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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

天天价廉 永远物美

First Quarterly Report 2011

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This report, for which the Directors of Wumart Stores, Inc. collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to Wumart Stores, Inc.. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any contents of this report misleading.

HIGHLIGHTS

Comparison of the unaudited results for the three months ended 31 March 2011 with the corresponding period of 2010:

		Three months ended 31 March	
	Change	**2011**	2010
		RMB'000	RMB'000
Total revenue	20.2%	**4,394,296**	3,654,402
Consolidated gross profit	22.4%	**835,159**	682,326
Profit attributable to owners of the Company	21.7%	**190,101**	156,204
Basic earnings per share (RMB per share, par value RMB0.25)	18.9%	**0.1484**	0.1248

- Number of stores of the Group was 513 as at 31 March 2011.

- Net asset value of the Group was approximately RMB3,047,312,000 as at 31 March 2011.

- For the three months ended 31 March 2011, comparable store sales grew by 13.3%.

- Inventory turnover was 30 days and trade payable turnover was 66 days for the three months ended 31 March 2011.

QUARTERLY RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 31 March 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Revenue from sales of goods	2	**3,950,383**	3,312,074
Cost of sales		**(3,559,137)**	(2,972,077)
Gross profit		**391,246**	339,997
Other revenues		**443,913**	342,328
Investment and other income		**60,477**	49,319
Distribution and selling expenses		**(516,570)**	(415,033)
Administrative expenses		**(100,549)**	(77,875)
Share of profit of associates		**(1,344)**	(930)
Share of profit of a jointly controlled entity		**1,662**	1,776
Finance costs		**(3,538)**	(7,508)
Profit before tax		**275,297**	232,074
Income tax expense	3	**73,503**	(62,665)
Profit for the period	4	**201,794**	169,409
Attributable to:			
Owners of the Company		**190,101**	156,204
Non-controlling interests		**11,693**	13,205
		201,794	169,409
Basic earnings per share (RMB per share)	6	**0.1484**	0.1248

NOTES TO FINANCIAL INFORMATION:

1. BASIS OF PRESENTATION

The unaudited financial statements of the Group have been prepared in accordance with the disclosure requirements under the GEM Listing Rules.

The consolidated financial statements have been prepared on the historical cost convention, except for certain financial instruments measured at fair value, and shall be interpreted under the accounting policies as set out below.

The accounting policies and basis of preparation adopted in the preparation of the unaudited consolidated 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 2010.

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)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the results and financial position of the Group.

2. REVENUE AND OTHER REVENUES

Revenue and other revenues of the Group recognized for the Reporting Period was as follows:

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**3,950,383**	3,312,074
Other revenues		
Rental income from leasing of shop premises	**110,612**	95,329
Income from suppliers, including store display income and promotion income	**364,697**	273,250
Business taxes and other government surcharges	**(31,396)**	(26,251)
Total revenue	**4,394,296**	3,654,402

3. INCOME TAX EXPENSE

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The charge comprises:		
PRC income tax	**73,503**	62,665
	73,503	62,665

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	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	**275,297**	232,074
Taxation at the PRC income tax rate of 25%	**68,824**	58,019
Tax effect of share of profit of associates and a jointly-controlled entity	**(80)**	(212)
Tax effect of unrecognized tax losses	**4,759**	4,858
Income tax for the period	**73,503**	62,665

4. PROFIT FOR THE PERIOD

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

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation and amortization	**84,962**	63,769
Interest income	**(2,709)**	(2,127)
Operating lease rentals in respect of rented land and premises	**136,194**	110,112
Salaries and staff benefits	**200,743**	152,821

5. DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 31 March 2011 (Three months ended 31 March 2010: Nil).

A final dividend of RMB0.20 per share (inclusive of tax) for 2010 has been proposed by the Board, subject to approval at the general meeting.

6. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the Period attributable to owners of the Company (RMB'000)	**190,101**	156,204
Weighted average number of shares for the purposes of basic earnings per share (shares)	**1,281,274,116**	1,251,274,116

No diluted earnings per share is presented as the Company did not have any potential ordinary shares outstanding during either of the two years.

