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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 : 1025

天天价廉 永远物美



INTERIM REPORT 2014

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Company Information

Board of Directors

Executive Directors

Madam Xu Ying (*President*)

Mr. Xu Shao-chuan

(*Senior Vice President*)

Dr. Yu Jian-bo

(*Senior Vice President*)

Non-executive Director

Dr. Meng Jin-xian (*Chairman*)

Independent Non-executive Directors

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

Joint Company Secretary

Madam Wang Yi

Dr. Liu Wei

Audit Committee

Mr. Li Lu-an (*Chairman*)

Dr. Meng Jin-xian

Mr. Lu Jiang

Remuneration Committee

Mr. Li Lu-an (*Chairman*)

Mr. Lu Jiang

Madam Xu Ying

Nomination Committee

Mr. Lu Jiang (*Chairman*)

Mr. Li Lu-an

Madam Xu Ying

Authorized Representatives

Madam Xu Ying

Madam Wang Yi

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

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Head Office

Wumart Commercial Building

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Haidian District, Beijing

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

	2014 RMB'000	2013 RMB'000	Change
Total revenue ^(Note 1)	10,433,025	9,556,560	9.2%
Consolidated gross profit ^(Note 2)	2,121,865	1,902,086	11.6%
Net profit attributable to owners of the Company	306,661	340,059	-9.8%
Comparable store sales growth rate ^(Note 3)	0.9%	3.8%	Decreased by 2.9 percentage points
Trade payable turnover days	72 days	71 days	Increased by 1 day
Inventory turnover days	28 days	26 days	Increased by 2 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 2014 and 1 January 2013.



Unaudited Interim Consolidated Financial Information

Interim Results Report 2014 (Unaudited)

The board of directors (the “Board”) of Wumart Stores, Inc. (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2014 (the “Reporting Period”).

Interim Financial Statements 2014

Condensed Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014 and the corresponding period in 2013

	Notes	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue from sales of goods	4	9,211,930	8,486,490
Cost of sales		(8,311,160)	(7,654,474)
Gross profit		900,770	832,016
Other revenues	4	1,221,095	1,070,070
Investment and other income		207,992	181,919
Distribution and selling expenses		(1,631,857)	(1,348,307)
Administrative expenses		(276,084)	(234,247)
Share of profit of associates		1,925	1,227
Share of profit of a jointly controlled entity		2,646	3,276
Finance costs		(5,062)	(15,338)
Profit before tax		421,425	490,616
Income tax expense	5	(100,571)	(130,551)
Profit and total comprehensive income for the period	6	320,854	360,065
Profit and total comprehensive income for the period attributable to the following			
Owners of the Company		306,661	340,059
Minority interests		14,193	20,006
Basic earnings per share (RMB yuan per share)	8	0.24	0.27



Condensed Interim Consolidated Statement of Financial Position

	Notes	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	9	3,749,421	3,621,250
Rental deposits		143,477	164,073
Prepaid lease payments		163,186	107,252
Goodwill		844,964	844,964
Intangible assets		79,769	82,046
Interests in associates	10	151,512	149,587
Interests in a jointly controlled entity	10	98,068	100,330
Deferred tax assets	15	106,968	106,968
Deposit paid		255,445	255,445
Loan receivables		120,000	166,500
		5,712,810	5,598,415
Current Assets			
Inventories		1,133,078	1,460,422
Loan receivables		131,220	84,720
Trade and other receivables	11	1,180,319	1,271,742
Amounts due from related parties	12	193,238	179,675
Prepaid lease payments		162,490	66,594
Held-for-trading investments		1,550,391	110,000
Restricted bank balances		263,542	378,244
Bank balances and cash		327,399	2,269,912
		4,941,677	5,821,309
Current Liabilities			
Trade and other payables	13	6,486,135	6,724,461
Amounts due to related parties	12	16,430	17,373
Tax liabilities		166,085	190,268
Loans	14	0	521,863
		6,668,650	7,453,965
Net Current Liabilities		(1,726,973)	(1,632,656)
Total Assets less Current Liabilities		3,985,837	3,965,759
Capital and Reserves			
Share capital	16	1,287,544	1,281,274
Share premium and reserves	16	2,433,425	2,425,890
Equity attributable to owners of the Company		3,720,969	3,707,164
Minority interests		192,080	185,807
Total equity		3,913,049	3,892,971
Non-current Liabilities			
Loans in associates	14	60,000	60,000
Deferred tax liabilities	15	12,788	12,788
		3,985,837	3,965,759

Condensed Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Equity attributable to owners of the Company							Minority interests	Total equity
	Share capital	Share premium	Other reserve	Statutory common reserve fund	Retained profits	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2013 (Audited)	1,281,274	745,018	(733,253)	362,309	1,876,263	3,531,611	180,279	3,711,890	
Profit for the period	-	-	-	-	340,059	340,059	20,006	360,065	
Shares in issue	-	-	-	-	-	-	-	-	
Dividend paid to minority interests	-	-	-	-	-	-	(12,249)	(12,249)	
Dividend payable by the Company	-	-	-	-	(269,068)	(269,068)	-	(269,068)	
At 30 June 2013 (Unaudited)	1,281,274	745,018	(733,253)	362,309	1,947,254	3,602,602	188,036	3,790,638	
At 1 January 2014 (Audited)	1,281,274	745,018	(747,663)	398,128	2,030,407	3,707,164	185,807	3,892,971	
Profit for the period	-	-	-	-	306,661	306,661	14,193	320,854	
Shares in issue	6,270	22,760	-	-	-	29,030	-	29,030	
Dividend paid to minority interests	-	-	-	-	-	-	(7,920)	(7,920)	
Dividend payable by the Company	-	-	-	-	(321,886)	(321,886)	-	(321,886)	
At 30 June 2014 (Unaudited)	1,287,544	767,778	(747,663)	398,128	2,015,182	3,720,969	192,080	3,913,049	



