

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this Document or the action you should take, you should consult an independent person authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) ("FSMA") who specialises in advising on the acquisition of shares and other securities if you are taking advice in the United Kingdom or from another appropriately authorised financial adviser if you are taking advice in a territory outside the United Kingdom.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this Document.

The Company and the Directors whose names appear on page 5 of this Document accept responsibility both individually and collectively for the information contained in this Document including responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and contains no omission likely to affect its import.

This Document, which is an admission document drawn up in accordance with the AIM Rules for Companies, does not constitute a prospectus within the meaning of section 85 of FSMA and has not been prepared in accordance with the Prospectus Rules. This Document has not been approved by the Financial Services Authority ("FSA"), the UK Listing Authority or by any other authority which could be a competent authority for the purposes of the Prospectus Rules.

Application has been made for the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM at 8.00 a.m. on 20 August 2012. The Ordinary Shares are not dealt in, or on, any other recognised investment exchange and no other such applications have been made. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority.

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# China Chaintek United Co., Ltd

*(incorporated in the Cayman Islands with registered number 254843)*

## Placing of 4,696,875 new Ordinary Shares at 160p per share and Admission to trading on AIM

***Nominated Adviser and Joint Broker***

**ZAI Corporate Finance Ltd**

***Financial Adviser and Joint Broker***

**Liberum Capital Limited**

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### Enlarged Share Capital following Admission to trading on AIM

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
200,000,000	US\$200,000	Ordinary Shares of 0.0010 US dollars each	54,696,875	US\$54,696

ZAI Corporate Finance Ltd ("ZAI"), which is regulated by the FSA and is a member of the London Stock Exchange, is acting as nominated adviser and joint broker to the Company in connection with the Placing and Admission and is not acting for anyone else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of ZAI in relation to the Placing and Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or any other person in respect of his decision to acquire Ordinary Shares in the Company in reliance on any part of this Document. No representation or warranty, express or implied, is made by ZAI as to any of the contents of this Document for which the Directors and the Company are responsible (without limiting the statutory rights of any person to whom this Document is issued). ZAI will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this Document in respect of the Placing or any acquisition of shares in the Company. ZAI has not authorised the contents of, or any part of, this Document, and no liability whatsoever is accepted by ZAI for the accuracy of any information or opinions contained in this Document or for the omission of any material information.

Liberum Capital Limited ("Liberum Capital"), which is regulated by the FSA and is a member of the London Stock Exchange, is acting as financial adviser and joint broker exclusively for the Company in connection with the Placing and Admission and is not acting for anyone else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Liberum Capital in relation to the Placing and Admission. No representation or warranty, express or implied, is made by Liberum Capital as to any of the contents of this document for which the Directors and the Company are responsible (without limiting the statutory rights of any person to whom this document is issued). Liberum Capital will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company. Liberum Capital has not authorised the contents of, or any part of, this document, and no liability whatsoever is accepted by Liberum Capital for the accuracy of any information or opinions contained in this document or for the omission of any material information.

The whole of this Document should be read. Your attention is drawn to Part III of this Document, which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part III of this Document.

This Document does not constitute an offer to sell or the solicitation of an offer to buy shares in any jurisdiction other than the United Kingdom and should not be distributed directly or indirectly to any persons with addresses in the United States of America (or any of its territories or possessions), Canada, Australia, the Republic of South Africa or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States of America, Canada, Australia, the Republic of South Africa or Japan.

The Ordinary Shares have not been and will not be offered sold or otherwise transferred, directly or indirectly, to members of the public in the Cayman Islands.

WARNING – The contents of this Document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this Document, you should obtain independent professional advice.

The arrangements for the issue of Ordinary Shares have not been authorised by Hong Kong's Securities and Futures Commission ("SFC"), nor has this Document been approved by the SFC pursuant to section 105(1) of Hong Kong's Securities and Futures Ordinance ("SFO") or section 342C(5) of Hong Kong's Companies Ordinance ("CO") or registered by Hong Kong's Registrar of Companies pursuant to section 342C(7) of CO. Accordingly, the content and use of this Document must comply with each of the following SFO and CO restrictions, namely:

- (a) SFO: this Document is not and does not contain, contrary to section 103 of SFO, an invitation to the public of Hong Kong to acquire or subscribe for Ordinary Shares, other than (1) an invitation only to professional investors (as defined in SFO) to do so or (2) to the extent that this Document is not a prospectus (as defined in the CO) by virtue of any of the maximum offeree number, minimum investment amount or other exclusions set out in the 17th Schedule to the CO ("Prospectus Exclusions"); and
- (b) CO: this Document must not, contrary to sections 342 and 342C of CO, be issued, circulated or distributed to any person in Hong Kong other than (1) to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or (2) to professional investors (as defined in the SFO) or (3) in circumstances in which this Document is not a prospectus (as defined in the CO) by virtue of any of the Prospectus Exclusions or (4) otherwise in circumstances that not do constitute an offer to the public.

Persons not falling within the restrictions set out in (a) and (b) above may not use or otherwise act upon this document.

## **IMPORTANT INFORMATION**

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this Admission Document and wishing to make an application for Ordinary Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. No person has been authorised by the Company to issue any advertisement or to give any information or to make any representation in connection with the contents of this Document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company. This Document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, this Document does not constitute an offer to sell or the solicitation of an offer to buy any of the Ordinary Shares in the United States of America, Canada, Australia, the Republic of South Africa or Japan (collectively, the “Prohibited Territories”) and this Document should not be forwarded or transmitted to or into the Prohibited Territories or to any resident, national, citizen or corporation, partnership or other entity created or organised under the laws thereof or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The distribution of this Document may be restricted and accordingly persons into whose possession this Document comes are required to inform themselves about and to observe such restrictions.

Prospective investors should inform themselves as to: (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

### **FOR THE ATTENTION OF UNITED KINGDOM RESIDENTS**

Neither ZAI Corporate Finance Ltd nor Liberum Capital Limited have approved this Document for the purposes of FSMA. This Document is confidential and only for distribution in the United Kingdom (i) at any time, to persons reasonably believed by the Company to be investment professionals within the meaning of Paragraph (5) of Article 19 or to high net worth companies or unincorporated associations within the meaning of Paragraph (2) of Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529), as amended, and (ii) prior to Admission, to persons who are qualified investors within the meaning of Section 86(7) of FSMA. Outside the United Kingdom (and subject as provided below), this Document is only being sent to persons reasonably believed by the Company to be investment professionals or to persons to whom it may otherwise be lawful to distribute it. This Document is being supplied to you solely for your information and may not be reproduced, further distributed or published in whole or in part by any other person. As the Placing Shares will be offered to fewer than 150 persons (other than qualified investors within the meaning of Section 86(7) of FSMA) per member state of the European Economic Area, the Placing will be an exempt offer of securities to the public for the purposes of Section 86 of FSMA. Accordingly, this Document is not a prospectus and does not require the approval of the FSA or any other relevant authority in any other member state of the European Economic Area.

The Directors of the Company have taken all reasonable care to ensure that the facts stated in this Document are true and accurate in all material respects and that there are no other facts the omission of which would make misleading any statement in the Document, whether of facts or of opinion. All the Directors accept responsibility accordingly. It should be remembered that the price of securities and the income from them can go down as well as up.

### **FORWARD-LOOKING STATEMENTS**

This Document contains forward-looking statements. These relate to the Company’s future prospects, developments and strategies. Forward-looking statements are identified by their use of terms and phrases such as “believe”, “could”, “envisage”, “estimate”, “intend”, “may”, “plan”, “seek”, “target”, “will” or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Parts I, II, III and VI of this Document. The forward-looking statements in this Document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

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## DIRECTORS, OFFICERS AND ADVISERS

<b>Directors</b>	Christopher William Knight, <i>Non-Executive Chairman</i> Stuart Christopher Lane, <i>Non-Executive Director</i> Meijin Xu, <i>Executive Director, Chief Executive Officer</i> Shufang Zhuang, <i>Executive Director</i> “Derrick” Sze Hau Wong, <i>Executive Director, Chief Financial Officer</i> Penghua Wu, <i>Non-Executive Director</i>
	All of:
<b>Registered Office</b>	Ogier Fiduciary Services (Cayman) Limited 89 Nexus Way Caymana Bay Cayman Islands
<b>Nominated Adviser and Joint Broker</b>	ZAI Corporate Finance Ltd 177 Regent Street London W1B 4JN
<b>Financial Adviser and Joint Broker</b>	Liberum Capital Limited Ropemaker Place, Level 12 25 Ropemaker Street London EC2Y 9LY
<b>Legal Advisers to the Company as to English law</b>	Pinsent Masons LLP London Office: 30 Crown Place London EC2A 4ES  Shanghai Office: Room 4605 Park Place 1601 Nanjing West Road Jing An District Shanghai 20040 PRC
<b>Legal Advisers to the Company as to Chinese law</b>	Beijing DHH Law Firm 16/F, CBD International Mansion No. 16 Yong an Dong Li Chaoyang District Beijing100022 PRC
<b>Legal Advisers to the Company as to Cayman Islands law</b>	Ogier 11th Floor Central Tower 28 Queen’s Road Central, Hong Kong
<b>Legal Advisers to the Joint Brokers</b>	Lawrence Graham LLP 4 More London Riverside London SE1 2AU
<b>Reporting Accountants to the Company</b>	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
<b>Auditors</b>	Foo Kon Tan Grant Thornton LLP 47 Hill Street #05-01 Singapore Chinese Chamber of Commerce & Industry bldg Singapore 179365

