

2012 Interim Report



天天价廉 永远物美



物美
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 : 1025

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Company Information

Board of Directors

Executive Directors

Dr. Wu Jian-zhong (*Chairman*)
Madam Xu Ying (*President*)
Dr. Meng Jin-xian (*Vice President*)
Dr. Yu Jian-bo (*Vice President*)

Non-executive Directors

Mr. Wang Jian-ping (*Vice Chairman*)
Mr. John Huan Zhao
Madam Ma Xue-zheng

Independent Non-executive Directors

Mr. Han Ying
Mr. Li Lu-an
Mr. Lu Jiang
Mr. Wang Jun-yan

Supervisory Committee

Mr. Fan Kui-jie (*Chairman*)
Madam Xu Ning-chun
Mr. Zhang Zheng-yang

Company Secretary

Madam Xie Dong

Audit Committee

Mr. Han Ying (*Chairman*)
Mr. Li Lu-an
Mr. Lu Jiang

Remuneration Committee

Mr. Li Lu-an (*Chairman*)
Mr. Han Ying
Madam Xu Ying

Nomination Committee

Mr. Han Ying (*Chairman*)
Mr. Li Lu-an
Madam Xu Ying

Compliance Officer

Dr. Wu Jian-zhong

Authorized Representatives

Dr. Wu Jian-zhong
Madam Xie Dong

Auditor

Deloitte Touche Tohmatsu

Legal Advisers

As to Hong Kong Law:
DLA Piper Hong Kong

As to PRC Law:

Haiwen & Partners

Principal Bankers

Industrial and Commercial
Bank of China
China Merchants Bank
China Minsheng Banking
Beijing Rural Commercial Bank

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong
Investor Services Limited
Rooms 1712–1716
17/Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRC Legal Address

Room 5610
1 Shixingdong Street
Badachu HighTech Park District
Shijingshan District
Beijing, The PRC

Head Office

Wumart Commercial Building
158-1 West 4th Ring North Road
Haidian District
Beijing, The PRC

Principal Place of Business in Hong Kong

18th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Website

www.wumart.com

Stock Code

1025

Interim Results Highlights

	For the six months ended 30 June		
	2012 RMB'000	2011 RMB'000	Change
Total revenue <i>(Note 1)</i>	8,568,533	7,989,531	7.2%
Consolidated gross profit <i>(Note 2)</i>	1,693,737	1,541,355	9.9%
Net profit attributable to equity owners of the Company	338,612	336,805	0.5%
Comparable store <i>(Note 3)</i> sales growth rate	3.9%	12.0%	
Inventory turnover days	28 days	30 days	

Note 1: Total revenue includes revenue and other revenues.

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

Note 3: The stores that had been operating on both 30 June 2012 and 30 June 2011.



Unaudited Interim Consolidated Financial Information

INTERIM RESULTS REPORT 2012 (UNAUDITED)

The board of directors 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 2012 (the “Reporting Period”).

INTERIM FINANCIAL STATEMENTS 2012

Condensed Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012 and the corresponding period in 2011

	Notes	For the six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Revenue from sales of goods	4	7,625,398	7,153,669
Cost of sales		(6,874,796)	(6,448,176)
Gross profit		750,602	705,493
Other revenues	4	943,135	835,862
Investment and other income		153,467	125,113
Distribution and selling expenses		(1,154,178)	(1,001,492)
Administrative expenses		(187,783)	(162,430)
Share of profit of associates		1,211	(1,058)
Share of profit of a jointly controlled entity		2,887	2,627
Finance costs		(11,315)	(8,615)
Profit before tax		498,026	495,500
Income tax expense	5	(136,595)	(135,819)
Profit and total comprehensive income for the period	6	361,431	359,681
Profit and total comprehensive income for the period attributable to the following:			
Equity owners of the Company		338,612	336,805
Minority interests		22,819	22,876
Basic earnings per share (RMB yuan per share)	8	0.264	0.263

Condensed Interim Consolidated Statement of Financial Position

	Notes	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	9	3,197,618	2,756,592
Rental deposits		187,303	181,588
Prepaid lease payments		124,868	88,683
Goodwill	11	844,964	844,964
Intangible assets		88,352	94,713
Interests in associates	10	141,997	140,786
Interests in a jointly controlled entity	10	106,908	104,021
Deferred tax assets	17	90,026	90,026
		4,782,036	4,301,373
Current Assets			
Inventories		960,101	1,186,384
Loan receivables		329,600	317,240
Trade and other receivables	12	1,115,857	1,003,060
Amounts due from related parties	13	172,730	132,718
Prepaid lease payments		115,876	57,407
Held-for-trading investments		259,797	23,592
Restricted bank balances		30,907	66,331
Bank balances and cash		1,283,806	1,350,975
		4,268,674	4,137,707
Current Liabilities			
Trade and other payables	14	4,622,666	4,525,632
Amounts due to related parties	13	57,664	68,504
Dividend payable		256,255	—
Tax liabilities		151,169	234,844
Bank loans	15	—	250,000
Short-term financial bonds payable	16	509,800	—
		5,597,554	5,078,980
Net Current Liabilities		(1,328,880)	(941,273)
Total Assets less Current Liabilities		3,453,156	3,360,100
Capital and Reserves			
Share capital	18	1,281,274	1,281,274
Share premium and reserves		1,988,080	1,905,723
Equity attributable to owners of the Company		3,269,354	3,186,997
Minority interests		168,698	157,999
Total equity		3,438,052	3,344,996
Non-current Liabilities			
Deferred tax liabilities	17	15,104	15,104
		3,453,156	3,360,100