Condensed Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	139,744	219,573
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(280,780)	(264,920)
Proceeds from disposal of property, plant and equipment	905	572
Decrease (increase) in restricted bank balances	114,702	13,639
Increase in held-for-trading investments	(1,440,391)	(1,356,699)
Cash received from investment income	27,574	22,750
NET CASH USED IN INVESTING ACTIVITIES	(1,577,990)	(1,584,658)
FINANCING ACTIVITIES		
Receipt of loans in associates	–	60,000
Amounts received from issue of short term debenture	–	498,000
Amounts received from grant of incentive shares	29,030	–
Amounts paid for repayment of short term debenture	(500,000)	(500,000)
Interest paid	(25,377)	(29,400)
Dividend paid to minority interests of subsidiaries	(7,920)	(12,249)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	(504,267)	16,351
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,942,513)	(1,348,734)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	2,269,912	2,158,841
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	327,399	810,107

Notes to the Condensed Interim Consolidated Financial Statements

For the period ended 30 June 2014

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 8039, 8th Floor, Building 3, Court No. 30, Shixingdajie, 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 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 to be published by the Board on 13 August 2014.

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.

Except as described below, the accounting policies and basis of preparation used in the unaudited condensed consolidated interim financial statements are the same as those followed in the preparation of the Group’s financial statements for the year ended 31 December 2013.

2. Basis of Presentation (continued)

Application of a new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

During the Reporting Period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant for the preparation of these condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities;
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities;
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets;
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting; and
HK(IFRIC)-Int 21	Levies.

Application of the above Interpretation and amendments to HKFRSs has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

The application of the above new Interpretation and amendments to HKFRSs in the Reporting Period has had no material effect on the amounts reported and/or disclosures intended to be set out in these condensed consolidated financial statements.

3. Segment Information

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

4. Revenue and Other Revenues

Revenue and other revenues recognised by the Group for the six months ended 30 June 2014 are as follows:

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue from sales of goods	9,211,930	8,486,490
Other revenues		
Rental income from leasing of shop premises	362,576	277,191
Income from suppliers, including store display income and promotion income	858,519	792,879
	1,221,095	1,070,070
Total revenue	10,433,025	9,556,560

5. Income Tax Expense

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
The charge comprises:		
PRC income tax	100,571	130,551
	100,571	130,551

The tax charge for the six months ended 30 June 2014 can be reconciled to the consolidated statement of comprehensive income as follows:

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Profit before tax	421,425	490,616
Taxation at the PRC income tax rate of 25%	105,356	122,654
Tax effect of share of profit of associates and a jointly controlled entity	(1,143)	(1,126)
Tax effect of tax losses not recognised	5,524	10,961
Utilisation of tax losses previously not recognised	(7,393)	0
Tax effect of income not subject to tax in determining taxable profit	(1,773)	(1,938)
Income tax for the period	100,571	130,551

6. Profit for the Period

Profit for the period has been arrived at after charging:

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Depreciation for property, plant and equipment	(80,971)	(71,234)
Amortisation for leasehold improvements	(68,332)	(67,133)
Amortisation for prepaid lease payments	(41,049)	(25,883)
Amortisation for land use rights	(2,277)	(2,271)
Total depreciation and amortisation	(192,628)	(166,521)
Operating lease rentals in respect of rented premises	(521,505)	(418,228)
Staff costs (including directors' emoluments)	(696,387)	(503,753)
Share of tax of associates and a jointly controlled entity (included in share of profit of associates and a jointly controlled entity)	(1,143)	(1,126)

7. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (Six months ended 30 June 2013: Nil).

A final dividend of RMB0.25 per share (before tax) for the year ended 31 December 2013 (2012: RMB0.21 per share (before tax)) has been approved at the annual general meeting and is scheduled to be paid on 28 August 2014.

8. Earnings Per Share

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

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Profit for the period attributable to equity owners of the Company	306,661	340,059
Weighted average number of shares for the purposes of basic earnings per share (shares)	1,281,689,807	1,281,274,116
Earnings per share – basic (RMB: Yuan)	0.24	0.27

As the Company granted 6,270,000 non-tradable and non-listed domestic shares to the participants on 18 June 2014, the weighted average number of shares were 1,281,689,807 shares, thus the Company recorded earnings per share of RMB0.24.

9. Property, Plant and Equipment

For the six months ended 30 June 2014, the addition of furniture, fixtures and equipment of the Group was approximately RMB39,715,000 (Six months ended 30 June 2013: RMB13,185,000), the addition of leasehold improvements was approximately RMB184,174,000 (Six months ended 30 June 2013: RMB188,798,000) and the addition of land and buildings was nil (Six months ended 30 June 2013: nil).

