the end of the reporting period, the Group had commitments for minimum rental amounts payable in future under operating leases in respect of rented premises which fall due in the following periods:

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Within one year	**444,464**	419,179
In the second to fifth year inclusive	**2,019,752**	1,630,926
Over five years	**5,158,166**	4,977,403
	7,622,382	7,027,508

The Group as lessor

As at the end of the reporting period, the Group had entered into contracts with tenants in respect of the lease of retail booths for which minimum rental amounts payable in future fall due in the following periods:

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Within one year	**258,327**	265,815

19. CAPITAL COMMITMENTS

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Capital expenditure in respect of:		
Property, plant and equipment (authorized but not contracted)	**114,177**	134,165
Acquisition of a subsidiary	**12,730**	58,299

20. RELATED PARTY DISCLOSURE

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

	For the six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Sales of goods to associates	**51,849**	65,981
Sales of goods to a jointly controlled entity	**96,289**	80,574
Sales of goods to subsidiaries of the Company's Controlling Shareholder	**65,943**	44,178
Service fee income received from subsidiaries of the Company's Controlling Shareholder in respect of merchandise delivery services	**2,090**	1,868
Service fee income received from associates and a jointly controlled entity in respect of merchandise delivery services	**607**	185
Management fee income received from subsidiaries of the Company's Controlling Shareholder	**361**	332
Rental expenses paid to a subsidiary of the Company's Controlling Shareholder	**1,830**	1,832

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Total revenue

For the Reporting Period, the Group recorded total revenue of approximately RMB6,716,999,000, up by approximately 17.7% compared to the same period of 2009. Excluding merchandise sales at cost to managed stores and related companies, total revenue for the year represented an approximately 18.1% growth over the same period last year. The Group continued to maintain rapid growth in total revenue, which was attributable to two factors described as follows:

(1) Year-on-year growth in comparable store sales. The Group reported a growth of approximately 8.5% in comparable store sales over the same period last year. Apart from price hikes in food merchandise, comparable store sales growth was also attributable to the Group's effort to increase patronage and sales per customer through merchandise category optimisation, improvements in store image and shopping environment, varied promotional maneuvers and service quality enhancements.

(2) Contributions from new stores opened during the second half of 2009 and the Reporting Period. The Group opened 69 new stores (including superstores and mini-marts) through acquisition and establishment during the second half of 2009 and the Reporting Period.

Consolidated gross profit and consolidated gross profit margin

For the Reporting Period, the Group's consolidated gross profit amounted to RMB1,282,669,000, a growth of approximately 17.8% over the same period of 2009. The Group's consolidated gross profit margin was unchanged from 19.1% reported for 2009. Excluding the sales at cost to managed stores and related companies, the Group's consolidated gross profit margin was approximately 19.7%, which was basically at par with the corresponding period of 2009.

Operating costs

The operating costs of the Group comprised distribution and selling expenses and administrative expenses. The following table presents operating costs as a percentage of total revenue for the Reporting Period and the same period of 2009:

	For the six months ended 30 June	
	2010	2009
As a percentage of total revenue:		
Distribution and selling expenses	**12.1%**	10.9%
Administrative expenses	**1.9%**	2.3%
	14.0%	13.2%

Distribution and selling expenses of the Group comprised mainly staff costs, rental expenses, utilities, depreciation and amortization costs and promotional expenses. For the Reporting Period, the Group recorded distribution and selling expenses of approximately RMB813,271,000, which was 1.2 percentage points higher as a percentage of total revenue as compared to the same period last year. The increase of distribution and selling expenses as a percentage of total revenue mainly reflected the growth in staff expenses, rental expenses and promotional expenses incurred by the opening of new stores at a pace faster than the growth in revenue generated by these new stores.

Administrative expenses comprised mainly staff costs for management personnel, depreciation and amortization costs and office expenses. For the Reporting Period, administrative expenses of the Group were approximately RMB128,998,000, which was 0.4 percentage point lower as a percentage of total revenue compared to the same period last year, reflecting cost efficiency generated by the implementation of centralised management.