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

**Receiving Agent** Simplystockbroking Limited  
49 Whitehall  
London  
SW1A 2BX

**Depository** Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ  
United Kingdom

**Financial PR** Cubitt Consulting Limited  
30 Coleman Street  
London EC2R 5AL

**Financial Advisers  
to the Company** Riemann Investment Holdings Limited  
22 F, BEA Finance Tower  
66 Hua Yuan Shi Qiao Road  
Shanghai  
China 200120

Zedex Capital International Holdings Limited  
No. 1 Poultry  
London EC2R 8JR  
United Kingdom

## ADMISSION STATISTICS

Placing Price	160p
Gross proceeds raised by Placing	£7.5 million
Number of Ordinary Shares in issue prior to the Placing	50,000,000
Number of Placing Shares being issued pursuant to the Placing on behalf of the Company	4,696,875
Number of warrants being issued in connection with the Placing	1,685,350
Percentage of the Enlarged Share Capital represented by the Placing Shares	8.59%
Number of Ordinary Shares in issue immediately following the Placing and Admission	54,696,875
Market capitalisation of the Company following the Placing at the Placing Price	£87.5 million
Estimated net proceeds receivable by the Company pursuant to the Placing after expenses	£6 million
International Security Identification Number (ISIN)	KYG2115W1006
SEDOL number	B80Z2L5
TIDM	CTEK
Website	<a href="http://www.chaintek-united.com">www.chaintek-united.com</a>

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Document	14 August 2012
Admission effective and dealings in the Enlarged Share Capital commence on AIM	8.00 a.m. on 20 August 2012
New Depository Interests credited to CREST stock accounts	8.00 a.m. on 20 August 2012
Where applicable, share certificates in respect of Placing Shares to be despatched by	27 August 2012

## EXCHANGE RATES

The following exchange rate has been used in this Document where appropriate for illustrative purposes only

£1 = RMB 10

## DEFINITIONS

The following definitions apply throughout this Document, unless the context requires otherwise:

“Admission”	admission of the issued and to be issued Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“Admission Document” or “Document”	this Document, drawn up in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules and guidance governing the operation of AIM comprising the AIM Rules for Companies and the AIM Rules for Nominated Advisers
“AIM Rules for Companies”	the rules and guidance for companies whose shares are admitted to trading on AIM entitled ‘AIM Rules for Companies’ published by the London Stock Exchange, as amended from time to time
“AIM Rules for Nominated Advisers”	the rules and guidance for nominated advisers entitled ‘AIM Rules for Nominated Advisers’ published by the London Stock Exchange, as amended from time to time
“Articles”	the articles of association of the Company, as further described in Part VI of this Document
“Board”	the board of Directors
“certificated” or “in certificated form”	the description of a share or security which is in certificated form (that is, not in CREST)
“CDC”	a central distribution centre
“China” or “PRC”	the People’s Republic of China, for the purposes of this Document, excluding the Hong Kong and Macao Special Administrative Regions of the People’s Republic of China, and Taiwan
“Chaintek HK”	Chaintek United Holdings Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong and the holding company of Xingtai Logistics
“Companies Law”	the Companies Law 2011 (as amended) of the Cayman Islands
“Company”	China Chaintek United Co., Ltd, a company incorporated in the Cayman Islands with company registration number 254843
“Controlling Shareholders”	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)
“CREST”	the relevant system (as defined in the CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended by The Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009 (SI 2009/1889))
“Current Market”	the sports shoes and apparel manufacturers in Jinjiang City



"Deed Poll"	the agreement between the Depository and the DI Holders
"Depository"	Computershare Investor Services PLC
"Depository Interests" or "DIs"	the dematerialised depository interests issued by the Depository in respect of and representing on a one-for-one basis Ordinary Shares held by the Depository
"Directors"	the current directors of the Company whose names are set out on page 5 of this Document and 'Director' means any one of them
"DI Holders"	holders of DIs
"DTR 5"	the provisions of Chapter 5 of the Disclosure and Transparency Rules (as amended from time to time) made by the FSA under Part VI of FSMA
"EDI"	electronic data interchange, being the structured transmission of data between organisations by electronic means. It is used to transfer electronic documents or business data from one computer system to another computer system, i.e. from one trading partner to another trading partner without human intervention
"Enlarged Share Capital"	the issued share capital of the Company immediately following Admission comprising the Existing Ordinary Shares and the Placing Shares
"EU"	the European Union
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST
"Existing Ordinary Shares"	the Ordinary Shares in issue immediately prior to Admission
"FSA"	the Financial Services Authority of the UK
"FSMA"	the Financial Services and Markets Act 2000 of the UK, as amended from time to time
"GDP"	gross domestic product
"Group"	the Company and its subsidiary undertakings as described in this Document (being Chaintek HK and Xingtai Logistics)
"Guangzhou RDC"	the Group's leased RDC located in Guangzhou
"Hangzhou RDC"	the Group's leased RDC located in Hangzhou
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"Inventory Solutions Business"	the inventory solutions business of the Group as described on page 25 of Part II of this Document
"Jinjiang City (Leased) CDC"	the Group's CDC located in Jinjiang City, PRC
"Joint Brokers"	Liberum Capital and ZAI

“Liberum Capital”	Liberum Capital Limited, a company incorporated in England and Wales with registered no. 5912554
“Locked-In Parties”	Shufang Zhuang and Odylink Limited; and Meijin Xu and Golden Plan Development Limited
“Lock-in Agreements”	each of the agreements (executed as a deed) dated 14 August 2012 between each of the Locked-In Parties, the Company, ZAI and Liberum Capital as detailed in paragraph 9 of Part VI of this Document
“Logistics Services Business”	the logistics services business of the Group as described on page 23 of Part II of this Document
“London Stock Exchange”	London Stock Exchange plc
“LS”	a logistics system used in logistics services for printing out the shipment notices
“LUR”	land use right, being the right to occupy a piece of land for an agreed term
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company adopted on 1 August 2012, as amended from time to time
“New CDCs”	the Group’s two new central distribution centres further details of which are set out on page 26 of this Document
“Official List”	the Official List of the UKLA
“Ordinary Shares”	ordinary shares of \$0.0010 each in the capital of the Company
“PDA”	Personal Digital Assistant, also known as a palmtop computer, or a personal data assistant, is a mobile device that functions as a personal information manager
“Placees”	subscribers for Placing Shares procured by the Joint Brokers on behalf of the Company pursuant to the Placing Agreement
“Placing”	the conditional placing by the Joint Brokers on behalf of the Company of the Placing Shares with institutional and other investors at the Placing Price pursuant to the terms and conditions of the Placing Agreement, as described in this Document
“Placing Agreement”	the conditional agreement dated 14 August 2012 between the Company, the Joint Brokers and the Directors relating to the Placing, a summary of the principal terms and conditions of which is set out in paragraph 10.1 of Part VI of this Document
“Placing Price”	160p per Placing Share
“Placing Shares”	the 4,696,875 new Ordinary Shares to be issued by the Company pursuant to the Placing
“Prospectus Rules”	the prospectus rules made by the FSA under Part VI of FSMA
“QCA Guidelines”	the Corporate Governance Guidelines for AIM companies as published and updated from time to time by the Quoted Companies Alliance
“RDC”	a regional distribution centre

“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Registrar”	Computershare Investor Services (Cayman) Limited
“Riemann”	Riemann Investment Holdings Limited, a company registered in Samoa with registered number 32557
“Relationship Agreement”	the agreement between the Company, the Joint Brokers and the Controlling Shareholders, further details of which are set out in paragraph 10.5 of Part VI of this Document
“Share”	a share in the share capital of the Company; and the expression: (a) includes stock (except where a distinction between shares and stock is expressed or implied); and (b) where the context permits, also includes a fraction of a share
“Shareholder”	any person who is registered as a holder of one or more Ordinary Shares from time to time
“Significant Clients”	the Group’s top 61 clients which accounted for over 90 per cent. of its revenue, in the year ended 31 December 2011
“SKU”	stock keeping unit, being a number or code used to identify each unique product or item for sale in each retail store
“£” or “sterling”	pounds sterling the lawful currency from time to time of the United Kingdom
“Subsidiary”, “subsidiary undertaking”, “associated undertaking” and “undertaking”	have the meanings respectively ascribed to them in the UK Companies Act 2006
“Takeover Code”	the City Code on Takeovers and Mergers of the UK
“Takeover Panel”	the UK Panel on Takeovers and Mergers
“Transport Agencies”	the network of eight independent Transport Agents that the Group engages to transfer the products from its manufacturer clients to their end customers and “Transport Agency” shall mean any one of them
“Transport Agent”	a third party company engaged by the Group in the haulage of goods, typically via road transport and heavy goods vehicles
“Tertiary Industry”	the segment of the economy that provides services to consumers, including a wide range of businesses including financial institutions, schools, transports and restaurants
“Transit Warehouse”	where the Group consolidates and loads goods of different manufacturing clients of its Logistics Services Business
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“UK Companies Act 2006”	the UK Companies Act 2006
“UKLA” or “UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA

“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
“USA”	the United States of America
“\$” or “USD”	United States dollars, the lawful currency from time to time of the USA
“WMS”	a warehouse management system, being a key part of the supply chain which primarily aims to control the movement and storage of material within a warehouse and process the associated transactions, including chipping, receiving, putaway and picking. The system also directs and optimises stock putaway based on real-time information about the status of bin utilisation
“Xingtai Logistics”	Fujian Xingtai Logistics Co., Ltd, a wholly owned subsidiary of the Company incorporated in the PRC and the main operating company of the Group
“ZAI”	ZAI Corporate Finance Ltd, a company incorporated in England and Wales with registered no. 06814163
“Zedex”	Zedex Capital International Holdings Limited, a company incorporated in the British Virgin Islands with registered number 1639593

## PART I

### KEY INFORMATION

The following summary information does not purport to be complete and should be read in conjunction with and as an introduction to the more detailed information appearing elsewhere in this document. Unless otherwise stated, summary financial information has been extracted without material adjustment from the financial statements set out in Part 4 of this document, unless otherwise disclosed therewith. Potential investors should read the whole of this document and not just rely on key or summarised information. Any decision to invest in the Placing must be based on consideration of this document as a whole.

#### **INTRODUCTION**

Mr. Shufang Zhuang and Mrs. 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 China.

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

The Group has a long-standing client base of over 60 manufacturers based in Fujian Province and six of its top ten clients by revenue in 2011 are publicly listed in Hong Kong, USA, Malaysia or Singapore.

The Group has two business divisions:

#### ***Logistics Services Business***

This division is focussed on providing logistics connections between the Group's manufacturer client 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 Business***

This division is focussed on providing outsourced inventory storage and management services including sorting, packing, labelling and short term storage. This Inventory Solutions Business was launched in 2010 as the Directors perceived a demand from the Group's existing clients for the provision of the above services which would otherwise be conducted in-house by manufacturers. Manufacturers in China 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 clients.

### **THE MARKET**

#### ***China and its logistics industry***

China is the second largest economy in the world with a GDP in 2011 of approximately RMB 47 trillion (source: People's Daily Online). It is expected that China will remain as the world's second largest economy for the near future, with some commentators expecting that China could overtake the USA as the world's largest economy by 2020. (source: Global Times)

China 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 China is driving consumption, especially in respect of food, consumer goods and health care. Such economic adjustments continue to increase demand for logistics services in China. Logistics costs are relatively high in China where they were estimated

to represent approximately 18 per cent. of GDP in 2010 compared to less than 10 per cent. of GDP in Europe and the USA in the same year (source: chinanews.com).

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 company, and 2PL is the actual carrier and operator of a particular logistics service, for example DHL. 3PL describes logistics businesses 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 China's "twelfth five-year plan", which ends in 2015. The continuing development of China's logistics sector and the increase in operational efficiency is likely to further support and expedite China'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 (source: The Central People's Government of the People's Republic of China), the logistics industry was the only service industry listed in government supported projects (source: www.chinawuliu.com). Further, in August 2011, the State Council, or China'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. (source: The Central People's Government of the People's Republic of China)

### ***The Group's market share***

Low market concentration is a key characteristic of the Chinese logistics market. There are more than 700,000 logistics companies in China and none has a market share over 2 per cent. 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 per cent. of the USA logistics market (source: 2012 Investment Strategy, 2012 China Logistics Industry Investment Analysis, Haitong Securities Co., Ltd.).

The Group's clients are principally drawn from sports shoes and apparel manufacturers, as well as food producers and building materials manufacturers. The Group currently has over 350 clients and customers including its Significant Clients, 15 of which are publicly listed companies.

## **THE BUSINESS**

### **Logistics Services Business**

The Group provides domestic logistics support to its manufacturer clients by arranging transport for their goods from point of manufacture to national retail markets. The cost of transportation is ultimately paid by the recipient of the goods being delivered, which could either be a distributor, franchisee, or indeed a retail outlet owned by the manufacturer itself.

The Group collects products from its manufacturer clients and, where appropriate, aggregates goods with products from other manufacturers at the Transit Warehouse in Jinjiang ready for onward delivery. The Group owns and operates a fleet of 18 small trucks to make these local collections.

The Group has contractual arrangements with eight Transport Agencies with different regional coverage and the supervisor of the Transit Warehouse selects one of the Transport Agencies based on its regional coverage to deliver the goods to the final destination on the basis of regional coverage and available capacity. The goods are then picked, sorted and loaded at the Transit Warehouse onto trucks owned by the Transport Agencies for onward delivery to the clients' chosen destination.

### ***Capacity of the Transport Agencies***

Over the last twelve years the Group has shortlisted the number of Transport Agents it uses from a wide base to a core group of eight.

The Transport Agencies cover more than 50 major cities, several of which are considered to be China's most populated and productive regions. The Directors believe that the Group's clients place great importance

on the frequency and timeliness of service. With its large volumes, the Group can make daily services to even the smaller and more remote cities within China economically attractive to the Transport Agencies.

### **Inventory Solutions Business**

The Group launched its Inventory Solutions Business for its clients in the last quarter of 2010. Under this model, a client does not need to have its own warehouses, and can focus on and deploy resources in their core business. The Group's Inventory Solutions Business provides services such as storage management, inventory management and on-demand pick-up for customers. The Group's expertise in logistics management enables it to provide outsourced inventory management solutions to its clients at a lower cost than if clients were to carry out these activities in-house.

The Inventory Solutions Business grew out of perceived demand from customers of the Logistics Services Business for additional value added services. Eventually the demand for such services increased to such a level that, in 2010, the Group decided to formalise and develop the services it was able to offer its clients in a stand-alone division.

Strategically the Board believe that the development of the Group's Inventory Solutions Business is critical to the future prospects of the Group and will enable the Group to move up the value chain and maintain high retention rates among its key customers. The Group currently provides these services to 5 of its Logistics Services Business customers and expects this number to grow significantly as the Group expands its capability in this service.

### **Warehouse capacity**

Manufacturers' finished products are transferred to the Jinjiang City (Leased) CDC by the Group's local delivery vehicles and then may be further shipped to either of the Hangzhou RDC or Guangzhou RDC for storage by Transport Agencies, depending on the clients' needs.

The Group currently operates from the Jinjiang City (Leased) CDC, three Hangzhou RDCs and the Guangzhou RDC with a total aggregate capacity of 41,802 m<sup>2</sup> warehouse space.

The Group has purchased a 24,200 m<sup>2</sup> LUR in Cizao Town, Jinjiang City and constructed the first of the New CDCs, which was completed in June 2012 and put in operation in July 2012. The Group has also paid deposits towards an additional 200,000 m<sup>2</sup> LUR in Jinjiang City for the second, larger New CDC. Once the New CDCs have been built the Group will aim to centralise warehouse facilities which are currently located in various locations in Jinjiang City.

All of the proceeds of the Placing are intended to be used to fund the development of the New CDCs which will also be funded by debt financing, which the Company intends to arrange after Admission and the Group's existing cash reserves. In relation to the 200,000 m<sup>2</sup> LUR, a RMB 52 million deposit has been paid and the Directors estimate a further RMB 150 million will be necessary to secure and fully pay for the LUR likely to be granted. RMB 450 million in aggregate will be spent on the construction of the larger New CDC, which the Directors expect to be completed in October 2013 and put in operation by November 2013. The Directors intend that the New CDCs will allow the integration and centralisation of all of the Group's warehouses currently located in Jinjiang City.

Future operating cashflows generated by the Group will contribute to CDC construction.

The Group's strategy is to lease premises for its RDCs, rather than purchase further LURs, which allows the Group to be flexible with regards to size and location.

### **Information Technology**

The Group uses a WMS to control the movement and storage of materials in its warehouses for the Inventory Solutions Business and LS to print shipment notices. Through the WMS, the receipt and release of the products and the quantity of the inventory can be accurately estimated with the customer's purchase order information and booking information, and the operation team can prepare the required space, equipment and personnel in advance. Meanwhile, the WMS also provides receipt discrepancy management, through which the operations team can collect any information about discrepancies between products actually

received and numbers reported by the manufacturers. The Directors believe this information improves the efficiency of manufacturer clients, for example in terms of stocking accuracy. The WMS also provides other important functions such as auto allocation, picking, inventory move management, inventory adjustment and trace and track functions, which increases the accuracy of operations.

