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WU MART

Wumart Stores, Inc.
北京物美商業集團股份有限公司

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

Stock Code : 8277

THIRD QUARTERLY REPORT 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

FINANCIAL HIGHLIGHTS (UNAUDITED)

Comparison of the unaudited results for the three months and nine months ended 30 September 2010 with the corresponding periods of 2009:

	Change	Three months ended 30 September 2010 RMB'000	2009 RMB'000
Total revenue (Note 1)	21.8%	**3,677,827**	3,020,295
Consolidated gross profit (Note 2)	36.0%	**696,703**	512,122
Profit attributable to equity owners of the Company	20.9%	**119,930**	99,229
Basic earnings per share (Note 3) (RMB yuan per share)	12.5%	**0.09**	0.08

	Change	Nine months ended 30 September 2010 RMB'000	2009 RMB'000
Total revenue (Note 1)	19.1%	**10,394,826**	8,725,735
Consolidated gross profit (Note 2)	23.6%	**1,979,372**	1,600,845
Profit attributable to equity owners of the Company	20.4%	**400,291**	332,386
Basic earnings per share (Note 3) (RMB yuan per share)	18.5%	**0.32**	0.27

- As of 30 September 2010, the Group had a total of 483 stores.
- As of 30 September 2010, the Group had aggregate net assets of approximately RMB2,726,511,000.
- For the three months ended 30 September 2010, comparable store sales (Note 4) grew by approximately 9.7%.
- For the three months ended 30 September 2010, the Group's inventory turnover was 29 days, and creditor turnover was 72 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: On 3 June 2010, the number of ordinary shares of the Group was increased by 30,000,000 shares. Basic earnings per share for the three months and nine months ended 30 September 2010 were calculated on the basis of the weighted average number of shares for the period.

Note 4: Stores in operation during the third quarter of 2010 and the third quarter of 2009.

QUARTERLY RESULTS

	Note	Three months ended 30 September		Nine months ended 30 September	
		2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)	**2010 RMB'000 (Unaudited)**	2009 RMB'000 (Unaudited)
Revenue from sales of goods	2	**3,266,082**	2,746,802	**9,297,504**	7,856,675
Cost of sales		**(2,981,124)**	(2,508,173)	**(8,415,454)**	(7,124,890)
Gross profit		**284,958**	238,629	**882,050**	731,785
Other revenues	2	**411,745**	273,493	**1,097,322**	869,060
Investment and other income		**36,356**	45,050	**117,977**	86,319
Distribution and selling expenses		**(477,272)**	(349,491)	**(1,290,543)**	(968,627)
Administrative expenses		**(70,690)**	(53,062)	**(199,688)**	(182,281)
Share of profit of associates		**(1,026)**	1,475	**(77)**	6,405
Share of profit of a jointly controlled entity		**934**	164	**3,706**	2,513
Finance costs		**(2,997)**	(7,878)	**(13,793)**	(24,002)
Profit before tax		**182,008**	148,380	**596,954**	521,172
Income tax expense	4	**(55,020)**	(39,394)	**(170,048)**	(132,624)
Total profit and comprehensive income for the period	3	**126,988**	108,986	**426,906**	388,548
Total profit and comprehensive income for the period attributable to the following:					
Equity owners of the Company		**119,930**	99,229	**400,291**	332,386
Minority interests		**7,058**	9,757	**26,615**	56,162
		126,988	108,986	**426,906**	388,548
Earnings per share — basic (RMB yuan per share)	6	**0.09**	0.08	**0.32**	0.27

NOTES TO FINANCIAL STATEMENTS:

1 BASIS OF PRESENTATION

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

The accounting policies and basis of preparation used in the unaudited consolidated statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009. The consolidated statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair value.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 7 (Revised)	Disclosures — Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[6]
HK (IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

