ChainTek United
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China Chaintek United Co., Ltd.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2012

Overview

China Chaintek United Co., Ltd. ("China Chaintek", the "Company" or the "Group") is one of the largest logistics distribution providers for sports shoe and apparel manufacturers in the People's Republic of China (the "PRC" or "China"). China Chaintek has over 20 years of experience in the logistics industry and to grow has employed an asset-light model. China Chaintek provides a wide distribution network to over 50 major cities in the PRC and has excellent and long-standing relationships with manufacturers and transportation agencies. Efficiencies are achieved for both transportation agencies and manufacturers by consolidating the goods of several manufacturers to be delivered to similar destinations at the same time, thereby increasing the loading rate on the trucks of the transportation agencies and reducing the per unit transportation cost.

The Group's customers are principally drawn from sports shoes and apparel manufacturers, as well as food producers and manufacturers of building materials. China Chaintek has 289 customers and, out of the top 10 customers by turnover, six are listed on one or other of the stock exchanges of the PRC, Hong Kong, Malaysia, Singapore and the USA.

China Chaintek also launched inventory solutions services in 2010 to provide to its customers outsourced inventory storage and management services, including sorting, packing, labelling and short term storage. China Chaintek's expertise in logistics management enables the Company to provide outsourced inventory management solutions to its customers at a lower cost than if customers were to carry out these activities in-house.

Incorporated in the Cayman Islands with registered number 254843

Highlights

- Successful admission to AIM in August 2012, raising £7.5 million under the symbol CTEK.
- Revenue up 29.6% to RMB340.6 million (2011: RMB262.7 million).
- Profit before tax up 27.0% to RMB253.5 million (2011: RMB199.6 million).
- Operating profit margin 74.4% (2011: 76.0%).
- Cash position of RMB342.7 million (2011: RMB97.7 million).
- The Group received a Government grant of RMB1.55 million, giving further validation of the Government's endorsement of both China Chaintek and the wider logistics industry.

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Chairman's Statement

Dear Shareholder

It is with pleasure that I present to you the report and consolidated financial statements of China Chaintek United Co., Ltd. for the year ended 31 December 2012, the first since China Chaintek was admitted to trading on the AIM market of the London Stock Exchange in August 2012.

Performance

Despite a general slow-down in growth in the PRC during 2012, the Group, whose business is to provide domestic logistics services to Chinese manufacturers of light goods, achieved robust growth with revenues and profit before tax exceeding the Board's expectations. Group revenues during the year increased by 30% to RMB340.6 million (2011: RMB262.7 million) and profit before tax was up by 27% to RMB253.5 million over the same period from RMB199.6 million. The Group's well-established Logistics Services Division contributed an increase of approximately RMB54.0 million to Group profit before tax year-on-year, and the more recently established Inventory Solutions Division, now into its second full year, almost doubled its revenue from RMB24.0 million in 2011 to RMB46.8 million in 2012.

Headquartered in Jinjiang City, the PRC's light manufacturing heartland in Fujian Province, and one of the fastest growing metropolises in the PRC, the Group's core Logistics Services Division is successfully diversifying from a heavy dependence on a customer base of shoe and apparel manufacturers (79% in 2011 and 71% in 2012) into the food and building materials industries, for which Fujian is also renowned. These latter industries now comprise 19% of Group revenues. The growth of the Inventory Solutions business has also been an encouraging development in the drive by the Company for greater diversification. Together with growth in Group revenues, there has been a strong growth in the Group's cash position, which reached RMB342.7 million as at 31 December 2012 (2011: RMB97.7 million).

The Group stated at the time of IPO that it intended to seek debt financing to complete the funding of a new logistics park, and investment in developing the Group's IT systems. Following the IPO, the Group has sought further funding from a number of banking institutions in the PRC and, in March 2013, the Group arranged a bank loan facility of RMB50 million. The coupon payable on the facility will be determined at the time of drawdown (but would be about 6.8%, based upon current rates) and is repayable one year after the drawdown. It has been provided by Bank of China and will be used to provide additional working capital for the Group.

Admission to Trading on AIM

China Chaintek was admitted to trading on AIM on 20 August 2012, raising £7.5 million gross upon admission through the placing of approximately 4.7 million new Ordinary Shares at a price of 160p per share. China Chaintek's management retained a majority shareholding after the placing and they have agreed to a 12 month lock-in. At close of business on 27 March 2012, being the last practicable date prior to this publication, China Chaintek's shares traded at a price of 236.50p, a premium of 48% to the IPO placing price.

Dividend Policy

As stated in the Group's Admission Document at the time of IPO, the Directors do not intend to pay a dividend for the financial year ended in 2012, as retained earnings are to be deployed in growing the Group's businesses through the construction of new facilities. However, the Board does intend that the Group shall pay cash dividends to Shareholders in the future when it is able and appropriate to do so.

Board Governance

On admission to AIM, the Group set out to achieve a careful balance on the Board between the Executive Management and the independent Non-Executive Directors tasked with assisting the Group to maintain standards of transparency and good governance for the benefit of all its Shareholders. The Board is working well in accordance with these ideals; regular contact is maintained, and a schedule of regular Board meetings has been established. An AIM Committee of the independent Directors has been inaugurated to monitor the Company's compliance performance; regular liaison is maintained between the Audit Committee and the Group's Auditors and the Nomination and Remuneration Committees will review annually the scope, cost and quality of services being provided by the various service providers to the Group.

Outlook

There is mounting evidence that the PRC is moving from the bottom of a U-shaped business cycle, and manufacturing activity is increasing in line with a rebalancing of the economy from investment to consumption, thereby providing a sustainable model for growth. China Chaintek is expected to benefit from this trend, diversifying its customer base at a time when experienced logistics providers and inventory managers are increasingly required by suppliers of light manufactured goods. The market is currently fragmented, with no dominant parties, but this is likely to evolve and your Group is gearing itself to meet the challenges of this trend. We look forward to a further year of sustainable growth.

I would like to thank all management and staff for their continuing diligent and energetic hard work. Thank you all.

William Knight
Chairman

28 March 2013

Chief Executive's Review

I am pleased to report that China Chaintek has made significant operational and financial progress during the past financial year. We have achieved the goals we set for ourselves at the beginning of last year, including the admission to trading on AIM, and have delivered another year of sound organic growth by providing first class services in both logistics and inventory solutions to our customers. Group revenues of RMB340.6 million and profit before tax of RMB253.5 million, both of which have grown consistently year on year, are testaments to the strength of the Group. The Group continues to be highly cash-generative, resulting in a cash position at year end of RMB342.7 million (2011: RMB 97.7 million).

The strong performance of the Group has been delivered by focusing on its strengths and pursuing its strategy for organic growth for its core business in logistics services. This has been achieved by targeting new customers and also continuing to develop its existing large-scale, long-term relationships by providing a full range of high quality service offerings. In addition, the launch in 2010 of our Inventory Solutions Division has enabled our customers to reduce their overall logistics and warehousing costs and, importantly, assist in retaining and strengthening the Group's relationships with customers.

Logistics Services Division

This division achieved full year revenues of RMB293.8 million, an increase of 23% over the previous year. Significant progress has been made in diversifying the customer base into new sectors, such as food and building materials. The new sectors accounted for 19% of the division's revenues. The net margin has been increased from 89% to 90% in 2012. The Group has identified other sectors into which to expand and also expects to benefit from increasing revenues from existing sectors.

Overall Chinese Logistics Market

The PRC is the second largest economy in the world with a GDP in 2012 of approximately RMB51.9 trillion. It is expected that the PRC will remain as the world's second largest economy for the near future, with some commentators expecting that the PRC could overtake the USA as the world's largest economy by 2020.

The PRC is also undergoing a structural economic shift from an economy fuelled by exports to one of investment and internal consumption. The rapid growth of domestic income in the PRC is driving consumption, especially in respect of food, consumer goods and health care. Such economic adjustments continue to increase demand for logistics services in the PRC. Logistics costs are relatively high in the PRC where they were estimated to represent approximately 18% of GDP in 2010, compared to less than 10% of GDP in Europe and the USA in the same year.

The logistics market can be broadly divided into three categories, namely first party logistics, second party logistics and third party logistics (1PL, 2PL and 3PL). 1PL means logistic functions are carried out internally by a group, and 2PL is the actual carrier and operator of a particular logistics service, for example DHL. 3PL describes logistics businesses like China Chaintek, which provide freight forwarding services and which offer integrated solutions as well as subcontracted logistics and transportation services.

The size of the Chinese domestic logistics market as a whole is expected to double during the period of the PRC's "twelfth five-year plan", which ends in 2015. The continuing development of the PRC's logistics sector and the increase in operational efficiency is likely to further support and expedite the PRC's economic development. The logistics industry has become a growth driver for national economic development and is supported at Government level.

In a Chinese Government White Paper Plan of Adjustment and Revitalization of the Chinese Logistic Industry, published in 2009, the logistics industry was the only service industry listed in Government supported projects. Further, in August 2011, the State Council, or the PRC's cabinet, issued new guidelines to promote the development of the country's logistics industry. These guidelines include reduced taxation and land policies geared towards logistics enterprises.

Jinjiang City Logistics Market

Low market concentration is a key characteristic of the Chinese logistics market. There are more than 700,000 logistics companies in the PRC and none has a market share over 2% of the total Chinese logistics market. This is in contrast, for example, to the USA, where the top eleven logistics companies accounted for approximately 66% of the USA logistics market.

Number of Customers

The fall in customer numbers in 2012 to 289, from 309 in 2011, was due to China Chaintek having fewer smaller individual customers. However, there was a significant increase in the sales of bigger customers in 2012.

Since the beginning of 2013, China Chaintek has continued to win new business in both the logistics service and inventory solutions segments. To date, a total of eight new customers have been added, with seven in the logistics service business in Jinjiang City, covering the sectors of food, building material and automobile parts, and one in the inventory solutions business in the shoes sector in a regional distribution centre ("RDC") in Guangzhou.

Breakdown of Customers/Customer Concentration

The Group has continued to diversify its customer base, particularly into the food and building materials industries which now comprise 19% of total revenue (11% in 2011). The division continues to reduce its reliance on shoes and apparel, which comprised 72% of revenue in 2012 (79% in 2011). The rest of the customers (i.e. bathroom products (bathtubs, basins and toilets), toys, outdoor recreational equipment and metal hardware) are relatively insignificant (about 10%).

Inventory Solutions Division

This division is focused on providing outsourced inventory storage and management services including sorting, packing, labelling and short term storage. The division achieved revenues of RMB46.8 million, an increase of 95% over the previous year. The division now accounts for 14% of Group revenues and, since its establishment in 2010, continues to grow in line with our strategy and expectations. Net margins have been increased from 27% to 47% in 2012.

The number of customers of the division remained unchanged (at five) in 2012, but the Group sees significant scope for growing the revenues of this division, which is explained under the Overall Group Strategy below.

Overall Group Strategy

In addition to a robust operational and financial performance, the Group also completed a significant corporate milestone by successfully listing on the AIM market of the London Stock Exchange in August 2012.

China Chaintek plans to build a new logistics park, including a larger CDC, open more RDCs in more regions and to continue developing its IT systems to strengthen its leading position in both logistics services and inventory solutions markets. China Chaintek is continuing to explore a number of strategies in order to seek avenues of financing available to complete the Group's capital project, but the Group is confident that the business can continue to grow with its existing facilities.

In March 2013, the Group arranged a bank loan facility of RMB50 million. The coupon payable on the facility will be determined at the time of drawdown (but would be about 6.8%, based upon current rates) and is repayable one year after the drawdown. It has been provided by Bank of China and will be used to provide additional working capital for the Group.

Our management team has worked incredibly hard and performed exceptionally well to achieve this growth during the year and I would like to thank them for their commitment and efforts, without which we would not have been able to deliver such high quality, value added services for our customers.

Meijin Xu

Chief Executive Officer

28 March 2013

Board of Directors

Mr Christopher William Knight

Independent Non-Executive Chairman

William Knight, the Chairman of the Group, is also chairman of JP Morgan Chinese Investment Trust Plc, a London listed investment trust, and of Abingwoth Bio Ventures II, a Luxembourg domiciled early-stage life science investment company. His current board positions include Fidelity Asian Values Trust Plc, Ceylon Guardian Investment Trust Plc, Axis Fiduciary and Smith Tan Phoenix Asia Fund.