- *Auto allocation:* The WMS can auto calculate and compare which goods should be shipped with the allocation logic (such as first in, first out), and the system can print a picking list report. The picking includes location, quantity, SKU code, style, colour, size and barcode information of the goods being released. The operator can pick the goods from the storage shelf following the directions of the picking list reports.
- *Inventory move management:* The WMS can auto calculate the movement of batches of goods and target locations. PDA hardware is used to assist the operation.
- *Trace and track functions:* The Group is planning to establish an EDI interface function which will get the trace and track information in the future, instead of manual operation.

Wireless technology is used in all of the Group's warehouses allowing staff to use PDA hardware to facilitate the easy location of goods in the warehouses which have been scanned. The Directors believe this level of real-time data access enhances the efficiency of the Group's Inventory Solutions Business.

The LS provides the function of printing out the shipment notices, thus indirectly managing vehicles employed as well as the Transport Agencies. The Directors believe such functions help provide a reliable service.

## **KEY STRENGTHS OF THE GROUP**

The Directors consider the key strengths of the Group to include the following:

- ***Key client relationships***

The Group has long and stable partnerships with its major manufacturer clients many of whom have seen high growth and expansion in recent years. Manufacturers in Jinjiang City account for approximately 70 per cent. of the entire production volume of sports shoes and apparel in China. Mr. Shufang Zhuang and Mrs. Meijin Xu, two of the executive directors of the Company, have worked with the Group's major clients for approximately 20 years.

- ***Strong Market Position***

The Group is currently engaged by over 350 clients and customers which accounted for revenue of RMB 262,737,000 in the year ended 31 December 2011. Of its Significant Clients, representing over 90 per cent. of 2011 revenue, 15 are publicly listed companies. 14 of the Group's Significant Clients have confirmed that they have outsourced approximately 40 to 60 per cent. of their logistics services on average to the Group in the last three years.

In the Directors' opinion, international logistics companies which operate in China tend to concentrate their focus on global, multi-national corporations and exports rather than domestic Chinese clients.

Within China, the Directors believe there are few competitors to the Inventory Solutions Business operating within the Current Market as a large number of companies currently do their own internal inventory solutions management. The Directors are aware of significant inventory management solutions businesses such as Li & Fung (0494.HK). The Directors believe these businesses are also largely focussed on providing such services in China for multinational corporations.

- ***Competition and barriers to entry***

International logistics companies have historically focussed on export markets. National logistics and distribution has generally been conducted by domestic Chinese companies. The Group enjoys a strong market position in providing logistics services in and around Jinjiang City and in the Current Market. The Board believes that there are no other substantial domestic logistics companies operating in and around Jinjiang City, with the market for logistics services there being largely fragmented.



The Directors believe that currently no other logistics business based in Fujian Province is able to compete directly with the Group's Inventory Solutions Business.

The Board believe that all these factors provide high barriers to entry for other logistics businesses seeking to enter into the Current Market.

- ***Efficiencies provided to the Transport Agencies***

The utilization rate of the Transport Agencies' vehicles is key to their profitability and success. A sufficient quantity, and where applicable weight, of goods must be loaded onto each truck in order for a Transport Agency to break even. In order to reach an optimal utilization of space, the Group loads an appropriate mix of weight/size goods to be shipped to the same destination.

The Group enables the Transport Agencies to increase their utilization rates by aggregating goods from a variety of local manufacturers and the Directors believe that the Transport Agencies would suffer much lower utilization rates if the Group did not provide logistics support to them.

Further, the nature of the Group's client base and the different types of product they require transporting enables the Group to provide help optimising capacity in the trucks of the Transport Agencies.

Loading rate is also important commercially to the Transport Agencies. In 2010, the average loading rate for truckers in China was approximately 50 per cent., compared with over 70 per cent. in USA and Japan (source: www.jingji.cntv.cn).

- ***Wide distribution network and warehouse locations***

Through its relationships with the Transport Agencies the Group has available routes to over 50 major cities in China. Due to its high daily business volume, the Group is able to load trucks on a daily basis destined for more remote cities in China. The Directors believe that the Group's high daily business volume assist in reaching its critical mass faster than its smaller competitors.

The Group has leased and owned modern warehouses in key business regions, such as Jinjiang City, Hangzhou and Guangzhou. These regions are broadly in the Yangtze Delta Region and Pearl River Delta Region, which are the most economically advanced regions in China, as well as having the significant population density. The Directors believe that the Group can benefit from the concentration of China's GDP in these regions.

- ***High quality services***

The Group offers a comprehensive service to its clients including providing better transportation routes, loading optimisation, arrangement of transportation, warehouse management and related value added services such as sorting, packing, labelling and short term storage. The Directors believe these services enable the Group's clients to make significant cost savings compared to conducting these activities in-house.

- ***Foreseeable growth trends***

A number of the Group's principal clients have experienced significant annual growth in recent years, which has resulted in an increase in market demand for the Group's services. It is estimated by the Directors that with stable GDP growth, market demand will continue into the foreseeable future. The Directors believe that the increasing development of the business to customer ("B2C") delivery services, such as delivery to end customers directly from retail sellers within China, will also greatly benefit the Group.

The Directors are aware of recent industry reports which indicate that the Chinese sportswear market saw consumer spending rise from RMB 41.5 billion in 2006 to RMB 119.3 billion in 2010.

- ***Experienced management***

The Executive Directors and the senior management of the Company have proven knowledge and expertise in the logistics industry. The majority of the Board and senior management have approximately 20 years experience in the logistics industry. Mr. Penghua Wu is a senior researcher at the China Society

of Logistics, a government think tank of the logistics industry. Mr. Liangyi Xu is a director of the China Federation of Logistics & Purchasing.

## STRATEGY

The Group aims to be a leading logistics service provider in China, with a focus on fast moving consumer goods.

The immediate strategy of the Group will be threefold:

- **Sports shoes and apparel:** Consolidate and grow market share in which the Group currently has a 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 the Group, including expanding Regional Distribution Centres via lease arrangements in Central China, North-eastern China, Northern China and Western China

## SUMMARY FINANCIAL INFORMATION

The following information presents summary extracts from the trading record of the Group. It has been extracted without material adjustment from the Group's unaudited interim financial information for the six months ended 30 June 2012, and 30 June 2011 and the Group's audited historical financial information for the three years ended 31 December 2011, as set out respectively in Sections C and B of Part IV of this document, except that:

- (1) EBITDA/Consolidated gross profit margin/PBT margin; have been calculated using numbers extracted without material adjustment from the Group's audited historical financial information and the Group's unaudited interim financial information as set out in Sections B and C of Part IV of this document.
- (2) Logistics services gross margin/Inventory solutions margin; have been extracted from the Group's internal management information.

Investors should read the full text of this document and, in particular, Part IV of this document and should not rely solely on this summary.

	<i>Unaudited six months to 30 June 2012 RMB</i>	<i>Unaudited six months to 30 June 2011 RMB</i>	<i>31 December 2011 RMB</i>	<i>31 December 2010 RMB</i>	<i>31 December 2009 RMB</i>
Logistics Services	136,885,478	105,040,692	238,736,832	168,675,727	91,689,025
Inventory Solutions	21,913,905	7,552,753	24,001,000	1,043,000	–
<b>Total Revenue</b>	<b>158,799,383</b>	<b>112,593,445</b>	<b>262,736,832</b>	<b>169,718,727</b>	<b>91,689,025</b>
Gross profit	133,758,964	95,217,371	217,750,874	146,278,195	76,305,710
EBIDTA <sup>(1)</sup>	124,578,325	90,751,260	202,311,676	139,991,188	71,124,919
Profit before tax	121,903,364	89,443,403	199,595,981	138,001,467	69,196,248
Profit after tax	90,454,180	67,052,080	149,017,727	103,501,100	51,897,186
Consolidated gross profit margin <sup>(1)</sup>	84.2%	84.6%	82.9%	86.2%	83.2%
Logistics Services gross profit margin <sup>(2)</sup>	90.2%	88.4%	86.9%	86.9%	83.2%
Inventory Solutions gross profit margin <sup>(2)</sup>	47.2%	30.7%	42.8%	(18.8%)	–
PBT margin <sup>(1)</sup>	76.8%	79.4%	76.0%	81.3%	75.5%
Capital and reserves	384,612,247	202,370,517	284,336,164	145,195,098	71,693,998

## **DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

### ***Board composition***

The Board consists of three Executive Directors and three Non-Executive Directors, of which the Board deem all of the Non-Executive Directors to be independent.

- **Mr. William Knight**, *Independent Non-Executive Chairman*
- **Mr. Shufang Zhuang**, *Executive Director*
- **Mrs. Meijin Xu**, *Executive Director*
- **Mr. “Derrick” Sze Hau Wong**, *Chief Financial Officer*
- **Mr. Penghua Wu**, *Independent Non-Executive Director*
- **Mr. Stuart Christopher Lane**, *Independent Non-Executive Director*

### **DIVIDEND POLICY**

Whilst the Board does not currently expect to declare a dividend in the financial year following Admission, and potentially for subsequent periods thereafter, it does intend that the Company shall pay cash dividends to Shareholders in the future when it is able and appropriate to do so.