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

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

2 REVENUE FROM SALES OF GOODS AND OTHER REVENUES

Revenue from sales of goods and other revenues of the Group recognised for the three months and nine months ended 30 September 2010 is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from sales of goods	**3,266,082**	2,746,802	**9,297,504**	7,856,675
Other revenues				
Rental income from leasing of shop premises	**93,513**	84,654	**270,010**	245,905
Income from suppliers, including store display income and promotion income	**318,232**	188,839	**827,312**	623,155
	411,745	273,493	**1,097,322**	869,060
Total revenue	**3,677,827**	3,020,295	**10,394,826**	8,725,735

3 TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD

Total profit and comprehensive income for the period has been arrived at after charging the following items:

	Three months ended 30 September		Nine months ended 30 September	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Depreciation and amortisation	**67,303**	52,474	**191,642**	154,905
Operating lease rentals in respect of rented land and premises	**133,872**	93,956	**364,988**	272,110
Salaries and staff benefits	**163,280**	125,083	**452,833**	359,957

4 INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
The charge comprises:				
PRC income tax	**55,020**	39,394	**170,048**	131,324
Deferred tax	**—**	—	**—**	1,300
	55,020	39,394	**170,048**	132,624

The unaudited tax charge for the three months and the nine months ended 30 September 2010 can be reconciled to the profit on the consolidated statement of comprehensive income as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit before tax	**182,008**	148,380	**596,954**	521,172
Tax at PRC income tax rate of 25%	**45,502**	37,095	**149,238**	130,293
Tax effect of share of profit of associates and a jointly controlled entity	**23**	(410)	**(907)**	(2,229)
Tax effect of expenses that are non-deductible in determining taxable profit	**55**	—	**85**	—
Tax effect of unrecognised tax losses of deferred tax	**9,440**	5,118	**21,632**	6,969
Tax effect of utilisation of tax losses of deferred tax not previously recognised	**—**	(2,409)	**—**	(2,409)
Tax expense for the period	**55,020**	39,394	**170,048**	132,624

5 DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2010 (same period of 2009: Nil).

6 EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)	**2010 RMB'000 (Unaudited)**	2009 RMB'000 (Unaudited)
Total profit and comprehensive income for the period attributable to equity holders of the Company (RMB'000)	**119,930**	99,229	**400,291**	332,386
Weighted average number of shares for the purpose of basic earnings per share (shares)	**1,281,274,116**	1,223,709,534	**1,264,351,039**	1,221,480,825

On 3 June 2010, the number of ordinary shares of the Group was increased by 30,000,000 shares. Basic earnings per share for the three months and nine months ended 30 September 2010 were calculated on the basis of the weighted average number of shares for the period.

7 RESERVES

Movements in the Group's unaudited reserves during the three months and the nine months ended 30 September 2010 and the corresponding periods of 2009 are as follows:

	Three months ended 30 September					
	2010					2009
	Share premium RMB'000	Statutory common reserve fund RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Total RMB'000
As at 1 July	1,704,819	239,473	(733,253)	1,075,223	2,286,262	2,187,232
Total profit and comprehensive income for the period	—	—	—	119,930	119,930	99,229
Shares issued	—	—	—	—	—	291,069
Acquisition of additional interests in subsidiaries	—	—	—	—	—	(733,564)
As at 30 September	1,704,819	239,473	(733,253)	1,195,153	2,406,192	1,843,966

	Nine months ended 30 September					
	2010					2009
	Share premium RMB'000	Statutory common reserve fund RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Total RMB'000
As at 1 January	1,423,131	239,473	(733,253)	1,019,993	1,949,344	2,137,127
Total profit and comprehensive income for the period	—	—	—	400,291	400,291	332,386
Dividend paid by the Company	—	—	—	(225,131)	(225,131)	(183,052)
Shares issued	281,688	—	—	—	281,688	291,069
Acquisition of additional interests in subsidiaries	—	—	—	—	—	(733,564)
As at 30 September	1,704,819	239,473	(733,253)	1,195,153	2,406,192	1,843,966

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors of Wumart Stores, Inc. (the "Company") is pleased to present the unaudited results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months (the "Reporting Period") and nine months ended 30 September 2010.