7. RESERVES

Movements in the Group's reserves during the three months ended 31 March 2011 were as follows:

	Three months ended 31 March					
	2011					2010
	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	**1,705,973**	**(733,253)**	**297,174**	**1,266,998**	**2,536,892**	1,949,344
Profit for the three months ended 31 March	**—**	**—**	**—**	**190,101**	**190,101**	156,204
As at 31 March	**1,705,973**	**(733,253)**	**297,174**	**1,457,099**	**2,726,993**	2,105,548

BUSINESS REVIEW

Financial Review

Total Revenue

For the Reporting Period, the Group recorded total revenue of approximately RMB4,394,296,000, up by approximately 20.2% over the corresponding period of last year. Excluding the sale of merchandises to managed stores and related companies at costs, total revenue would have grown by approximately 20.7% from the corresponding period of last year. The growth in total revenue was mainly attributable to the sales growth of comparable stores and the revenue contribution from newly-opened stores. During the Reporting Period, comparable store sales grew by 13.3%, an increase of 2.7 percentage points over the same period last year. Apart from the partial factor of the increase in commodity prices, it was also attributable to the Group's success in increasing customer traffic and average transaction amount per head by optimizing product categories, commencing diversified approach to promotional activities and providing various value-added services for improving customer satisfaction.

Consolidated Gross Profit and Consolidated Gross Margin

For the Reporting Period, the Group's consolidated gross profit amounted to approximately RMB835,159,000, representing a growth of approximately 22.4% over the corresponding period of last year. The Group's consolidated gross margin was approximately 19.0%, an increase of 0.3 percentage points from the corresponding period of last year. Excluding the sale of merchandises to managed stores and related companies at costs, consolidated gross margin would have been approximately 19.6% or an increase of 0.3 percentage points from the corresponding period of last year. Such increase was primarily attributable to: (1) the more reasonable pricing strategy and approaches to sales and marketing which secured the steady growth of our consolidated gross margin. (2) the enhanced scale of procurement which improved our bargaining power with suppliers and increased our consolidated gross margin. (3) the further reduction in procurement costs by introducing dry merchandise to the scope of "Farm-Supermarket Links" during the Reporting Period, thereby enlarging the coverage of "Farm-Supermarket Links".

Distribution and Selling Expenses and Administrative Expenses

Distribution and Selling Expenses and Administrative expenses of the Group respectively comprised staff costs, rental expenses, depreciation and amortization costs and utilities in stores and headquarters. During the Reporting Period, distribution and selling expenses amounted to approximately RMB516,570,000 and administrative expenses amounted to approximately

RMB100,549,000, representing approximately 11.8% and 2.3% of total revenue, respectively (Corresponding period of 2010: approximately RMB415,033,000 and RMB77,875,000, respectively, representing approximately 11.4% and 2.1% of total revenue, respectively). Such proportional increase was primarily attributable to the increase in personnel expenses. During the Reporting Period, based on the cost of human resources in the market, the Group increased the wage level of junior technical staff, thereby ensuring enough manpower for our stores.

Net Profit and Net Profit Margin

For the Reporting Period, net profit of the Group amounted to approximately RMB190,101,000 or a growth of approximately 21.7% from the corresponding period of last year, after the further strengthening of our budget analysis and management and the implementation of various plans of increasing revenue and reducing expenses. Net profit margin was approximately 4.3%, a level similar to the corresponding period of last year. Excluding the sale of merchandises to managed stores and related companies at costs, net profit margin would have increased to 4.5%, increasing by 0.1 percentage points from the corresponding period of last year.

Business Review

Retail Network

The Group continued to penetrate in the Beijing, Tianjin and Zhejiang markets in persistent implementation of its expansion strategy of regional priority. As at 31 March 2011, we had a retail network of 513 stores (31 March 2010: 472 stores) comprising 123 superstores and 390 mini-marts (comprising Everyday Shops, high-end supermarkets and convenience stores), which were either directly operated or operated and managed through franchise agreements and management agreements by the Group, its associates (other than Beijing Chao Shifa Company Limited ("Chao Shifa")) and a jointly controlled entity. The Group's retail network occupied an aggregate saleable area of 629,633 square metres, excluding stores under associates and franchises.