Mr Knight originally specialised in project finance at Lazard Brothers. He then held senior positions in the Lloyds Bank group, based in London, Portugal and Hong Kong, where he was the managing director for the group's merchant banking activities across Asia. In recent years he has held a wide range of non-executive positions as an independent director or adviser based in London for investment-oriented companies. He is a co-founder of Emerisque Brands, an East/West management buy-in company, and he is a senior member of the advisory board of Homestrings LLP, an investment platform for the world's Diaspora.

Mr Shufang Zhuang

Executive Director

Shufang Zhuang is an Executive Director and the co-founder of the Group. He is responsible for the overall strategic planning and direction of the Group. Before founding the Group, Shufang Zhuang established Xingtai Freight Station (an unincorporated company), which was subsequently converted to the Group. Shufang Zhuang has approximately 20 years of business development experience in the PRC, principally in the logistics industry. Shufang Zhuang is the husband of Meijin Xu and brother in law to Liangyi Xu.

Mrs Meijin Xu

Executive Director

Meijin Xu is the Chief Executive Officer and has been managing the Group since its incorporation. She acted as a general manager of Xingtai Freight Station before the establishment of the Group. Together with Shufang Zhuang and Liangyi Xu, Meijin Xu led the Xingtai Freight Station, which was subsequently converted to the Group, which has become a large logistics company providing logistic support services to domestic sports shoes and apparel in Jinjiang City. Meijin Xu has nearly 20 years' experience in the logistics industry. Mrs Xu is the wife of Mr Zhuang and the sister of Liangyi Xu.

Mr "Derrick" Sze Hau Wong

Chief Financial Officer

Derrick Wong, CPA Australia member, was appointed as the Chief Financial Officer and Executive Director of the Group in November 2011, specifically in anticipation of Admission. He has worked in a public accounting firm for nine years holding several managerial positions. Mr Wong's experience and exposure ranges from small and medium sized companies, multinational companies and listed companies.

Mr Penghua Wu

Independent Non-Executive Director

Penghua Wu graduated from Anhui University of Technology. His prior experience includes serving as a logistics professional for both domestic and multinational companies and he has significant practical experience in the Chinese logistics industry. He is an associate professor of logistics management at Xiamen Huaxia College and has issued many papers in some of the most reputable academic journals in the PRC. He is also a senior researcher at China Society of Logistics, a government think tank of the logistics industry. Mr Wu joined the Group as a Non-Executive Director in 2011. Mr Wu has 20 years of experience in the logistics industry.

Mr Stuart Christopher Lane

Independent Non-Executive Director

Stuart Lane is an experienced financial adviser with an established reputation for advising the boards of quoted and private companies. Mr Lane has been lead adviser to the board of many successful IPOs and other transactions. Over recent years, he has gained extensive experience with Asian and particularly Chinese companies. After graduating from Edinburgh University, he was a Captain in the British Army and subsequently served as Principal Private Secretary to a number of Cabinet and other Ministers within the British Government.

He has worked in the City of London for 25 years holding senior executive and director positions at Cazenove & Co., Beeson Gregory Limited, Collins Stewart Limited, Seymour Pierce Limited and Northland Capital Partners Limited.

Senior Management

Mr Liangyi Xu

Chief Operating Officer

Liangyi Xu is the Chief Operating Officer of the Group. He is also a director of the China Federation of Logistic & Purchasing. Liangyi Xu worked for Xingtai Freight Station before the establishment of Xingtai Logistics. He has nearly 20 years' experience in the logistics industry. Mr Xu is the brother of Mrs Xu and the brother-in-law of Mr Zhuang.

Mr Jiaqing Wang

Board Secretary

Jiaqing Wang was appointed as the company secretary in January 2007. Mr Wang graduated from Fuzhou University in 2002 and has a major in material science and engineering. Mr Wang has worked for a Hong Kong-based manufacturer, trader and service provider company for the last five years holding an assistant senior consultant position. Mr Wang has previously worked for garments, textiles & accessories companies.

Mr "Frank" Hui Chang Wang

Chief IT Officer

Frank Wang was appointed as the Chief IT Officer of the Group in July 2011. His main job responsibilities are IT planning and strategy and Lead of the IT Setup. He has worked in a 3PL logistics company in Asia for five years holding a project manager position. He has experience and exposure in different logistics projects, which are involved in the following industries: manufacturing, fashion, electronics, chemical, auto, trading and e-Commerce.

Mr Qinglin Zeng

Chief Warehouse Officer

Qinglin Zeng was appointed as the Chief Warehouse Officer of the Group in July 2012. His main job responsibilities are warehouse management and control in the inventory solutions department. He has more than 10 years working experience and exposure in logistics and warehouse departments of shoes and apparel companies holding senior management positions.

Mr Qingsheng Zeng

Chief Transportation Officer

Qingsheng Zeng was appointed as the Chief Transportation Officer of the Group in September 2012. His main job responsibilities are logistics management, planning and supply chain management in the logistics department. He has worked in a 3PL logistics company for more than five years holding a senior management position.

Report of the Directors

The Directors present their report and consolidated financial statements for the year ended 31 December 2012.

Principal Activity

Shufang Zhuang and Meijin Xu founded the Group's operating subsidiary Xingtai Logistics in 2000, principally to provide domestic logistics services to fast moving consumer goods manufacturers in Jinjiang City, Fujian Province. The Group is now one of the largest providers of logistics services to domestic sports shoes and apparel manufacturers in the PRC.

The Group's main business operation is located at Jinjiang City, Fujian Province. Jinjiang City is a key manufacturing region in the PRC for sports shoes and apparel in the PRC. Manufacturers in Jinjiang City account for approximately 70% of the entire production volume of sports shoes and apparel in the PRC.

The Group has a long-standing customer base of over 60 manufacturers based in Fujian Province and six of its top ten customers by revenue are listed on one or other of the stock exchanges of the PRC, Hong Kong, Malaysia, Singapore and the USA.

The Group has two business divisions:

Logistics Services Division

This division is focused on providing logistics connections between the Group's manufacturer customer base and their retail markets in the PRC using a network of eight independent transport agents. Efficiencies are achieved for both the transport agents and the manufacturers by consolidating the goods of several manufacturers to be delivered to similar destinations at the same time, thereby increasing the loading rate on the transport agents' trucks and reducing the per unit transportation cost.

Inventory Solutions Division

This division is focused on providing outsourced inventory storage and management services including sorting, packing, labelling and short term storage. This Inventory Solutions Division was launched in 2010, as the Directors perceived a demand from the Group's existing customers for the provision of the above services, which would otherwise be conducted in-house by manufacturers. Manufacturers in the PRC acknowledge that managing logistics and warehousing continues to be not only a complex, but also a relatively costly, part of operations. Performance can also be hampered by the availability of experienced staff, especially at a managerial level with increasing wages. As a result, the Directors believe these services will reduce warehousing costs of the manufacturers and will assist in retaining excellent relationships with the Group's key customers.

Results

Group revenues during the year increased by 30% to RMB340.6 million (2011: RMB262.7 million) and profit before tax was up by 27% to RMB253.5 million over the same period from RMB199.6 million. The Group's well-established Logistics Services Division contributed an increase of approximately RMB54.0 million to Group profit before tax year-on-year, and the more recently established Inventory Solutions Division, now into its second full year, almost doubled its revenue from RMB24.0 million in 2011 to RMB46.8 million in 2012.

The net assets in the year increased from RMB284.3 million at 31 December 2011 to RMB560.8 million at 31 December 2012. The increase was partly due to the RMB75.1 million net proceeds received from the issue of shares upon the Initial Public Offering but mainly due to the RMB186.6 million generated from the Group's earnings.

Dividend Policy

As stated in the Group's Admission Document, the Directors do not intend to pay a dividend for the financial year ending in 2012 (2011: nil), as retained earnings are to be deployed in growing the Group's businesses through the construction of new facilities. However, the Board does intend that the Group shall pay cash dividends in the future when it is able and appropriate to do so.

Admission to Trading on AIM

China Chaintek was admitted to trading on AIM on 20 August 2012, raising £7.5 million gross upon admission through the placing of approximately 4.7 million new Ordinary Shares at a price of 160p per share. China Chaintek's management retained a majority shareholding after the placing and they have agreed to a 12 month lock-in.

Lock-in Agreements

On Admission, the Executive Directors were interested, in aggregate, in 37,000,000 Ordinary Shares, representing 67.64% of the share capital at 31 December 2012. Each of the Executive Directors has agreed:

- not to dispose of any Ordinary Shares in which he/she is directly or indirectly interested for a period commencing at Admission and ending on the later of three months after the publication of the Group's report and consolidated financial statements for the year ended 31 December 2012 and the first anniversary of Admission (except in certain limited circumstances); and
- for a further period of 12 months thereafter to deal in their Ordinary Shares only through the Joint Brokers and subject to maintaining an orderly market.

Review of Business and Future Developments

Trading since the Group's admission to AIM in August 2012 has exceeded management's expectations and the Board feels that the Group is in a position to capitalise on the market opportunities. Details can be found in the Chairman's Statement and Chief Executive's Review.

Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of Admission and are, or may be, material:

- On 14 August 2012, the Group entered into an ongoing nomad agreement with ZAI Corporate Finance Limited ("ZAI"), whereby ZAI agreed to act as Nominated Adviser to the Group for an annual fee of £35,000. The agreement contains certain indemnities given by the Group to ZAI.
- On 14 August 2012, the Group entered into an ongoing broker agreement with ZAI, whereby ZAI agreed to act as Joint Broker to the Group for an annual fee of £1. The agreement contains certain indemnities given by the Group to ZAI.
- On 3 April 2012, the Group entered into a letter of engagement with Liberum Capital Limited ("Liberum") whereby Liberum agreed to act as financial adviser and Joint Broker to the Group. Under the terms of this letter of engagement, the Group shall pay a fee of £25,000 per annum to Liberum until such time as the letter of engagement is terminated.
- On 14 August 2012, the Group, ZAI, Liberum and the Controlling Shareholders (being Shufang Zhuang and Meijin Xu (together with Odylink Limited and Golden Plan Development Limited, being companies wholly owned by Shufang Zhuang and Meijin Xu, respectively)) entered into the Relationship Agreement in order to regulate the ongoing relationship between the Group and the Controlling Shareholders. The principal purpose of the Relationship Agreement is to ensure that the Group is capable of carrying on its business independently of the Controlling Shareholders and that transactions and relationships with the Controlling Shareholders are at arm's length and on normal commercial terms.

  The Relationship Agreement will continue for so long as the Ordinary Shares are admitted to trading on AIM and for so long as any of the Controlling Shareholders owns or controls more than 20% of the voting rights of the Group.

  The Controlling Shareholders have agreed to conduct all transactions with any member of the Group on arm's length and commercial terms and not to exercise their voting rights to amend the China Chaintek's Articles in a way which would be inconsistent with the terms of the Relationship Agreement or which would result in a breach of the Relationship Agreement.

Report of the Directors (continued)

In addition, the Controlling Shareholders have also undertaken that they shall not operate, carry on or be engaged, employed, concerned or interested in any business in the PRC which is in competition with, or is likely to be in competition with the business of the Group.

- Warrant instruments have been executed by the Group to give effect to the issue of Warrants to certain advisers and investors. Pursuant to the Warrants, certain advisers and investors have been issued Warrants to subscribe for an aggregate of 1,685,350 Ordinary Shares. The Warrants are exercisable at any time from Admission for a period of five years (save in the case of those issued to Riemann Investment Holdings Limited (a financial adviser to the Group during the IPO), which shall be exercisable during a three year period) from Admission at £1.60 per share.

  The Ordinary Shares to be allotted and issued on the exercise of any or all of the Warrants will rank for all dividends and other distributions declared after the date of the allotment of such shares but not before such date and otherwise *pari passu* in all respects with the Ordinary Shares in issue on the date of such exercise allotment.

  The Warrants contain provisions for appropriate adjustment of the number of Ordinary Shares issued on the exercise of the Warrants and the subscription price upon a capitalisation of reserves, on sub-division or consolidation or reduction of the share capital of the Group.

  The rights attaching to the Warrants may be altered with the prior written consent of the Group and the Warrant holders entitled to subscribe for 100% of the Ordinary Shares, subject to unexercised Warrants.

- On 28 November 2011, and effective from 16 November 2011, Xingtai Logistics entered into a contract with Quanzhou Septwolves Sports Co Limited for a period of two years to 15 November 2013. Under the terms of this agreement, Xingtai Logistics provides logistics services at the Jinjiang City warehouse, including warehouse leasing, storage management, loading and unloading, replacement of brands and related processing services and stocktaking. Under the terms of the agreement, Xingtai Logistics charges RMB0.86 per item of clothing, RMB0.86 per pair of shoes and RMB0.76 per accessory.