Financial Review

During the Reporting Period, the Group fully leveraged its budgeting management tools, being one of the three principal management tools of Wumart, to ensure stringent implementation of budgeting management. We sought to arrive at our financial budgeting while striving to attain maximum growth in results and to formulate detailed plans for revenue increase and cost-savings through analysis of the results we achieved in meeting our budgeting, in order to fulfill the objective of synchronous growth in scale and efficiency.

Total revenue

For the Reporting Period, the Group recorded total revenue of approximately RMB3,677,827,000, up by approximately 21.8% compared to the same period of 2009. Excluding merchandise sales at cost to managed stores and related companies, growth over the same period of 2009 was approximately 23.1%. The increase in total revenue was mainly attributable to: growth in comparable store sales, sales contribution from new stores opened during the first three quarters of 2010 and the fourth quarter of 2009 (including Huzhou Laodafang Supermarket Company Limited) and the growth in income from suppliers and rental income. For the Reporting Period, the Group recorded an approximate 9.7% growth in comparable store sales. Apart from rising food prices, growth in comparable store sales was also attributable to the Group's effort to improve its store image and service quality through store format renovation and to maintain its price advantage and increase the competitiveness of its merchandise by refining merchandise categorisation.

For the nine months ended 30 September 2010, the Group recorded total revenue of approximately RMB10,394,826,000, up by approximately 19.1% compared to the same period of 2009. Excluding merchandise sales at cost to managed stores and related companies, growth over the same period of 2009 was approximately 19.8%. Comparable store sales increased by approximately 8.8% over the same period of 2009.

Consolidated gross profit and consolidated gross profit margin

For the Reporting Period, the Group's consolidated gross profit amounted to RMB696,703,000, a growth of approximately 36.0% over the same period of 2009. The growth in consolidated gross profit was mainly attributable to gross profit growth in line with increased sales and the growth in rental income and income from suppliers. The growth in income from suppliers was attributable to the increase in the number of our stores, larger amount of our purchases and marketing activities launched jointly with suppliers. The Group's consolidated gross profit margin was approximately 18.9%, up 1.9 points as compared to 2009. Excluding the sales at cost to managed stores and related companies, the Group's consolidated gross profit margin was approximately 19.6%.

For the nine months ended 30 September 2010, the Group's consolidated gross profit amounted to RMB1,979,372,000, a growth of approximately 23.6% over the same period of 2009. The Group's consolidated gross profit margin was approximately 19.0%, up 0.6 points as compared to the same period of 2009. Excluding the sales at cost to managed stores and related companies, the Group's consolidated gross profit margin was approximately 19.7%.

Distribution and selling expenses and administrative expenses

Distribution and selling expenses and administrative expenses of the Group comprised mainly staff costs, rental expenses, depreciation and amortization, utilities and promotional expenses.

For the three months ended 30 September 2010, the Group recorded distribution and selling expenses and administrative expenses of approximately RMB477,272,000 and RMB70,690,000 accounting for approximately 13.0% and 1.9% of the total revenue respectively (same period of 2009: RMB349,490,000 and RMB53,062,000 accounting for approximately 11.6% and 1.7% of the total revenue, respectively). Such increase in percentage was mainly attributable to year-on-year increases in staff salaries and other benefits and rental expenses. During the Reporting Period, staff salaries and other benefits and rental expenses accounted for 4.4% and 3.6% of the Group's total revenue respectively (same period of 2009: 4.1% and 3.1% respectively). The increase in rental expenses was attributable to rental expenses of new stores and the increase in staff salaries and other benefits were attributable to the increase in staff headcounts and improvements in the level of staff salaries and other benefits.

For the nine months ended 30 September 2010, the Group recorded distribution and selling expenses and administrative expenses of approximately RMB1,290,543,000 and RMB199,688,000 accounting for approximately 12.4% and 1.9% of the total revenue, respectively (same period of 2009: RMB968,627,000 and RMB182,281,000 accounting for approximately 11.1% and 2.1% of the total revenue, respectively).