During the Reporting Period, 6 directly-owned superstores were opened while 1 were closed down. For mini-marts, 13 directly-owned new stores were opened while 2 were closed down. For franchised stores, 5 new stores were opened.

Stores operated and managed by the Group, associates and jointly-controlled entities, other than those stores under Chao Shifa, as at 31 March 2011 were as follows:

	Number of Superstores	Number of Mini-marts	Total	Geographical Distribution
Directly-owned	121	266	387	Beijing, Tianjin, Hebei, Zhejiang
Franchised	—	86	86	Zhejiang
Managed	2	38	40	Tianjin
Total	123	390	513	

Continual Exploration of High-end Supermarket Format and Leverage upon the Competitive Advantage of Differentiated Shop Format

The Group continued to explore the operational model of high-end supermarket format in order to refine such retail format. During the Reporting Period, the Group focused on the study of the high-end supermarket consumer structure, consumption demand and characteristics, gradually grasping a clearer picture of the positioning of serving high-end consumers and adjusted the structure of high-end supermarket merchandises by introducing organic and green foodstuffs as well as imported products with foreign tastes and local specialty products and seasonal products, etc. The Group also introduced products based on the analysis report such as weekly new product reports issued by ACNielsen, so that we boast products which are unavailable elsewhere or of better quality than those provided elsewhere, making our products available at high-end supermarkets gradually satisfying the demand of high-end supermarket consumers, gaining recognition from them. Meanwhile, the Group created a fashionable, harmonious and warm store environment with its active pricing strategies and innovative approaches to sales and marketing, bringing comfortable and up-market shopping experience for our customers, thereby stabilizing and attracting more and more high-end consumers and also increasing the frequency of patronage at our high-end stores by the mass-public consumers.

Optimized Product Category Actively and Enhanced Average Transaction Amount Per Head

The Group has been committed to optimizing product categories. During the Reporting Period, the senior management of the Group convened seminars during the Chinese New Year holiday to probe into the possibilities of raising our merchandising capability by innovating procurement models, leveraging upon scale economy, technological advancement and logistics technology.

During the seminars, taking into account its consolidated profit structure and category structure, the Group articulated the importance of considering our operational level and capability in the adjustment of product categories so as to contribute positively to its operating results and thereby enhancing the overall category management and our merchandising capability. In response to the principles concluded from such seminars, the Group revised and adjusted the merchandise mix, merchandise allocation and merchandise display, such as adding more fresh food items, enlarging the display resources for home appliances of international brands and first-tier domestic brands, and changing the pricing strategy to improve the price competitiveness of sensitive products, increasing the frequency and magnitude of promotions, thereby achieving an overall increase in customer traffic, product types and average transaction amount per head.

Implementation of "Reduction and Merger of Divisions" and Push Replenishment to Enhance Operational Efficiency of Stores

Facing the increasing human resources costs, in order to further enhance store efficiency, and ultimately enhance supply chain efficiency, the Group promoted the initiative of reducing and merging divisions during the Reporting Period. Under such an initiative, divisions are merged at stores which generate low sales revenue, and first-tier staff members are requested to be multi-functional and second-tier staff members have to take up the role of cashier, in order to achieve effective control of operation costs at our stores.

At our hypermarkets, efforts have commenced to press ahead the work on automatic replenishment. During the Reporting Period, the automatic replenishment systems which had already been launched at some of our stores were in sound operating conditions. The launch of such automatic replenishment system effectively reduced out-of-stock occurrences at our stores, reduced the back-stage labour force requirements, and enhanced the timeliness of replenishing merchandises at our stores. Meanwhile, in the course of fostering automatic replenishment, the further standardization and optimization on category management and display resources application in our operations were also driven.

