



China ChainTek United Co., Ltd.

Investor Presentation

September 2012



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Contents

1. ChainTek Overview
2. Market
3. Business
4. Proposal
5. Appendix



ChainTek – the Chinese Logistics Business

Who We Are

- Aggregator of finished goods for third party hauliers to maximise loads and reduce per unit transport costs for retailers
- We enjoy benefits of early mover advantage in our key markets providing vital economies of scale
- FY09 - FY11 sales CAGR of 61% and FY11 EBITDA of RMB 202 million

The Opportunity

- China undergoing structural economic shift toward internal consumption with logistics industry playing a role in supporting this growth
- ChainTek's base in Fujian Province is home to c.70% of China's sports shoe and apparel manufacturers of which ChainTek has significant market share of outsourced logistics
- Opportunity to capture more of the customer value chain by deploying capital and offering wider range of services

Recently Listed on AIM

- Listed on the AIM market of the LSE in August 2012 raising £7.5m through a placing of ordinary shares
- The net proceeds of the placing will primarily be used to partly fund new distribution centres

FX rate RMB:GBP = 10:1

Leading Chinese logistics provider with impressive growth record and strong market position



Presentation team



Derrick Wong, Chief Financial Officer

- Certified public accountant in Australia
- Ex Deloitte
- Nine years' external audit and financial reporting experience under IFRS



Jun Wei Chen, Investor Relations Manager

- Background in investment banking
- Bachelor's degree in finance and a Master's degree in Economics



Board of Directors



William Knight, Non Executive Chairman

- Experienced independent director of listed companies with Asia focus
- Chairman of the JP Morgan Chinese Investment Trust PLC and Senior Independent Director of the Fidelity Asia Values Trust



Shufang Zhuang, Executive Director

- Co-founder with approximately 20 years business development experience in the Chinese logistics industry
- Responsible for the Group's overall strategic planning and direction
- Principal contact for the senior management of Group's key customers and suppliers



Stuart Lane, Non Executive Director

- Experienced London based investment banker with an established reputation for advising the boards of quoted and private companies, including Chinese companies
- To be appointed chairman of the Audit Committee



Meijin Xu, Executive Director

- Co-founder with 20 years management experience in the Chinese logistics industry
- Responsible for the Group's operations, performance and financial results
- Wife of Shufang Zhuang



Penghua Wu, Non Executive Director

- Associate Professor of logistics management and Senior Researcher at Government think tank of the logistics industry
- 20 years experience of the logistics industry



Derrick Wong, Chief Financial Officer

- Certified public accountant in Australia
- Ex Deloitte
- Nine years' external audit and financial reporting experience under IFRS

Strong diverse board with emphasis on corporate governance and reporting standards



China's Logistics Market

Favorable macro economic drivers

- Second largest economy in the world with Chinese GDP in 2011 of \$11.3 trillion
- Structural shift in China to an economy fuelled by investment and internal consumption
- Rapid Chinese domestic income growth is driving consumption, especially in respect of apparel and food

Increased demand for national logistics services to support domestic consumption growth

- Chinese logistics market expected to double during the period of China's 'twelfth five-year plan' which ends in 2015
- In 2010, the market for third party logistics services was RMB 280-320 bn (4% of total logistics market in China) compared to other developed countries where it accounts for approximately 9% of the total logistics market
- In the Chinese Government's Plan of Adjustment and Revitalization of the Chinese Logistics Industry published in 2009, the logistics industry was the only service industry listed in the government support projects

Structural shift from exports to domestic consumption



ChainTek's Logistics Market

- ChainTek is headquartered in Jinjiang, Fujian Province
- Fujian Province is recognised as a key manufacturing region in China, particularly for sports shoes and apparel
- Manufacturers in Jinjiang currently make c70% of all domestic sports shoes and apparel in China
- Timely distribution of goods to retailers across China will increasingly require sophisticated logistics solution
- Goods travel to the national market largely via a fragmented road haulage industry
- Increased competition from domestic and international manufacturers drives increased need for cost control and outsourcing