10. Interests in Associates and a Jointly Controlled Entity

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Cost of investments in associates, unlisted	107,964	107,964
Share of post-acquisition profits, net of dividends received	55,813	53,888
Impairment of equity in associates, unlisted	(12,265)	(12,265)
	151,512	149,587
Cost of investments in a jointly controlled entity, unlisted	100,000	100,000
Share of post-acquisition profits, less dividends received	(1,932)	330
	98,068	100,330
	249,580	249,917

As at 30 June 2014, 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 2014	31 December 2013	
Beijing Chao Shifa Company Limited	Established	PRC	Beijing, PRC	Ordinary	25.03%	25.03%	Operation of superstores
Beijing Chongwenmen Vegetable Market Supermarket Company Limited	Established	PRC	Beijing, PRC	Ordinary	49%	49%	Operation of superstores and mini-marts
Beijing New Life Investment and Development Company Limited	Established	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 2014, 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 2014	31 December 2013	30 June 2014	31 December 2013	
Beijing Aoshikai Wumart Company Ltd.	Established	PRC	200,000	50%	50%	50%	50%	Operation of superstores

11. Trade and Other Receivables

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables	144,528	169,855
Prepayments to suppliers	292,592	337,737
Deductible input value added tax	472,187	482,523
Rental deposits	67,081	87,153
Other receivables	203,931	194,474
	1,180,319	1,271,742

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.

The following is an aged analysis of trade receivables:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 – 30 days	101,170	111,198
31 – 60 days	39,023	47,730
Over 60 days	4,335	10,927
	144,528	169,855

12. Amounts Due from/to Related Parties

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Amounts due from associates	105,226	75,769
Amounts due from a jointly controlled entity	37,911	51,057
Amounts due from subsidiaries of a shareholder of the Company which has significant influence over the Company ("Company's Controlling Shareholder")	50,101	52,849
	193,238	179,675
Amount due to associates	16,430	9,481
Advances from subsidiaries of the Company's Controlling Shareholder	0	7,892
	16,430	17,373

The amounts due from associates, a jointly controlled entity and subsidiaries of the Company's Controlling Shareholder are all 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 those trade in nature balances is as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 – 30 days	96,619	90,092
31 – 60 days	46,377	41,523
61 – 90 days	34,783	38,331
91 – 180 days	15,459	9,729
	193,238	179,675

13. Trade and Other Payables

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Bill payables	59,216	115,366
Trade payables	3,101,158	3,579,270
Advances from customers	1,713,113	2,074,423
Deposits received from lessee	224,021	287,648
Rent accrual	411,867	301,587
Other payables	621,178	332,471
Dividends payable	355,582	33,696
	6,486,135	6,724,461

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 – 30 days	2,813,325	3,279,740
31 – 60 days	278,134	338,170
61 – 90 days	30,904	28,836
Over 90 days	38,011	47,890
	3,160,374	3,694,636

14. Loans

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Short term debenture – unsecured	0	521,863
Bank loans – unsecured	60,000	60,000
	60,000	581,863

On 29 January 2013, the Company issued short term debenture of a principal amount of RMB500,000,000, with a maturity of one year and bearing fixed interest at 4.77% per annum. The principal and interest were repaid in January 2014.

15. Deferred Taxation

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

	Impairment of deposit paid for acquisition of an associate RMB'000	Effective rent RMB'000	Tax losses RMB'000	Differences in accumulated depreciation RMB'000	Fair value adjustments on business combination RMB'000	Provision for impairment loss RMB'000	Total RMB'000
1 January 2014 (Audited)	4,582	96,690	8,221	4,254	(23,025)	3,458	94,180
30 June 2014 (Unaudited)	4,582	96,690	8,221	4,254	(23,025)	3,458	94,180

For the purpose of presentation of the condensed 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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Deferred tax assets	106,968	106,968
Deferred tax liabilities	(12,788)	(12,788)
	94,180	94,180

As at 30 June 2014, the Group had unused tax losses of approximately RMB466,910,000 (31 December 2013: RMB474,387,000) available to offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB32,885,000 (31 December 2013: RMB32,885,000) of such losses. No deferred tax asset has been recognised in respect of the remainder of approximately RMB434,025,000 (31 December 2013: RMB441,502,000) due to unpredictability of profit for the future period.

16. 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				
At 1 January 2014 (Audited)	744,706	536,568	1,281,274	1,281,274
At 30 June 2014 (Unaudited)	750,976	536,568	1,287,544	1,287,544

The Group granted 6,270,000 incentive shares to three directors, one supervisor and other participants on 18 June 2014. The existing share capital comprises 1,287,544,116 ordinary shares of RMB1 each, including 750,976,116 domestic shares, accounting for 58.33% of the total share capital of the Company, and 536,568,000 H shares, accounting for 41.67% of the total share capital of the Company.

The subscription price of the incentive shares was RMB4.63 per share. The total share premium from the grant of the incentive shares amounted to RMB22,760,000.

17. Fair Value of Financial Instruments

Fair value measurements recognised in the condensed consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 June 2014 RMB'000 (Unaudited)			31 December 2013 RMB'000 (Audited)		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets at FVTPL						
– Held-for-trading investment	–	1,550,391	1,550,391	–	110,000	110,000

18. Commitments under Operating Leases

The Group as lessee

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within one year	1,086,117	920,438
In the second to fifth year inclusive	4,680,773	3,744,618
Over five years	9,394,632	8,169,245
	15,161,522	12,834,301

The Group as lessor

At the end of the Reporting Period, the Group had contracted with tenants in respect of leasing of retail booths for the following future minimum lease payments:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within one year	901,035	783,509

19. Capital Commitments

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Capital expenditure in respect of the followings		
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	450,383	391,637
Other commitments (equity interests)	414,555	414,555
Capital expenditure in respect of property, plant and equipment authorized but not contracted for	291,187	274,705

20. Related Party Transactions

Apart from the amounts due from and to related parties as disclosed in Note 12, during the Reporting Period, the Group had the following related party transactions:

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Sales of goods to associates	86,375	75,055
Sales of goods to a jointly controlled entity	112,123	108,937
Sales to subsidiaries of the Company's Controlling Shareholder	77,931	82,656
Service fee income received from subsidiaries of the Company's Controlling Shareholder in respect of merchandise delivery services	2,338	2,480
Service fee income received from associates and a jointly controlled entity in respect of merchandise delivery services	673	654
Management fee income received from subsidiaries of the Company's Controlling Shareholder	101	107
Rental expense paid to a subsidiary of the Company's Controlling Shareholder	6,398	7,466
Loans in associates	60,000	60,000

21. Share Incentives

The Group granted 6,270,000 incentive shares to three directors, one supervisor and other participants on 18 June 2014 at a subscription price of RMB4.63 per share.