Leveraging upon Scale Economy, Integrating Supplier Resources and Enhancing Quality Assurance

During the Reporting Period, the Group completed the negotiations and signing of procurement contracts in respect of the year 2011. Supplier resources were integrated, competitive suppliers were introduced, non-performing suppliers were eliminated, and the proportion of producers was enlarged. We also achieved joint negotiations in respect of some major-branded suppliers in Zhejiang region, Tianjin region and Beijing region, while more competitive contract terms were obtained. The advantage of scale economy and synergy was exemplified.

In line with the latest policy of the PRC regarding safety of quality, the Group conducted a thorough review of the labeling, country of origin and package promotion of its suppliers and de-stack those merchandises which did not comply with national requirements, and reviewed the qualifications of such suppliers again, to ensure product quality and supplier quality.

Enriching Promotional Activities, Improving Membership System, and Promoting the Balanced Growth of Sales and Gross Profit

Sales and marketing in Chinese New Year form an important part of the marketing plan for the entire year. During the Reporting Period, in response to the strategy of "seeking changes but maintaining stability" which had been formulated for Chinese New Year 2011, we remained such promotional activities as "Giving Away Chinese Couplet Writings", "Giving Away Desktop Calendars", "Good Luck Grasp" and "Annual Coupon for Immediate Reduction", and added activities such as "Category Discount". Such activities were highly appraised by consumers and brought better increase in the sales and customer traffic for the Group during the Chinese New Year period.

In order to further stabilize and expand its membership, and encourage high average transaction amount per head and high purchase rate for merchandises sold at full prices, and maintain the long-term and effective increase in sales, gross profit and customer traffic, the Group relied on the strong IT support to change the original award credit policy adopted for all merchandises, to a system where the gross profit of merchandise is taken as a basis for differentiation and more award credits can be obtained upon purchasing goods which offer better profit margin. In changing the system of award credits, the Group commenced a credit rebate activity for rewarding members within a limited period, in order to reward continuous purchases. Such marketing activity enabled our members to timely understand the change of our award credit policy and enhanced members' knowledge of our award credit system and their recognition of it, mobilize members' passion in using their award credits, and thereby driving up customer traffic and average transaction amount per head. It also brought up the sales figure of high-margin merchandises during the peak season in the Chinese New Year and increased sales and gross profit.

Successful Online of WINBOX in Hangzhou and Further Unification of Our IT System Platform

During the Reporting Period, we completed our ERP implementation project in our Wumart brand stores in Hangzhou region, including the successful online of such system functions as categorization, procurement, operation, sales and marketing, store, supply chain and finance, giving rise to an overall enhancement of the processes. In addition, we also completed the system application and process training for cooperation partners including suppliers. Such project further promoted the unification of the IT system platform, standards and processes, lowered the maintenance cost of our IT system, and enhanced the management competitiveness of the Group.

During the Reporting Period, the "Multi-format, large-scale chain store business supply chain system integration — innovation and application" project (the "Project") of Wumart passed the technological certification organized by the IT Department of the Ministry of Commerce of the People's Republic of China. Delivery appointment and coordinated supply of goods under the e-commerce system, and key technologies such as multi-dimensional coordinated sales promotion, sales prediction and automatic goods replenishment, multi-modal joint screening and selection as well as logistics operation adjustment are up to international standards, which further fostered the enhancement of the Group's operations technology. The Group, by establishing the overall performance model of multi-format large-scale chain store business supply chains, proposed its strategy of collaboration in respect of multi-format large-scale chain store with the goal of maximizing the overall performance of supply chain, and developed a system integration platform for multi-format large-scale chain store operators supply chain collaboration, thereby enabling the seamless connection and integrated innovation of the system of various supply chain business functions including retail business ERP system. This effectively supported the collaborated operation of the Group's supply chain and enhanced the operational performance of the Group's supply chain.

Leveraging upon IT System to Provide Value-added Services and Increase Revenue from Core Businesses

Leveraging upon IT technological expertise and the extensive store network resources, the Group cooperated with China Mobile to actively explore new sales channels, increasing the proportion of sales of service-based merchandises and the core revenue of operations. During the Reporting Period, customers were offered tremendous convenience as the Group provided add-value services for mobile phones, credit redemption services for mobile phone users, credit spending for customers of the Bank of Communications, and the business of electronic vouchers at its cashiers, achieving direct add-value services for mobile phones at our stores via POS terminals, delivering a sales value of over RMB100 million for mobile electronic password rebate sales, and remarkably promoting the increase in sales performance of small and medium-sized stores of the Group.