Net profit and net profit margin

For the Reporting Period, net profit of the Group was approximately RMB119,930,000, representing a 20.9% growth over the same period of 2009. The Group's net profit margin was approximately 3.3%. Excluding merchandise sales at cost to managed stores and related companies, net profit margin was approximately 3.4%, which was basically level compared with the same period of 2009.

For the nine months ended 30 September 2010, net profit of the Group was approximately RMB400,291,000, representing an approximately 20.4% growth over the same period of 2009. The Group's net profit margin was approximately 3.9%. Excluding merchandise sales at cost to managed stores and related companies, net profit margin was approximately 4.0%, which was basically level compared with the same period of 2009.

Business Review

Retail network

As at 30 September 2010, a retail network of 483 stores comprising 119 superstores and 364 minimarts with an aggregate saleable area of 592,628.7 square metres (excluding stores of associates and franchised stores) were directly operated or managed through franchise agreements or management agreements by the Group, its associates and a jointly controlled entity. During the Reporting Period, 5 new directly-owned superstores and 7 new minimarts were opened, while 4 minimarts were closed down (including 1 due to site requisitioning by the government for traffic hub revamping works and 3 due to the expiry of relevant property lease contracts). 3 new franchised stores were opened while 2 were closed down.

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

	As at 30 September 2010	
	Number of stores	Geographical distribution
Superstores		
Directly-owned	117	Beijing, Tianjin and Zhejiang
Mini-marts (everyday shops and convenience stores)		
Directly-owned	248	Beijing and Zhejiang
Franchised	78	Zhejiang
Total	443	

Stores operated and managed by the Group through various management agreements were as follows:

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

Category optimisation

The Group continued to carry out optimisation and adjust the merchandise mix and allocation at stores of various business formats. During the Reporting Period, the Group enhanced its management over monthly category optimisation plans and succeeded in matching merchandise category allocation with display resources and securing complete categories, reasonable price ranges and merchandise pricing, so as to enhance customer satisfaction.

During the Reporting Period, focused efforts were carried out at the Group's superstores to optimise non-food items, one of the most important measures of which was to conduct price range analysis in respect of various merchandise categories, determine minimum price levels for the categories and eliminate or replace items with the same quality and prices as others. This would enable the Group to win consumers' approval and preference by enhancing the brand image of non-food and offering more competitive prices.

The Group also introduced new products in fast food during the Reporting Period, such as rice dumplings, fried noodles, salad and sushi, as well as favourites of local Beijing residents such as Chinese-style baked bread with egg, onion cakes, soy milk and congee. Meanwhile, to highlight the handiness and swiftness of services available at convenience stores, the Group introduced fashionable servicing items and feature services such as: flower ordering services, Lakala payment services, limited-edition comics, etc. Our range of category optimisation initiatives and special services resulted in increased patronage and growth in sales and gross profit.

The Group further rationalised and adjusted the prices of daily distributions, flavours, refrigerated food, daily cosmetics and alcoholic drinks during the Reporting Period, in order to establish and consolidate a reasonable price regime. The Group also selected 500 sensitive and daily necessities as the subject for weekly market surveys to ensure that the prices of sensitive items were market-competitive and that any adjustments were precise and effectively timed.

Store optimisation

The Group continued to explore and draw up plans to optimise store adjustment and renovation. During the Reporting Period, the Group adhered to the principles of "minimum investment, shortest-possible renovation period and minimal impact on operations" in respect of store adjustment and renovation. In line with such principles, the Group attempted to carry out adjustments and renovations without suspending operations. Thanks to the concerted efforts of store staff and headquarters departments, operating results of stores under renovation were sustained at the same level during store adjustment and renovation periods while sales and patronage were significantly increased afterwards. Meanwhile, the Group was engaged in ongoing investigations to come up with models for effective store adjustment and renovation. The analysis of business data prior to and after store adjustment and renovation was enhanced so that customised measures could be designed for stores of different business formats, with a view to achieving maximum yield from our investments.