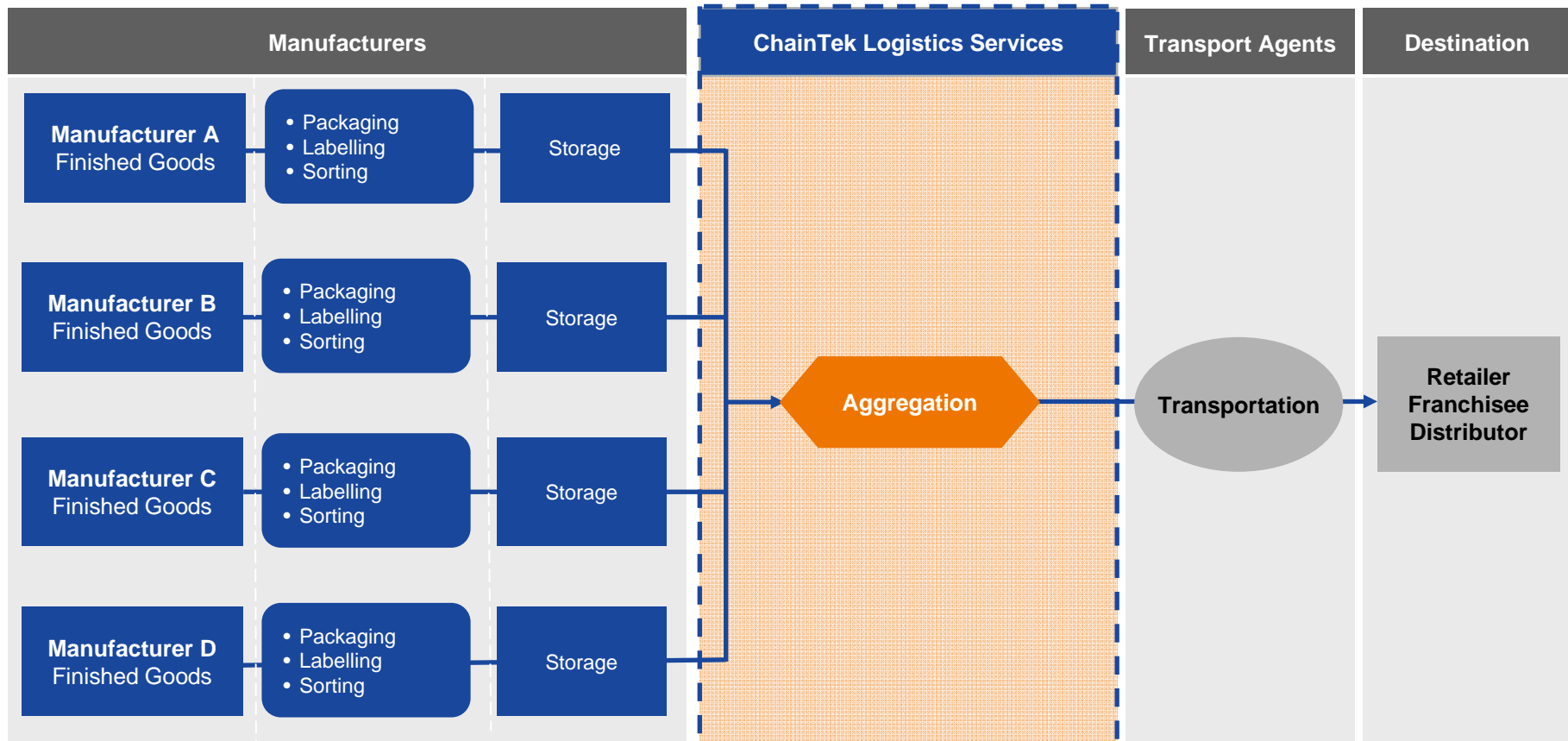


Manufacturing hub with growing need for smarter logistics



What we do – Logistics Services

- “Freight forwarder”: aggregator of finished goods for third party hauliers to maximise loads and reduce per unit transport costs for retailers