### **REASONS FOR ADMISSION AND USE OF PROCEEDS**

The Company has applied to have its Ordinary Shares admitted to trading on AIM primarily to raise capital to fund its strategy, increase public awareness and recognition of the Group and to provide a trading facility for the Company’s shares.

The net proceeds of the Placing received by the Company will be approximately £6 million. The net proceeds, together with debt finance to be arranged by the Company after Admission and its existing cash reserves, will be used to fund the development of the New CDCs. The primary use of funds relates to the LUR purchase over an additional 200,000m<sup>2</sup> in Jinjiang City.

Cash pending investment or distribution will be placed in bank deposits, bonds or government-issued treasury securities in order to protect the capital value of the Company’s cash assets.

## PART II

### INFORMATION ON THE GROUP

#### INTRODUCTION

Mr. Shufang Zhuang and Mrs. 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 China.

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

The Group has a long-standing client base of over 60 manufacturers based in Fujian Province and six of its top ten clients by revenue in 2011 are publicly listed in Hong Kong, USA, Malaysia or Singapore.

The Group has two business divisions:

#### ***Logistics Services Business***

This division is focussed on providing logistics connections between the Group's manufacturer client 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 Business***

This division is focussed on providing outsourced inventory storage and management services including sorting, packing, labelling and short term storage. This Inventory Solutions Business was launched in 2010 as the Directors perceived a demand from the Group's existing clients for the provision of the above services which would otherwise be conducted in-house by manufacturers. Manufacturers in China 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 clients.

Further details of both divisions are set out on pages 23 to 27 below.

#### THE MARKET

##### ***China and its logistics industry***

China is the second largest economy in the world with a GDP in 2011 of approximately RMB 47 trillion (source: People's Daily Online). It is expected that China will remain as the world's second largest economy for the near future, with some commentators expecting that China could overtake the USA as the world's largest economy by 2020. (source: Global Times)

China 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 China is driving consumption, especially in respect of food, consumer goods and health care. Such economic adjustments continue to increase demand for logistics services in China. Logistics costs are relatively high in China where they were estimated to represent approximately 18 per cent. of GDP in 2010 compared to less than 10 per cent. of GDP in Europe and the USA in the same year (source: chinanews.com).

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 company, and 2PL is the actual carrier and operator of a particular logistics service, for example DHL.

3PL describes logistics businesses which provide freight forwarding services and which offer integrated solutions as well as subcontracted logistics and transportation services.

In 2010, the 3PL market in China was worth approximately RMB 280 – 320 billion and accounted for approximately 4 per cent. of the total logistics market in China. In other developed economies, the 3PL market has historically been estimated to represent approximately 9 per cent. of the total logistics market (source: 2012 Annual report on China Logistics Industry by Sinoink Securities).

The size of the Chinese domestic logistics market as a whole is expected to double during the period of China's "twelfth five-year plan", which ends in 2015. The continuing development of China's logistics sector and the increase in operational efficiency is likely to further support and expedite China'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 (source: The Central People's Government of the People's Republic of China), the logistics industry was the only service industry listed in government supported projects (source: www.chinawuliu.com). Further, in August 2011, the State Council, or China'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. (source: The Central People's Government of the People's Republic of China)

### ***Overview of land transportation & warehousing in PRC***

**Land Transportation:** The goods transported by China's logistics firms are being carried on a rapidly expanding transport network. In 2011, the total goods shipped by land transportation in China was approximately 28.2 billion tons, a 15.2 per cent. increase from 2010 (source: Ministry of Transport of the People's Republic of China). The national road network has been expanded over the past years. By the end of 2011, the total length of national road network in China was 4,106,400km, a 98,200km increase from 2010, second only to the road network of the USA (source: Ministry of Transport of People's Republic of China: CIA World Factbook). However, the average transportation distance in China in 2011 was 182.2km. One of the main reasons for this is the relatively underdeveloped infrastructure in the PRC and the low tonnage capability of transportation vehicles. Whilst China's physical infrastructure has developed rapidly, commentators recognise that regulatory and operational procedures can often hinder efficiency. (source: KPMG "On the move in China")

The government has acknowledged that efficient transport is key for long-term development and increasing investment in transport infrastructure. By 2011, RMB 1,259 billion was invested in building roads, a 9.7 per cent. increase from 2010. The outcome of this investment is that the less-developed central and western regions are starting to become linked by reliable transport routes to the east coast (sources: Ministry of Transport of the People's Republic of China; "On the Move in China", KPMG). With upgrades to China's transport infrastructure in place, officials are now working on strengthening the operational environment. In June 2011, the Chinese government proposed eight measures to improve the logistics industry. (source: The Central People's Government of the People's Republic of China). The measures include land-use policies improvement and a reduction on highway tolls.

**Warehousing:** The warehousing industry is showing rapid growth in different regions of China, introducing a modern warehousing concept. The modern warehousing industry covers traditional warehousing services (storage and transfer, etc. of goods) as well as value added services (processing, assembly, packaging, delivery and information analysis). In recent years, the warehousing sector has been an essential part of the logistics industry and has become important to the development of the Chinese economy. In 2010, China's GDP reached RMB 39.80 trillion, of which Tertiary Industry accounted for RMB 17.10 trillion, and the warehousing sector accounted for 1.22 per cent. of the total Tertiary Industry which is approximately RMB 208.4 billion. The below table demonstrates the importance of the warehousing sector on GDP and that the size of the Tertiary Industry has been gradually increasing.

Unit: RMB trillions for GDP and Tertiary Industry, in RMB billions for warehousing

Year	Chinese GDP	Value of Tertiary Industry	Value of warehousing sector	Warehousing as a % of Chinese GDP	Warehousing as a % of 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

According to The China Association of Warehouses and Storage, the demand for warehousing space domestically in 2010 was approximately 701 million m<sup>2</sup> with capacity estimated at approximately 550 million m<sup>2</sup>, the majority of which was not available for public leasing. The table below sets out supply and demand for warehousing space in China's ten largest cities in 2010.

Unit: m<sup>2</sup> in Millions

City	Estimated demand for warehousing space	Total warehousing space	Total warehousing space available to lease
Beijing	16.56	14.63	5.85
Tianjin	9.60	9.14	4.06
Shanghai	17.15	15.23	12.69
Guangzhou	11.77	10.85	7.23
Shenzhen	16.42	14.13	4.71
Chengdu	4.77	4.48	1.79
Wuhan	5.25	4.55	1.82
Shenyang	6.05	4.55	1.30
Xian	3.23	2.98	0.85
Xiamen	3.05	2.92	0.73

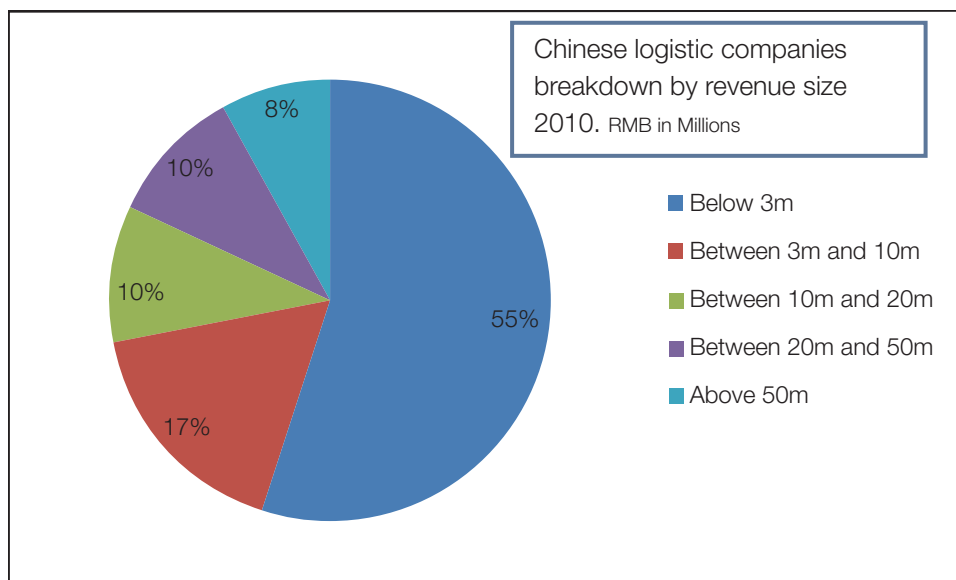
Source: China Warehousing Industry Development Index, compiled by the China Association of Warehouses and Storage.

The table indicates that demand outstripped supply in all ten of China's largest cities. Even in Shanghai which had the most space available for third parties to lease, available supply still lagged behind demand. It is expected that the domestic warehousing sector will continue to grow and companies with capacity will benefit from the relative scarcity of warehousing space compared to demand.