During the Reporting Period, the Group further consolidated the operational model and profit model of the small everyday shops. Merchandise allocation featured mainly meat products, beverages, vegetables and fruits, newspapers and magazines, refrigerated drinks, cooked food, daily distribution, instant food, freshly baked bread and sanitary items. The design of the sales area aimed to create a cosy and tender environment with the addition of new servicing functions to attract more patronage.

Marketing optimisation

Operating personnel were given training in marketing theories to enhance their knowledge in the concepts, processes and objectives of marketing during the Reporting Period with a view to bolstering the effectiveness of their marketing activities, as the Group continued to enhance its marketing management. Meanwhile, stock-checking of promotional items for designated periods was strengthened during marketing programmes and continuous monitoring was carried out to ensure the effectiveness of marketing activities.

During the Reporting Period, the Group launched a range of innovative marketing activities, such as the "Card Payment Surprises" in cooperation with banks. These initiatives gave customers more fun in shopping as they received concrete rewards for their purchases, and more consumer groups were attracted to our stores as a result, enhancing our sales and patronage.

Optimisation of suppliers

The Group continued to consolidate its resources in suppliers based on the requirements of store optimisation, such as store renovation and the adjustment of merchandise mix. During the Reporting Period, the Group solicited suppliers of import products and introduced import merchandise to certain stores in locations where high-end consumers featured prominently among regular shoppers. As well as contributing to a higher gross profit margin for merchandise and meeting the needs of such consumers, this move has also enhanced the Group's brand image and got positive response from consumers.

Direct sourcing of fruits and vegetables

During the Reporting Period, the Group continued to enlarge the scale of "farm-to-supermarket matching" (direct cooperation between supermarkets and manufacturers of farm products) with the launch of a range of initiatives in this area:

In July, the Group co-organised the "Farm-to-Supermarket Matching 2010" forum in Beijing with the Beijing Municipal Commission of Commerce and Beijing Municipal Commission of Rural Affairs, through which Beijing Daxing District Jingnong Vegetable Growing Cooperative Community was introduced to provide direct supply of fruits, vegetables and other farm products on the basis of long-term contracts. In August, the Group co-organised the "Ningxia Xishagua Melon Festival" with the Ningxia Government, during which the marketing concept of a seamless connection between supermarkets and agricultural production bases was strongly advocated and primitive ecological green melons were made available to Beijing consumers. In September, the Group co-organised the "First Hebei Vegetables and Fruits Festival" with the Hebei Provincial Government and the Beijing Government, whereby the Group cooperated with more than 20 counties and cities in Hebei to launch more than 40 types of select fruits and vegetables from these areas in over 100 stores of the Group in Beijing, leveraging their geographical proximity to Beijing for shorter time in transportation. Meanwhile, long-term supply agreements were signed with fruits and vegetables cooperative communities in 4 counties of Hebei Province.

Through a range of initiatives in "farm-to-supermarket matching", the Group continuously introduced farming products from renowned fruit and vegetable production bases throughout the nation. As direct fruit and vegetable sourcing was conducted in a larger scale, purchase costs were further reduced while fruits and vegetables were sold at our stores in greater freshness, which was most welcome by shoppers. The volume of fruits and vegetables sold by the Group in the Beijing Area during the Reporting Period increased by over 3,000 tonnes as compared to the same period of 2009.

WINBOX@SAP

An asset management system (AMS), developed by the WINBOX project team following renewed research and analysis, was successfully launched at the Group's head office and stores during the Reporting Period. By consolidating the acquisition, allocation, stock-taking and settlement of assets onto one single platform and securing seamless connection with the SAP management system, the AMS system ensured consistency between the record of amounts and the record of quantity for assets and reduced manual operations. It also strengthened control over the intake, acceptance and irregularities of assets, apart from providing centralised data entry. As the sole entry for the increase, allocation, obsoleting and settlement of assets, the

AMS system has simplified the asset management process. The implementation of this system represents the initial fulfillment of our objective of "systematised management and dynamic management control".