- On 1 October 2010, Xingtai Logistics entered into a contract with Quanzhou Septwolves Sports Co Limited for a period of two years to 30 September 2012. Under the terms of this agreement, Xingtai Logistics provided logistics services at the Hangzhou warehouse, including warehouse leasing, storage management, loading and unloading, replacement of brands and related processing services and stocktaking. Under the terms of the agreement, Xingtai Logistics charged RMB2.58 per item of clothing, RMB2.18 per pair of shoes and RMB1.15 per accessory.

- On 1 September 2011, Xingtai Logistics entered into a contract with Quanzhou Septwolves Sports Co Limited for a period of three years to 31 August 2014. Under the terms of this agreement, Xingtai Logistics provides logistics services at the Guangzhou warehouse, including warehouse leasing, storage management, loading and unloading, replacement of brands and related processing services and stocktaking. Under the terms of the agreement, Xingtai Logistics charges RMB2.58 per item of clothing, RMB2.18 per pair of shoes and RMB1.15 per accessory.

- On 1 September 2011, Xingtai Logistics entered into a contract with Xtep (China) Co Ltd for a period of one year to 31 August 2012. Under the terms of this agreement, Xingtai Logistics provided logistics services at the Fujian Province warehouse, including warehouse leasing, storage management, loading and unloading, replacement of brands and related processing services and stocktaking. Under the terms of the agreement, Xingtai Logistics charged RMB2.18 item of clothing, RMB2.58 per pair of shoes and RMB1.15 per accessory and all charges are inclusive of tax.

"We enter 2013 with a RMB343 million cash position, healthy operational cash flows, and are well positioned to benefit from the Chinese economy's increasing need for domestic logistics services."

Report of the Directors (continued)

- On 24 June 2011, Xingtai Logistics entered into a construction work contract with Fujian Xin Quan Construction Engineering Co. Ltd. for the construction of a new warehouse on Cizao Dagongshan Land Lot for a total space of 23,886m^2. Under the terms of the agreement, the total purchase price was RMB47,772,000 and the purchase price is payable in four instalments. The first instalment was for 30% of the overall contract sum or RMB15,000,000 and was payable after passing the completion inspection of piling and foundation works. The second instalment of 40% of the total contract sum was payable after the inspection and acceptance of the installation of steel structure works. The third instalment was for 20% of the total contract sum and is payable after the completion of the installation of craned blocks. The final instalment of the outstanding sum of the total contract sum is payable within 30 days of passing the completion inspection of the completed works. Xingtai Logistics has currently paid the first three instalments, being a total of RMB47,772,000.

- On 1 October 2010, Xingtai Logistics entered into a warehouse management software development contract with Xiamen Kinnsoft Co. Ltd. and on 6 February 2012, Xingtai Logistics entered into a supplementary agreement with Xiamen Xiomsoft Co. Ltd. (the "**Xiamen Agreements**"). Under the terms of the Xiamen Agreements, Xingtai Logistics has paid a one off payment of RMB1,800,000 to Xiamen Xiomsoft Co. Ltd. and Xingtai Logistics shall permanently be entitled to use the warehouse management software without any further payment.

- On 24 May 2011, Xingtai Logistics entered into a land use right ("LUR") contract with Jinjiang Municipal Bureau of Land and Resources for a LUR at Cizao Dagongshan Industrial Port for a total space of 24,200m^2.

  The LUR fee was RMB21,780,000 plus RMB653,000 tax which has been fully paid and the LUR certificate was issued on 29 June 2011 and expires on 23 June 2061.

- On 18 June 2010, Xingtai Logistics entered into a letter of intent with the People's Government of Cizao Town, Jinjiang City for purchasing a LUR on a piece of land of approximately 145,600m^2. The LUR fee was RMB273,000,000 in total and on 6 March 2013 a LUR Certificate was granted. RMB133,900,000 has been paid to date and the remainder will need to be paid by September 2013. Xingtai Logistics entered into a supplemental agreement to this letter of intent on 23 February 2012 and signed the final agreement on 6 March 2013.

- On 14 August 2012, the Group and Computershare Investor Services PLC (the "Depository") entered into an agreement for the provision of depositary services and custody services (the "Depositary Agreement"), pursuant to which the Group appointed the Depositary to act as depositary and custodian in respect of the Depositary Interests and to provide the services set out in the Depositary Agreement. In consideration of the services to be provided, the Group has agreed to pay the Depositary an annual fee of £8,000. The Depositary's maximum liability under the Depositary Agreement in respect of any twelve month period is capped at an amount equal to twice the Depositary's fees earned in that twelve month period. The parties are required under the Depositary Agreement to indemnify each other in certain circumstances.

  Subject to earlier termination, the appointment of the Depositary is for a fixed term of one year and thereafter until terminated by either party giving to the other not less than three months' notice.

- On 14 August 2012, the Group and Computershare Investor Services (Cayman) Limited (the "Registrar") entered into a registrar's agreement (the "Registrar's Agreement"), pursuant to which the Group appointed the Registrar to act as its registrar and to provide the services set out in the Registrar's Agreement.

  In consideration for the services to be provided, the Group has agreed to pay the Registrar a fixed annual fee of £5,500.

  The Registrar's maximum liability under the Registrar's Agreement in respect of any twelve month period is capped at an amount equal to twice the Registrar's fees earned in that twelve month period.

  The parties are required under the Registrar's Agreement to indemnify each other in certain circumstances.

  Subject to earlier termination, the Registrar's Agreement is for a fixed term of three years and thereafter until terminated by the Group giving to the Registrar not less than six months' notice, such notice not to expire prior to the third anniversary of Admission.

- Xingtai Logistics entered into a contract with Jinjiang Zhong Ruan Computer & Technology Co., Ltd ("Zhong Ruan") for the provision of a logistics system software providing such functions as system management, agencies management, routing management and track and trace. The contract has been misplaced but on 26 March 2012, Zhong Ruan signed a confirmation letter that Xingtai Logistics has fully fulfilled all obligations under the agreement and Xingtai Logistics is exclusively entitled to use the logistics system software.

Directors

The present members of the Board are listed on page 6. Shufang Zhuang, Meijin Xu and Derrick Wong served as Directors throughout the year under review. William Knight, Penghua Wu and Stuart Lane, all of whom are independent Non-Executive Directors, were appointed as Directors on 14 August 2012.

At 31 December 2012 and at the date of signing this report, the Directors' interests in the Ordinary Shares of the Group were as follows:

	Ordinary Shares
William Knight	3,500
Shufang Zhuang (held via Odylink Limited)	19,000,000
Meijin Xu (held via Golden Plan Development Limited)	18,000,000

Shufang Zhuang and Meijin Xu are subject to a Lock-in Agreement, details of which are disclosed above.

Directors' Remuneration

The Group has entered into the following service agreements and letters of appointment:

- On 14 August 2012, Shufang Zhuang entered into a service agreement with the Group for an initial term of two years, the terms of which were conditional upon Admission. Shufang Zhuang has agreed to act as an Executive Director of the Group for a salary of RMB360,000 per annum. The appointment is terminable on six months' notice by either party.
- On 14 August 2012, Meijin Xu entered into a service agreement with the Group for an initial term of two years, the terms of which were conditional upon Admission. Meijin Xu has agreed to act as an Executive Director and Chief Executive Officer of the Group for a salary of RMB336,000 per annum. The appointment is terminable on six months' notice by either party.
- On 14 August 2012, Derrick Wong entered into a service agreement with the Group for an initial term of two years, the terms of which were conditional upon Admission. Derrick Wong has agreed to act as the Finance Director and Chief Financial Officer of the Group for a salary of RMB558,000 per annum. The appointment is terminable on six months' notice by either party.
- On 14 August 2012, Penghua Wu entered into a letter of appointment with the Group on a non-fixed term basis but with the intention that the appointment shall be for an initial term of three years, the terms of which were conditional upon Admission. Penghua Wu has agreed to act as a Non-Executive Director of the Group for a fee of RMB30,000 per annum. The appointment is terminable on three months' notice by either party.
- On 14 August 2012, Stuart Christopher Lane entered into a letter of appointment with the Group on a non-fixed term basis but with the intention that the appointment shall be for an initial term of three years, the terms of which were conditional upon Admission. Stuart Lane has agreed to act as a Non-Executive Director of the Group for a fee of RMB300,000 per annum. The appointment is terminable on three months' notice by either party.
- On 14 August 2012, William Knight entered into a letter of appointment with the Group on a non-fixed term basis but with the intention that the appointment shall be for an initial term of three years, the terms of which are conditional upon Admission. William Knight has agreed to act as the Non-Executive Chairman of the Group for a fee of RMB500,000 per annum. The appointment is terminable on three months' notice by either party.

Report of the Directors (continued)

The Directors' remuneration for the year ended 31 December 2012 was:

	RMB
William Knight	161,297
Shufang Zhuang	412,054
Meijin Xu	386,054
Derrick Wong	511,060
Penghua Wu	10,000
Stuart Lane	100,810

There are no further cash payments or benefits provided to Directors.

Related Party Transactions

On 20 March 2011, Meijin Xu granted a personal loan to Chaintek HK to provide working capital for Chaintek HK. The loan was unsecured, interest free and repayable on demand, but was not documented. As at 31 December 2011, the outstanding amount on the loan was RMB12,140,684. On 23 April 2012, Meijin Xu waived all rights to repayment of part of the loan, being an amount of RMB9,871,692 (USD$1,559,775) and released and discharged Chaintek HK from any and all obligations that it may have in respect of such amount of such loan as at 23 April 2012 and at any time in the future.

On 14 August 2012, the Group entered into a deed of indemnity with Shufung Zhuang and Meijin Xu pursuant to which Shufung Zhuang and Meijin Xu agreed to indemnify the Group against any liability on the part of the Group to make an actual or increased payment in respect of various employees' social benefits (including social security fund and housing fund) and also in respect of any stamp duty liability that may be due or outstanding as a result of the transfers of 5,100 shares in Xingtai Logistics by Shufang Zhuang to Chaintek HK on 27 June 2011 and 4,900 shares in Xingtai Logistics by Meijin Xu to China Chaintek on 27 June 2011.

All other related party transactions have been described elsewhere in this report.

Substantial Interests

As at 31 March 2013, the following interests of 3% or more of the issued ordinary share capital had been notified to the Group:

Funds managed by	Number of shares	% of share capital
Shufang Zhuang (held via Odylink Limited)	19,000,000	34.7%
Meijin Xu (held via Golden Plan Development Limited)	18,000,000	32.9%
Galant Guide Investments Holding Limited	2,900,000	5.3%
David Lam	2,700,000	4.9%
Wild Boom Investments Limited	2,500,000	4.6%
Spearpoint Nominees Limited	2,500,000	4.6%
Investec Asset Management Limited	1,875,000	3.4%
Dong Melling	1,500,000	2.7%

Going Concern

Based on the Group's current expectations and projected cash flows, the Board believes that the Group will be able to satisfy its working capital requirements for at least the next twelve months. The Board has therefore concluded that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Financing

In March 2013 the Group arranged a bank loan facility of RMB50 million. The coupon payable on the facility will be determined at the time of drawdown (but would be about 6.8%, based upon current rates) and is repayable one year after the drawdown. It has been provided by Bank of China and will be used to provide additional working capital for the Group.

Litigation

The Group is not engaged in any litigation or claim of material importance, nor, so far as the Directors are aware, is any litigation or claim of material importance pending or threatened against the Group.

Payment to Creditors

Amounts due to suppliers and service providers are settled promptly within the terms of the payment, except in cases of dispute.

Dialogue with Shareholders

The Directors are always available to enter into dialogue with Shareholders. All Ordinary Shareholders will have the opportunity, and indeed are encouraged, to attend and vote at the Annual General Meeting. The Board stays abreast of Shareholders' views via regular updates from the Nominated Adviser and Joint Brokers as to meetings they may have held with Shareholders.

Internal Controls

The Directors acknowledge their responsibility for the Group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage the risk of failure to achieve the Groups strategic objectives. It cannot totally eliminate the risk of failure but will provide reasonable, although not absolute, assurance against material misstatement or loss.

The Audit Committee has reviewed the Group's risk management and internal control systems and believes that the controls are satisfactory, given the size and nature of the Group.