According to the announcement dated 22 March 2013, the incentive shares will be automatically unlocked on the unlocking date in pro rata within the coming five years.

The Group engaged American Appraisal China Limited, a third party valuation agency, to evaluate the fair value of the incentive shares. By adopting the binomial option pricing model and taking the grant date as the calculation date, the fair value of the restricted incentive shares was RMB4.65. This valuation is based on multiple assumptions, and is subject to elements of subjectivity due to the restriction of the calculation model.

Management Discussion and Analysis

Financial Review

Total Revenue

During the Reporting Period, the Group recorded total revenue of approximately RMB10,433,025,000, increasing by approximately 9.2% over the corresponding period of 2013. The steady growth in the total revenue of the Group was mainly attributable to sales growth driven by newly opened stores, increase in rental income and growth in comparable store sales.

During the Reporting Period, comparable store sales of the Group increased by approximately 0.9%, recording a decrease of approximately 2.9 percentage points in growth as compared to the corresponding period of last year, which was mainly attributable to the slowdown in growth of the domestic economy and the impact of the e-commerce businesses' taking market share of the traditional retail businesses.

Consolidated Gross Profit and Consolidated Gross Profit Margin

During the Reporting Period, the Group's consolidated gross profit amounted to approximately RMB2,121,865,000, representing a growth of approximately 11.6% from RMB1,902,086,000 for the corresponding period of 2013. Consolidated gross profit margin was 20.3%, representing an increase of 0.4 percentage points from 19.9% recorded for the corresponding period of 2013. The increase in consolidated gross profit margin was mainly attributable to the increase in rental income of 30.8% during the Reporting Period, which exceeded the growth in total revenue.

Distribution and Selling Expenses and Administrative Expenses

Administrative expenses, distribution and selling expenses mainly consisted of labour expenses, rental expenses, depreciation and amortisation as well as utilities charges.

During the Reporting Period, distribution and selling expenses and administrative expenses amounted to approximately RMB1,631,857,000 and RMB276,084,000, representing approximately 15.6% and 2.6% of total revenue, respectively (the same period of 2013: RMB1,348,307,000 and RMB234,247,000, representing approximately 14.1% and 2.5% of total revenue, respectively). Such increase in the proportion was primarily attributable to the fast increase in labour expenses and rental expenses of newly opened stores.

Finance Costs

During the Reporting Period, finance costs of the Group amounted to approximately RMB5,062,000, representing a decrease of 67% from RMB15,338,000 for the same period of 2013. This is primarily attributable to the decrease in interest expenses as the Group repaid the short term debenture during the Reporting Period.

Net Profit and Net Profit Margin

During the Reporting Period, net profit attributable to owners of the Group was approximately RMB306,661,000, representing a 9.8% decrease over approximately RMB340,059,000 recorded for the same period of 2013. During the Reporting Period, the Group's net profit margin was approximately 2.9%, decreased by 0.7 percentage points as compared to 3.6% recorded for the same period of 2013. The decrease in net profit was mainly because that the increase in staff costs and rental expenses exceeded the growth of total revenue.

Liquidity and Financial Resources

During the Reporting Period, net cash flow generated from operating activities amounted to approximately RMB139,744,000, representing a decrease of RMB79,829,000 from RMB219,573,000 recorded for the corresponding period of 2013. Decreased sales of prepaid cards and the excess of spending over sales were one of the reasons for the decrease in cash flow. As at 30 June 2014, the Group had cash and bank balances of approximately RMB327,399,000.

As at 30 June 2014, the Group had non-current assets of approximately RMB5,712,810,000, which mainly included property, plant and equipment of approximately RMB3,749,421,000, goodwill of approximately RMB844,964,000 and aggregate interests in associates and a jointly controlled entity of approximately RMB249,580,000.

As at 30 June 2014, the Group recorded current assets of approximately RMB4,941,677,000, which mainly comprised held-for-trading investments of approximately RMB1,550,391,000, trade and other receivables of approximately RMB1,180,319,000, inventories of approximately RMB1,133,078,000, cash and bank balances of approximately RMB327,399,000, restricted bank balances of approximately RMB263,542,000 and amounts due from related parties of approximately RMB193,238,000.

As at 30 June 2014, the Group recorded current liabilities of approximately RMB6,668,650,000, which mainly comprised trade and other payables of approximately RMB6,486,135,000 and tax liabilities of approximately RMB166,085,000.

As at 30 June 2014, the Group recorded net current liabilities of approximately RMB1,726,973,000.

During the Reporting Period, the Group's average trade payable turnover and inventory turnover were approximately 72 days and 28 days respectively, and approximately 71 days and 26 days for the corresponding period of 2013, respectively.

Capital Structure

The Group's loans, cash and cash equivalents are mostly denominated in RMB. As at 30 June 2014, the remaining amount of loans in associates of the Group was RMB60,000,000, with a maturity of three years and bearing fixed interest at 5% per annum.