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2012

	Equity attributable to owners of the Company							
	Share capital	Share premium	Other reserve	Statutory common reserve fund	Retained profits	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011 (Audited)	320,319	1,705,973	(733,253)	297,174	1,266,998	2,857,211	138,319	2,995,530
Profit for the period	—	—	—	—	336,805	336,805	22,876	359,681
Share consolidation and capitalisation issue	960,955	(960,955)	—	—	—	—	—	—
Dividend paid to minority interests	—	—	—	—	—	—	(9,999)	(9,999)
Dividend payable by the Company	—	—	—	—	(256,255)	(256,255)	—	(256,255)
At 30 June 2011 (Unaudited)	1,281,274	745,018	(733,253)	297,174	1,347,548	2,937,761	151,196	3,088,957
At 1 January 2012 (Audited)	1,281,274	745,018	(733,253)	331,500	1,562,458	3,186,997	157,999	3,344,996
Profit for the period	—	—	—	—	338,612	338,612	22,819	361,431
Dividend paid to minority interests	—	—	—	—	—	—	(12,120)	(12,120)
Dividend payable by the Company	—	—	—	—	(256,255)	(256,255)	—	(256,255)
At 30 June 2012 (Unaudited)	1,281,274	745,018	(733,253)	331,500	1,644,815	3,269,354	168,698	3,438,052

Condensed Interim Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
NET CASH FROM OPERATING ACTIVITIES	403,028	383,399
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(524,831)	(257,467)
Proceeds from disposal of property, plant and equipment	1,529	—
Decrease (increase) in restricted bank balances	35,424	(1,762)
Increase in held-for-trading investments	(236,205)	—
Cash received from investment income	19,521	61
NET CASH USED IN INVESTING ACTIVITIES	(704,562)	(259,168)
FINANCING ACTIVITIES		
New bank loans raised	100,000	300,000
Repayments of bank loans	(350,000)	(400,000)
Amounts received from issue of short-term financial bonds	498,000	—
Interest paid	(1,515)	(3,302)
Dividend paid to minority interests of subsidiaries	(12,120)	(9,999)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	234,365	(113,301)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(67,169)	10,930
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,350,975	1,133,607
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	1,283,806	1,144,537

Notes to the Condensed Interim Consolidated Financial Statements

For the period ended 30 June 2012

1. General

Wumart Stores, Inc. is registered in the PRC as a joint stock company with limited liability. Its overseas-listed foreign shares (“H shares”) were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) in November 2003 and listing was transferred from GEM to the main board of the Hong Kong Stock Exchange since 30 June 2011.

The Company’s registered address is Room 5610, 1 Shixingdong Street, Badachu HighTech Park District, Shijingshan District, Beijing, the PRC and its head office is located at Wumart Commercial Building, 158-1 West 4th Ring North Road, Haidian District, Beijing, the PRC. 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 Group is principally engaged in the operation of chain superstores and mini-marts.

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

This interim financial information is unaudited and was approved by the Board on 22 August 2012.

2. Basis of Presentation

The condensed consolidated financial statements have been prepared in accordance with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34 – Interim Financial Reporting.

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 2011.

2. Basis of Presentation (continued)

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

HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (Revised 2011)	Employee Benefits ²
HKAS 27 (Revised 2011)	Separate Financial Statements ²
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ³

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

3. Segment Information

The Group is 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 recognised by the Group for the six months ended 30 June 2012 are as follows:

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Revenue from sales of goods	7,625,398	7,153,669
Other revenues		
Rental income from leasing of shop premises	241,703	216,924
Income from suppliers, including store display income and promotion income	701,432	618,938
	943,135	835,862
Total revenue	8,568,533	7,989,531

5. Income tax expense

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
The charge comprises:		
PRC income tax	136,595	135,819
	136,595	135,819

The tax charge for the six months ended 30 June 2012 can be reconciled to the consolidated statement of comprehensive income as follows:

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Profit before tax	498,026	495,500
Taxation at the PRC income tax rate of 25%	124,507	123,875
Tax effect of share of profit of associates and a jointly controlled entity	(1,025)	(392)
Tax effect of tax losses not recognised	17,993	12,336
Tax effect of income not subject to tax in determining taxable profit	(4,880)	—
Income tax for the period	136,595	135,819

6. Profit for the Period

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

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Depreciation for property, plant and equipment	(68,935)	(69,037)
Amortisation for leasehold improvements	(64,788)	(59,159)
Amortisation for prepaid lease payments	(28,703)	(29,210)
Amortisation for land use rights	(2,760)	(2,760)
Total depreciation and amortisation	(165,186)	(160,166)
Operating lease rentals in respect of rented premises	(348,235)	(279,378)
Staff costs (including directors' emoluments)	(429,892)	(349,214)
Share of tax of associates and a jointly controlled entity (included in share of profit of associates and a jointly controlled entity)	(1,025)	(392)

7. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (Six months ended 30 June 2011: Nil).

A final dividend of RMB0.20 per share (2010: RMB0.20 per share) for the year ended 31 December 2011 has been approved at the annual general meeting and will be paid before 20 August 2012.