Financial Risk Profile

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to set out its overall business strategies, tolerance of risk and general risk management philosophy. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks which the Group faces are market risk (comprising interest rate, foreign currency and price risk), credit risk and liquidity risk. Further details are given in Note 22 to the consolidated financial statements.

Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Directors' reports and consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- Prepare consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

Report of the Directors (continued)

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group to enable them to ensure that the financial statements comply with the requirements of the applicable law. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the Cayman Islands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge and belief:

- The financial statements have been prepared in accordance with International Financial Reporting Standards;
- Give a true and fair view of the financial position and results of the Group; and
- The financial statements include an analysis of the principal financial instruments and specific risks and uncertainties faced by the Group. There has not been any material change in business risks and uncertainties as described in the Admission Document dated 20 August 2012.

Auditors

Foo Kon Tan Grant Thornton LLP have expressed their willingness to continue to act as Auditors to the Group and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Group's Auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's Auditors are aware of that information.

On behalf of the Board.

William Knight
Director

28 March 2013

Shufang Zhuang
Director

28 March 2013

Corporate Governance

As a Cayman Islands incorporated company and under the AIM Rules for companies, the Group is not required to comply with the UK Corporate Governance Code published by the Financial Reporting Council (the "2012 FRC Code"). However, the Directors place a high degree of importance on ensuring that high standards of Corporate Governance are maintained. As a result, many of the principles set out in the 2012 FRC Code have been adopted and these are summarised below, together with the areas of non-compliance.

From the release of the 2012 FRC Code, shortly after the Group's Admission to AIM in August 2012, to the end of the year, the Group complied with the provisions of the 2012 FRC Code, except in the following aspects:

A.4.1 The Board has not appointed a Senior Independent Director, as the Directors do not consider it to be appropriate for the size and composition of the Board.

B.4.2 The Chairman does not regularly review with each Director their training and development needs as this is not considered to be appropriate for the size and composition of the Board and the nature of the Group.

B.6.1 The Board has not stated in this report how it has evaluated the performance of the Board, its committees and individual Directors as this is the Group's first period of operation since its admission to AIM, and so the first evaluation has not yet been undertaken.

D.2.1 Mr Knight is chairman of the Remuneration Committee. Although this is not in accordance with rule D.2.1, the Directors consider it to be appropriate for the size and composition of the Board and the Remuneration Committee.

E.2.3 It is not expected that every Director will attend the Annual General Meeting, but at least one Director will be available at the Annual General Meeting to answer any questions that Shareholders may have.

Board Responsibilities

The Board currently comprises of three independent Non-Executive Directors and three Executive Directors. The Group holds at least four Board meetings per annum, at which the Directors review the Group's performance and all other important issues to ensure control is maintained over the Group's affairs.

The Directors are kept fully informed of the Group's performance, and other matters that are relevant to the business of the Group and that should be brought to the attention of the Directors. The Directors also have access to the financial and legal advisers, Company Secretary and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Group.

The Board has a breadth of experience relevant to the Group, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new appointment of a Director to the Board, consideration will be given as to whether a formal induction process is appropriate. The Board believes that the mix of skills, experience, ages and length of service are appropriate to the requirements of the Group.

The Board considers agenda items laid out in the notice and agenda, which are formally circulated to the Board in advance of a meeting as part of the Board papers and, therefore, Directors may request any agenda items to be added that they consider appropriate for Board discussion. Additionally, each Director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussion.

All members of the Board are expected to attend each Board meeting and to arrange their schedules accordingly, although non-attendance is unavoidable in certain circumstances. From the Placing to December 2012, one Board meeting was held, attended by all members of the Board. Since the year end, a number of Board and committee meetings have been held.

Corporate Governance (continued)

Audit Committee

The Audit Committee of the Group, comprising Stuart Lane, William Knight and Penghua Wu is chaired by Stuart Lane and meets at least twice a year. The Audit Committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. The Audit Committee is responsible for the scope and effectiveness of the external audit and compliance by the Group with statutory and regulatory requirements. The Audit Committee also advises the Board on the appointment of the external Auditors, reviews their fees and the audit plan. It approves the external Auditors' terms of engagement, their remuneration and any non-audit work.

The Audit Committee also meets the Group's Auditors and reviews reports from the Auditors relating to accounts and internal control systems. The Audit Committee meets with the Auditors as and when the Audit Committee requires.

The significant issues that the Audit Committee considered in relation to the financial statements were: the going concern of the Group; the classification of land use right prepayments as operating leases; the useful lives of property, plant and equipment; the impairment of land use rights and property, plant and equipment; the allowance for bad and doubtful debts; and the determination of the provision for income taxes. These issues were addressed through consultation with the Auditors.

The Audit Committee assessed the effectiveness of the external audit process by discussing the process with the Chief Financial Officer and the Auditors.

Auditor objectivity and independence is safeguarded through limiting non-audit services to tax and audit-related work that fall within defined categories. Non-audit work is approved by the Audit Committee if it concludes that it is in the interests of the Group to purchase non-audit work from the external Auditors (rather than another supplier). Non-audit work undertaken by Foo Kon Tan Grant Thornton LLP is regularly monitored by the Audit Committee. There was no non-audit work performed by Foo Kon Tan Grant Thornton LLP during the financial years ended 31 December 2011 and 2012.

Remuneration Committee

The Remuneration Committee of the Group, comprising the whole Board, is chaired by William Knight and meets at least once a year. It sets and reviews the scale and structure of the Executive Directors' remuneration packages, including share options and the terms of their service contracts. The remuneration and the terms and conditions of the Non-Executive Directors is determined by the Directors with due regard to the interests of the Shareholders and the performance of the Group. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees.

Nomination Committee

The Nomination Committee comprises all of the Non-Executive Directors of the Company and meets at least once a year. William Knight is chairman of the Nomination Committee. The function of the Nomination Committee is to consider the appointment and reappointment of Directors and all key appointments, including those of the service providers.

When considering the appointment and reappointment of Directors, the Nomination Committee and the Board consider whether the Board and its committees have the appropriate balance of skills, experience, independence, knowledge and diversity to enable them to discharge their respective duties and responsibilities effectively, but do not take into account the gender of a Director (or potential Director), as they do not believe that this affects a Director's performance.

The Board currently comprises of one female and four male Directors. The Board does not believe that it is currently in the best interests of the Group to seek to appoint a new Director, in addition to the current Directors, to broaden the diversity, including gender, of the Board.

Shareholders vote on the re-appointment of at least one Director at each Annual General Meeting, with every Director's appointment being voted on by Shareholders every three years.

AIM Committee

The AIM Committee, comprising Stuart Lane, William Knight and Derrick Wong, is chaired by Stuart Lane and meets at least twice per year. It corresponds with the Nominated Adviser and Joint Brokers, reviews the Group's compliance with the AIM Rules and reports its findings to the Board.

Share Dealing

The Group has adopted a share dealing code for Directors' dealings. The Directors will comply with Rule 21 of the AIM Rules for Companies relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees as well.

The Takeover Code

As a company incorporated in the Cayman Islands, the Group will not be subject to the Takeover Code. As a result, certain protections that are afforded to Shareholders under the Takeover Code, for example in relation to a takeover of a company or certain stake-holding activities by Shareholders, do not apply to the Group.

However, certain protections have been incorporated into the Articles which, to an extent, mirror the provisions of Rule 9 of the Takeover Code (the "Relevant Code Provisions") to the extent that it is possible to do so. The Articles provide that if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30% or more of the voting rights of the Group, the acquirer and, depending on the circumstances, the concert parties, will be required (except with the agreement of the Group in general meeting by ordinary resolution of independent Shareholders) to make a cash offer for the outstanding shares in the Group at a price not less than the highest price paid by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30% and 50% of the voting rights in the Group if the effect of such acquisition were to increase the person's percentage of voting rights. The main difference between these provisions and the Relevant Code Provisions is that the Takeover Panel does not have any jurisdiction to enforce these provisions.

Disclosure and Transparency Rules

The provisions of DTR 5 shall be deemed to apply to the Group, so that Shareholders are required under the Articles to notify the Group of the percentage of their voting rights if the percentage of voting rights which they hold as a Shareholder or through their direct or indirect holding of financial instruments falling within paragraph 5.1.3R of DTR 5 (or a combination of such holdings) reaches, exceeds or falls below 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10%, and each 1% threshold thereafter up to 100%, or reaches or exceeds or falls below any of these thresholds as a result of events changing the breakdown of voting rights. If any Shareholder fails to comply with these requirements, the Directors may, by notice to the holder of the shares, suspend their rights as to voting, dividends and transfer.

Such suspension shall have effect from the date on which the default notice is delivered to the Shareholder until a date that is not more than seven days after the Board has determined that the holder of the shares has resolved the non-compliance. During the period of such suspension any dividend or other amount payable in respect of the shares shall be retained by the Group without any obligation to pay interest thereon.

The Directors have the power, by giving notice, to require any Shareholder to disclose to the Group the identity of any person other than the Shareholder who is interested in the shares held by the Shareholder or who has been at any time during the preceding three years so interested, in both cases together with details of the nature of such interest.

Corporate Governance (continued)

If any Shareholder has been duly served with such a notice and is in default of the prescribed period in supplying the information required then certain restrictions shall apply. A disclosure notice may direct that the Shareholder shall not be entitled to vote at a general meeting or meeting of the holders of any class of shares of the Group or exercise any other right conferred by membership in relation to the meetings of the Group or holders of any class of shares.

Where the default shares represent at least 0.25% of the issued shares of that class, any dividend or other money which would otherwise be payable may also be retained by the Group and transfers of default shares will be restricted until the restrictions cease to apply.

On behalf of the Board.

William Knight
Director

28 March 2013

Shufang Zhuang
Director

28 March 2013

Independent Auditor's Report

to the members of China Chaintek United Co., Ltd.

We have audited the accompanying consolidated financial statements of China Chaintek United Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2012, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Foo Kon Tan Grant Thornton LLP
Public Accountants and
Certified Public Accountants
Singapore

28 March 2013

Consolidated Statement of Financial Position

as at 31 December 2012

	Note	31 December 2012 RMB	31 December 2011 RMB
Assets			
Non-Current			
Land use right prepayments	*5*	**30,106,119**	30,776,029
Property, plant and equipment	*6*	**75,793,727**	72,486,395
		105,899,846	103,262,424
Current			
Land use right prepayments	*5*	**669,911**	669,911
Trade and other receivables	*7*	**144,460,690**	118,219,965
Cash and cash equivalents	*8*	**342,712,249**	97,746,651
		487,842,850	216,636,527
Total assets		**593,742,696**	319,898,951
Equity and Liabilities			
Capital and reserves			
Share capital	*9*	**67,195,625**	327,439
Merger reserve	*10*	**(204,100)**	(204,100)
Statutory common reserve	*11*	**5,000,000**	5,000,000
Capital reserve	*12*	**9,821,903**	–
Warrant reserve	*13*	**13,184,433**	–
Retained earnings		**465,794,574**	279,212,825
		560,792,435	284,336,164
Liabilities			
Current			
Trade and other payables	*14*	**18,663,909**	22,948,587
Current tax payable		**14,286,352**	12,614,200
Total liabilities		**32,950,261**	35,562,787
Total equity and liabilities		**593,742,696**	319,898,951

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2012

	Note	**Year ended 31 December 2012 RMB**	Year ended 31 December 2011 RMB
Revenue	*15*	**340,585,459**	262,736,832
Cost of sales		**(57,026,047)**	(44,985,958)
Gross profit		**283,559,412**	217,750,874
Other income	*16*	**3,230,675**	643,827
Distribution expenses		**(736,408)**	(1,225,047)
Administrative expenses		**(32,532,210)**	(17,573,673)
Profit before taxation	*17*	**253,521,469**	199,595,981
Income tax expense	*18*	**(66,939,720)**	(50,578,254)
Profit for the year		**186,581,749**	149,017,727
Other comprehensive income:			
Other comprehensive income (at nil tax)		**–**	–
Total comprehensive income for the year		**186,581,749**	149,017,727
Earnings per share (RMB)			
– Basic	*22*	**3.61**	2.98
– Diluted	*22*	**3.56**	2.98