Finance costs

For the Reporting Period, finance costs of the Group amounted to approximately RMB10,796,000, compared to approximately RMB16,124,000 for the same period of 2009. The decline in finance costs was mainly due to the reduced size of debt financing.

Net profit and net profit margin

For the Reporting Period, net profit of the Group was approximately RMB280,361,000, representing a 20.2% growth over net profit of approximately RMB233,157,000 for the same period of 2009. Net profit growth was mainly in line with the growth in consolidated gross profit.

For the Reporting Period, the Group's net profit margin was approximately 4.2%. Excluding merchandise sales at cost to managed stores and related companies, net profit margin was approximately 4.3%, which was 0.1 percentage point higher compared to 4.2% for the same period of 2009.

Liquidity and financial resources

During the Reporting Period, cash flow generated from operating activities amounted to approximately RMB251,120,000. As at 30 June 2010, the Group had cash and bank balances of approximately RMB1,120,954,000.

As at 30 June 2010, the Group had non-current assets of approximately RMB3,632,904,000, which mainly included property, plant and equipment of approximately RMB2,338,412,000, aggregate interests in associates and a jointly controlled entity of approximately RMB236,582,000, and goodwill of approximately RMB844,964,000.

As at 30 June 2010, the Group recorded net current liabilities of approximately RMB881,751,000. Current assets amounted to approximately RMB3,071,421,000, which mainly comprised cash and bank balances of approximately RMB1,120,954,000, inventories of approximately RMB821,892,000, trade and other receivables of approximately RMB961,960,000, and amounts due from related parties of approximately RMB72,370,000. Current liabilities amounted to approximately RMB3,953,172,000, mainly comprising trade payables of approximately RMB3,351,941,000, other payables of approximately RMB62,356,000, tax liabilities of approximately RMB134,489,000, and bank loans of approximately RMB404,386,000.

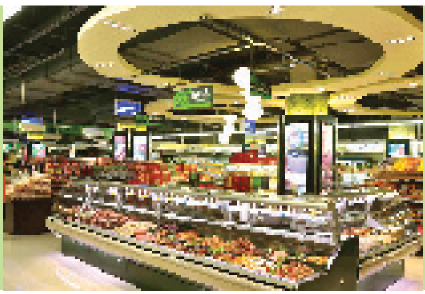
For the Reporting Period, the Group's average trade payable turnover and inventory turnover were approximately 70 days and 28 days respectively, and approximately 72 days and 28 days for the same period of 2009, respectively.

Business Review

Retail network

The Group has been engaged in persistent implementation of the regional development strategy. During the Reporting Period, we made breakthroughs in this area with further market penetration. In Hangzhou, the Group successfully signed up the Wangjiang project at the Shangcheng District and the Moganshan project at the Gongshu District, thereby establishing its presence in all of the eight districts in Hangzhou, marking a new era in the Group's development in the Hangzhou region. In Tianjin, the Group had opened 10 superstores making it a leader among peers in Tianjin in terms of the number of stores.

As at 30 June 2010, a retail network of 474 stores comprising 114 superstores and 360 mini-marts with an aggregate saleable area of 558,884 square metres (excluding stores of associates and franchised stores) were directly operated or managed through franchise agreements or management agreements by the Group, its associates and a jointly controlled entity. During the Reporting Period, 6 new directly-owned superstores were opened while 1 directly-owned superstore was closed down, cooperation with 1 managed store was terminated and 3 directly-owned superstores of Zhejiang Gongxiao Supermarket Company Limited ("Zhejiang Gongxiao") were converted to directly-owned mini-marts. In addition, 12 new directly-owned mini-marts were opened while 10 were closed down to terminate loss-making operations, and cooperation with 1 franchised store which did not meet the required standards was terminated.