8. Earnings Per Share

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

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Profit for the period attributable to equity owners of the Company	338,612	336,805
Weighted average number of shares for the purposes of basic earnings per share (shares)	1,281,274,116	1,281,274,116
Earnings per share — basic (RMB: Yuan)	0.264	0.263

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

9. Property, plant and equipment

For the six months ended 30 June 2012, the addition of furniture, fixtures and equipment of the Group was RMB34,155,000 (Six months ended 30 June 2011: RMB100,931,000), the addition of leasehold improvements was RMB111,614,000 (Six months ended 30 June 2011: RMB149,903,000) and the addition of land and buildings was RMB357,719,000 (Six months ended 30 June 2011: 313,064,000).

10. Interests in Associates and a Jointly Controlled Entity

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Cost of investments in associates unlisted	108,089	108,089
Share of post-acquisition profits, net of dividends received	46,173	44,962
Impairment of equity in associates unlisted	(12,265)	(12,265)
	141,997	140,786
Cost of investments in a jointly controlled entity unlisted	100,000	100,000
Share of post-acquisition profits	6,908	4,021
	106,908	104,021
	248,905	244,807

As at 30 June 2012, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
					30 June 2012	31 December 2011	
Beijing Chao Shifa Company Limited	Incorporated	PRC	Beijing, PRC	Ordinary	25.03%	25.03%	Operation of superstores
Beijing Chongwenmen Vegetable Market Supermarket Company Limited	Incorporated	PRC	Beijing, PRC	Ordinary	49%	49%	Operation of superstores and mini-marts
Beijing Meiyijia Marketing Limited	Incorporated	PRC	Beijing, PRC	Ordinary	25%	25%	Operation of design, production agency and distribution of advertisements in the PRC
Beijing New Life Investment and Development Company Limited	Incorporated	PRC	Beijing, PRC	Ordinary	49%	49%	Operation of investment, real estate management

10. Interests in Associates and a Jointly Controlled Entity (continued)

As at 30 June 2012, 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 registered capital held by the Group		Proportion of voting power held		Principal activities
				30 June 2012	31 December 2011	30 June 2012	31 December 2011	
Beijing Aoshikai Wumart Company Ltd.	Incorporated	PRC	200,000	50%	50%	50%	50%	Operation of superstores

11. Goodwill

COST AND CARRYING AMOUNTS		RMB'000
At 31 December 2011 and at 30 June 2012		844,964

12. Trade and Other Receivables

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade receivables	245,744	143,769
Prepayments to suppliers	246,344	230,248
Deductible input value added tax	428,939	399,978
Rental deposits	44,649	44,649
Other receivables	150,181	184,416
	1,115,857	1,003,060

Trade receivables represent receivables from supply of merchandise to managed stores and retail sales customers. The average credit period is 30 to 60 days for receivables from supply of merchandise to managed stores of the Group. The Group's retail sales to customers are mainly conducted on cash basis, including payments by cash and credit cards.

12. Trade and Other Receivables (continued)

The following is an aged analysis of trade receivables:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0-30 days	100,755	65,688
31-60 days	144,989	78,081
	245,744	143,769

13. Amounts Due from/to Related Parties

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Amounts due from associates	45,079	20,198
Amounts due from a jointly controlled entity	21,627	33,284
Amounts due from subsidiaries of a Company's shareholder which has significant influence over the Company ("Company's Controlling Shareholder")	106,024	79,236
	172,730	132,718
Amount due to associates	14,297	26,266
Amount payable to subsidiaries of the Company's Controlling Shareholder	43,367	42,238
	57,664	68,504

The amounts due from associates, 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:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0-30 days	79,457	60,472
31-60 days	53,546	39,708
61-90 days	31,092	23,656
91-180 days	8,635	8,882
	172,730	132,718

14. Trade and Other Payables

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Bill payables	129,366	155,774
Trade payables	2,713,385	2,803,483
Advances from customers	871,467	782,137
Deposits received from lessee	225,867	210,025
Rent accrual	253,422	220,797
Other payables	429,159	353,416
	4,622,666	4,525,632

The following is an aged analysis of bill payables and trade payables:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0–30 days	1,805,147	1,790,932
31–60 days	486,110	615,197
61–90 days	366,715	349,033
Over 90 days	184,779	204,095
	2,842,751	2,959,257

15. Bank Loans

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Secured	—	250,000
Unsecured	—	—
	—	250,000

At 30 June 2012, the Group does not have any bank loans (at 31 December 2011: secured bank loans of RMB250,000,000 which are secured by pledge of the Group's leasehold land and buildings with a carrying amount of RMB224,039,000).

16. Short-Term Financial Bonds Payable

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Principal amount	500,000	—
Interests	9,800	—
	509,800	—

Financial bonds means the debt financing instruments issued by non-financial entities with legal personality in the inter-bank bond market, for which its principal amount and interests are agreed to be repaid within one year.

The Group has obtained the approval from the National Association of Financial Market Institutional Investors on 29 February 2012 for issuing short-term financial bonds of RMB500,000,000, with a term of one year, and the principal together with interests are to be repaid on an one-off basis upon maturity with fixed interest rate of 5.88% per annum.

17. Deferred Taxation

The following is the major deferred tax assets/liabilities recognised by the Group and movements thereon during the current and prior periods:

	Impairment for deposit paid for acquisition of an associate	Effective rent	Tax losses	Pre-operating expenses	Differences in accumulated depreciation	Fair value adjustments on business combination	Provisions for impairment loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012 (Audited)	4,582	70,863	18,523	434	3,889	(26,435)	3,066	74,922
At 30 June 2012 (Unaudited)	4,582	70,863	18,523	434	3,889	(26,435)	3,066	74,922

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Deferred tax assets	90,026	90,026
Deferred tax liabilities	(15,104)	(15,104)
	74,922	74,922

17. Deferred Taxation (continued)

At 30 June 2012, the Group had unused tax losses of RMB370,443,000 (31 December 2011: RMB298,471,000) available to offset against future profits. A deferred tax asset has been recognised in respect of RMB74,094,000 (31 December 2011: RMB74,094,000) of such losses. No deferred tax asset has been recognised in respect of the remainder of unused tax losses of approximately RMB296,349,000 (31 December 2011: RMB224,377,000) due to unpredictability of profit for the future period.