The Group also held open-end funds and financial products operated by the banks and financial institutions. The fair values of funds and financial products were determined based on the price quoted by banks and financial institutions. As at 30 June 2014, the book value of the funds and bank financial products held by the Group amounted to RMB5,000,000 and RMB1,545,391,000, respectively. Currently, the Group is not using any hedging instruments.

Management Discussion and Analysis

Gearing Ratio

At the end of the Reporting Period, gearing ratio of the Group was 1.5%. The gearing ratio was calculated by the total borrowings divided by the total equity as at the end of the Reporting Period.

Pledge of Assets

As at 30 June 2014, leasehold land and buildings with a carrying amount of approximately RMB208,560,000 (the same period of 2013: RMB214,751,000) have been pledged to secure general bank loans granted to the Group.

Material Acquisition and Disposal

During the Reporting Period, the Group had no material acquisition or disposal of subsidiaries or associated companies.

Contingent Liability

As at 30 June 2014, the Group had no significant contingent liability.

Future Investment Plans

As at 30 June 2014, the Group did not have any significant investment plans.

Foreign Exchange Risk

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

BUSINESS REVIEW

Expanding retail network in a solid and orderly manner

As at 30 June 2014, we had a retail network of 545 stores (30 June 2013: 541 stores) comprising 160 superstores and 385 mini-marts, which were either directly operated or operated and managed through franchise agreements and management agreements entered into by the Group, its associates (other than Beijing Chao Shifa Company Limited ("Chao Shifa")) and a joint venture. The Group's retail network occupied an aggregate saleable area of approximately 844,760 square metres (30 June 2013: 777,167 square metres), excluding saleable area of stores operated by associates and under franchise.

During the Reporting Period, 6 directly-owned new superstores were opened, comprising 2 in Hebei and 4 in Zhejiang, while 1 superstore in Tianjin was closed down. For mini-marts, 7 directly-owned new stores were opened, comprising 4 in Beijing and 3 in Zhejiang, while 7 were closed down due to expiry of lease or demolition and relocation, comprising 6 in Beijing and 1 in Zhejiang. 7 franchised stores were closed down. 1 managed mini-mart was opened, while the cooperation with 1 managed mini-mart was terminated.

Stores operated and managed by the Group, its associates and a joint venture (except the stores of Chao Shifa) as at 30 June 2014 were as follows:

	Number of Superstores	Number of Mini-marts	Total	Distribution
Directly-owned	157	297	454	Beijing, Tianjin, Hebei, Zhejiang
Franchised	–	56	56	Zhejiang
Managed	3	32	35	Tianjin, Shanghai
Total	160	385	545	



Continuing to strengthen fresh products provision as core competency

After two years' continued reform on procurement and operation, the fresh food business of the Group entered into the stage of further refining its standards and consolidating established competitiveness. During the Reporting Period, both the sales and consolidated gross profit of fresh products continued to achieve double-digit growth.

The Group was devoted to providing fresh merchandises of good quality and low prices to the customers. Its integrated information management system records detailed information of the fresh merchandises, such as the life cycle, place of origin and features of the products. Prompt and appropriate choices can be made by procurement team according to specific needs when needed. The Group also established Wumart product bases providing brand merchandises from renowned places of origin, such as the Mou's Manor and the Yimeng Mountain of Shandong Province, seeking the best channels to procure fresh merchandises of great quality at the most competitive prices. The Group continued to optimize the procurement approaches of fruits, vegetables and meat and enhance farm-



supermarket direct links. Meanwhile, the Group strengthened cooperation with renowned brands, introducing local products from Changbai Mountain and agricultural products from Beidahuang area. Efforts were also made to upgrade distribution technology for cold chain and seafood, strictly regulate the product sorting process, implement rigorous food safety standard, optimize merchandise display and reduce the shrinkage rate.

Management Discussion and Analysis

Enhancing the competitiveness of merchandises by offering low price and good quality

During the Reporting Period, the Group continued to enhance competitiveness of products by implementing the strategy of good quality and low price. In cooperation with the suppliers, Wumart and Merrymart continued to provide the lowest price in Beijing, Tianjin and Hebei, which helped to increase customer flow significantly. The Group selected merchandises and suppliers in an open, fair and transparent manner, strictly performed its obligations under contracts and standardized promotional display, widely recognized by the suppliers. The Group carried out store-specific analysis on commercial circle, consumer needs and display resources, and allocated merchandises accordingly, so as to raise efficiency of individual items. With aims to provide better quality products, reduce the number of items and inventory, the headquarters enhanced training on the procurement staff and standardized merchandise selection criteria. In order to enrich product mix, the Group also attracted brand suppliers through consignment approach. To address the trend of consumption upgrade, the Group increased direct purchase of imported merchandises, providing products with good quality at competitive price.



Improving customer service, promoting membership privileges and expanding marketing channels

During the Reporting Period, in order to provide better shopping experience, the Group focused on enhancing customer service by optimizing working processes, promoting display standards, improving store cleanliness, and accelerating check-out speed.

During the Reporting Period, in order to expand marketing channels and increase customer loyalty, the Group provided comprehensive and timely information to customers via new media. The Group's Wechat public platform "Wumart Stores" and "Wumart Membership" were initiated. "Wumart Stores" mainly provides the information of latest store promotions, coupons, new products and brands. Through "Wumart Membership", customers can apply for and bundle with membership cards, inquire redemption points and balances of e-wallets and prepaid cards, receive member exclusive coupons and access to membership activities information and other exclusive services tailored for members. Meanwhile, our official website was fully upgraded, improving the functions of information dissemination, member interaction and merchandises marketing. During the Reporting Period, sales to members accounted for approximately 67%.