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

	As at 30 June 2010	
	Number of stores	**Geographical distribution**
Superstores		
Directly-owned	112	Beijing, Tianjin, Zhejiang
Mini-marts (everyday shops and convenience stores)		
Directly-owned	245	Beijing, Zhejiang
Franchised	77	Zhejiang
Total	434	

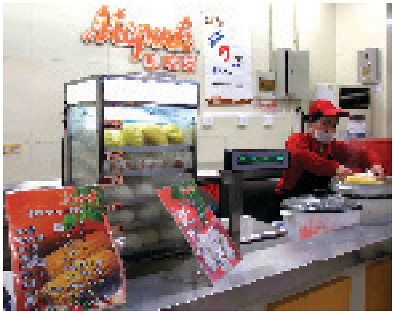
Stores operated and managed by the Group through various management agreements (the "Managed Stores") were as follows:

	As at 30 June 2010	
	Number of stores	**Geographical distribution**
Superstores	2	Tianjin
Mini-marts	38	Tianjin
Total	40	

Category optimisation

During the Reporting Period, the Group continued to carry out category optimisation at stores of various business formats and adjusted the merchandise mix based on sales data analysis. Scopes and limits were revised for the frequency and category of merchandise items to be added or replaced, so that any additions or replacements would be based on data analysis. We continued to encourage the practice of facing management with a view to advancing standardisation in display, accuracy in replenishment, as well as assuring the accuracy and traceability of sales data.

During the Reporting Period, the Group also made strong efforts in the development of the fast food business at convenience stores as part of its initiatives to enhance category optimisation at convenience stores. Based on the results of market surveys and analyses of customers' needs, frozen lunchboxes and steamed buns were launched under our own brand name while popular traditional fast food such as glutinous rice dumplings, corn and tea-boiled eggs were preserved, drawing on the inherent resources for central kitchen of the Group. The move has brought the category structure for our convenience stores closer in line with consumers' needs, resulting in increased store visitors, stronger sales and higher gross profit margin.



Store optimisation

During the Reporting Period, the Group carried out optimisation attempts in respect of fresh food operations at small everyday shops. During the Reporting Period, the Group leveraged on the North China Distribution Centre to implement the provision of value-added services by the distribution function in respect of fresh fruits and vegetables for the stores. In other words, the fruits and vegetables were sorted, processed and packaged by the distribution centre on behalf of the stores. This approach has enabled fresh food operation by small everyday shops. The attempt will enhance the ability of small everyday shops to operate fresh food business, and is set to become a key breakthrough project in our next stage of development.

Apart from the physical expansion of stores for larger space and the addition of corresponding merchandise, the Group's efforts in store realignment and renovation was also underpinned by innovative and experimental measures to improve the business pattern and profitability of the stores, such as the "vegetable market & supermarket" model adopted during the Reporting Period, under which the management approach of a modern supermarket was applied in traditional vegetable market operations.

Maximum emphasis was given to fresh food items by increasing their sales space, varieties and quantities, while the display setting and over-the-counter purchase method was also carried out in ways familiar in a traditional vegetable market, creating a clean, cosy and lively shopping environment. During the Reporting Period, our Chongwenmen store was renovated in accordance with the "vegetable market & supermarket" model, as archaic styles such as a door-head in antique architectural style, wooden suspended stacks in zones, pillar decorations, lanterns, straw-made rain capes and bamboo hats, etc were incorporated in the design of a vegetable market to highlight the common features between a traditional vegetable market and a modern supermarket. The Chongwenmen store enjoyed significantly increased sales as well as visitors after renovation. As such, the successful experiment with the "vegetable market & supermarket" store operating format has enriched us with new ideas in store optimisation.

Based on our renewed understanding and positioning of convenience stores, the Group focused on creating a convenience store that provided fashionable, convenient and efficient service functions during the Reporting Period. On this basis, the Group made adjustments to certain convenience store by holding back non-fast-moving packaged consumables while emphasising daily distribution, fast food, instant food and drinks, newspapers and magazines and import food, etc. In terms of decoration style, meanwhile, designs which imparted a neat, clear-cut and tender feeling with fashionable elements were introduced to match the positioning for young and trendy consumers. The renovated convenience stores enjoyed growth in shop visitors in various degrees.