How it works

Logistics Services Business

ORDER PROCESS

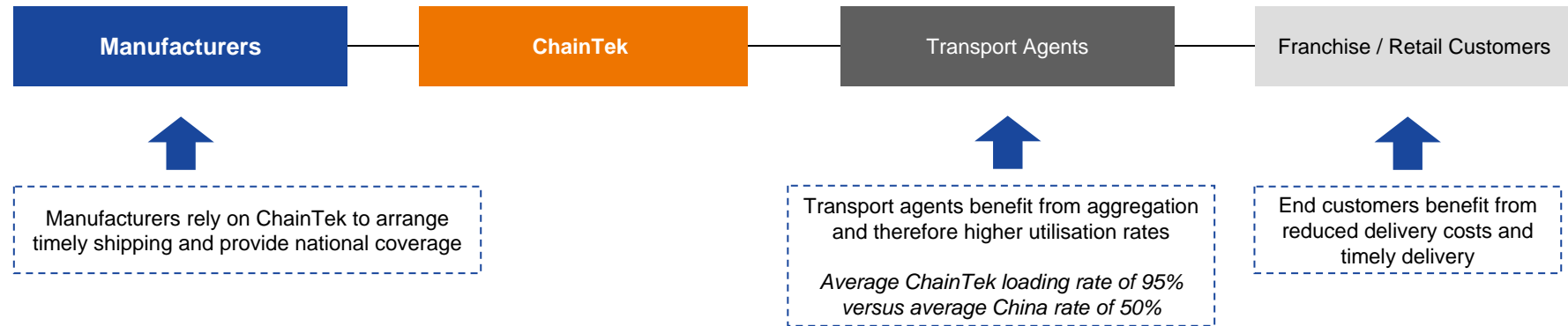


- 1 Retailer contacts manufacturer with order request
- 2 Manufacturer contacts ChainTek with delivery order
- 3 Order input into ChainTek platform for order allocation
- 4 ChainTek contacts one of its eight outsourced third party Transport Agents with aggregated order
- 5 Goods moved to ChainTek transit warehouse by ChainTek short haul fleet (ChainTek has no national fleet)
- 6 Transport Agent collects goods from ChainTek transit warehouse
- 7 Transport Agent delivers goods by road for collection by destination retailer
- 8 Retailer pays 100% delivery fee to Transport Agent
- 9 Transport Agent pays 25% of the delivery fee to ChainTek

ChainTek captures 25% of the delivery fee of the Transport Agents



Why ChainTek?



- Most domestic competitors are relatively small and privately held, based in and around Jinjiang City
- Strong market share which the Directors believe provides critical mass and a barrier to entry
- Foreign logistics companies operating in China tend to concentrate on import/exports

ChainTek benefitting customers throughout the value chain



Manufacturer Clients

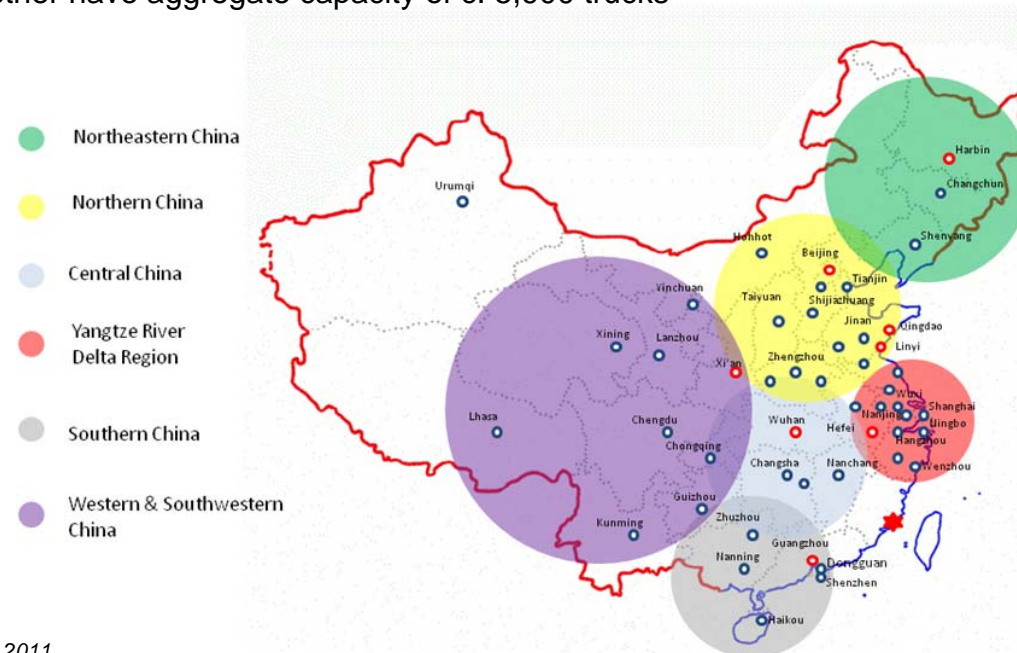
- 62 significant clients represented over 90% of turnover in FY11 (over 350 clients and customers to date)
- Directors confirm that ChainTek has never lost one of these significant clients
- As well as sports shoe and apparel manufacturers, ChainTek also supports other sectors such as food producers and building materials manufacturers – looking to increase market share in these sectors
- Six of ChainTek's top 10 clients by turnover are listed companies (in USA, Hong Kong, Singapore and China)
- ChainTek's top five manufacturer clients have achieved an average growth rate of 30% in sales in the past five years
- The Directors understand that ChainTek's main clients have had their profit margins squeezed but their publicly available financial data shows that their sales are still increasing and the market is still expanding
 - ChainTek's revenues are generated on volume of goods transported NOT price of goods which mitigates risk
- Top 10 clients produced 45% of Logistics Services Business revenues in 2011