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2012

	Share capital RMB	Merger reserve RMB	Statutory common reserve RMB	Capital reserve RMB	Warrant reserve RMB	Retained earnings RMB	Total RMB
Balance as at 1 January 2011	10,000,000	–	5,000,000	–	–	130,195,098	145,195,098
Total comprehensive income for the year							
– Profit for the year	–	–	–	–	–	149,017,727	149,017,727
Total comprehensive income for the year	–	–	–	–	–	149,017,727	149,017,727
Transactions with owners recognised directly in equity							
Contributions by and distributions to owners							
– Restructuring Exercise (Note 2(a))	(10,000,000)	(204,100)	–	–	–	–	(10,204,100)
– Issue of share upon incorporation	6	–	–	–	–	–	6
– Issue of shares	327,433	–	–	–	–	–	327,433
Total transactions with owners	(9,672,561)	(204,100)	–	–	–	–	(9,876,661)
Balance as at 31 December 2011	**327,439**	**(204,100)**	**5,000,000**	**–**	**–**	**279,212,825**	**284,336,164**
Total comprehensive income for the year							
– Profit for the year	**–**	**–**	**–**	**–**	**–**	**186,581,749**	**186,581,749**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**186,581,749**	**186,581,749**
Transactions with owners recognised directly in equity							
Contributions by and distributions to owners							
– Advance from a Shareholder waived (Note 14)	**–**	**–**	**–**	**9,821,903**	**–**	**–**	**9,821,903**
– Issue of shares upon Initial Public Offering	**66,868,186**	**–**	**–**	**–**	**–**	**–**	**66,868,186**
– Issue of Warrants	**–**	**–**	**–**	**–**	**13,184,433**	**–**	**13,184,433**
Total transactions with owners	**66,868,186**	**–**	**–**	**9,821,903**	**13,184,433**	**–**	**89,874,522**
Balance as at 31 December 2012	**67,195,625**	**(204,100)**	**5,000,000**	**9,821,903**	**13,184,433**	**465,794,574**	**560,792,435**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2012

	Note	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
Cash Flows from Operating Activities			
Profit before taxation		**253,521,469**	199,595,981
Adjustments for:			
Amortisation of land use rights prepayments	*5*	**669,910**	445,576
Equity-settled share-based payment expense		**4,977,160**	–
Depreciation of property, plant and equipment	*6*	**3,691,087**	2,270,119
Loss on disposal of property, plant and equipment	*17*	**61,125**	71,516
Interest income	*16*	**(617,125)**	(257,419)
Operating profit before working capital changes		**262,303,626**	202,125,773
Changes in trade and other receivables		**(26,240,725)**	(43,244,151)
Changes in trade and other payables		**888,946**	3,974,057
Cash generated from operations		**236,951,847**	162,855,679
Income tax paid		**(65,267,568)**	(46,580,203)
Net cash generated from operating activities		**171,684,279**	116,275,476
Cash Flows from Investing Activities			
Acquisition of land use rights		**–**	(22,433,400)
Acquisition of property, plant and equipment		**(7,091,920)**	(49,566,883)
Proceeds from disposal of property, plant and equipment		**32,376**	719,320
Interest received		**617,125**	257,419
Net cash used in investing activities		**(6,442,419)**	(71,023,544)
Cash Flows from Financing Activities			
Advance from a Shareholder		**4,648,279**	2,264,023
Net proceeds from issue of shares upon Initial Public Offering		**75,075,459**	–
Net cash generated from financing activities		**79,723,738**	2,264,023
Net increase in cash and cash equivalents		**244,965,598**	47,515,955
Cash and cash equivalents at beginning of year		**97,746,651**	50,230,696
Cash and cash equivalents at end of year	*8*	**342,712,249**	97,746,651

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the Consolidated Financial Statements

for the financial year ended 31 December 2012

The financial statements were authorised for issue by the Board of Directors on 28 March 2013.

1 General information

China Chaintek United Co., Ltd. ("China Chaintek" or the "Company") was incorporated as an exempted limited liability company in the Cayman Islands on 13 April 2011 as a result of a group restructuring (the "Restructuring Exercise") in preparation for the proposed listing of the Company's shares on the AIM market of the London Stock Exchange. The Company's registered office is at P.O. Box 1034, Grand Cayman KY1-1102, Cayman Islands. The Company's shares were admitted to trading on the AIM market of the London Stock Exchange on 20 August 2012.

The principal activities of the Company are those related to investment holding. The principal activities of the subsidiaries are logistics services and inventory solutions as indicated in Note 4.

2 (a) Restructuring exercise and historical information

On 3 March 2000, Fujian Xingtai Logistics Co., Ltd. ("Fujian Xingtai") was incorporated as a limited liability company in the People's Republic of China (the "PRC") controlled by Mr Shufang Zhuang (Mr Zhuang). The registered office is located at Mei Ling Industrial Park, Jinjiang City, Fujian Province, PRC.

On 5 March 2010, Fujian Xingtai became a wholly owned entity of Mr Zhuang and his wife Mrs Meijin Xu (Mrs Xu).

On 7 December 2010, Chaintek United Holdings Ltd ("Chaintek United") was incorporated as a limited liability company in Hong Kong SAR. Chaintek United, an investment holding company, has its registered office at Room 1613, 16F, Tai Yau Building, 181 Johnson Road, Wan Chai, Hong Kong SAR. Chaintek United is wholly owned by Mr Zhuang and Mrs Xu.

On 29 January 2011, Chaintek United acquired 100% of the equity interest of Fujian Xingtai for a purchase consideration of RMB10,204,100, fully paid in cash with an advance from Mrs Xu.

On 13 April 2011, the Company was incorporated in the Cayman Islands for the proposed listing of the Company's shares on the AIM market of the London Stock Exchange. The Company is majority owned and controlled by Mr Zhuang and Mrs Xu.

On 27 June 2011, the Company acquired 100% of the equity interest of Chaintek United for a purchase consideration of HK$10,000 based on the nominal issued share capital of Chaintek United.

The acquisitions of Fujian Xingtai by Chaintek United and Chaintek United by the Company were a combination of businesses under common control by Mr Zhuang and Mrs Xu. As a result, the Company accounted for the acquisitions in a manner similar to a pooling of interests.

2 (b) Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi (RMB), which is the presentation currency of the Group and the functional currency of the principal operating subsidiaries of the Group. All financial information has been presented in RMB, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

2 (b) Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the financial information in accordance with this basis of preparation requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements

Classification of land use right prepayments as operating leases

Within the PRC it is the practice for the State to issue land use rights to individuals or entities. Such rights are evidenced through the granting of a land use rights certificate, which gives the holder the right to use the land (including the construction of buildings thereon) for a given length of time. An upfront payment is made for these rights. The Directors judge that the substance of these arrangements is an operating lease over the land, and that the upfront payment represents prepaid lease rentals. As such, a prepayment is recognised in the statement of financial position, analysed between current and non-current assets. The prepayment is amortised to spread the lease cost over the duration of the term of the land use rights, as specified in the lease certificate.

Critical accounting estimates and assumptions

Share-based payments

The Group measures the cost of equity-settled transactions with vendors and Shareholders by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires the determination of the most appropriate valuation model, and is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Group performs annual reviews on whether the assumptions made on useful lives continue to be valid. As changes in the expected level of usage, competitors' actions and technological obsolescence arising from changes in the market demands or service output of the assets could impact the economic useful lives and the residual values of these assets, this could lead to potential changes in future depreciation charges, impairment losses and/or write-offs. A 5% (2011: 5%) difference in the expected useful lives of these assets from management's estimates would result in approximately 0.2% (2011: 0.1%) variance in the Group's profit for the financial year ended 31 December 2012.

Impairment of land use rights and property, plant and equipment

Land use rights and property, plant and equipment are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered impairment loss. If any such indication exists, the assets are tested for impairment. The recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)

2 (b) Basis of preparation (continued)

(d) Use of estimates and judgements *(continued)*

Impairment of land use rights and property, plant and equipment (continued)

The use of estimates is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the value-in-use calculation; (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections could materially affect the net present value used in the impairment test and as a result affects the Group's results.

Allowance for bad and doubtful debts

The Group makes allowance for bad and doubtful debts, if any, based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. At 31 December 2012, there is no objective evidence that any of the trade and other receivables are impaired.

Income tax

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2 (c) New accounting standards and interpretations

Adoption of new or revised accounting standards and interpretations

In the current financial year, the Group adopted new or revised accounting standards, issued by the International Accounting Standards Board, and interpretations, issued by the IFRS Interpretations Committee, that are effective for financial years beginning on or after 1 January 2012.

Reference	Description
IFRS 7	Amendments enhancing disclosures about transfers of financial assets
IAS 12	Income Taxes – Limited scope amendment (recovery of underlying assets)

The adoption of these new or revised accounting standards did not result in any changes to the Group's accounting policies nor any significant impact on these financial statements.

2 (c) New accounting standards and interpretations (continued)

New or revised accounting standards and interpretations not yet effective

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

Reference	Description	Effective dates for periods beginning on or after
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	1 January 2013
	Financial Instruments: Disclosures – Amendments requiring disclosures about the initial application of IFRS 9	1 January 2015
IFRS 9	Financial Instruments – Classification and measurement of financial assets	1 January 2015
	Financial Instruments – Accounting for financial liabilities and derecognition requirements	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
	Amendments to transitional guidance	1 January 2013
	Amendments for investment entities	1 January 2014
IFRS 11	Joint Arrangements	1 January 2013
	Amendments to transitional guidance	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
	Amendments to transitional guidance	1 January 2013
	Amendments for investment entities	1 January 2014
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented	1 July 2012
IAS 19	Employee Benefits – Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	1 January 2013
IAS 27	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	1 January 2013
	Amendments for investment entities	1 January 2014
IAS 28	Investments in Associates and Joint Ventures – Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)	1 January 2013
IAS 32	Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities	1 January 2014

Management does not anticipate that the adoption of such standards and interpretations in future periods will have a material impact on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements (continued)

3 Summary of significant accounting policies

Basis of Consolidation

Business combinations

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group"). The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial information of subsidiaries is included in the consolidated financial statements from the date that control commences until the date that control ceases.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

The accounting policies for subsidiaries are adjusted to be consistent with the policies adopted by the Group.

Transactions eliminated on consolidation

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only.

3 Summary of significant accounting policies (continued)

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Buildings	30 years
Plant and machinery	10 years
Computers and office equipment	2-10 years
Motor vehicles	5-10 years

No depreciation is provided on construction work-in-progress. Depreciation will commence when the asset is completed and ready for its intended use.

The residual values, depreciation methods and useful lives of property, plant and equipment are reviewed and adjusted as appropriate at the reporting date.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before that expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Land use rights

The land use rights are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis to write off the cost of the land use rights over the period for which the rights have been granted.

Notes to the Consolidated Financial Statements (continued)

3 Summary of significant accounting policies (continued)

Financial assets

The Group's financial assets include loans and receivables.

The Group initially recognises loans and receivables and deposits on the date they are originated.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each reporting date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets.

Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less provision for impairment.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Loans and receivables comprise cash and cash equivalents, trade receivables and other receivables, other than land use right prepayments, which are prepaid operating lease expenses, prepayments and deposits for acquisition of land use rights.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances.

Impairment of non-financial assets

The carrying amounts of non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

3 Summary of significant accounting policies (continued)

Cash and cash equivalents (continued)

Impairment of non-financial assets *(continued)*

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually or more often if there are indicators of impairment. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation, in which case it is charged to equity.

Dividends

Final dividends proposed by the Directors are not accounted for in Shareholders' equity as an appropriation of retained earnings, until they have been approved by the Shareholders in a general meeting. When these dividends have been approved by the Shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Articles of Association of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Statutory common reserve

The subsidiary incorporated in the PRC is required to transfer between 5% and 10% of its profit after taxation to the statutory common reserve until the common reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to Shareholders. The statutory common reserve can only be used to set off against accumulated losses or to increase the registered capital of the subsidiary, subject to approval from the PRC authorities.

The statutory common reserve is not available for dividend appropriation to the Shareholders.

Notes to the Consolidated Financial Statements (continued)

3 Summary of significant accounting policies (continued)

Share capital

Ordinary Shares are classified as equity.

Incremental costs directly attributable to the issue of Ordinary Shares and share options are recognised as a deduction from equity.

Warrants

The fair value of Warrants issued to vendors and Shareholders is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instrument, expected dividend, and the risk-free interest rate.

Financial liabilities

The Group's financial liabilities include trade and other payables.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Related parties

For the purposes of this consolidated historical financial information, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are recognised in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

The land use rights held by the Group are regarded as operating leases. The amounts paid for these rights are treated as lease prepayments and are amortised over the period for which the rights have been granted in accordance with the land use rights certificate.

Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

3 Summary of significant accounting policies (continued)

Employee benefits

Short-term employee benefits

Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Defined contribution plans

Payments made to state-managed retirement benefit schemes, such as the social security plans in the PRC, are dealt with as contributions to defined contribution plans.