Wumart
Stores



Wumart
Membership

Upgrading information system to promote the standardized, streamlined and systematic operation and management

During the Reporting Period, continuously adhering to the spirit of innovation, the Group carried out a number of technical research and development, optimization and upgrades, which promoted the standardized, streamlined and systematic overall management of the Group's operations.

During the Reporting Period, based on streamlining and integrating existing reports and statements, the Group independently developed a statements system for stores, and carried out rigorous trainings and examinations for staff of all levels on how to use the statements. The statements system further unified the data basis for decision-making, streamlined and standardized the working processes of stores. The Group also enhanced the automatic replenishment system so that all of non-promotional merchandises would be replenished automatically. The Group optimized the budget management system to provide profit and loss data for stores on a daily basis, which enabled the management and operation teams to keep abreast of business performance, quickly identify problems and risks and rapidly respond with countermeasures, so as to better achieve our business goals.

Improving a multi-level logistics service system to create the optimized supply chain

During the Reporting Period, the Group established a multi-level service system for supply chain by integrating internal resources and optimizing information system. Meanwhile, the Group strengthened field management of the supply chain and carried out in-depth supervision, which improved all management indicators. For example, the accuracy of delivery appointments, work processes and timeliness of delivery reached 98%, 99.997% and 97%, respectively. As the operation, efficiency and standards at the logistics field were greatly improved, suppliers and stores satisfaction continued to increase.

During the Reporting Period, the Group's temperature controlled warehouse at Daxing District, Beijing City was put into use. It is able to support all the Group's directly operated stores in Beijing, Tianjin and Hebei Province. It also provides tailored services, such as priority delivery for urgent group buying.

Strengthening food safety and energy saving

The Group continued, as always, to attach great importance to food safety, strictly controlling all aspects to ensure food safety, from the admission of suppliers, review of merchandises, procurement inspection to storage, processing, display and sale. During the Reporting Period, the Group established a professional management platform to review and manage qualifications of suppliers and merchandises, with the purpose of controlling quality from fountainhead. An accountability system for food safety was rigorously implemented in distribution centers and stores. The Group also cooperated with professional companies to carry out highly efficient cleanings programme at the stores so as to ensure a clean and hygienic environment.

During the Reporting Period, the Group initiated “month of quality and safety”, during which a series of activities were conducted, such as overall cleaning of stores, spreading quality and safety knowledge among consumers, organizing customers to visit excellent food factories, Wumart distribution centers and independent testing centers.

Environmental protection and low-carbon emission is the long-term principle of the Group, incorporated into all aspects of our operations. The energy-saving targets were broken down into different performance indicators, with each store manager as the primarily responsible person. The energy-saving management team from the headquarters conducted monthly statistical analysis on the energy data of each store and promptly asked stores to find out the reasons if there was any unusual condition. Meanwhile, the Group implemented a number of equipment energy-saving projects, such as installation of timers in basic illumination equipment, air conditioning water storage transformation, old freezers covering transformation, installation of overtime alarm at cold storage door and bathroom water-saving transformation, which effectively saved energy. During the Reporting Period, the Group was awarded the title of “China Energy Efficiency Star – Four-star Energy-saving Unit” (Five-star award was vacant, and only two commercial and trading enterprises were awarded the title) by the National Energy Conservation Center.

Optimizing human resources management

As at 30 June 2014, the Group had a full-time headcount of 28,151 and part-time headcount of 7,613.

During the Reporting Period, the Group further improved performance appraisal system by increasing assessment frequency, optimizing assessment indicators, comprehensively assessing on individual employee performance and strictly enforcing the appraisal results. Meanwhile, under the rigid growth of unit staff costs, the Group controlled the increase of labor cost by uplifting efficiency, reducing headcount, improving shift arrangement, and implementing multiple mode of employment (full time and part time).

Leveraging on its three-tier training system comprising Development Institute—Training Stores—Stores, the Group developed various training programs which targeted different groups of staff to fit their professional development needs. During the Reporting Period, the Group conducted a total of 123 courses for all kinds of trainings with 4,120 participants.

PROSPECTS

The national economy showed a steadily rising trend in the first half of 2014, with the total retail sales of social consumer goods recording a year-on-year increase of 12.1%. According to the estimate of Euromonitor, the grocery retail sales in China shall continue to increase at a CAGR of 5.6% during 2013 and 2018, indicating that the China's retail market still has great potential for growth. However, the competition landscape in the physical businesses of the retail industry is intense, and the e-commerce businesses record rapid growth in sales but also require huge amount of investment. The industry as a whole is consolidating and advancing through exploration.

In face of a complex and changing market environment, the Group will endeavor to seize any potential opportunities, enhance its core competitive strengths and concentrate on exploration and innovation, aiming to achieve its objectives of "good quality, low prices, selected merchandise mix, favorable membership and optimized supply chain". In the second half of the year, adhering to the strategy of national expansion with regional prioritization, the Group will maintain its steady pace of store opening to solidify and increase its market share. Upholding the strategy of low prices, the Group is committed to providing products of good quality and low prices to the customers. The Group will improve its approach to procurement, select items elaborately, optimize distribution system and enhance operation efficiency. With scientific and carefully planned strategy, strong execution capability and commitment for innovation and exploration, the Group is confident to take proactive initiatives under the new circumstance, so as to widen its lead and continue to create sustainable value for the shareholders.