Large, growing and diverse customer base with increasing trend of outsourcing logistics



Transport Agents

- ChainTek has chosen eight Transport Agents to cover more than 50 cities in China
- Directors believe no single Transport Agent provides a national coverage service offering in China
- c. 49% (2,800 trucks) of the Transport Agents' capacity were employed by the Group*
- Transport Agents together have aggregate capacity of c. 5,900 trucks



*For the year ended 31 December 2011

ChainTek increases utilisation at the Transport Agents



ChainTek's Facilities

Examples of current facilities

Head Office - Jinjiang



Regional Distribution Centre - Guangzhou



Central Distribution Centre - Jinjiang



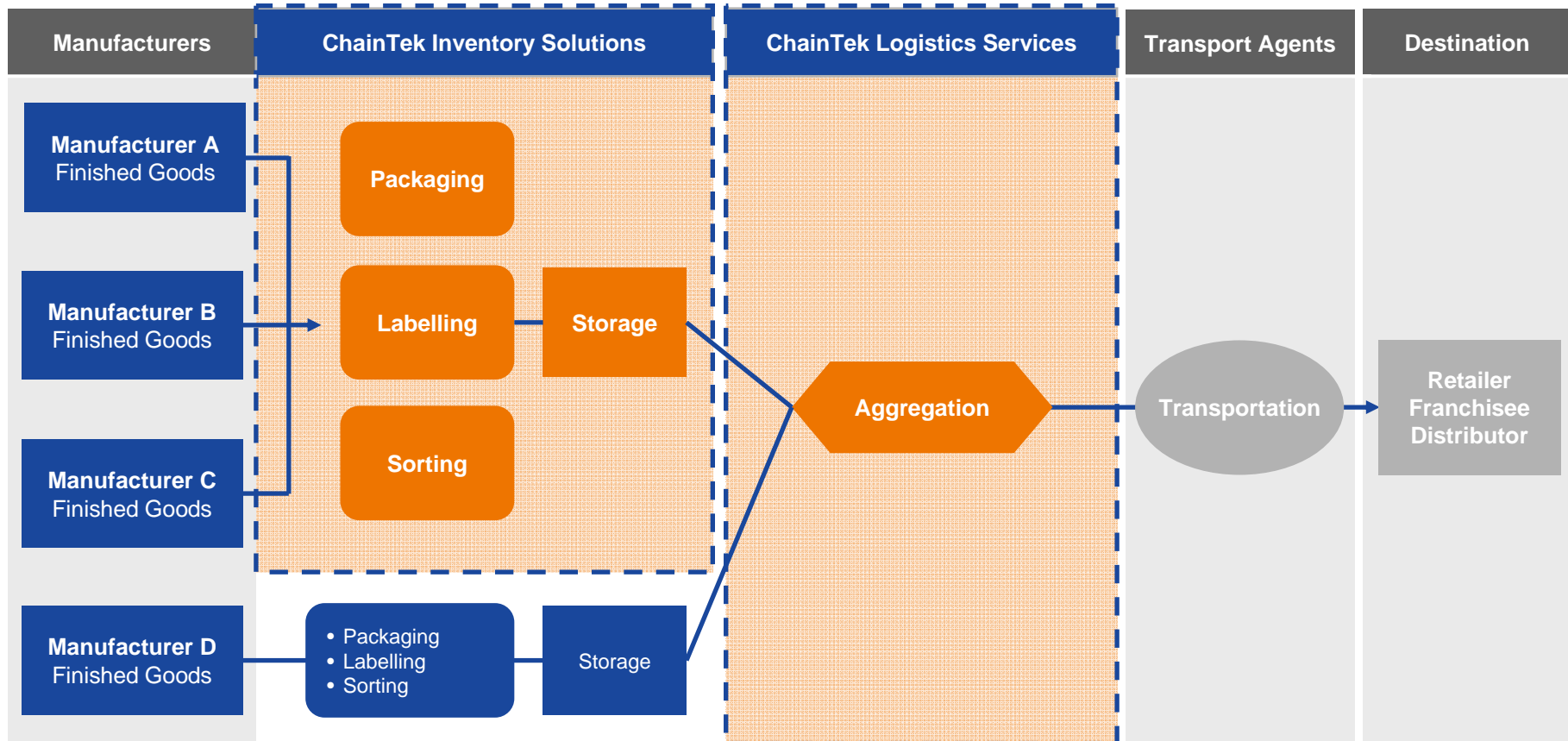
Wireless scanning process





New Business - Inventory Solutions

Value Chain





The Opportunity

- Business offering developed at request of larger customers of the Logistics Services Business
- Provides outsourced inventory management services to manufacturers including storage, sorting, labelling etc which has traditionally been performed in-house
- Allows customers to effectively outsource their entire logistics operation to ChainTek with the aim of improving efficiency, flexibility and costs
- Currently operated out of a Central Distribution Centre in Jinjiang and two Regional Distribution Centres in southern and mid-China
- More capital intensive and lower margin when compared to the Logistics Services Business, but the Directors believe it is a defensive and growth area likely to increase customers' reliance on ChainTek

Inventory Solutions Business expected to increase customer 'stickiness'



The Opportunity (cont)

- New business which commenced trading in H2 2010. It currently serves five customers and is targeting ten for 2012