18. Share capital

	Number of Domestic Shares '000	Number of H Shares '000	Number of Total Shares '000	Value RMB'000
Authorised, issued and fully paid				
Ordinary shares of RMB0.25 each at 1 January 2011	744,706	536,568	1,281,274	320,319
Ordinary shares of RMB1 each at 30 June 2011 (<i>Note</i>)	744,706	536,568	1,281,274	1,281,274
Ordinary shares of RMB1 each at 1 January 2012 and at 30 June 2012	744,706	536,568	1,281,274	1,281,274

Note: Based on the authorisation granted to the Board by the shareholders of the Company at the extraordinary general meeting, H share class meeting and domestic share class meeting of the Company, the Company implemented the Share Consolidation and the Capitalisation Issue on 12 April 2011. Following completion of the above, the nominal value of the shares of the Company was changed from RMB0.25 per share to RMB1.00 per share, and the registered share capital of the Company increased from RMB320,318,529 to RMB1,281,274,116 by way of capitalisation of capital reserve in the amount of RMB960,955,587 with the total number of shares in issue remaining unchanged at 1,281,274,116 Shares.

19. Commitments Under Operating Leases

The Group as lessee

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within one year	868,109	720,422
In the second to fifth year inclusive	3,194,131	2,777,505
Over five years	7,234,390	6,837,798
	11,296,630	10,335,725

The Group as lessor

At the balance sheet date, the Group had contracted with tenants in respect of leasing of retail booths for the following future minimum lease payments:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within one year	429,359	365,278

20. Capital Commitments

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Capital expenditure in respect of property, plant and equipment (contracted but not provided for in the consolidated financial statements)	408,083	374,401
Capital expenditure in respect of property, plant and equipment (authorised but not contracted)	309,776	258,147

21. Related Party Transactions

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

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Sales of goods to associates	57,931	46,947
Sales of goods to a jointly controlled entity	110,197	107,309
Sales to subsidiaries of the Company's Controlling Shareholder	100,742	60,162
Service fee income received from subsidiaries of the Company's Controlling Shareholder in respect of merchandise delivery services	3,022	1,805
Service fee income received from associates and a jointly controlled entity in respect of merchandise delivery services	661	632
Management fee income received from subsidiaries of the Company's Controlling Shareholder	160	331
Rental expense paid to a subsidiary of the Company's Controlling Shareholder	5,221	1,827

Management Discussion and Analysis

Financial Review

Total Revenue

During the Reporting Period, the Group recorded total revenue of RMB8,568,533,000, increasing by 7.2% over the corresponding period of 2011. The increase was mainly attributable to the sales growth of comparable stores and the revenue contribution from newly-opened stores.

Though affected by the reduction in growth of the domestic consumer demand, during the Reporting Period, the comparable store sales still maintained a growth of 3.9% over the same period of last year as the Group successfully increased sales per customer by optimising product categories, enhancing shop image and shopping environment and providing various value-added services for improving customer satisfaction.

Consolidated Gross Profit and Consolidated Gross Margin

During the Reporting Period, the Group's consolidated gross profit amounted to RMB1,693,737,000, representing a growth of 9.9% from RMB1,541,355,000 for the corresponding period of 2011. The Group's consolidated gross margin was 19.8%, representing an increase of 0.5 percentage points from 19.3% recorded for the corresponding period of 2011. Excluding the sale of merchandises to managed stores and related companies at cost, consolidated gross margin would have been 20.7% or an increase of 0.7 percentage points from 20.0% recorded for the corresponding period of 2011.

The increase in consolidated gross margin was primarily attributable to: (1) the enhanced control over gross profit of merchandises and the sustainably lower impairment of merchandises, which increased the consolidated gross margin; (2) increase in procurement scale driven by integration of suppliers' resources, which increased the consolidated gross margin.

Distribution and Selling Expenses and Administrative Expenses

During the Reporting Period, the Group's distribution and selling expenses and administrative expenses amounted to RMB1,154,178,000 and RMB187,783,000, representing 13.5% and 2.2% of total revenue, respectively (Corresponding period of 2011: RMB1,001,492,000 and RMB162,430,000, representing 12.5% and 2.0% of total revenue, respectively). Such proportional increase was primarily attributable to the increase in labour expenses and rental expenses as a proportion to total revenue.

Finance Costs

During the Reporting Period, finance costs of the Group amounted to RMB11,315,000, representing a growth of 31.34% from RMB8,615,000 for the same period of 2011. This was mainly due to the issue of short-term financial bonds of RMB500,000,000 with a term of one year by the Group on 29 February 2012.

Net Profit and Net Profit Margin

During the Reporting Period, net profit attributable to equity owners of the Group was RMB338,612,000, representing a 0.5% growth over RMB336,805,000 recorded for the same period of 2011. During the Reporting Period, the Group's net profit margin was 4.0%. Excluding merchandise sales at cost to managed stores and related companies, net profit margin increased to 4.1%, which was 0.3 percentage points lower compared to 4.4% for the same period of 2011.