During the Reporting Period, the system for the automatic generation of accounting voucher was also launched. This system served as an information interchange platform between the business systems and the financial system of the Group and eliminated isolated information sets created by individual financial access systems. Through a standardised and defined format for accounting voucher, seamless information connection between various business systems and the financial system was achieved on the same system platform. Development and maintenance costs of the Group in connection with financial access for various information systems were significantly reduced, as the recording of new financial evidence can be achieved simply by adding and amending the configured information in the system.

Supply-chain optimisation

During the Reporting Period, the supply chain department continued to work on the transformation of the supply chain from a cost centre to a profit centre. Innovations in business models were introduced on a continuous basis, while more sellers were being solicited as principal suppliers. Business model innovation has contributed to the significant growth in the amount of distribution made by the distribution centre for the Reporting Period as compared to the same period of 2009.

During the Reporting Period, the North China Distribution Centre completed an overall upgrade in staff, technologies and processes, as it followed the principles of maintaining an advanced level of informatisation, sufficient amount of mechanisation and reasonable measure of automation, as well as driving each employee to become a supervisor in his/her own right. The automatic sorting machine was smoothly integrated into the conveyance line operating system, while the designed function of effective connection with electronic labels was also achieved. Efficiency of the dissembling and distribution operations at mini-marts continued to improve. Operating efficiency of full-container sorting was also enhanced, as optimisation of the radio frequency (RF) terminal functions continued and frontline operators mastered the new functions of RF. During the Reporting Period, the full implementation of RF operation throughout the entire process was achieved at the temperature-controlled warehouse of the North China Distribution Centre. Per capita efficiency was steadily improving during the Reporting Period as frontline operators geared up their mastery of systems and equipment.

Human resources development

We continued to implement a range of talent cultivation programmes during the Reporting Period. The Group organised 60 training sessions with a total of 2,075 participants, comprising 549 participants in ERP system upgrade training, 54 participants in the "centurion programme store manager training" and 660 participants in various types of management officer upgrade. Moreover, 90 college students were recruited in the "management trainee" programme and 722 employees enrolled in various other training programmes. To further improve the job skills and service standards of store personnel, the Group organised a "job skills grading appraisal" for store personnel during the Reporting Period. A total of 314 employees were awarded the qualifications of skilled worker or skilled personnel in varying grades to provide strong technical backing for the stores.

To meet the training needs arising from the rapid development of the enterprise, the Group commenced the "E-Learning" distant-learning platform in February this year. During the Reporting Period, soft operation of the "E-Learning" distant training system and online training programmes were completed. Full-scale online implementation is expected to be carried out in stages.

OUTLOOK

The market for consumer goods in China continued to fare well in steady growth with total retail sales of consumer goods reaching RMB11,102.9 billion for the first three quarters of 2010, representing a year-on-year growth of 18.3%, as the nation persisted in the strategic directive of increasing domestic demand with the implementation of relevant policies.

While operating in a relatively stable economic environment, the Group is well aware of potential challenges that might arise as it continues to face intense competition in the domestic retail chain industry. In this connection, we have further refined our store management and actively sought breakthroughs. The Group will complete its full budgeting for 2011 in the fourth quarter, while continuing to investigate best practices for professional management, so that we may sustain stable development on the back of enhanced core competitiveness and achieve the ultimate objective of maximising shareholders' value.

AUDIT COMMITTEE

The audit committee of the Company comprises the three independent non-executive Directors, Mr. Han Ying (chairman of the committee), Mr. Li Lu-an and Mr. Lu Jiang. During the Reporting Period, one audit committee meeting was held during which members of the audit committee reviewed the unaudited interim report for 2010 of the Group.