- FY2011 revenues of RMB 24 million and gross profit margin of 42.8%
- Revenues driven by:
 - Manufacturers in the form of fees for handling, sorting, storage etc
 - Transport Agents, as increasing volume of goods through core Logistics Services Business
- For Inventory Solutions services ChainTek charges customers a flat rate according to the commodity
 - Eg. Pair of trainers costs RMB 0.86 upon entry at the CDC and RMB 2.18 at the RDC
- Growth plans include increasing Central Distribution Centre facilities and developing the Regional Distribution Centre footprint across China

Growth potential from national expansion plans



ChainTek's Business

Current and future warehousing facilities

- Planned construction of 133,333 m² Central Distribution Centre in Jinjiang
- The Group's strategy is to lease premises for its Regional Distribution Centres rather than purchase them, which allows the Group to be flexible with regards to size and location

Current			
Name	Location	Use	Size (m ²)
Head office	Jinjiang	Head office	7,108
Warehouse	Jinjiang	Transit warehouse	2,340
Warehouse	Hangzhou	RDC	4,212
Warehouse	Hangzhou	RDC	8,879
Warehouse	Guangzhou	RDC	10,748
Warehouse	Jinjiang	CDC	12,420 *
Total			45,707

Intended facilities				
Name	Location	Use	Size (m ²)	Date completed
Head office	Jinjiang	Head office	7,108	Complete
Warehouse	Jinjiang	Transit warehouse	2,340	Complete
Warehouse	Hangzhou	RDC	4,212	Complete
Warehouse	Hangzhou	RDC	8,879	Complete
Warehouse	Guangzhou	RDC	10,748	Complete
Warehouse	Jinjiang	RDC	10,000	2012
Warehouse	Langfang	RDC	10,000	2013
Warehouse	Wuhan	RDC	10,000	2013
Warehouse	Jinjiang	CDC	20,000	August 2012
Warehouse	Jinjiang	CDC	133,333	November 2013
Total			216,620	