Marketing optimisation

A range of marketing activities have been launched during the Reporting Period, such as "Complimentary Offerings on Purchases", "Redemption Purchases" and "Cash Discounts", etc, which allowed customers to cash in benefits immediately. Meanwhile, a number of feature zones were set up under various themes (such as Ching Ming Festival, Dragon Boat Festival, Children's Day, World Cup, Mother's Day and Father's Day, etc.) for the display of relevant merchandise, in order to emphasise the store's close association with everyday life in every season and festival in further fulfillment of customers' needs.

During the Reporting Period, the Group also launched a series of activities to further enhance members' satisfaction and to reward them for their support and trust. The "5% purchase discount for members", represented an exclusive privilege reserved for members. The MerryMart branded stores under the Group have designated April each year as the "Members' Month", during which massive marketing activities rewarding members will be organised. Not only can member patrons make purchases at lower prices, they may also be entitled to complimentary gifts, redemption and cash discounts which are exclusive to members. Consumers' recognition of and application for the Wumart membership card was greatly enhanced with the launch of the "Points Concession" and "Membership Complimentary Points" programmes at the Group's stores in the Tianjin area during the Reporting Period. Subsequent to the launch of this campaign, the number of valid members grew by over 5%, while the number store visitors was also increased. These marketing activities for members have enhanced our close ties with members and reinforced their loyalty.

Optimisation of suppliers and direct sourcing

During the Reporting Period, the Group basically completed negotiations and executions of the 2010 purchase contracts with suppliers. During the negotiations, new suppliers with solid strengths, sound credentials and strong brand recognition were introduced. Meanwhile, the suppliers' mix was streamlined to enhance management of suppliers.

During the Reporting Period, at Huzhou Laodafang Supermarket Company Limited ("Laodafang"), which was acquired by the Group before the end of 2009, the suppliers were screened and optimised, whereby over 100 suppliers with inferior operating strengths, price competitiveness, supply fulfillment status and overall contributions were removed. By matching the terms of the supply contracts of Laodafang and Zhejiang Gongxiao, we succeeded in securing more favourable terms on the back of stronger bargaining powers.

During the Reporting Period, the Group continued optimisation of its direct sourcing from fruit and vegetable production bases. We continued to develop and extend the sourcing end of our supply chain by securing seasonable merchandise from reputed production bases and applying bulk sourcing and selling. Ongoing efforts were made to reinforce and expand operations of fruit and vegetable sourcing from production bases in Shandong, Hebei, Hainan, Xinjiang and Fujian. As a result, a purchase model primarily supported by direct sourcing from bases and complemented by sourcing from suppliers and neighbouring wholesale markets has been formed.

During the Reporting Period, the Group was in the process of completing the standardisation of fruits and vegetables sourcing from the location of production to the stores. Continuous improvements were made to the supply chain process for "24-hour fresh food", as major efforts were made to reduce intermediary parties for lower costs and stronger competitiveness of the merchandise, such that advantages in sourcing and selling prices were gradually established. The sales volume of fruits and vegetables for the second quarter increased by approximately 2,251 tons over the same period of 2009.

While driving the direct sourcing from production bases of fruits and vegetables, the Group was also making efforts to directly source small-sized household merchandise and garments/apparels from manufacturers. During the Reporting Period, the Group participated in the Second FIE Expo of Guangdong and conducted one-on-one negotiations with certain manufacturers. Apart from providing new ideas in merchandise selection, the FIE Expo has also pointed to useful channels and directions for the implementation of our direct procurement operations.