China's overall logistics market has grown steadily, with a market size reaching approximately USD 100.4 billion in 2010, and is expected to reach approximately USD 182.4 billion in 2016 (source: www.chinawuliu.com). A survey by China Society of Logistics in 2010 indicates that in terms of revenue, storage income accounts for approximately 41 per cent. of total revenues generated in the warehousing industry in China, with value added services accounting for approximately 59 per cent.

### **The Group's market share**

Low market concentration is a key characteristic of the Chinese logistics market. There are more than 700,000 logistics companies in China and in 2010 none had a market share over 2 per cent. 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 per cent. of the USA logistics market (source: 2012 Investment Strategy, 2012 China Logistics Industry Investment Analysis, Haitong Securities Co., Ltd.).



Source: 2012 Investment Strategy, 2012 China Logistics Industry Investment Analysts, Haitong Securities Co., Ltd.

The Group's clients are principally drawn from sports shoes and apparel manufacturers, as well as food producers and building materials manufacturers. The Group currently has over 350 clients and customers including its Significant Clients, 15 of which are publicly listed companies.

The Group's strategy is focussed on continuing to increase its market share in these principal client bases, in particular for the food producers and building materials manufacturers.

## THE BUSINESS

### Logistics Services Business

Operating since the Group's operating subsidiary was founded, the Logistics Services Business has been the principal driver for the Group's growth and is its main source of revenue. The Group has long-standing relationships with many regional manufacturers (particularly those engaged in the sports shoes and apparel sector), as well as its network of Transport Agents.

The Group provides domestic logistics support to its manufacturer clients by arranging transport for their goods from point of manufacture to national retail markets. The cost of transportation is ultimately paid by the recipient of the goods being delivered, which could either be a distributor, franchisee, or indeed a retail outlet owned by the manufacturer itself.

The Group collects products from its manufacturer clients and, where appropriate, aggregates goods with products from other manufacturers at the Transit Warehouse in Jinjiang ready for onward delivery. The Group owns and operates a fleet of 18 small trucks to make these local collections.

The Group has contractual arrangements with eight Transport Agencies with different regional coverage and the supervisor of the Transit Warehouse selects one of the Transport Agencies based on its regional coverage to deliver the goods to the final destination on the basis of regional coverage and available capacity. The goods are then picked, sorted and loaded at the Transit Warehouse onto trucks owned by the Transport Agencies for onward delivery to the clients' chosen destination.

The Group has over 350 clients and customers and is able to consolidate their goods which need to be delivered to similar destinations at the same time. As such the Transport Agencies benefit from higher utilization rates than would be obtained if they were to transport the goods of individual manufacturers (except where the volumes of an individual manufacturer to a specific city/region are sufficient to fill trucks to equivalent volumes, in which case there is no need to aggregate). The Directors estimate that the Transport Agencies are able to maintain, on average, a 95 per cent. loading rate on trucks booked by the Group. This loading rate enables each of the Transport Agencies to reduce the per unit cost for the end clients and

increase sales per truck for the Transport Agencies. The delivery costs for the goods being transported are paid directly to the Transport Agencies from which the Group receives a commission.

In 2011, total goods shipped by the Group's Logistics Services Business was approximately 168,190 tonnes representing a 93 per cent. increase year on year. This was achieved through a total of 49,748 shipments (2010: 35,034 shipments).

**Capacity of the Transport Agencies**

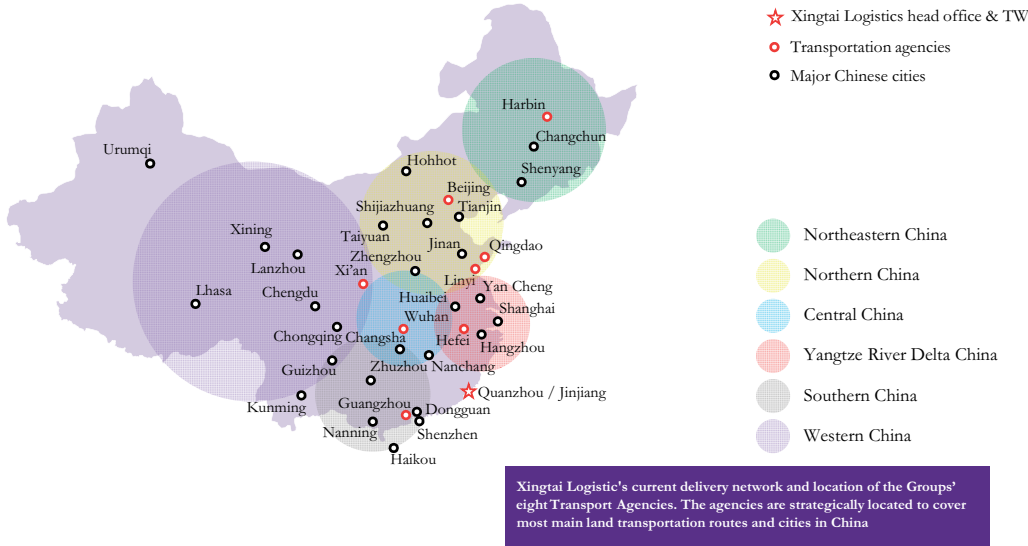
Over the last twelve years the Group has shortlisted the number of Transport Agents it uses from a wide base to a core group of eight.

The services that the Transport Agencies provide to the Group have scaled up significantly in recent years in line with the Group's growth and are capable of meeting the logistics requirements of the Group at the present time and, the Directors believe, in the foreseeable future. As at 31 December 2011, the Transport Agencies had an aggregate capacity of approximately 5,900 trucks. The Directors estimate that, as at 31 December 2011, approximately 2,800 trucks on average, or 49 per cent. of the Transport Agencies capacity, were employed by the Group.

The Transport Agencies cover more than 50 major cities, several of which are considered to be China's most populated and productive regions. The Directors believe that the Group's clients place great importance on the frequency and timeliness of service. With its large volumes, the Group can make daily services to even the smaller and more remote cities within China economically attractive to the Transport Agencies.

The Group does not have an exclusive relationship with any of the Transport Agencies, which the Directors believe to be in the best interests of the Group as these non-exclusive relationships give flexibility with regard to the Group's contract terms in that it can add or remove from its core group of Transport Agencies, as it sees fit, to meet the changing demands of the market.

**Logistics Services network and geographical coverage**



**Customers**

The Group has built a proven track record in many industries, especially supporting the logistics requirements of sports shoes and apparel manufacturers in and around Jinjiang City. The Group also provides logistics support in other sectors, such as food producers and building materials manufacturers.

The Group's top ten clients represented 41 per cent. of revenue in 2011.

The Group has a track record of generating repeat revenue from its Significant Clients, many of whom have been retained by the Group over a number of years.



Certain manufacturers in the domestic sports sector have come under increasing pressure from multinational brands, such as Nike and Adidas, which may have affected volumes and the price of shoes sold. This has been particularly notable with listed customers, several of whom have suffered share price weakness recently. However, the direct effect on the Group is mitigated as the price of goods transported is less relevant to the Group than the volumes transported, which are expected to increase as manufacturers look to sell higher volumes to combat these margin pressures.

The Group continues to grow its client base beyond its core market of sports shoes and apparel manufacturers, and increased its total number of Logistics Services Business clients and customers to over 350 in 2011.

### **Inventory Solutions Business**

The Group's Inventory Solutions Business provides outsourced inventory storage and management services including sorting, packing, labelling and short term storage. This Inventory Solutions Business was launched in 2010 to satisfy a perceived demand from the Group's existing clients for the provision of the above services which would otherwise be conducted in-house by manufacturers. The Directors believe these services will reduce warehousing costs of the manufacturers because of available economies of scale and will assist in retaining excellent relationships with the Group's key clients.

#### ***History of the development of the Inventory Solutions Business***

As industrial activity continues to increase in Jinjiang City, the Directors believe that warehouse facilities here will become an increasingly valuable resource and therefore expect rental prices to continue to increase. A number of upstream manufacturers, especially within the Current Market, are likely to face problems in cost control and capacity of their in-house inventory management operations. The Directors understand that upstream manufacturers commonly face seasonal capacity imbalances, particularly around public holidays. As a result, certain manufacturers have realised cost savings if they outsource their warehouse operations to the Group, and the Group short term has provided them with various value added services including sorting, packing and labelling in addition to storage.

The Group launched its Inventory Solutions Business for its clients in the last quarter of 2010. Under this model, a client does not need to have its own warehouses, and can focus on and deploy resources in their core business. The Group's Inventory Solutions Business provides services such as storage management, inventory management and on-demand pick-up for customers. The Group's expertise in logistics management enables it to provide outsourced inventory management solutions to its clients at a lower cost than if clients were to carry out these activities in-house.

The Inventory Solutions Business grew out of perceived demand from customers of the Logistics Services Business for additional value added services. Eventually the demand for such services increased to such a level that, in 2010, the Group decided to formalise and develop the services it was able to offer its clients in a stand-alone division.

The Group's Inventory Solutions Business has five customers at the date of this Document, four of which are public companies Xtep, China Hongxing Sports, Septwolves and Eratat. Kaifan is a private company and is a domestic sports shoe manufacturer.