Key:

RDC – Regional Distribution Centre

CDC – Central Distribution Centre

* The Directors intend to terminate this lease after Admission

Approx 5x increased facilities by July 2013 and greater increase in capacity



ChainTek's Facilities

Examples of current facilities

Regional Distribution Centre - Guangzhou



Central Distribution Centre - Jinjiang



Regional Distribution Centre - Hangzhou



Central Distribution Centre - Jinjiang





Profit and Loss

<i>RMB '000</i>	FY09	FY10	FY11	H1 FY12
	Audited	Audited	Audited	Unaudited
Revenue				
- Logistics Services	91,689	168,676	238,737	136,885
- Inventory Solutions	-	1,043	24,001	21,914
Total revenue	91,689	169,719	262,737	158,799
Gross profit	76,446	146,418	217,751	133,759
EBITDA	71,125	139,991	202,312	124,578
Profit before tax	69,196	138,001	199,596	121,903
Profit after tax	51,897	103,501	149,018	90,454
<i>Consolidated gross profit margin</i>	83.4%	86.3%	82.9%	84.2%
<i>Logistics Services gross profit margin</i>	83.4%	86.9%	86.9%	90.2%
<i>Inventory Solutions gross profit margin</i>	-	-18.8%	42.8%	47.2%
<i>PBT margin</i>	75.5%	81.3%	76.0%	76.8%

FX rate RMB:GBP = 10:1

- Under IFRS, Logistics Services revenues are accounted for on a 'net' basis (ie the 25% commission of total Transport Agent delivery fees received by ChainTek, and not the 'gross' 100% of transport delivery costs)



Balance Sheet

<i>RMB '000</i>	FY09	FY10	FY11	H1 FY12
	Audited	Audited	Audited	Unaudited
Non-current assets	36,363	35,217	103,262	106,400
Cash	26,108	50,231	97,747	159,129
Total current assets	45,662	125,428	216,637	313,736
Total assets	82,025	160,645	319,899	420,136
Current liabilities	10,331	15,450	35,563	35,523
Net assets	71,694	145,195	284,336	384,612

FX rate RMB:GBP = 10:1



ChainTek's Facilities

Proposed Central Distribution Centre - Jinjiang





Driving Growth

- **Sports shoes and apparel:** Consolidate and grow market share in which the Group currently has strong position
- **New sectors:** Grow market share within new markets including building materials manufacturers, food producers, household ceramic goods, toys, umbrellas and metal hardware
- **Inventory Solutions:** Increase capacity and number of customers to increase client reliance on ChainTek, including expanding Regional Distribution Centres via lease arrangements to Central China, North-eastern China, Northern China and Western China

Increase customers and market share and extend services offered



IPO and Funding for Growth

- Listed on the AIM market of the LSE in August 2012
- Raised £7.5m through a placing of ordinary shares to institutional investors and private clients
- The net proceeds of the placing will primarily be used to partly fund new distribution centres
- ChainTek will also seek debt funding in the coming months to complete funding for new distribution centres and investment in developing the Group's IT systems



Summary

- ChainTek has built a strong position in the logistics market in Fujian Province with close relationships with key manufacturer clients and transport agents
- Directors believe that growth of the Inventory Solutions Business will increase customer reliance on ChainTek and further fuel growth in the Logistics Services Business
- High barriers to entry due to longstanding relationships with manufacturers and transport agents
- Company well positioned to build on its strong market position and the Directors believe this will deliver strong returns for shareholders



Corporate Information

China Chaintek United Co. Ltd		Shareholders		Corporate Structure
		Name	Ownership (%)	
Market	AIM	Shufang Zhuang*	34.7 %	<div style="text-align: center;"> <p>China ChainTek United Co. Ltd (Cayman) AIM Company</p> <p>100%</p> <p>ChainTek United Holdings Limited (HK)</p> <p>100%</p> <p style="border: 1px dashed black; padding: 2px;">Fujian Xingtai Logistics Co., Ltd (PRC)</p> </div>
Ticker	CTEK	Meijin Xu*	32.9 %	
No. of shares outstanding	54,696,875	Galant Guide Investments	5.3 %	
Share Price (£)*	1.975	David Lam	4.9 %	
Market Capitalisation	£108m	Wild Boom Investments	4.6 %	
Nomad & Joint Broker	ZAI	Spearpoint	4.6 %	
Financial Adviser & Joint Broker	Liberum Capital	Investec	3.4 %	
		Dong Meiling	2.7 %	
		*Lock-ins <i>Executive management locked in until later of 12 months from admission or 3 months following publication of financial report and accounts for the year ended 31 December 2012</i>		