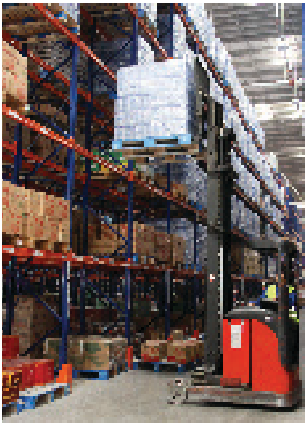
WINBOX@SAP

The Group continued to advance process re-engineering during the Reporting Period in accordance with the design of the WINBOX system solution, guided by the objective of achieving a simplified and efficient business management process underpinned by the triple emphasis on "centralised procurement/category optimisation + demand forecast-driven supply chain + simplified store sales". During the Reporting Period, the WINBOX process team continued to update and optimise the "Wumart Group Operation Process Manual", adding 5 processes such as the equipment supplier KPI assessment benchmarks and the handset value storage settlement process, as well as upgrading and optimising 5 processes including the store fund safety management system and suppliers' clearance process. The asset management process was augmented with the dual primary objectives of maximising operational support and increasing asset management efficiency. Relevant complementary processes were launched to enable the swift and orderly progress of the Group's value-added service operations. The "Manual of Financial Processes" was also upgraded and updated in a timely manner to ensure the normal operation of the shared financial service centre after its establishment.

During the Reporting Period, the WINBOX team completed the full-scale launch of the WINBOX-HR system in the Beijing, Tianjin and Hangzhou operations of the Group. Meanwhile, the WINBOX team also completed the launch of the OA (office automation) system for MerryMart. The implementation of electronic process management contributed to savings in office costs as we were brought closer to a paperless office, while internal synergies and efficiency in communication were also enhanced.

During the Reporting Period, the Group entered into a strategic cooperation agreement with the Bank of Communications, pursuant to which the "Red Hot Friday" campaign was launched at all of the Group's stores in Beijing, offering on every Friday a 5% cash rebate to any patron who makes purchases for an amount of RMB128 in any single transaction at any of the Group's stores in Beijing with the Pacific Credit Card issued by the Bank of Communications. This joint initiative with the Bank of Communications marked a successful step in our attempt at providing cross-sector value-added services through partnerships.

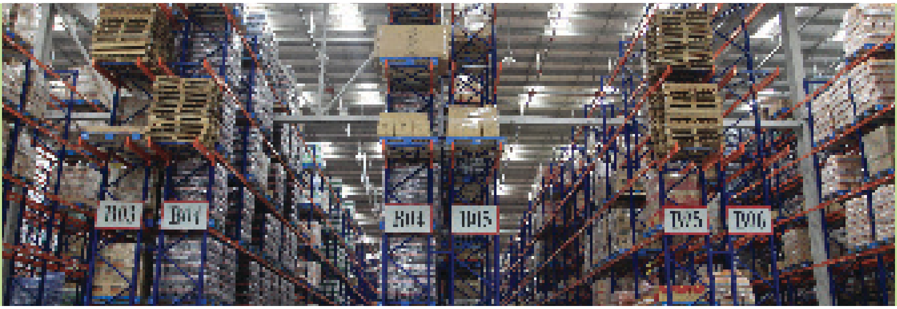
Supply-chain optimisation



Following its soft opening at the end of 2009, the North China Distribution Centre of the Group was formally operational during the Reporting Period. As the single largest retail distribution centre in northern China, the North China Distribution Centre was fully equipped with modern logistics software systems, and best business processing and hardware equipment, such as SAP WMS (warehouse management system), RF (radio frequency), DPS (data processing system), Reach Trucks, Electric Forklift Trucks, Low Level Order Picker and sorting machines, in line with its guiding principle of being "highly informatised, sufficiently mechanised and reasonably automated" in operation, with a view to establishing the core competitiveness of the Group in supply-chain management. With ongoing enhancement measures in the pipe line, the North China Distribution Centre has become a major driver of the Group's long-term growth by:

Providing strong backbone support to the development of the Group's mini-mart format