The PRC subsidiary is required to contribute a certain percentage of its employees' payroll costs to the state-managed retirement benefit scheme operated by the municipal government.

The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiary. The PRC subsidiary has no further payment obligations once the contributions have been paid.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain key executive officers are considered key management personnel.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, provided they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to the Consolidated Financial Statements (continued)

3 Summary of significant accounting policies (continued)

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its Ordinary Shares. Basic EPS is calculated by dividing the profit or loss attributable to Ordinary Shareholders of the Company by the weighted average number of Ordinary Shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to Ordinary Shareholders and the weighted average number of Ordinary Shares outstanding, adjusted for the effects of all dilutive potential Ordinary Shares, which comprise Warrants.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer who makes strategic resources allocation decisions.

Revenue recognition

The Group derives its revenues from two principal sources: 1) logistics services; and 2) inventory solutions.

Logistics services

Logistics services involving land transportation are provided with the use of independent transportation contractors (carriers). The carrier bears the risk of loss of the goods during transit to the receiver. The carrier bills the receiver directly. The Group's services to the receiver are performed at the time of delivery of goods to the receiver. The Group bills the carrier and recognises revenue after the carrier has delivered the goods to the receiver.

Inventory solutions

Inventory solutions relate to the provision of inventory storage and custody, goods receipts and issues, packaging, changing product labels and related services. The customer is billed a fixed fee per unit of goods managed by the Group. Revenue is recognised after the services have been completed, meaning when goods have been collected by the carrier. Risk is transferred away from the entity at this point. The Group's performance obligations to the customer are satisfied at the time of collection of goods by the carrier.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

4 Subsidiaries

Name of subsidiary	Country of incorporation and operations	Percentage of equity held		Principal activities
		31 December 2012	31 December 2011	
Held by Company				
Chaintek United Holdings Ltd	Hong Kong	**100%**	100%	Investment holding
Held by Chaintek United Holdings Ltd				
Fujian Xingtai Logistics Co., Ltd.	PRC	**100%**	100%	Provision of logistics services and inventory solutions

5 Land use rights prepayments

	31 December 2012 RMB	31 December 2011 RMB
Cost		
At 1 January	**33,495,525**	11,062,125
Additions	**–**	22,433,400
At 31 December	**33,495,525**	33,495,525
Accumulated amortisation		
At 1 January	**2,049,585**	1,604,009
Amortisation for the year	**669,910**	445,576
At 31 December	**2,719,495**	2,049,585
Carrying amount at 31 December	**30,776,030**	31,445,940
Presented as:		
Current assets	**669,911**	669,911
Non-current assets	**30,106,119**	30,776,029
	30,776,030	31,445,940

6 Property, plant and equipment

	Buildings RMB	Plant and machinery RMB	Computers and office equipment RMB	Motor vehicles RMB	Construction work in-progress RMB	Total RMB
Cost						
At 1 January 2011	23,472,829	707,350	1,734,583	6,486,095	–	32,400,857
Additions	361,594	693,400	4,442,189	969,700	43,100,000	49,566,883
Disposals	–	(64,450)	(100,000)	(1,260,065)	–	(1,424,515)
At 31 December 2011	**23,834,423**	**1,336,300**	**6,076,772**	**6,195,730**	**43,100,000**	**80,543,225**
Additions	**–**	**129,600**	**459,613**	**80,707**	**6,422,000**	**7,091,920**
Transfers	**49,522,000**	**–**	**–**	**–**	**(49,522,000)**	**–**
Disposals	**–**	**–**	**–**	**(405,000)**	**–**	**(405,000)**
At 31 December 2012	**73,356,423**	**1,465,900**	**6,536,385**	**5,871,437**	**–**	**87,230,145**

Notes to the Consolidated Financial Statements (continued)

6 Property, plant and equipment (continued)

	Buildings RMB	Plant and machinery RMB	Computers and office equipment RMB	Motor vehicles RMB	Construction work in-progress RMB	Total RMB
Accumulated depreciation						
At 1 January 2011	2,271,368	162,922	813,354	3,172,746	–	6,420,390
Depreciation charge for the year	783,432	144,864	671,153	670,670	–	2,270,119
Disposals	–	(37,596)	(100,000)	(496,083)	–	(633,679)
At 31 December 2011	**3,054,800**	**270,190**	**1,384,507**	**3,347,333**	**–**	**8,056,830**
Depreciation charge for the year	**1,848,064**	**211,290**	**1,052,133**	**579,600**	**–**	**3,691,087**
Disposals	**–**	**–**	**–**	**(311,499)**	**–**	**(311,499)**
At 31 December 2012	**4,902,864**	**481,480**	**2,436,640**	**3,615,434**	**–**	**11,436,418**
Net book value						
At 31 December 2011	20,779,623	1,066,110	4,692,265	2,848,397	43,100,000	72,486,395
At 31 December 2012	**68,453,559**	**984,420**	**4,099,745**	**2,256,003**	**–**	**75,793,727**

7 Trade and other receivables

	31 December 2012 RMB	31 December 2011 RMB
Trade receivables	**79,573,035**	52,432,277
Non-trade amounts due from Shareholders*	**–**	327,439
Rental deposits**	**9,128,460**	13,021,860
Deposit for acquisition of land use rights***	**52,000,000**	52,000,000
Advance payment to information technology vendor	**3,250,000**	–
Insurance prepayments	**509,195**	405,473
Others	**–**	32,916
	64,887,655	65,787,688
Total	**144,460,690**	118,219,965

The Group allows an average credit period of 90 days (2011: between 60 days and 90 days) to its trade customers.

Trade and other receivables are denominated in RMB.

* The non-trade amounts due from Shareholders related to proceeds receivable from the issue of shares during the financial year ended 31 December 2011 (Note 9) were unsecured and interest free. The amounts were received in 2012.

** Rental deposits relate to refundable security deposits placed with lessors for operating leases of warehousing facilities.

*** This relates to deposit payments made to the PRC's land authorities towards the right to use a parcel of land for constructions of a warehouse. As at 31 December 2012, the Group had yet to finalise the additional land area to acquire and the related payment to obtain the land use right certificate to commence use of the parcel of land. However, the agreement was signed on 6 March 2013 (see Note 25).

8 Cash and cash equivalents

	31 December 2012 RMB	31 December 2011 RMB
Cash and bank balances	**342,712,249**	97,746,651

As at 31 December 2011 and 2012, bank balances of approximately RMB97,715,000 and RMB342,630,000 are interest earning. The weighted average effective interest rate of these interest-earning bank balances as at 31 December 2011 and 2012 was 0.36% and 0.38% per annum, respectively.

Cash and bank balances are denominated in the following currencies:

	31 December 2012 RMB	31 December 2011 RMB
Chinese Renminbi	**274,315,950**	97,745,327
United States Dollar	**40,092**	1,324
British Pound	**68,354,411**	–
Singapore Dollar	**1,796**	–
	342,712,249	97,746,651

9 Share capital

	31 December 2012 No. of Ordinary Shares	31 December 2011 No. of Ordinary Shares
Authorised:		
Balance at beginning of year		
– Ordinary Shares of US$1 each	**50,000**	50,000
Share subdivision[††]	**49,950,000**	–
Increase in authorised share capital	**150,000,000**	–
Balance at end of year		
– Ordinary Shares of US$0.001 each	**200,000,000**	50,000
Issued and fully paid:		
Balance at beginning of year[†]	**50,000**	10,000,000
Issue of shares on incorporation (fully paid)	**–**	1
Issue of shares (unpaid)	**–**	49,999
Restructuring Exercise (Note 2(a))[†]	**–**	(10,000,000)
Share subdivision[††]	**49,950,000**	–
Issue of shares pursuant to the initial public offer of shares (fully paid)[†††]	**4,696,875**	–
Balance at end of year	**54,696,875**	50,000
Comprising:		
– Issued and fully paid	**54,696,875**	1
– Issued and unpaid	**–**	49,999
	54,696,875	50,000

Notes to the Consolidated Financial Statements (continued)

9 Share capital (continued)

	31 December 2012 RMB	31 December 2011 RMB
Value in RMB		
Authorised:		
Balance at beginning of year		
– 50,000 Ordinary Shares of US$1 each	**327,439**	327,439
Increase in authorised share capital	**944,628**	–
Balance at end of year	**1,272,067**	327,439
Issued and fully paid:		
Balance at beginning of year†	**327,439**	10,000,000
Issue of shares on incorporation (fully paid)	**–**	6
Issue of shares (unpaid)	**–**	327,433
Restructuring Exercise (Note 2(a))†	**–**	(10,000,000)
Issue of shares pursuant to the initial public offer of shares	**75,075,459**	–
Balance at end of year	**75,402,898**	327,439
Comprising:		
– Issued and fully paid	**75,402,898**	6
– Issued and unpaid	**–**	327,433
	75,402,898	327,439

† Prior to the Restructuring Exercise described in Note 2(a), the RMB10,000,000 share capital represented the paid-up registered capital of subsidiaries. In connection with the Restructuring Exercise, the paid-up registered capital of subsidiaries was reclassified and presented within the merger reserve (Note 10).

The Company was incorporated in the Cayman Islands in April 2011 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. Since incorporation, 1 Ordinary Share was issued at par as a subscriber share. During the financial year ended 31 December 2011, the Company issued 49,999 new Ordinary Shares at par for RMB327,439 (US$50,000), which was outstanding and payable to the Company as at 31 December 2011 (Note 7). This amount was received in 2012.

†† Pursuant to an ordinary and special resolutions passed on 1 August 2012, the Company's Shareholders approved the subdivision of the Ordinary Shares, with each Ordinary Share of US$1 each subdivided into 1,000 Ordinary Shares of US$0.001 each; and the increase in the authorised share capital of the Company from US$50,000 comprising 50,000,000 Ordinary Shares of US$0.001 each to US$200,000 comprising 200,000,000 shares of US$0.001 each.

††† In August 2012 the Company issued 4,696,875 shares at £1.60 per share pursuant to its initial public offer of shares on the AIM market of the London Stock Exchange which raised £7,515,000 (equivalent to RMB75,075,459).

In connection with the IPO, the Company issued 586,913 free Warrants to certain vendors for their services rendered and 1,098,437 free Warrants attached to 2,196,875 Ordinary Shares issued to three new Shareholders. Each Warrant carries the right to subscribe for one new Ordinary Share in the capital of the Company at an exercise price of £1.60. The IPO proceeds of RMB75,075,459 were allocated to Ordinary Shares and Warrants issued to Shareholders using the fair value of the two instruments on a pro-rata basis on the IPO date. As a result, RMB66,868,186 was recorded within share capital and RMB8,207,273 in the Warrant reserve (Note 13). Share-based payment expense recognised in respect of the Warrants issued to the vendors was RMB4,977,160 for the year ended 31 December 2012 (Note 17).

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

10 Merger reserve

The merger reserve represented the excess of the purchase consideration for the acquisition of the subsidiaries under common control in the Restructuring Exercise described in Note 2(a) over the combined paid-up registered capital of those subsidiaries (Note 9).

11 Statutory common reserve

	31 December 2012 RMB	31 December 2011 RMB
Statutory common reserve		
– Balance at beginning and end of year	**5,000,000**	5,000,000

According to PRC Company Law, Fujian Xingtai is required to transfer between 5% and 10% of its profit after taxation to the statutory common reserve until the statutory common reserve balance reaches 50% of the registered capital. The amount of net profit after taxation transferred to the statutory common reserve reached 50% of the registered capital during the year ended 31 December 2009.

12 Capital reserve

	31 December 2012 RMB	31 December 2011 RMB
Advance from a Shareholder waived (Note 14)	**9,813,688**	–
Amounts owing to Shareholders waived (Note 14)	**8,215**	–
	9,821,903	–

13 Warrant reserve

The Warrant reserve comprises the cumulative value of services received from vendors and the portion of IPO proceeds ascribed to the attached Warrants, as described in share capital above. When a Warrant is exercised, the related balance in the Warrant reserve will be transferred to share capital.

Each Warrant carries the right to subscribe for one new Ordinary Share in the capital of the Company at an exercise price of £1.60.

The 586,913 Warrants issued to the vendors are exercisable at any time for a period of three years from 20 August 2012. The fair value of the Warrants was determined using the Black-Scholes option pricing formula with the following assumptions: volatility of 55.71%; risk free interest rate of 0.23%; and expected life of three years.