Strategically the Board believe that the development of the Group's Inventory Solutions Business is critical to the future prospects of the Group and will enable the Group to move up the value chain and maintain high retention rates among its key customers. The Group currently provides these services to 5 of its Logistics Services Business customers and expects this number to grow significantly as the Group expands its capability in this service.

### **Warehouse capacity**

Manufacturers' finished products are transferred to the Jinjiang City (Leased) CDC by the Group's local delivery vehicles and then may be further shipped to either of the Hangzhou RDC or Guangzhou RDC for storage by Transport Agencies, depending on the clients' needs.

The Group currently operates from the Jinjiang City (Leased) CDC, three Hangzhou RDCs and the Guangzhou RDC with a total aggregate capacity of approximately 41,802 m<sup>2</sup> of warehouse space.

The Group has purchased a 24,200 m<sup>2</sup> LUR in Cizao Town, Jinjiang City and is constructing the first of the New CDCs, which is expected to be completed in June 2012 and put in operation in July 2012. The Group has also paid deposits towards an additional 200,000 m<sup>2</sup> LUR in Jinjiang City for the second, larger New CDC. Once the New CDCs have been built the Group will aim to centralise warehouse facilities which are currently located in various locations in Jinjiang City.

All of the proceeds of the Placing are intended to be used to fund the development of the New CDCs which will also be funded by debt financing, which the Company intends to arrange after Admission and the Group's existing cash reserves. In relation to the 200,000 m<sup>2</sup> LUR, a RMB 52 million deposit has been paid and the Directors estimate a further RMB 150 million will be necessary to secure and fully pay for the LUR likely to be granted. RMB 450 million in aggregate will be spent on the construction of the larger New CDC, which, subject to the Group securing sufficient debt finance on a timely basis, the Directors expect to be completed in October 2013 and put in operation by November 2013. The Directors intend that the New CDCs will allow the integration and centralisation of all of the Group's warehouses currently located in Jinjiang City.

Future cashflows generated by the Group's principal operations will contribute to the cost of the construction of the New CDCs.

The Group's strategy is to lease premises for its RDCs, rather than purchase further LURs, which allows the Group to be flexible with regards to size and location.

In 2011, the Group entered into an agreement with Global Logistic Properties ("GLP") in China, a large warehousing infrastructure provider in Asia and listed in Singapore (MCO – SES), giving the Group an open ended option to lease modern warehouses from where the Group can operate its Inventory Solutions Business.

The Group also has plans to expand its network of RDCs through its relationship with GLP to Central China (Wuhan), Northeastern China (Shenyang), Northern China (Langfang), Western China (Chengdu) and Northwestern China (Xi'an).

## **Information Technology**

The Group uses a WMS to control the movement and storage of materials in its warehouses for the Inventory Solutions Business and LS to print shipment notices. Through the WMS, the receipt and release of the products and the quantity of the inventory can be accurately estimated with the customer's purchase order information and booking information, and the operation team can prepare the required space, equipment and personnel in advance. Meanwhile, the WMS also provides receipt discrepancy management, through which the operations team can collect any information about discrepancies between products actually received and numbers reported by the manufacturers. The Directors believe this information improves the efficiency of manufacturer clients, for example in terms of stocking accuracy. The WMS also provides other important functions such as auto allocation, picking, inventory move management, inventory adjustment and trace and track functions, which increases the accuracy of operations.

- *Auto allocation:* The WMS can auto calculate and compare which goods should be shipped with the allocation logic (such as first in, first out), and the system can print a picking list report. The picking includes location, quantity, SKU code, style, colour, size and barcode information of the goods being released. The operator can pick the goods from the storage shelf following the directions of the picking list reports.
- *Inventory move management:* The WMS can auto calculate the movement of batches of goods and target locations. PDA hardware is used to assist the operation.
- *Trace and track functions:* The Group is planning to establish an EDI interface function which will get the trace and track information in the future, instead of manual operation.

Wireless technology is used in all of the Group's warehouses allowing staff to use PDA hardware to facilitate the easy location of goods in the warehouses which have been scanned. The Directors believe this level of real-time data access enhances the efficiency of the Group's Inventory Solutions Business.

The LS provides the function of printing out the shipment notices, thus indirectly managing vehicles employed as well as the Transport Agencies. The Directors believe such functions help provide a reliable service.

As at the date of this Document, the Group currently employs eight people in its IT function who are responsible for developing software used in the WMS and LS and also operating, maintaining and developing the Group's IT infrastructure.

## **INSURANCE**

### **Goods collected and brought to the CDCs by the Group and goods stored at the Group's CDCs and RDCs**

In respect of products which are stored in the Group's warehouses, it is the Group's responsibility to pay compensation in the event that any goods stored are damaged. The Group has insurances in place to cover this eventuality.

### **Goods being transported by the Transport Agencies**

Each unit of product to be transported is insured by each of the respective Transport Agencies once it is despatched. In the event that any load being transported is damaged, or a manufacturer's load which is being carried is lost during transportation, the Group has agreements in place with each of the Transport Agencies whereby the Transport Agencies shall pay the compensation of the damaged or lost goods to the Group. The Group will in turn pay the compensation to the manufacturers. The Transport Agencies all have their own insurance policies in place. As each manufacturer is the customer of the Group, the Directors have indicated that the Group will assist any such manufacturer to ensure that the insurance claims are processed within a reasonable time. In addition, each Transport Agency is required to maintain a RMB 0.5 million deposit with the Group for use by the Group in the event of any damage or claim by a manufacturer against the Group which is not settled by the Transport Agency in time. To date, all claims have been settled by the relevant Transport Agency and the Group has had no need to resort to using the Transport Agency deposits.

## **KEY STRENGTHS OF THE GROUP**

The Directors consider the key strengths of the Group to include the following:

### ***Key client relationships***

The Group has long and stable partnerships with its major manufacturer clients many of whom have seen high growth and expansion in recent years. Manufacturers in Jinjiang City account for approximately 70 per cent. of the entire production volume of sports shoes and apparel in China. Mr. Shufang Zhuang and Mrs. Meijin Xu, two of the executive directors of the Company, have worked with the Group's major clients for approximately 20 years.

### ***Strong Market Position***

The Group is currently engaged by over 350 clients and customers which accounted for revenue of RMB 262,737,000 in the year ended 31 December 2011. Of its Significant Clients, representing over 90 per cent. of 2011 revenue, 15 are publicly listed companies. 14 of the Group's Significant Clients have confirmed that they have outsourced approximately 40 to 60 per cent. of their logistics services on average to the Group in the last three years.

In the Directors' opinion, international logistics companies which operate in China tend to concentrate their focus on global, multi-national corporations and exports rather than domestic Chinese clients.

Within China, the Directors believe there are few competitors to the Inventory Solutions Business operating within the Current Market as a large number of companies currently do their own internal inventory solutions management. The Directors are aware of significant inventory management solutions businesses such as

Li & Fung (0494.HK). The Directors believe these businesses are also largely focussed on providing such services in China for multinational corporations.

### ***Competition and barriers to entry***

International logistics companies have historically focussed on export markets. National logistics and distribution has generally been conducted by domestic Chinese companies. The Group enjoys a strong market position in providing logistics services in and around Jinjiang City and in the Current Market. The Board believes that there are no other substantial domestic logistics companies operating in and around Jinjiang City, with the market for logistics services there being largely fragmented.

The Directors believe that currently no other logistics business based in Fujian Province is able to compete directly with the Group's Inventory Solutions Business.

The Board believe that all these factors provide high barriers to entry for other logistics businesses seeking to enter into the Current Market.

### ***Efficiencies provided to the Transport Agencies***

The utilization rate of the Transport Agencies' vehicles is key to their profitability and success. A sufficient quantity, and where applicable weight, of goods must be loaded onto each truck in order for a Transport Agency to break even. In order to reach an optimal utilization of space, the Group loads an appropriate mix of weight/size goods to be shipped to the same destination.

The Group enables the Transport Agencies to increase their utilization rates by aggregating goods from a variety of local manufacturers and the Directors believe that the Transport Agencies would suffer much lower utilization rates if the Group did not provide logistics support to them.

Further, the nature of the Group's client base and the different types of product they require transporting enables the Group to provide help optimising capacity in the trucks of the Transport Agencies.

Loading rate is also important commercially to the Transport Agencies. In 2010, the average loading rate for truckers in China was approximately 50 per cent., compared with over 70 per cent. in USA and Japan (source: www.jingji.cntv.cn).

### ***Wide distribution network and warehouse locations***

Through its relationships with the Transport Agencies the Group has available routes to over 50 major cities in China. Due to its high daily business volume, the Group is able to load trucks on a daily basis destined for more remote cities in China. The Directors believe that the Group's high daily business volume assist in reaching its critical mass faster than its smaller competitors.