Liquidity and Financial Resources

During the Reporting Period, net cash flow generated from operating activities amounted to RMB403,028,000, representing an increase of RMB19,629,000 from RMB383,399,000 recorded for the corresponding period of 2011. As at 30 June 2012, the Group had cash and bank balances of RMB1,283,806,000.

As at 30 June 2012, the Group had total equity of approximately RMB3,438,052,000 and a gearing ratio of 14.8% (31 December 2011: 7.5%). The calculation of the gearing ratio is based on total loans and total equity of the Group as at the end of the Reporting Period.

As at 30 June 2012, the Group had non-current assets of RMB4,782,036,000, which mainly included property, plant and equipment of RMB3,197,618,000, goodwill of RMB844,964,000 and aggregate interests in associates and a jointly controlled entity of RMB248,905,000.

As at 30 June 2012, the Group recorded current assets of RMB4,268,674,000, which mainly comprised cash and bank balances of RMB1,283,806,000, inventories of RMB960,101,000, trade and other receivables of RMB1,115,857,000, and amounts due from related parties of RMB172,730,000.

As at 30 June 2012, the Group recorded current liabilities of RMB5,597,554,000, which mainly comprised trade and other payables of RMB4,622,666,000, short-term financial bonds payables of RMB509,800,000 and dividend payable of RMB256,255,000.

As at 30 June 2012, the Group recorded net current liabilities of RMB1,328,880,000.

During the Reporting Period, the Group's average trade payable turnover and inventory turnover were 73 days and 28 days respectively, and 73 days and 30 days for the corresponding period of 2011, respectively.

Capital Structure

The Group's loans, cash and cash equivalents are mostly denominated in RMB. The short-term financial bonds payables of the Group as at 30 June 2012 were RMB509,800,000 and shall be repayable within one year with a fixed rate of 5.88%.

Pledge of Assets

As at 30 June 2012, the Group had no pledged assets.

Material Acquisition and Disposal

During the Reporting Period, the Group had no material acquisition or disposal.

Contingent Liability

As at 30 June 2012, the Group had no significant contingent liability.

Future Investment Plans

As at 30 June 2012, the Group did not have any significant investment plans.

Exchange Rate Risk

All of the Group's retail operations are located in the PRC. The income and expenses of such are mostly denominated in RMB. During the Reporting Period, the Group's main operations had not been subject to any material exchange rate risk.

Business Review

Retail Network

The Group stepped up its development in Beijing, Tianjin and Zhejiang in persistent implementation of its expansion strategy of regional priority. During the Reporting Period, 31 new stores were opened, among which 18 and 13 were in Beijing and Zhejiang, respectively. Adhering to its strategy of co-development of multi business formats, the Group placed emphasis on different business formats for different areas. In particular, superstores and mini-marts, including everyday shops and convenience stores, were co-developed in Beijing, while a strategically developed retail network was established in Tianjin and Hangzhou with superstores as the focus and mini-marts as auxiliary. As at 30 June 2012, we had a retail network of 529 stores (30 June 2011: 512 stores) comprising 131 superstores and 398 mini-marts, 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 a total saleable area of 694,166 square metres, excluding stores under associates and franchises.

During the Reporting Period, 6 directly-operated superstores were opened while 2 were closed down due to demolition of properties. For mini-marts, 17 directly-operated new stores were opened while 11 were closed down due to demolition of properties or expiration of lease. For franchised stores, 8 new stores were opened while 7 were closed down. The cooperation with 1 managed mini-mart was terminated.

Stores operated and managed by the Group, its associates and a jointly-controlled entity, other than those stores under Chao Shifa, as at 30 June 2012 were as follows:

	Number of Superstores	Number of Mini-marts	Total	Geographical Distribution
Directly-owned	126	281	407	Beijing, Tianjin, Hebei, Zhejiang
Franchised	—	81	81	Zhejiang
Managed	5	36	41	Tianjin, Shanghai, Jiangsu
Total	131	398	529	

Integration of Wumart and MerryMart starts showing result while the integration of Beijing and Tianjin is basically completed

The Group completed full integration of MerryMart in 2011. During the Reporting Period, stores under Wumart brand and MerryMart brand formed regionalism based on their geographical locations, scale and sales. The Group's headquarter implemented unified management in accordance with the same process and standard. After half year of running-in, the cost of the headquarter was controlled effectively and the supplier structure was optimised. The number of suppliers was adjusted from 1,800 to around 1,000 and the structure of product category was improved. After all the integration and run-in work, the operation efficiency of stores under these two brands began to show an upward trend. The integration of these two brands has laid a solid foundation for the growth of the Group's future results.

Following the start of full integration of stores in Tianjin at the end of 2011, the Group gradually completed the switch of merchandise and full integration and unification of information system, operation and procurement system of Tianjin stores during the Reporting Period. For the purpose of retaining some of the local merchandises of Tianjin, the product categories of the Group's Beijing headquarter fully covered the demand of Tianjin stores. After integration, not only the product category of Tianjin stores was optimised, but also the Group's distant distribution capacity was strengthened. However, as the switch of merchandises and integration of procurement and operation were still at an initial stage, it takes time for the suppliers, logistics centre and stores to run in. As a result, the performance of Tianjin stores were affected to a certain degree during the Reporting Period. However, in the long run the integration will definitely provide a beneficial opportunity for the improvement of operation efficiency and enhancement of operation technology of Tianjin stores.