* As at 10-Sep-2012



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1. Overview
 2. Market
 3. Business
 4. Proposal
 5. Appendix



Land transportation and warehousing

Land transportation

- Total goods shipped by land transportation in 2011 was 32.4 billion tonnes, a 14.5% increase from 2010
- Low level of efficiency in logistics industry
- Average transportation distance in 2011 was 390.9km (1/10th compared to the US in a per capita basis)

Warehousing

- Benefitted from the Chinese government support
- China's warehousing market has grown steadily over the past 5 years, reaching \$100.4 billion in 2010 and is forecast to reach \$182.4 billion by 2016
- Over the past 5 years, the warehousing sector has become increasingly important to the development of the Chinese economy
- Demand for warehousing space in 2010 was 701m sqm in China and there was only 550m sqm of space available

Year	GDP	Value of tertiary industry	Value of warehousing industry	% as GDP	% as tertiary industry
2001	10.97	4.44	30.8	0.28	0.69
2002	12.03	4.99	36.3	0.30	0.73
2003	13.58	5.60	40.9	0.30	0.73
2004	15.99	6.46	45.8	0.29	0.71
2005	18.49	7.49	51.7	0.28	0.69
2006	21.63	8.86	64.8	0.30	0.73
2007	26.58	11.14	80.8	0.30	0.73
2008	31.40	13.13	98.4	0.31	0.75
2009	34.05	14.76	173.7	0.51	1.18
2010	39.80	17.10	208.4	0.52	1.22

Unit: RMB Trillions for GDP and tertiary industry, in Billions for warehousing

City	Demand for warehousing space (000'000s.q.m) (D)	Supply of warehousing space (000'000s.q.m)(S)	D/S Index
Beijing	16.56	14.63	0.883
Tianjin	9.60	9.14	0.951
Shanghai	17.15	15.23	0.888
Guangzhou	11.77	10.85	0.922
Shenzhen	16.42	14.13	0.860
Chengdu	4.77	4.48	0.938
Wuhan	5.25	4.55	0.869
Shenyang	6.05	4.55	0.752
Xian	3.23	2.98	0.921
Xiamen	3.05	2.92	0.957

Unit: Sqm in millions

Unit: RMB Trillions for GDP and tertiary industry, in Billions for warehousing



Cash Flow statement

<i>RMB '000</i>	FY10 Audited	FY11 Audited	H1 FY12 Unaudited
Cash Flows from Operating Activities			
Profit before taxation	138,001	199,596	121,903
Non-cash adjustments:			
Amortisation of land use rights	221	446	439
Depreciation of PPE	1,768	2,270	2,235
Loss on disposal of PPE	-	72	-
Interest income	-161	-257	-220
Operating profit before working capital changes	139,830	202,126	124,358
Increase in trade & other receivables	-55,643	-43,244	-35,717
Increase in trade and other payables	826	3,974	-206
Cash generated from operations	85,013	162,856	88,435
Income tax paid	-30,207	-46,580	-24,026
Net cash generated from operating activities	54,806	116,275	64,409
Cash Flows from Investing Activities			
Acquisition of land use rights	-	-22,433	-
Acquisition of PPE	-844	-49,567	-5,812
Proceeds from disposal of PPE	-	719	-
Interest received	161	257	220
Net cash used in investing activities	-683	-71,024	-5,592
Cash Flows from Financing Activities			
Repayment of advances from a director	-	-	-
Advances from a shareholder	-	2,264	2,565
Dividends paid	-30,000	-	-
Net cash used in financing activities	-30,000	2,264	2,565
Net increase in cash	24,122	47,516	61,382
Cash brought forward	26,108	50,231	97,747
Cash carried forward	50,231	97,747	159,129

FX rate RMB:GBP = 10:1