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

As at 30 September 2010, the interests of the Directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

	Number of domestic shares *(shares)*	Approximate percentage of total issued domestic share capital *(%)*	Approximate percentage of total issued share capital *(%)*	Type of interests held
Dr. Wu Jian-zhong *(Note 1)*	160,457,744	21.55	12.52	Interests of controlled corporation
Dr. Meng Jin-xian *(Note 2)*	48,251,528	6.48	3.77	Interests of controlled corporation

Note:

1. Dr. Wu Jian-zhong holds 70% of the share capital of Beijing Wangshang Shijie E-business Co., Ltd. ("Wangshang Shijie E-business"), one of the promoters of the Company, which has a direct interest in 160,457,744 domestic shares of the Company. By virtue of Part XV of the SFO, Dr. Wu Jian-zhong is deemed to be interested in the shares of the Company held by Wangshang Shijie E-business.

2. Dr. Meng Jin-xian holds 40% of the share capital of Beijing Junhe Investment Co., Ltd. ("Junhe Investment"), one of the promoters of the Company, which has a direct interest in the 23,269,228 domestic shares of the Company. Junhe Investment also holds 50% of the share capital of Beijing Hekang Youlian Technology Company Limited ("Hekang Youlian"), which has a direct interest in the 24,982,300 domestic shares of the Company. By virtue of Part XV of the SFO, Dr. Meng Jinxian is deemed to be interested in the shares of the Company held by Junhe Investment and Hekang Youlian.

Save as disclosed above, to the best knowledge of the Directors, as at 30 September 2010, none of the Directors, supervisors and chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

As at 30 September 2010, none of the Company, including its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangement which enabled the Directors or supervisors of the Company to acquire benefits by acquiring shares in, or debentures of, the Company.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 September 2010, the interests and/or short positions of persons, other than the Directors, supervisors and chief executives of the Company, who have interests and/or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the SFO are listed as follows:

Long positions in the Company's domestic shares

Name	Number of domestic shares *(shares)*	Approximate percentage of total issued domestic share capital *(%)*	Approximate percentage of total issued share capital *(%)*
Dr. Zhang Wen-zhong *(Note 1)*	497,932,928	66.86	38.86
Beijing Jingxi Guigu Technology Company Limited ("Jingxi Guigu") *(Note 1)*	497,932,928	66.86	38.86
Beijing CAST Technology Investment Company ("CAST Technology Investment") *(Note 1)*	497,932,928	66.86	38.86
Wumei Holdings Inc. ("Wumei Holdings") *(Note 2)*	497,932,928	66.86	38.86
Yinchuan Xinhua Department Store Company Limited ("Xinhua Department Store") *(Note 3)*	497,932,928	66.86	38.86
Wangshang Shijie E-business	160,457,744	21.55	12.52

Note:

1. Jingxi Guigu is owned as to 85% by Dr. Zhang Wen-zhong, and therefore Dr. Zhang Wen-zhong is entitled to control the exercise of one-third or more of the voting power at general meetings of Jingxi Guigu. CAST Technology Investment is owned as to 80% by Jingxi Guigu, and therefore Jingxi Guigu is entitled to control the exercise of one-third or more of the voting power at general meetings of CAST Technology Investment. Wumei Holdings is owned as to 70% by CAST Technology Investment, and therefore CAST Technology Investment is entitled to control the exercise of one-third or more of the voting power at general meetings of Wumei Holdings. Each of Dr. Zhang Wen-zhong, Jingxi Guigu and CAST Technology Investment is therefore deemed, by virtue of Part XV of the SFO, to be interested in the shares of the Company held by Wumei Holdings.

2. As at the date hereof, Xinhua Department Store is owned as to 29.27% by Wumei Holdings. Pursuant to the share transfer agreement (please refer to the Company's announcement on 24 July 2008) entered into between Wumei Holdings and Xinhua Department Store, Wumei Holdings will be entitled to control the exercise of one-third or more of the voting power at general meetings of Xinhua Department Store subsequent to the completion of the share transfer agreement. Accordingly, Wumei Holdings is deemed to be interested in the shares of the Company held by Xinhua Department Store subsequent to the completion of the share transfer agreement.