Comprehensive enhancement in management of fresh products, mainly vegetables and fruits, and strengthening operational competitiveness

The Group will be committed to enhancing management technologies and the level of fresh product operation as the most important objective for this year. During the Reporting Period, the Group enhanced its merchandising capability for fresh products by adjusting merchandise categories of vegetables and fruits. For procurement, the Group organically combined procurement from wholesale market, base purchasing and brand franchises and strengthened its capabilities to source and capture seasonable merchandise and opportunistic merchandise to ensure the supply and quality of fruit and vegetable merchandises; for distribution, we adopted measures such as transporting by insulation vehicles and standardised packing and containers to ensure freshness of fruits and vegetables; for sales, by optimising processes of goods ordering and replenishment, applying the strategy of high sales volume with low margins and selling at different levels, adequate supply and freshness of fresh products can be reserved. During the Reporting Period, the Group had set 12 superstores in Beijing as prototype stores. Sales of vegetables and fruits of the 12 prototype superstores increased by 30%, gross profit increased by 50% and customer traffic increased by more than 3%, on average, by adjusting the sourcing method of fresh products and product display in those superstores and providing training to operation and service personnel in those stores.

In addition to fresh products such as vegetables and fruits, the Group also put great effort into the enhancement of operation of fresh food such as prime meat, seafood and cooked food during the Reporting Period, with a view to equipping all the stores of the Group with strong capability in fresh product operation and operating characteristics.

Developing the “Farm-Supermarket Links” and building the brand agricultural products

During the Reporting Period, the Group further optimised the construction of the “Farm-Supermarket Links” and brand development on the foundation of deepening base purchasing of fruits and vegetables and increasing the large-scale base purchasing of other agricultural by-products. Upholding the principle of deepening base purchasing and integrating the project of Fruits and Vegetables Farm-Supermarket Links Supply Chain System Integration and Application Demonstration undertaken by the Group, which was part of the National Science & Technology Pillar Program in the Twelfth Five-Year Plan, the Group combined its self-owned brand with quality agricultural products from major specialised agricultural cooperatives and successfully developed bulk merchandise of local brands, such as “Shandong Yimeng Mountain Apples”, “Shandong Gu He Green Melons”, “Hebei Huailai Millet”, “Heilongjiang Yanglin Green Ecological Rice” and “Yongshunhua Organic Vegetables” etc. Meanwhile, the Group further optimised supply chain processes, increased investment in and utilisation of new equipment in the supply chain to minimise impairment of products, strictly monitored and controlled food safety and quality in order to establish “brand agricultural products” gradually. Such measures brought about significant improvements in results.

Implementation of automatic replenishment and commencement of space and category management

Automatic replenishment is an ordering method which involves placing an order by automatically calculating information such as the replenishment time and quantity by the computer system based on parameters such as the daily average sales volume, order cycle and delivery time of different items of each store. Despite its strict requirements on basic system data and accuracy of parameter setting which cause difficulties in implementing such method, it is highly effective in increasing operation efficiency and standardising operation management of the stores. During the Reporting Period, the Group started to implement such project in the superstores. Automatic replenishment reduced ordering operation by 90% and cut the workload of one person per store on average, and hence, it significantly increased operation efficiency and reduced costs. As of 30 June 2012, 118 stores of the Group in Beijing realised automatic replenishment.

In order to increase the accuracy rate of automatic replenishment, during the Reporting Period, the Group suggested and commenced space and category management. By space and category management, store display resources are fixed, which enables the Group to analyze the merchandises from different perspectives with accurate display information so as to significantly increase the utilisation rate of display resources, accuracy rate of automatic replenishment, accuracy of addition and replacement of products and reduce return rate of merchandises. All of the above improved inventory turnover of merchandises effectively and increased the level of consolidated gross margin. Space and category management will help the Group lay a solid foundation for enhancement of operation efficiency and reduction of operation costs. Therefore such project will be one of the main projects of the Group in the second half of 2012.

Optimisation of operation process of stores, continued adjustment to employment structure and effective control of labour cost

During the Reporting Period, the Group further optimised the operation process of stores and enhanced labour efficiency and labour productivity. With the implementation of automatic replenishment, all category distribution and cross-docking operation, the workload of order placing, inspection and acceptance was reduced substantially. The Group properly reduced the number of job positions for purchase order management and inventory management, inspection and acceptance. To satisfy the need of enhancing fresh product operation management, the Group increased the job positions for fresh products in stores and made a series of adjustments to achieve constant improvement of job arrangement in stores. In the meantime, the Group reduced the number of permanent staff in stores and adopted various other modes of employment, such as increasing the percentage of hourly-paid workers. The percentage of other employment reached 23%, which played a positive role in effectively controlling the rapid growth of total labour cost.

Promotion of both theoretical and practical training and optimisation of talent reserve mode

To enhance operation efficiency and to meet the needs of corporate operation and development, the Group continued to strengthen training. During the Reporting Period, the Group's Development and Training Institute organised 96 training sessions for 3,384 staff, which included 25 sessions of Hundred-people scheme training, 19 sessions of new entry cadres training orientation, 12 sessions of new cadres training and 9 sessions of management trainee training.

To support the target of upgrading fresh product operation management level this year, the Group's Development and Training Institute launched a series of fresh product specialty training during the Reporting Period, including seafood specialty training, vegetables and fruits specialty training and fresh product skilled labour trainings, and fully utilised the training demonstrative stores established in 2011 by the Group. With the organic combination of theoretical training and practical training, not only were the existing fresh product staff quickly trained theoretically and practically, a pool of skilled fresh product staff was also maintained, which prepared sufficient fresh product staff for new store opening.