Other Information

Share Capital

As at 30 June 2014, the structure of share capital of the Company was as follows:

Name of shareholders	Class of shares	Number of shares (shares)	Approximate percentage of total issued share capital (%)
Wumei Holdings, Inc. ("Wumei Holdings")	Domestic shares	497,932,928	38.67
	H shares	1,421,425	0.11
Beijing Wangshang Shijie E-business Co., Ltd. ("Wangshang Shijie E-business")	Domestic shares	160,457,744	12.46
Zhang Bin	Domestic shares	24,482,300	1.90
Hony Capital RMB I, L.P.	Domestic shares	23,619,364	1.83
Beijing Toma Wangluo Technology Co., Ltd.	Domestic shares	23,269,228	1.81
Legend Holdings Limited	Domestic shares	7,306,752	0.57
Beijing Shuangchen Express Co., Ltd.	Domestic shares	7,137,800	0.55
Ci Ying	Domestic shares	500,000	0.04
Participants under the Share Incentive Scheme Regarding Non-tradable and Non-listed Domestic Shares	Domestic shares	6,270,000	0.49
Wealth Retail Holdings Limited.	H shares	25,000,000	1.94
Fit Sports Limited.	H shares	5,000,000	0.39
Public	H shares	505,146,575	39.23
Total share capital ^(Note 1)		1,287,544,116	100

Note 1: Upon the completion of initial grant of 6,270,000 incentive shares (domestic shares) by the Company on 18 June 2014, the number of total issued domestic shares has increased to 750,976,116 shares, while the number of total issued H shares remains 536,568,000 shares, and the number of the total share capital in issue has increased to 1,287,544,116 shares.

Substantial Shareholders

As at 30 June 2014, 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 pursuant to section 336 of the Securities and Futures Ordinance (“SFO”) were as follows:

Substantial shareholders holding domestic shares of the Company

Name	Number of domestic shares (shares)	Approximate percentage of total issued domestic share capital (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
Dr. Zhang Wen-zhong ^(Note 1)	658,390,672	87.67	51.14	Interest of corporation controlled by the substantial shareholder
Beijing Jingxi Guigu Technology Company Limited (“Jingxi Guigu”) ^(Note 1)	658,390,672	87.67	51.14	Interest of corporation controlled by the substantial shareholder
Beijing CAST Technology Investment Company (“CAST Technology Investment”) ^(Note 1)	658,390,672	87.67	51.14	Interest of corporation controlled by the substantial shareholder
Wumei Holdings ^(Note 2)	658,390,672	87.67	51.14	Beneficial owner, interest of corporation controlled by the substantial shareholder
Yinchuan Xinhua Commercial (Group) Co., Ltd. (“Xinhua Commercial”) ^(Note 3)	497,932,928	66.30	38.67	Beneficial owner
Wangshang Shijie E-business	160,457,744	21.37	12.46	Beneficial owner

Note:

- As of 30 June 2014, Jingxi Guigu is owned as to 100% 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 97.02% 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.
- As of 30 June 2014, Wumei Holdings directly held 497,932,928 domestic shares of the Company. At the same time, Beijing Green Safe Agricultural Products Logistics and Information Center Co. Ltd (“Beijing Green”) and Lhasa Wisdom Network Excellent Investment Management Co. Ltd. (“Lhasa Wisdom”), which are the wholly owned subsidiaries of Wumei Holdings, jointly held 64% equity of Wangshang Shijie E-business, and therefore Wumei Holdings is entitled to control the exercise of one-third or more of the voting power at general meetings of Wangshang Shijie E-business. Wumei Holdings is deemed, by virtue of Part XV of the SFO, to be interested in 160,457,744 domestic shares of the Company held by Wangshang Shijie E-business. As of 30 June 2014, Wumei Holdings is therefore beneficially interested and deemed, by virtue of Part XV of the SFO, to be interested in the total 658,390,672 domestic shares of the Company.
- As of 30 June 2014, Xinhua Commercial is owned as to 29.27% by Wumei Holdings. Pursuant to the share transfer agreement (please refer to the Company’s announcement dated 24 July 2008) entered into between Wumei Holdings and Xinhua Commercial, 497,932,928 domestic shares of the Company which were directly held by Wumei Holdings would be held by Xinhua Commercial directly upon completion of such agreement, and Wumei Holdings is entitled to control the exercise of one-third or more of the voting power at general meetings of Xinhua Commercial. As a result of entering into the above share transfer agreement, Xinhua Commercial is deemed, by virtue of the Part XV of the SFO, to be interested in such 497,932,928 domestic shares of the Company. As of the date of this report, the aforesaid share transfer agreement has not yet been completed.

Substantial shareholders holding H shares of the Company

Name	Number of H shares (shares)	Approximate percentage of total issued H share capital (%)	Approximate percentage of total issued share capital (%)
Genesis Asset Managers, LLP <i>(Note 1)</i>	75,440,091(L)	14.06	5.86
JPMorgan Chase & Co. <i>(Note 2)</i>	51,131,838(L) 198,000(S) 27,795,079(P)	9.53	3.97
Capital Research and Management Company <i>(Note 3)</i>	49,009,000(L)	9.13	3.83
Prudential plc <i>(Note 4)</i>	47,963,887(L)	8.94	3.73
Massachusetts Financial Services Company ("MFS") <i>(Note 5)</i>	45,838,000(L)	8.54	3.56
Sun Life Financial, Inc. ("SLF") <i>(Note 6)</i>	45,838,000(L)	8.54	3.56
The Capital Group Companies, Inc. <i>(Note 7)</i>	44,383,000(L)	8.27	3.45
Invesco Asset Management Limited <i>(Note 8)</i>	27,223,000(L)	5.07	2.11
Highclere International Investors LLP <i>(Note 9)</i>	27,057,000(L)	5.04	2.10