3. Pursuant to the share transfer agreement entered into between Wumei Holdings and Xinhua Department Store, approximately 66.86% of the domestic shares of the Company would be held by Xinhua Department Store directly. As the share transfer agreement is not yet completed, the percentage of domestic shares of the Company held by Xinhua Department Store is yet to be determined. On 16 January 2009, Xinhua Department Store announced that, due to uncertainties as a result of market changes, its board of directors was unable to issue the notice of a general meeting within six months of the first announcement of the board resolutions. Accordingly, pursuant to the "Regulations in Relation to Regulating Issues Arising from Material Assets Reorganisation of Listed Companies" (《關於規範上市公司重大資產重組若干問題的規定》) issued by the China Securities Regulatory Commission, Xinhua Department Store would re-convene a board meeting in due course to consider the aforesaid share issue and asset acquisition.

Long positions in the Company's H shares

Name	Number of H shares held (shares)	Approximate percentage of total issued H share capital (%)	Approximate percentage of total share capital (%)
JPMorgan Chase & Co. (Note 1)	112,198,873	20.91	8.76
Arisaig Asia Consumer Fund Limited (Note 2)	65,978,000	12.3	5.15
Arisaig Partners (Mauritius) Limited (Note 3)	65,978,000	12.3	5.15
Cooper Lindsay William Ernest (Note 4)	65,978,000	12.3	5.15
T. Rowe Price Associates, Inc. and its affiliates (Note 5)	54,056,000	10.07	4.22
Invesco Hong Kong Limited (as manager/advisor of various accounts) (Note 6)	41,954,000	7.82	3.27
The Capital Group Companies, Inc. (Note 7)	35,512,484	6.62	2.77
Artio Global Management LLC (Note 8)	32,616,300	6.08	2.55

Note:

1. Including 806,000 H shares held by JPMorgan Chase & Co. as a beneficial owner, 49,674,000 H shares held in its capacity as an investment manager and 61,718,873 H shares as a trustee company/approved lending agent.

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

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

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

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

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

7. These 35,512,484 H shares are held by The Capital Group Companies, Inc. in its capacity as an investment manager.

8. These 32,616,300 H shares are held by Artio Global Management LLC in its capacity as an investment manager.

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

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

CORPORATE GOVERNANCE

During the Reporting Period, the Company has complied with all the code provisions of the Code on Corporate Governance Practices set out in the Appendix 15 to the GEM Listing Rules and has adopted the recommended best practices where appropriate.

COMPETING INTERESTS

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

The Group expands its supermarket chain business mainly in Beijing, Zhejiang and Tianjin. The Company entered into the Non-competition Agreement and the Trademark Licensing Agreement with Wumei Holdings on 29 October 2003, and Entrusted Operation and Management Agreements with Wumei Holdings and Tianjin Affiliates *(Note)* on 24 October 2007, with a view to avoiding business competition with Wumei Holdings. Wumei Holdings has operated in strict compliance with the Non-competition Agreement and Entrusted Operation and Management Agreements in order to avoid business competition with the Group to the fullest extent.

Save and except for the competing businesses disclosed above, the Board is not aware that Wumei Holdings was engaged in any direct or indirect competition against the Group, nor did it have any interests.

Note:

Tianjin Affiliates include: Tianjin Hedong Wumart Trading Co., Ltd., Tianjin Hebei Wumart Convenience Stores Co., Ltd., Tianjin Hezuo Wumart Trading Co., Ltd., Tianjin Nankai Shidai Wumart Commerce Co., Ltd., Tianjin Hongqiao Wumart Convenience Stores Co., Ltd. and Tianjin Wumart Huaxu Commerce Development Co., Ltd.

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

Beijing, the PRC
2 November 2010