In order to optimise school recruitment, based on the characteristics of management trainees (fresh university graduates recruited), the Group developed all-rounded recruitment model, recruitment process, training system and elimination system. As a result, management trainees gradually became the key supply of talent pool for high-ranking management and technical positions of the Group. During the Reporting Period, the Group newly recruited 234 management trainees, and set up detailed training plans and career path for them based on their individual differences. The management trainees who remain with the Group will gradually become the key management personnel of stores, thus providing a stable human resources supply for the rapid development of the Group.

Strengthened technological development and innovation provided technical support for highly efficient operation and flexible marketing

During the Reporting Period, the Group kicked off the WRF (Wu-Mart Radio Frequency) project and self-developed a real-time store management system based on radio technology in a bid to enhance the level of on-site management and efficiency of stores. By leveraging upon the seamlessly integrated RF mobile equipment and WINBOX@SAP core business system, the system could support the stores in collecting real-time sales, inventory, ordering and replenishment information without a PC, thereby strongly enhancing the store operational efficiency. Currently, the research and development for phase I of the project have been completed and the going-live of the project has been realised in three trial superstores in Beijing. The full promotion of phase I of WRF in Beijing stores is expected to be completed in the second half of the year.

During the Reporting Period, the Group self-developed an effective order management system in order to exercise reasonable control over store inventory. The system is installed with pre-determined parameters and rules of inventory control, and conducts real-time calculation of target inventory based on existing inventory and expected sales. When store orders exceed pre-determined targets, such orders will be referred to the inventory management department of the headquarters for review (or amendment) and approval before being distributed to suppliers. Such technology, combined with system control over order scheduling of suppliers, may significantly reduce the number of abnormal orders, effectively avoid unreasonably high inventory level at store level and enhance delivery rates of merchandise for suppliers.

During the Reporting Period, the Group officially kicked off the overall budget management project, which is a major information technology project of the Group following the successful implementation of its WINBOX project. By adopting the advanced overall budget management and consolidated statements software recognised in the industry and combining the needs of business operation of the Group, the project established the Wumart overall budget management model and corporate performance management system through information technology and the best budget management practices. The going-live of phase I of this project is expected to be completed by the end of 2012 and the Group will realise the system control of budget planning after that.

During the Reporting Period, the Group developed a new network media marketing technology by establishing a new network marketing system which is consistent with the O2O (Online To Offline) e-commerce model based on technologies including message, email, Weibo, mobile users and group buying websites. The system assisted retailers in sending marketing information, such as e-posters, e-coupons and promotion activities, to subscribed target consumer groups and social media to provide consumers with value for money merchandise information and convenient value-added services, thereby magnifying the marketing and promotion scope and effect, saving marketing costs, expanding the audience base, attracting more customer groups and receiving high recognition for the Group.

Guarantee in food quality and safety is showing results

To maintain food quality and safety is a long-term work for the Group to firmly grasp. During the Reporting Period, the Group continued to optimise its quality control organisation system, operating procedures and checking system to build a highly efficient food safety and quality management system.

Following the establishment of a three-level inspection system and the Wumart Group Inspection Centre by the Group in 2011, the Group formed a quality and food safety team during the Reporting Period. With the general manager of business department, director of procurement, operation director and store managers as the major persons-in-charge of the quality and food safety team, a strong organisational structure is formed. The team is responsible for the implementation of quality and food safety management of the Group for the purpose of facilitating the refinement and establishment of the food safety management system. For the operation flow, the Group imposed strict control over works such as qualification and entry of suppliers and merchandise, store receiving products, supply chain receiving, risk management of food safety by stores, fast inspection of high-risk food, removal from shelf and withdrawal of substandard merchandise. The Group also established a quality and food safety team meeting system and a reporting system for stores' safety issue; for refining the inspection system, the Group formulated a number of internal controls in order to ensure that the relevant operation complies with the rules. Benefiting from the efficient operation of the quality and food safety team, the passing rate of our merchandises at a random inspection reached 96.15% during the Reporting Period and the rate of withdrawal of substandard merchandises reduced significantly as compared to last year. The highly effective food safety and quality management system and the control results of the Group were highly recognised by consumers, which in turn effectively enhanced our brand image.

Review and Outlook

During the first half of 2012, the macro-economic indicators of China such as GDP and consumption plunged to new lows and consumption demand remained low. Retail chain operators encountered difficulties arising from increasing costs of matured stores, extension of pre-profitable period in new stores and keener competition.

Against this background, the Group entered into the running-in period and made significant adjustments to MerryMart and stores in Tianjin during the second half of 2011. As such, great pressure and challenges were posed on the Group's procurement, supply chain and operation departments as well as the entire operation of the Group in 2012. Though the results of Tianjin stores are still bottoming-out, the Group's overall result and gross profit have started to show improvements as the adjustments are back on the right track gradually.

Facing utility times during the second half of 2012 caused by impossibility of fundamental change in the form of macro-economy, intensified competition in retail chain industry, persistent increase in rental and utility charges, rapid growth of new commerce and popularity of online shopping which caused significant impact on the traditional commerce, the Group regards building core competitiveness as its major objective for the second half of this year.