Performance Appraisal, Training for New Recruits, and Securing High-Calibre People for the Group's Rapid Development

During the Reporting Period, the Group formulated its operational assessment scheme for the year 2011, which achieved, on a full-system basis, an appraisal mechanism based on key performance indices (KPI). We completed our performance appraisal for 2010 and put the appraisal result to implementation. The best 15% employees in the ranking under such appraisal were promoted and/or given salary increment, whilst the worst 5% were either moved to new positions or moved to lower-graded positions or dismissed. Performance appraisal played an important role in rewarding good performers, and at the same time mobilizing employees to excel. The appraisal system also helped the Group to identify and promote some employees from the basic hierarchical level to more important or more urgent positions, thereby strengthening the core team of the Group.

In order to establish a specialized and professional team, and meet the demand for high-calibre people to match with the Group's rapid development, the Group recruited 104 university graduates through its recruitment centre during the Reporting Period. Those newly admitted fresh graduates will undergo a systematic scheme of training and practice which will last for 3 to 6 months. Upon passing an examination, they will be sent to fill in positions of department heads at Wumart's stores or positions of professional management at our headquarters. The Wumart Institute continued to implement its series of training programmes. During the Reporting Period, a total of 21 training sessions had been organized and 505 participants were trained. The sessions mainly covered Hundred-people scheme training, management training, operations training, E-learning system training, ERP system training, new-recruits training etc. Such series of trainings are given to enhance the professional skills and operational knowledge of department heads and staff members, providing a sufficient pool of talents for both our headquarters and stores.

PROSPECTS

For the first quarter of 2011, the PRC recorded a GDP of RMB9,631.1 billion or a growth rate of 9.7% year-on-year. Total retail sales of consumer goods grew by 16.3% year-on-year to reach RMB4,292.2 billion. Household consumption prices grew by 5% year-on-year. The overall economic performance had stable growth. The steady increase of household income in both urban and rural areas has created a favorable environment for the development of the retail industry. The Group will grasp the opportunities and speed up the pace of retail network development, enlarge its market share, and further leverage upon its scale advantage, integrate resources and enhance merchandising capability. With the support of the WINBOX system and logistics system, it will continue to enhance its operational standard and raise its operational level, lower operational costs, increase logistics operational efficiency, increase the effectiveness of marketing efforts, strengthen the establishment of standardization, and continuously enhances its results of operations. Through the continuous training and promotion of department heads and improvement of skill sets of employees, and the improvement of labour efficiency through optimization of processes, the Group will seek to effectively control the overall growth of human resources costs brought about by the continual inelastic growth of labour costs. We will endeavour to keep the sound trend which we accomplished at the beginning of the year and lay solid foundation for the whole-year performance in 2011 and generate better returns to our shareholders.

AUDIT COMMITTEE

The audit committee of the Company comprises the three independent non-executive Directors, namely 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 2010 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 AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2011, the interests or short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (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:

	Number of 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 (吳堅忠博士) *(Note 1)*	160,457,744	21.55	12.52	Interests in controlled corporation
Dr. Meng Jin-xian (蒙進暹博士) *(Note 2)*	48,251,528	6.48	3.77	Interests in 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. Dr. Wu Jian-zhong is deemed, by virtue of Part XV of the SFO, to be interested in the shares held by Wangshang Shijie E-business in the Company.