Notes:

L denotes long position, S denotes short position, and P denotes lending pool

- Long position of these 75,440,091 H shares are held by Genesis Asset Managers, LLP in its capacity as an investment manager.
- Including long position of 493,759 H shares held by JPMorgan Chase & Co. in its capacity as a beneficial owner, short position of 198,000 H shares held by JPMorgan Chase & Co. in its capacity as a beneficial owner, long position of 22,843,000 H shares as an investment manager and long position of 27,795,079 H shares as a custodian – corporation/approved lending agent.
- Long position of these 49,009,000 H shares are held by Capital Research and Management Company in its capacity as an investment manager.
- Long position of these 47,963,887 H shares are held by Prudential plc through its interest in a series of controlled corporations and in its capacity as interest of corporation controlled by the substantial shareholder.
- Long position of these 45,838,000 H shares are held by Massachusetts Financial Services Company through its interest in a series of controlled corporations and in its capacity as an investment manager.
- Long position of these 45,838,000 H shares are held by Sun Life Financial, Inc. through its interest in a series of controlled corporations (including Massachusetts Financial Services Company) and in its capacity as an investment manager.
- Long position of these 44,383,000 H shares are held by The Capital Group Companies, Inc. through its interests in Capital Research and Management Company and in its capacity as interest of corporation controlled by the substantial shareholder.
- Long position of these 27,223,000 H shares are held by Invesco Asset Management Limited in its capacity as an investment manager.
- Long position of these 27,057,000 H shares are held by Highclere International Investors LLP in its capacity as an investment manager.

Save as disclosed above, there was no other people (other than the Directors, supervisors and chief executives of the Company) who had any interests or short positions in any shares or underlying shares of the Company required to be disclosed under Section 336 of the SFO.



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

As at 30 June 2014, 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 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 Divisions 7 and 8 of Part XV of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rules were as follows:

	Number of domestic shares of the Company (shares)	Approximate percentage of total issued domestic share capital (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
Xu Ying <i>(Note 1)</i>	1,000,000	0.13	0.08	Beneficial owner
Xu Shao-chuan <i>(Note 1)</i>	1,000,000	0.13	0.08	Beneficial owner
Yu Jian-bo <i>(Note 1)</i>	1,000,000	0.13	0.08	Beneficial owner
Zhang Zheng-yang <i>(Note 1)</i>	500,000	0.07	0.04	Beneficial owner

Note 1: On 18 June 2014, the Company granted 1,000,000 incentive shares to each of the three Executive Directors, namely Madam Xu Ying, Mr. Xu Shao-chuan and Dr. Yu Jian-bo and granted 500,000 incentive shares to Mr. Zhang Zheng-yang, a Supervisor of the Company, details of which were set out in the Company's announcement dated 18 June 2014.

Save as disclosed above, to the best knowledge of the directors, as at 30 June 2014, none of the other directors, supervisors of the Company or any of their respective 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 recorded in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

Corporate Governance Code

For the Reporting Period, the Company had been in compliance with the code provisions set out in “Corporate Governance Code” 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 and the interim report of the Group for the six months ended 30 June 2014.

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 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 enquiries to 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

Remunerations of executive Directors and staff-representative supervisors of the Company are, as approved by shareholders on general meetings of the Company, determined by the Board based on the management positions of the respective persons in the Group. Remunerations of independent non-executive Directors and external supervisors are considered and approved by shareholders on general meetings of the Company. Non-executive directors do not take up any management role in the Group nor do they receive any salary in the Group.

For senior management and staff with special expertise of the Group, a competitive strategy is adopted, with their total remuneration pegged against prevailing salary level in the labour market, management responsibilities, individual performances and the Company's profitability, also a share incentive scheme is adopted; for mid-level management and other employees, remunerations are determined based on the relative importance of the positions held and the responsibilities shouldered by the positions as well as the categories of the employees concerned, personal performance and performance of the Group. Income improvements are facilitated through the provision of training programmes, promotion opportunities and broader prospects in career promotion and development and enhancement in efficiency, in addition to competitive remuneration packages. The Company pays housing funds and social security funds on behalf of employees on a monthly basis, according to the relevant national and local laws and regulations on labour affairs and social security. In particular, social security funds include pension insurance, medical insurance, unemployment insurance, maternity insurance and work injury insurance etc.

Interim Dividend

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2014.

Competing Interests

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

The Group operates its supermarket chain business in Beijing, Tianjin, Hebei and Zhejiang. Except the Tianjin region, there is no direct competition between the Group and Wumei Holdings due to the absence of similar business in the same regions. To avoid potential competition, the Company entered into the Non-competition Agreement with Wumei Holdings on 29 October 2003 and entered into the Trademark Licensing Agreement on 29 October 2013. On 20 December 2013, the Company entered into the Entrusted Operation and Management Agreement (2014-2016) with Wumei Holdings and the Group would continue to provide supply of goods, delivery of merchandise and management services for Wumei Holdings and its subsidiaries.

Wumei Holdings has operated in strict compliance with the Non-competition Agreement and Entrusted Operation and Management Agreement (2014-2016) in order to avoid business competition with the Group to the fullest extent.

Other Information

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.

By Order of the Board

Wumart Stores, Inc.

Dr. Meng Jin-xian

Chairman

Beijing, the PRC

13 August 2014