First of all, we will continue to enhance our operational capability of fresh products and further explore other means of operating fresh products which are applicable to various business formats. We will also conduct in-depth research on the operation of fresh products such as seafood and meat in demonstrative stores, establish and promote standardised operation as well as quickly promote the operation model of successful demonstrative stores to strengthen our capability of operating fresh products with a view to enhancing our capability to retain customers.

Space and category management is another key work to be carried out by the Group together with the enhancement of capability to operate fresh products during the second half of this year. By rapid introduction of new products, elimination of old products, standardisation and management of key categories, realisation of fundamental changes in merchandise mix and enhancement of merchandise competitiveness, we laid a solid foundation for the Group's standardised operation.

We will build cross-docking centres and fruits and vegetables processing centres with larger scale and exploring new distribution modes to gradually increase the timeliness and accuracy of distribution by distribution centres with a view to reducing the costs of reverse logistics and increasing the efficiency of the Group's supply chain.

We will increase our development effort and take full advantage of the Group's multi-format to explore the market in depth and begin to expand into sub-urban areas to increase our scale advantages.

On top of the internal integration and ongoing effort in distant opening of new stores, with an aim to increase the demand for experiential consumption by consumers and satisfy consumers to a level of "satisfaction from heart", the Group will seize on fundamental operation management of stores, ranging from hygiene to unification of services and from effective control of loss to inspection of execution capability, in order to facilitate the fundamental work of stores and increase their competitiveness.

The Group will provide and build up human resources from different perspectives by introducing talents, strengthening the training of key staff and nurturing management trainees. The Group will also continuously adjust the employment structure and enhance the efficiency of human resources management with a view to fully completing the overall objectives of the Group in 2012 and laying a solid foundation for human resources for creating excellent results in 2013.

Directors', Supervisors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2012, 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 Model Code set out in Appendix 10 of the Listing Rules were as follows:

	Number of domestic shares held (shares)	Approximate percentage of domestic share capital (%)	Approximate percentage of total share capital (%)	Type of interests
Dr. Wu Jian-zhong <i>(Note 1)</i>	160,457,744	21.55	12.52	Interests in controlled corporation
Dr. Meng Jin-xian <i>(Note 2)</i>	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 Co., Ltd. ("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 30 June 2012, 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 the Model Code sets out in Appendix 10 of the Listing Rules.

As at 30 June 2012, 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 30 June 2012, 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:

Domestic shares of the Company

Name	Number of domestic shares held (shares)	Approximate percentage of domestic share capital (%)	Approximate percentage of total share capital (%)
Dr. Zhang Wen-zhong ^(Note 1)	497,932,928	66.86	38.86
Jingxi Guigu ^(Note 1)	497,932,928	66.86	38.86
CAST Technology Investment ^(Note 1)	497,932,928	66.86	38.86
Wumei Holdings ^(Note 2)	497,932,928	66.86	38.86
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. Beijing Jingxi Guigu Technology Company Limited ("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. Beijing CAST Technology Investment Company ("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 Yinchuan Xinhua Department Store Company Limited ("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" 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.

H shares of the Company

Name	Number of H shares held (shares)	Approximate percentage of H share capital (%)	Approximate percentage of total share capital (%)
JPMorgan Chase & Co. <i>(Note 1)</i>	112,770,455	21.02	8.8
T. Rowe Price Associates, Inc. and its affiliates <i>(Note 2)</i>	59,517,906	11.09	4.65
Capital Research and Management Company <i>(Note 3)</i>	49,009,000	9.13	3.83
Invesco Hong Kong Limited <i>(Note 4)</i> (in its capacity as manager/advisor of various clients)	38,635,750	7.20	3.02

Notes:

1. Including 1,283,000 H shares held by JPMorgan Chase & Co. in its capacity as a beneficial owner, 55,631,000 H shares as an investment manager and 55,856,455 H shares as a trustee company/approved lending agent.
2. These 59,517,906 H shares are held by T. Rowe Price Associates, Inc. and its affiliates in its capacity as a beneficial owner.
3. These 49,009,000 H shares are held by Capital Research and Management Company in its capacity as an investment manager.
4. These 38,635,750 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 Listing Rules.

Corporate Governance

For the Reporting Period, the Company had been in compliance with the code provisions set out in "Code on Corporate Governance Practices" contained in Appendix 14 of the Listing Rules, and had adopted most of the recommended best practices as set out therein.

Audit Committee

The audit committee of the Company has reviewed the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2012.

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.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors and supervisors of the Company. Having made specific enquiry of all directors and supervisors, all of them confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

Employees and Remuneration Policies

As at 30 June 2012, the Group had 26,762 full-time employees.

Remuneration package of the Group includes salaries, bonuses and benefits. The Group made reference to the operating conditions of the Group, characteristics of employee costs within the industry, nature of responsibilities assumed by particular employees, and average remuneration for those responsibilities prevailing in the labour market when formulating the remuneration policies. A differentiated reward system is in place to refine the Group’s remuneration policies and align the interests of management, employees and shareholders.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012.

Competing Interests

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

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. On 5 May 2011, the Company entered into Entrusted Operation and Management Agreements (2011) with Wumei Holdings and the Group would provide supply of goods, delivery and management services of merchandise for Wumei Holdings and its subsidiaries. Wumei Holdings has operated in strict compliance with the non-competition agreement and Entrusted Operation and Management Agreements (2011) in order to avoid business competition with the Group to the fullest extent.

Save as the competing business disclosed above, so far as the directors are aware, Wumei Holdings does not have any business which is in direct or indirect competition with the Group or derive any interest therefrom.

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

Beijing, the PRC

22 August 2012