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 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 24,982,300 domestic shares of the Company. Dr. Meng Jin-xian is deemed, by virtue of Part XV of the SFO, to be interested in the shares held by Junhe Investment and Hekang Youlian in the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 31 March 2011, none of the Directors, supervisors and chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations 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 2011, none of the Company, its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangement to enable the Directors or supervisors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2011, the interests or short positions of persons other than Directors, supervisors and chief executives of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in domestic shares of the Company

Name	Number of domestic shares held (shares)	Approximate percentage of total domestic share capital (%)	Approximate percentage of total share capital (%)
Dr. Zhang Wen-zhong (張文中博士) *(Note 1)*	497,932,928	66.86	38.86
Beijing Jingxi Guigu Technology Company Limited (北京京西硅谷科技有限公司) ("Jingxi Guigu") *(Note 1)*	497,932,928	66.86	38.86
Beijing CAST Technology Investment Company (北京卡斯特科技投資有限公司) ("CAST Technology Investment") *(Note 1)*	497,932,928	66.86	38.86
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 is 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. According 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 H shares of the Company

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)	111,191,273	20.72	8.68
Arisaig Asia Consumer Fund Limited (Note 2)	65,978,000	12.30	5.15
Arisaig Partners (Mauritius) Limited (Note 3)	65,978,000	12.30	5.15
Cooper Lindsay William Ernest (Note 4)	65,978,000	12.30	5.15
T. Rowe Price Associates, Inc. and its affiliates (Note 5)	59,586,408	11.10	4.65
Artio Global Management LLC (Note 6)	48,695,300	9.08	3.8
Invesco Hong Kong Limited (in its capacity as manager/advisor of various accounts) (Note 7)	37,040,000	6.90	2.89

Notes:

1. Including 804,000 H shares held by JPMorgan Chase & Co. in its capacity as a beneficial owner, 53,328,000 H shares as an investment manager and 57,059,273 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 59,586,408 H shares are held by T. Rowe Price Associates, Inc. and its affiliates in its capacity as an investment manager.

6. These 48,695,300 H shares are held by Artio Global Management LLC in its capacity as an investment manager.

7. These 37,040,000 H shares are held by Invesco Hong Kong Limited in its capacity as an investment manager.

Save as disclosed above, no person was recorded as having any interests or short positions in any 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 PRACTICES

During the Reporting Period, the Company applied all the principles under the code provisions set out in Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules, and adopted the recommended best practices where applicable for the three months ended 31 March 2011.

COMPETING INTERESTS

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

The Group mainly launches 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. The Company and Wumei Holdings entered into the Entrusted Operation and Management Agreement (2011-2013) on 29 November 2010, pursuant to which the Group will continue to provide Wumei Holdings and its subsidiaries with the supply and delivery of merchandise and management services. Wumei Holdings has avoided business competition with the Group as far as practicable in strict compliance with the non-competition agreement and the Entrusted Operation and Management Agreement.

Save for the competing businesses disclosed above, so far as the Directors are aware, Wumei Holdings did not engage in any direct or indirect competition against the Group, nor did it have any interests.

SUBSEQUENT EVENTS

Based on the authorisation granted to the Board of the Company by the Shareholders, the Board announced to implement the Share Consolidation and the Capitalisation Issue on 22 March 2011. The Share Consolidation and the Capitalisation Issue became effective on 12 April 2011. For details, please refer to the announcement named Implementation of Share Consolidation and Capitalisation Issue dated 22 March 2011 of the Company. On the effective date, every four (4) Existing Shares with a nominal value of RMB0.25 each are consolidated into one (1) Consolidation Share with a nominal value of RMB1.00 each, and the Company issues 960,955,587 Capitalisation Shares with a nominal value of RMB1.00 each to the Shareholders whose name appear on the register of members of the Company on 11 April 2011 (Record Date), on the basis of three (3) Capitalisation Shares for every one (1) Consolidation Share of the same class, by way of capitalisation of capital reserve in the amount of RMB960,955,587. Since the Share Consolidation and the Capitalisation Issue became effective, the par value of the shares of the Company is changed from RMB0.25 per share to RMB1 per share, and the registered share capital of the Company increased from RMB320,318,529 to RMB1,281,274,116 with the total number of Shares in issue remain unchanged at 1,281,274,116 Shares, comprising 536,568,000 H Shares and 744,706,116 Domestic Shares, representing 41.88% and 58.12%, respectively, of the total issued share capital of the Company.

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

Beijing, PRC
5 May, 2011