The 1,683,850 Warrants issued to the Shareholders are exercisable at any time for a period of five years from 20 August 2012. The fair value of the Warrants was determined using the Black-Scholes option pricing formula with the following assumptions: volatility of 62.80%; risk free interest rate of 0.262; and expected life of three years.

Notes to the Consolidated Financial Statements (continued)

14 Trade and other payables

	31 December 2012 RMB	31 December 2011 RMB
Trade payables	**4,560,104**	3,582,527
Other payables		
Deposits from transportation agents	**4,000,000**	4,000,000
Advance from a Shareholder*	**6,975,275**	12,140,684
Accrued payroll costs	**729,790**	778,917
Accrued professional fees	**1,106,700**	1,709,918
Accrued social insurance	**209,593**	163,484
Other tax payables	**840,554**	505,113
Amounts owing to Shareholders**	**–**	8,215
Others	**241,893**	59,729
	14,103,805	19,366,060
	18,663,909	22,948,587

* At 31 December 2011 and 2012, the advance from a Shareholder related to an advance from Mrs Xu to provide working capital for Chaintek United. The advance from a Shareholder was unsecured, interest-free and repayable in cash on demand. Pursuant to an agreement entered into with Mrs Xu, the Shareholder waived a portion of the advance amounting to RMB9,813,688 during the financial year ended 31 December 2012. The advance amount waived was considered as a capital contribution from the Shareholder and recognised directly in equity under capital reserve.

** On 27 June 2011, in connection with the restructuring exercise described in Note 2(a), the Company acquired 100% of the equity interest of Chaintek United for a purchase consideration of HK$10,000 (RMB8,215) based on the nominal issued share capital of Chaintek United. The purchase consideration was outstanding at 31 December 2011. During the financial year ended 31 December 2012, the former Shareholders of Chaintek United, Mr Zhuang and Mrs Xu, waived the amount which was unsecured and interest free. Mr Zhuang and Mrs Xu are Shareholders of the Company after the restructuring exercise. The amount waived was considered as capital contributions from the Shareholders and recognised directly in equity under capital reserve.

Trade and other payables are denominated in the following currencies:

	31 December 2012 RMB	31 December 2011 RMB
Chinese Renminbi	**10,581,934**	8,855,250
United States Dollar	**1,513,518**	11,135,655
British Pound	**4,074,009**	2,253,012
Singapore Dollar	**2,494,448**	704,670
	18,663,909	22,948,587

15 Revenue

	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
Logistics services	**293,758,400**	238,735,518
Inventory solutions	**46,827,059**	24,001,314
	340,585,459	262,736,832

16 Other income

	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
Interest income	**617,125**	257,419
Exchange gain	**1,063,550**	386,408
Government grant	**1,550,000**	–
	3,230,675	643,827

Government grant received by the Group during the year ended 31 December 2012 relates to a subsidy for the logistics business with no conditions attached.

17 Profit before taxation

(a) The following items have been included in arriving at profit before taxation:

	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
Amortisation of land use rights (Note 5)	**669,910**	445,576
Equity-settled share-based payment expense (Note 9)	**4,977,160**	–
Loss on disposal of property, plant and equipment	**61,125**	71,516
Depreciation of property, plant and equipment (Note 6)	**3,691,087**	2,270,119
Operating lease expense	**7,609,484**	7,281,203
Exchange gain	**1,063,550**	386,408
Staff costs		
Key management personnel:		
– Directors		
– Directors' remuneration	**1,578,767**	755,400
– Contributions to defined contribution plans	**2,508**	6,129
– Other than Directors		
– Salaries, wages and other related costs	**1,215,719**	870,200
– Contributions to defined contribution plans	**5,705**	8,540
Other than key management personnel:		
– Salaries, wages and other related costs	**21,500,116**	17,045,624
– Contributions to defined contribution plans	**2,294,869**	1,223,500
	26,597,684	19,909,393

Notes to the Consolidated Financial Statements (continued)

17 Profit before taxation (continued)

Key management personnel includes Xu Liang Yi, Group Chief Operating Officer, who is a brother of Mrs Xu. Key management personnel compensation for Chief Operating Officer is as follows:

		Included in:
	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
Salaries, wages and other related costs	**358,000**	338,700
Contributions to defined contribution plans	**2,534**	3,064
	360,534	341,764

(b) Amortisation of land use rights, depreciation of property, plant and equipment, operating lease expense and staff costs included in cost of sales, distribution expenses and administrative expenses are as follows:

		Included in:	
	Cost of sales RMB	Administ -rative expenses RMB	Total RMB
Year ended 31 December 2012			
Amortisation of land use rights	**588,617**	**81,293**	**669,910**
Equity-settled share-based payment expense	**–**	**4,977,160**	**4,977,160**
Depreciation of property, plant and equipment	**2,167,377**	**1,523,710**	**3,691,087**
Operating lease expense	**7,609,484**	**–**	**7,609,484**
Staff costs			
Key management personnel:			
– Directors			
– Directors' remuneration	**–**	**1,578,767**	**1,578,767**
– Contributions to defined contribution plans	**–**	**2,508**	**2,508**
– Other than Directors			
– Salaries, wages and other related costs	**–**	**1,215,719**	**1,215,719**
– Contributions to defined contribution plans	**–**	**5,705**	**5,705**
Other than key management personnel:			
– Salaries, wages and other related costs	**17,233,313**	**4,266,803**	**21,500,116**
– Contributions to defined contribution plans	**2,018,139**	**276,730**	**2,294,869**
	19,251,452	**7,346,232**	**26,597,684**

17 Profit before taxation (continued)

	Cost of sales RMB	*Included in:* Administ -rative expenses RMB	Total RMB
Year ended 31 December 2011			
Amortisation of land use rights	364,283	81,293	445,576
Depreciation of property, plant and equipment	759,625	1,510,494	2,270,119
Operating lease expense	7,281,203	–	7,281,203
Staff costs			
Key management personnel:			
– Directors			
– Directors' remuneration	–	755,400	755,400
– Contributions to defined contribution plans	–	6,129	6,129
– Other than Directors			
– Salaries, wages and other related costs	–	870,200	870,200
– Contributions to defined contribution plans	–	8,540	8,540
Other than key management personnel:			
– Salaries, wages and other related costs	14,266,179	2,779,445	17,045,624
– Contributions to defined contribution plans	1,063,750	159,750	1,223,500
	15,329,929	4,579,464	19,909,393

18 Income tax expense

	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
Current taxation	**66,939,720**	50,578,254
Reconciliation of effective tax rate		
Profit before taxation	**253,521,469**	199,595,981
Tax at the PRC statutory rate of 25% (2011: 25%)	**63,380,367**	49,898,995
Differences in foreign tax rate	**2,613,403**	185,828
Tax exempt income	**(387,500)**	–
Non-deductible expenses	**149,513**	132,706
Deferred tax assets on losses not recognised	**1,183,937**	360,725
	66,939,720	50,578,254

No deferred tax asset or liability is recognised, principally as a result of the Group's taxable profit equating to its accounting profit, and there being no differences between the tax basis of assets and liabilities and the carrying values in the statement of financial position.

At the reporting date, the Group has unabsorbed tax losses of approximately RMB2 million (2011: RMB0.3 million) attributable to a subsidiary.

The Group has not recognised a deferred tax asset in respect of the tax losses because management believes that it is not probable that these tax losses would be allowed by the tax authorities.

Notes to the Consolidated Financial Statements (continued)

19 Commitments

Capital commitment

At the reporting date, the Group was committed to making the following capital commitment in respect of property, plant and equipment.

	31 December 2012 RMB	31 December 2011 RMB
Capital expenditure contracted but not provided for in the financial statements:		
– Construction of a Central Distribution Centre warehouse	**4,672,000**	4,672,000
– Acquisition of plant and equipment	**–**	6,500,000
	4,672,000	11,172,000

Operating lease commitments

At the reporting date, the Group was committed to making the following rental payments in respect of operating leases of warehouses.

	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
Not later than one year	**6,784,536**	10,637,628
Later than one year and not later than five years	**3,045,731**	11,416,514
Later than five years	**–**	–
	9,830,267	22,054,142

These leases expire between January 2012 and July 2014, with renewal options at prevailing market rents.

20 Significant related party transactions

Other than as disclosed elsewhere in the financial information, there were no transactions with related parties during the financial years ended 31 December 2011 and 2012.

21 Operating segments

For management reporting purposes, the Group is organised into the following reportable operating segments:

(a) Logistics services – includes the provision of land transportation services.

(b) Inventory solutions – includes the provision of warehousing services.

(c) Corporate – includes investment holdings and Corporate Office which incurs general corporate expenses.

Segment accounting policies are the same as the policies described in Note 3. Intra- and inter-segment transactions were carried out at terms agreed between the parties during the financial year. Intra- and inter-segment transactions were eliminated in preparing the consolidated financial statements.

Segment revenue and expense:

Segment revenues and expenses are the operating revenues and expenses reported in the Group's statement of comprehensive income that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

21 Operating segments (continued)

Segment assets and liabilities:

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Capital expenditure includes the total cost incurred to acquire plant and equipment directly attributable to the segment.

Group cash resources, financing activities and income taxes are managed on a Group basis and are not allocated to operating segments. Unallocated assets comprise cash and cash equivalents. Unallocated liabilities comprise income tax payable.

The Group Chief Executive Officer ("Group CEO") monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group CEO.

	Logistics services		*Inventory solutions*		*Corporate*		*Elimination*		*Consolidated*	
	Year ended 31 Dec 2012 RMB'000	Year ended 31 Dec 2011 RMB'000	**Year ended 31 Dec 2012 RMB'000**	Year ended 31 Dec 2011 RMB'000	**Year ended 31 Dec 2012 RMB'000**	Year ended 31 Dec 2011 RMB'000	**Year ended 31 Dec 2012 RMB'000**	Year ended 31 Dec 2011 RMB'000	**Year ended 31 Dec 2012 RMB'000**	Year ended 31 Dec 2011 RMB'000
Sales to external customers	**293,758**	238,736	**46,827**	24,001	**–**	–	**–**	–	**340,585**	262,737
Segment revenue	**293,758**	238,736	**46,827**	24,001	**–**	–	**–**	–	**340,585**	262,737
Segment results	**265,572**	211,561	**22,149**	6,556	**(34,200)**	(18,521)	**–**	–	**253,521**	199,596
Profit before taxation									**253,521**	199,596
Income tax expense									**(66,940)**	(50,578)
Profit for the year									**186,581**	149,018
Assets and liabilities:										
Segment assets	**82,951**	56,838	**145,195**	140,695	**29,737**	24,619	**(6,852)**	–	**251,031**	222,152
Unallocated assets									**342,712**	97,747
Total assets									**593,743**	319,899
Segment liabilities	**5,157**	5,532	**1,831**	574	**18,528**	16,843	**(6,852)**	–	**18,664**	22,949
Unallocated liabilities									**14,286**	12,614
Total liabilities									**32,950**	35,563
Other segment information:										
Non-current assets	**12,993**	30,312	**73,558**	72,950	**19,349**	–	**–**	–	**105,900**	103,262
Acquisition of property, plant and equipment	**10**	4	**5,084**	48,491	**1,998**	1,072	**–**	–	**7,092**	49,567
Acquisition of land use rights	**–**	–	**–**	22,433	**–**	–	**–**	–	**–**	22,433
Depreciation	**299**	311	**1,868**	450	**1,524**	1,509	**–**	–	**3,691**	2,270
Amortisation of land use rights prepayments	**140**	132	**449**	208	**81**	106	**–**	–	**670**	446
Equity-settled share-based payment expense	**–**	–	**–**	–	**4,977**	–	**–**	–	**4,977**	–

Notes to the Consolidated Financial Statements (continued)

21 Operating segments (continued)

Geographical information

The Group's operations are located in the PRC and all of the Group's revenue is derived from services provided to customers in the PRC. Hence, no analysis by geographical area of operations is provided.

Major customers

Five of the customers accounted for more than 10% of the Group's total revenues for the years ended 31 December 2011 and 2012.

22 Earnings per share

	Year ended 31 December 2012	Year ended 31 December 2011
Net profit after taxation (RMB)	**186,581,749**	149,017,727
Weighted average number of Ordinary Shares used in calculation of basic earnings per share	**51,724,332**	50,000,000
Effect of dilutive potential Ordinary Shares from weighted average number of Warrants	**618,181**	–
Weighted average number of Ordinary Shares used in calculation of diluted earnings per share	**52,342,513**	50,000,000
Earnings per share –		
Basic (RMB)	**3.61**	2.98
Diluted (RMB)	**3.56**	2.98

The prior year computation of basic and diluted earnings per share have been adjusted to take into account the subdivision of shares of US$1 par value to US$0.001 par value (Note 9).