Owing to their limited storage spaces, mini-marts tend to require numerous deliveries of small quantities, which third-party suppliers are generally unwilling to provide because of their uneconomical nature. As a result, mini-marts are often subject to shortage of merchandises. The operation of the Group's North China Distribution Centre has facilitated the further development of mini-marts by enhancing the distribution capability to mini-marts, thus becoming the driving force behind their sales growth. Through the application of the DPS and the automatic sorter system, the retail distribution processing of mini-marts has been simplified to the extent that disassembling and sorting activities are being carried out with greater accuracy, resulting in significantly higher operating efficiency. In the meantime, new activities such as daily distributions were initiated by the North China Distribution Centre in tandem with the sales characteristics of mini-marts, reinforcing category optimisation of mini-marts through increases in the proportions of merchandise being distributed. The strong distribution capability of the North China Distribution Centre will undoubtedly support the further development of the Group's mini-marts, as well as reduce the overall operating costs of mini-marts.



Further advancing the optimisation of suppliers and direct procurement of fresh produces

With solid backing by the North China Distribution Centre, the Group further reduced the number of suppliers in the Beijing area to 900 during the Reporting Period and lowered the Group's procurement costs by making more direct purchases from producers rather than engaging intermediaries. Apart from ensuring better product quality, direct procurements of fresh produces from production bases also tended to attract more shoppers because of the lower costs involved. The strong distribution and processing capabilities of the North China Distribution Centre further enlarged the scale of direct procurement of fresh produces from production bases.

Continuously enhancing and driving on-time distribution

The operation of the North China Distribution Centre has provided a major boost to on-time delivery, as it has enabled the Group to exercise better control over distribution lead-time by allowing greater quantity in direct distribution. During the Reporting Period, the punctuality rate of distribution to Wumart stores in Beijing was improved to 95%.

Human resources development

The Group continued with its efforts to forge a specialised, professional team to meet the need for talents arising from corporate development. During the Reporting Period, 60 training sessions were organised with a total of 1,681 participants, comprising 606 in ERP system upgrade training, 51 in management executive promotion training, 504 in various types of operational/specialised training and 520 in other areas, as we continued to implement a range of talent cultivation programmes.

To meet the training needs arising from the rapid development of the enterprise, the Group commenced the "E-Learning" distant-learning platform in February 2010. During the Reporting Period, system platform testing was underway for the "E-Learning" training management platform, which was subsequently launched at selected stores on a trial basis. The implementation of the project will provide a positive boost for the regulation, informatisation and standardisation of the Group's training initiatives.

During the Reporting Period, the Group completed its staff performance appraisal for the second six months of 2009, as the concept of "promotion, reward and job rotation for the capable, versatile and committed" and the "results-oriented" principle was further reinforced. Following the appraisal, a total of 3,074 employees were variously rewarded by way of pay increase, job rotation, promotion or training. Meanwhile, 1,165 employees received punishments in various forms.

OUTLOOK

China's retail sector continued to report fast and stable growth during the first half of 2010, as total retail sales of consumer goods for the period reached RMB7,266.9 billion, posting a year-on-year growth of 18.2%, while GDP grew 11.1% to RMB17,284.0 billion.

In response to increasingly intense competition in the domestic retail market, the Group will continue to persist in the regional development strategy, making swift moves to open new stores and increase our market penetration. Meanwhile we will strictly adhere to the principle of proactive prudence as we seek opportunities for acquisition in new regional markets to enlarge our market share. While ensuring our competitive advantage in Beijing, we will further enhance our penetration in Tianjin and Zhejiang, swiftly progressing towards our goal of regional leadership.

The Group will carry on its work in business format optimisation, as it continued to conduct in-depth and comprehensive investigations in and refinements of the development direction for stores of various business formats. We will seek to increase our profitability and provide quality service by adding variety to merchandise allocation as part of our efforts in category optimisation, thereby enhancing our competitive edge through differentiation.

The Group will continue to leverage its strengths and sophistication in information technology and logistical technology to increase the pace of supply chain efficiency enhancement, as it continued to advance the process-based operation model and upgrade its operating technologies in a comprehensive manner. Meanwhile, the Group will seek to foster the image of a retail operator offering premium quality at low prices, providing merchandise that enhances customer satisfaction and constantly improving its services so that the Group will become a most favoured and trusted retail enterprise.

CORPORATE GOVERNANCE

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

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, two audit committee meetings were held during which members of the audit committee reviewed the accounting principles and practices adopted by the Group and discussed such issues as internal control, including the review of the Group's audited report of results for 2009 and the unaudited report of results for the first quarter of 2010.The audit committee is of the view that the report of results and accounts for 2009 and report of results and accounts for the first quarter of 2010 have been in compliance with applicable accounting standards and have been properly disclosed.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

Regarding the securities transactions by Directors, the board of directors of the Company has adopted a set of code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard as set out in the GEM Listing Rules. Upon specific enquiries with all Directors in accordance with the code of conduct, the Company confirmed that the Directors were in compliance with the code of conduct regarding securities transactions by Directors during the Reporting Period.

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

As at 30 June 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:

	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	12.52	Interests of Controlled corporation
Dr. Meng Jin-xian *(Note 2)*	48,251,528	6.48	3.77	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 30 June 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 30 June 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 30 June 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 the Company's 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	38.86
Beijing Jingxi Guigu Technology Company Limited ("Jingxi Guigu") *(Note 1)*	497,932,928	66.86	38.86
Beijing CAST Technology Investment Company ("CAST Technology Investment") *(Note 1)*	497,932,928	66.86	38.86
Wumei Holdings Inc. ("Wumei Holdings") *(Note 2)*	497,932,928	66.86	38.86
Yinchuan Xinhua Department Store Company Limited ("Xinhua Department Store") *(Note 3)*	497,932,928	66.86	38.86
Wangshang Shijie E-business	160,457,744	21.55	12.52

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 in due course to consider the said share issue and asset acquisition.

Long positions in the Company's 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)*	112,727,781	21.01	8.80
Arisaig Asia Consumer Fund Limited *(Note 2)*	65,978,000	12.3	5.15
Arisaig Partners (Mauritius) Limited *(Note 3)*	65,978,000	12.3	5.15
Cooper Lindsay William Ernest *(Note 4)*	65,978,000	12.3	5.15
T. Rowe Price Associates, Inc. and its affiliates *(Note 5)*	54,056,000	10.07	4.22
Invesco Hong Kong Limited (in its capacity as manager/advisor of various accounts) *(Note 6)*	41,954,000	7.82	3.27
The Capital Group Companies, Inc. *(Note 7)*	41,912,484	7.81	3.27

Notes:

1. Including 707,000 H shares held by JPMorgan Chase & Co. as a beneficial owner, 50,713,000 H shares held in its capacity as an investment manager and 61,247,781 H shares as a trustee company/approved lending agent.

2. These 65,978,000 H shares are held by Arisaig Asia Consumer Fund Limited in its capacity as a beneficial owner.

3. These 65,978,000 H shares are held by Arisaig Partners (Mauritius) Limited in its capacity as an investment Manager.

4. These 65,978,000 H shares are held by Cooper Lindsay William Ernest through his interests in controlled corporation.

5. These 54,056,000 H shares are held by T. Rowe Price Associates, Inc. and its affiliates in its capacity as an investment manager.

6. These 41,954,000 H shares are held by Invesco Hong Kong Limited in its capacity as an investment manager.

7. These 41,912,484 H shares are held by The Capital Group Companies, Inc. in its capacity as an investment manager.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

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

The Group expands its supermarket chain business mainly 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 was engaged 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.

EXCHANGE RATE RISK

The income and expenses of the Group are mostly denominated in RMB. During the Reporting Period, the Group had not been subject to any significant difficulties and its working capital or liquidity had not been affected as a result of from fluctuations in exchange rates.

CONTINGENT LIABILITY

As at 30 June 2010, the Group had no significant contingent liability.

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

Beijing, the PRC
10 August 2010