23 Financial risk management

Financial risk management objectives and policies

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to set out its overall business strategies, tolerance of risk and general risk management philosophy. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(a) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk, in respect of interest-bearing cash balances at variable rates, which is not material.

23 Financial risk management (continued)

(a) Market risk *(continued)*

Interest rate risk (continued)

Sensitivity analysis – Interest rate risk

A 30 basis points increase/decrease in interest rates on interest-bearing cash balances at the reporting date would increase/decrease profit before tax and equity by approximately RMB293,000 and RMB1,028,000 for the financial years ended 31 December 2011 and 2012, respectively. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

Foreign currency risk

The Group carries on its business operations in the PRC through Fujian Xingtai with sales and purchases, capital expenditure and operating expenses denominated in RMB, which is the currency of all Group entities.

At 31 December 2011 and 2012, the Group is exposed to foreign currency risk in respect of transactions, primarily proceeds from the initial public offer of shares and professional fees that are denominated in a currency other than RMB. The currencies in which these transactions primarily are denominated are the United States Dollar (USD), British Pound (GBP) and Singapore Dollar (SGD).

The Group does not hold or issue derivative financial instruments to hedge against fluctuations in foreign exchange.

Sensitivity analysis for foreign currency risk

A 5% strengthening/weakening of the above currencies against RMB at the reporting date would have increased/decreased equity and profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular interest rates, remain constant.

	Profit before tax increase/(decrease) RMB	Equity increase/(decrease) RMB
31 December 2012		
USD against RMB		
– strengthened	**(73,671)**	**(73,671)**
– weakened	**73,671**	**73,671**
GBP against RMB		
– strengthened	**3,214,020**	**3,214,020**
– weakened	**(3,214,020)**	**(3,214,020)**
SGD against RMB		
– strengthened	**(69,298)**	**(69,298)**
– weakened	**69,298**	**69,298**

Notes to the Consolidated Financial Statements (continued)

23 Financial risk management (continued)

(a) Market risk *(continued)*

Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk *(continued)*

	Profit before tax increase/(decrease) RMB	Equity increase/(decrease) RMB
31 December 2011		
USD against RMB		
– strengthened	(556,717)	(556,717)
– weakened	556,717	556,717
GBP against RMB		
– strengthened	(112,651)	(112,651)
– weakened	112,651	112,651
SGD against RMB		
– strengthened	(35,229)	(35,229)
– weakened	35,229	35,229

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group is not exposed to any movement in market price risk as it does not hold any quoted or marketable financial instruments.

(b) Credit risk

Credit risk refers to the risk that counterparties may default on their contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual growth while minimising losses arising from credit risk exposure. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. The Group closely monitors and avoids any significant concentration of credit risk. In addition, receivable balances and payment profile of the debtors are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. When the asset becomes uncollectible, it is written off against the allowance account.

23 Financial risk management (continued)

(b) Credit risk *(continued)*

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	31 December 2012 RMB	31 December 2011 RMB
Financial assets		
Financial assets measured at amortised cost:		
Trade and other receivables*	**91,951,495**	65,814,492
Cash and cash equivalents	**342,712,249**	97,746,651
	434,663,744	163,561,143

* excludes deposit for acquisition of land use rights and insurance prepayments.

The aging analysis of trade receivables not impaired is as follows:

	31 December 2012 RMB	31 December 2011 RMB
Financial assets		
Not past due	**79,573,035**	52,432,277
Past due one month or less	**–**	–
Trade receivables (Note 7)	**79,573,035**	52,432,277

At the reporting date, no allowance for impairment is required in respect of trade and other receivables based on the creditworthiness of the counterparties and credit quality and past collection history of the customers.

At the reporting date, five customers accounted for approximately 69% (2011: 75%) of trade receivables. Other than this, there is no concentration of credit risk.

Cash and cash equivalents are placed with financial institutions which are regulated.

(c) Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. As part of its overall prudent liquidity management, the Group maintains a sufficient level of cash to meet its working capital requirement.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows.

		Contractual cash flows			
	Carrying amount RMB	Total RMB	Less than 1 year RMB	Between 2 and 5 years RMB	Over 5 years RMB
At 31 December 2012					
Trade and other payables	**18,663,909**	**18,663,909**	**18,663,909**	**–**	**–**
At 31 December 2011					
Trade and other payables	22,948,587	22,948,587	22,948,587	–	–

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Consolidated Financial Statements (continued)

23 Financial risk management (continued)

(d) Financial instruments by category

	31 December 2012 RMB	31 December 2011 RMB
Financial assets		
Financial assets measured at amortised cost:		
Trade and other receivables*	**91,951,495**	65,814,492
Cash and cash equivalents	**342,712,249**	97,746,651
	434,663,744	163,561,143

* excludes deposit for acquisition of land use rights and insurance prepayments.

	31 December 2012 RMB	31 December 2011 RMB
Financial liabilities		
Financial liabilities measured at amortised cost:	**18,663,909**	22,948,587

(e) Fair values of financial instruments

The carrying amounts of other financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) approximate their fair values because of the short period to maturity.

24 Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its equity capital structure to ensure optimal capital management and Shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group manages its equity capital structure and makes adjustments to it, whenever necessary, in the light of changes in economic conditions. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2011 and 2012. The Group may consider debt financing options from time to time to bolster its capital structure.

The Group currently does not adopt any formal dividend policy.

The Group monitors capital using the Gearing Ratio, which is net debt divided by total equity. Net debt represents borrowings, including an advance from a Shareholder, less cash and cash equivalents.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

24 Capital management (continued)

	31 December 2012 RMB	31 December 2011 RMB
Total borrowings	**6,975,275**	12,140,684
Less: Cash and cash equivalents	**(342,712,249)**	(97,746,651)
Net cash	**(335,736,974)**	(85,605,967)
Total equity	**560,792,435**	284,336,164
Net-debt-to-total-equity ratio (times)	#	#

Not applicable. The Group had a net cash position.

25 Subsequent events

(a) Acquisition of land use right

On 18 June 2010, Fujian Xingtai entered into a letter of intent with the People's Government of Cizao Town, Jinjiang City, Fujian Province, PRC, to acquire a land use right for construction of central distribution facilities. As of 31 December 2012, Fujian Xingtai had paid a deposit of RMB52 million (Note 7).

In March 2013, Fujian Xingtai was granted a land use right certificate by the local authority for a land area of approximately 145,600 square meters at a fee of RMB273 million. Subsequently, Fujian Xingtai has made a payment to the local authority amounting to RMB81.9 million. Payment of the remaining balance of RMB133.9 million is due in September 2013.

(b) Loan facility

In March 2013 the Group arranged a bank loan facility of RMB50 million. The coupon payable on the facility will be determined at the time of drawdown and is repayable within one year after the drawdown. It has been provided by Bank of China and will be used to provide additional working capital for the Group.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the first ANNUAL GENERAL MEETING of China Chaintek United Co., Ltd. will be held at 1st Floor, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey GY1 3JX on 16 May 2013 at 10:30am for the following purposes:

Resolution on Form of Proxy

As ordinary business:

Ordinary Resolution 1
To receive and, if thought fit, to accept the reports of the Directors and Auditors and the audited financial statements for the year ended 31 December 2012.

Ordinary Resolution 2
To re-appoint Foo Kon Tan Grant Thornton LLP as Auditors and to authorise the Directors to agree their remuneration.

Ordinary Resolution 3
To elect Mr Knight, who offers himself for election, as a Director.

Ordinary Resolution 4
To elect Mr Lane, who offers himself for election, as a Director.

Ordinary Resolution 5
To elect Mr Wu, who offers himself for election, as a Director.

As special business:

Special Resolution 6
That the Company be and is hereby generally and unconditionally authorised to allot Ordinary Shares or rights to subscribe for, or to convert securities into, Ordinary Shares wholly for cash up to an aggregate nominal amount equal to 10% of the issued share capital, with such power expiring at the Annual General Meeting of the Company in 2014, unless such authority is varied, revoked or renewed prior to such date by a Special Resolution of the Company in general meeting.

By order of the Board

Elysium Fund Management Limited
1st Floor, Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey
GY1 3JX

Company Secretary
28 March 2013

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his or her stead. A proxy need not also be a member of the Company. To be effective, forms of proxy must be lodged with the Company's Secretary, Elysium Fund Management Limited, not less than 48 hours before the time appointed for holding the meeting. Lodgement of the form of proxy will not preclude a Shareholder from attending the meeting and voting in person.

Note:
The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays, Sundays and public holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes prior to and during the meeting:

a) A statement of Directors' interests in the share capital of the Company; and
b) The Articles of Association.

Form of Proxy

For use at the ANNUAL GENERAL MEETING (block capitals please)

I/We, the undersigned .....

Of .....

being a member/members of China Chaintek United Co., Ltd., hereby appoint the Chairman of the meeting/

.....

as my/our proxy to vote for me/us on my/our behalf at 1st Floor, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey GY1 3JX on 16 May 2013 at 10:30am and at any adjournment thereof and at his discretion on any other matter arising at such meeting.

Signature ..... Dated .....

Please indicate with an X in the spaces below how you wish your votes to be cast.

		For	Against	Abstain
Ordinary Resolution 1	To receive and, if thought fit, to adopt the reports of the Directors and Auditors and the audited financial statements for the year ended 31 December 2012.			
Ordinary Resolution 2	To re-appoint Foo Kon Tan Grant Thornton LLP as Auditors and to authorise the Directors to agree their remuneration.			
Ordinary Resolution 3	To elect Mr Knight, who offers himself for election, as a Director.			
Ordinary Resolution 4	To elect Mr Lane, who offers himself for election, as a Director.			
Ordinary Resolution 5	To elect Mr Wu, who offers himself for election, as a Director.			
Special Resolution 6	To authorise the Company to allot Ordinary Shares or rights to subscribe for, or convert securities into, Ordinary Shares wholly for cash up to an aggregate nominal amount equal to 10% of the issued share capital, with such power expiring at the Annual General Meeting of the Company in 2014, unless such authority is varied, revoked or renewed prior to such date by a Special Resolution of the Company in general meeting.			

Notes

1. A member may appoint a proxy of his or her own choice. If such an appointment is made, delete the words 'the Chairman of the meeting' and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all joint holders should be stated.
4. If this form is returned without any indication as to how the person appointed proxy shall vote, he or she will exercise his or her discretion as to how he or she votes or whether he or she abstains from voting.
5. To be valid, this form must be completed and deposited at the office of the Company's Secretary not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

Third fold and tuck in

Affix
stamp
here

Elysium Fund Management Limited
1st Floor
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 3JX

First Fold

Second fold

Directors

Christopher William Knight – *Non-Executive Chairman*
Shufang Zhuang – *Executive Director*
Meijin Xu – *Executive Director, Chief Executive Officer*
"Derrick" Sze Hau Wong – *Executive Director, Chief Financial Officer*
Stuart Christopher Lane – *Non-Executive Director*
Penghua Wu – *Non-Executive Director*

Advisers

Registered Office
Ogier Fiduciary Services (Cayman) Limited
89 Nexus Way
Caymana Bay
Cayman Islands
KY1-9007

Registrars
Computershare Investor Services (Cayman) Limited
The R&H Trust Co Ltd
PO Box 897
One Capital Place
George Town
Cayman Islands

Nominated Adviser and Joint Broker
ZAI Corporate Finance Limited
177 Regent Street
London
W1B 4JN

Company Secretary
Elysium Fund Management Limited
1st Floor, Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey
GY1 3JX

Legal Advisers to the Company
(as to English Law)
Pinsent Masons LLP

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30 Crown Place
London
EC2A 4ES

Shanghai Office:
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Nanjing West Road
Jing An District
Shanghai 20040
People's Republic of China

Chinese Head Office
Fujian Xingtai Logistics Co. Limited
MeiLing Industrial Park
Jinjiang City
Fujian Province 362200
People's Republic of China

Auditors
Foo Kon Tan Grant Thornton LLP
47 Hill Street #05-01
Singapore Chinese Chamber
of Commerce & Industry
Singapore

Financial Adviser and Joint Broker
Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London
EC2Y 9LY

Legal Advisers to the Company
(as to Cayman Islands law)
Ogier
11th Floor Central Tower
28 Queen's Road Central
Central
Hong Kong

Legal Advisers to the Company
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