The Group has leased and owned modern warehouses in key business regions, such as Jinjiang City, Hangzhou and Guangzhou. These regions are broadly in the Yangtze Delta Region and Pearl River Delta Region, which are the most economically advanced regions in China, as well as having the significant population density. The Directors believe that the Group can benefit from the concentration of China's GDP in these regions.

### ***High quality services***

The Group offers a comprehensive service to its clients including providing better transportation routes, loading optimisation, arrangement of transportation, warehouse management and related value added services such as sorting, packing, labelling and short term storage. The Directors believe these services enable the Group's clients to make significant cost savings compared to conducting these activities in-house.

### ***Foreseeable growth trends***

A number of the Group's principal clients have experienced significant annual growth in recent years, which has resulted in an increase in market demand for the Group's services. It is estimated by the Directors that with stable GDP growth, market demand will continue into the foreseeable future. The Directors believe that the increasing development of the business to customer ("B2C") delivery services, such as delivery to end customers directly from retail sellers within China, will also greatly benefit the Group.

The Directors are aware of recent industry reports which indicate that the Chinese sportswear market saw consumer spending rise from RMB 41.5 billion in 2006 to RMB 119.3 billion in 2010.

### ***Experienced management***

The Executive Directors and the senior management of the Company have proven knowledge and expertise in the logistics industry. The majority of the Board and senior management have approximately 20 years experience in the logistics industry. Mr. Penghua Wu is a senior researcher at the China Society of Logistics, a government think tank of the logistics industry. Mr. Liangyi Xu is a director of the China Federation of Logistics & Purchasing.

## **STRATEGY**

The Group aims to be a leading logistics service provider in China, with a focus on fast moving consumer goods.

The immediate strategy of the Group will be threefold:

- **Sports shoes and apparel:** Consolidate and grow market share in which the Group currently has a 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 the Group, including expanding Regional Distribution Centres via lease arrangements in Central China, North-eastern China, Northern China and Western China

The Group plans to expand its distribution network so that it can offer more delivery destinations to its existing clients. By the development of the Inventory Solutions Business, the Group aims to increase services supported to existing clients and customers. By combining both logistics and inventory solutions services, the Directors believe that the Group will have an advantage over its competitors which only provide a single service. As a result, the Directors believe that the Group will grow its market share over a two year time frame.

In addition to the Current Market, Jinjiang City is also one of the largest industrial regions in China for building materials, foods (e.g. canned food, chocolates and snacks), household ceramic goods (bathrooms, basins and lavatories), toys, umbrellas and metal hardware. To date, the Group already has customers in food, building materials, and other industries. However, revenue generated by the Group to date from these other industries is less than the sports shoes and apparel market. This is because the Group has been prioritizing the sport shoes and apparel market whilst manufacturers from other industries have been showing an increased interest in doing business with the Group and also that these industries are less well represented in Fujian Province. After Admission, the Group will have more resources to improve its services to these industries to gain more market share.

In the future, the Group plans to offer a “last mile” logistics service, meaning products can be shipped to stores and individuals’ houses if required. Some of the Group’s clients are currently developing B2C platforms and with the development of B2C business in China, there are increasing logistics demands. By leveraging storage volumes in each sub-warehouse, the Group believes it can generate increased stock volumes which it hopes will result in greater margins to the Group.

## **SUMMARY FINANCIAL INFORMATION**

The following information presents summary extracts from the trading record of the Group. It has been extracted without material adjustment from the Group’s unaudited interim financial information for the six months ended 30 June 2012, and 30 June 2011 and the Group’s audited historical financial information for the three years ended 31 December 2011, as set out respectively in Sections C and B of Part IV of this document, except that:

- (1) EBITDA/Consolidated gross profit margin/PBT margin; have been calculated using numbers extracted without material adjustment from the Group’s audited historical financial information and the Group’s unaudited interim financial information as set out in Sections B and C of Part IV of this document.

- (2) Logistics services gross margin/Inventory solutions margin; have been extracted from the Group's internal management information.

Investors should read the full text of this document and, in particular, Part IV of this document and should not rely solely on this summary.

	<i>Unaudited six months to 30 June 2012 RMB</i>	<i>Unaudited six months to 30 June 2011 RMB</i>	<i>31 December 2011 RMB</i>	<i>31 December 2010 RMB</i>	<i>31 December 2009 RMB</i>
Logistics Services	136,885,478	105,040,692	238,736,832	168,675,727	91,689,025
Inventory Solutions	21,913,905	7,552,753	24,001,000	1,043,000	–
<b>Total Revenue</b>	<b>158,799,383</b>	<b>112,593,445</b>	<b>262,736,832</b>	<b>169,718,727</b>	<b>91,689,025</b>
Gross profit	133,758,964	95,217,371	217,750,874	146,278,195	76,305,710
EBIDTA <sup>(1)</sup>	124,578,325	90,751,260	202,311,676	139,991,188	71,124,919
Profit before tax	121,903,364	89,443,403	199,595,981	138,001,467	69,196,248
Profit after tax	90,454,180	67,052,080	149,017,727	103,501,100	51,897,186
Consolidated gross profit margin <sup>(1)</sup>	84.2%	84.6%	82.9%	86.2%	83.2%
Logistics Services gross profit margin <sup>(2)</sup>	90.2%	88.4%	86.9%	86.9%	83.2%
Inventory Solutions gross profit margin <sup>(2)</sup>	47.2%	30.7%	42.8%	(18.8%)	–
PBT margin <sup>(1)</sup>	76.8%	79.4%	76.0%	81.3%	75.5%
Capital and reserves	384,612,247	202,370,517	284,336,164	145,195,098	71,693,998

## DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### **Board composition**

The Board consists of three Executive Directors and three Non-Executive Directors, of which the Board deem all of the Non-Executive Directors to be independent.

#### **Mr. Christopher William Knight**, *Independent Non-Executive Chairman*, aged 69

Mr. William Knight, a co-founder of Emerisque Brands, Chairman of Abingworth Bio Ventures II, and the JP Morgan Chinese Investment Trust Plc, director of Fidelity Asian Values Trust, Ceylon Guardian Investment Trust Plc and Axis Fiduciary Ltd, is an alternative asset investment specialist who has spent almost his entire career involved with financial development of companies and projects in developing economies. Since 1991 he has served in a wide range of non-executive positions as an independent director or adviser based in London.

William Knight has been involved with China since 1978. Between 1979 and 1982 he was head of the Far East merchant banking activities of Lloyds Bank International based in Hong Kong. He was a member of the first delegation by the World Economic Forum to visit China in the 1980s.

He has experience also as an independent director of investment companies domiciled or listed in various jurisdictions including AIM.

#### **Mr. Shufang Zhuang**, *Executive Director*, aged 43

Mr. 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 Company. Before founding the Group, Mr. Shufang Zhuang established Xingtai Freight Station, (an unincorporated company) which was subsequently converted to the Group. Mr. Shufang Zhuang has approximately 20 years of business development experience in China, principally in the logistics industry. Mr. Zhuang is the husband of Mrs. Xu and brother in law to Mr. Liangyi Xu.

**Mrs. Meijin Xu**, *Executive Director*, aged 40

Mrs. 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 Mr. Shufang Zhuang and Mr. Liangyi Xu, Mrs. 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. Mrs. Meijin Xu has nearly 20 years experience in the logistics industry. Mrs. Xu is the wife of Mr. Zhuang and the sister of Mr. Liangyi Xu.

**Mr. “Derrick” Sze Hau Wong**, *Chief Financial Officer*, aged 32

Mr. Derrick Wong, CPA Australia member, was appointed as the Chief Financial Officer and Executive Director of the Company 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*, aged 45

Mr. 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 China. He is also a senior researcher at China Society of Logistic, a government think tank of the logistics industry. Mr. Wu joined the company 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*, aged 62

Mr. Stuart Lane is Executive Chairman of Northland Capital Partners Limited, a London based investment bank. He is an experienced financial adviser with an established reputation for advising the boards of quoted and private companies. Stuart 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, Stuart was a Captain in the British Army and subsequently served as 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 and Seymour Pierce Limited.

The business address of each of the Directors is Meiling Industrial Park, Jinjiang, Fujian, China.

**Key Management**

**Liangyi Xu**, *Chief Operating Officer*, aged 44

Mr. Liangyi Xu is the Chief Operating Officer of the Company. He is also a director of the China Federation of Logistic & Purchasing. Mr. 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.

**Jiaqing Wang**, *Board Secretary*, aged 32

Mr. 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.

**“Frank” Hui Chang Wang**, *Chief IT Officer*, aged 32

Mr. Frank Wang was appointed as the Chief IT Officer of the company 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 industry.

**Junwei Chen**, *Investor Relations Manager*, aged 28

Mr. Junwei Chen is an investment banking and private equity specialist. He is a senior member of Riemann Investment, a China focused corporate finance advisory and private equity house. Prior to joining Riemann,

he was an investment banker at Macquarie Bank where he participated in various IPO and M&A transactions. Junwei obtained his Bachelor's degree in finance at the University of Sydney in Australia and a Master's degree in Economics at the University of Sydney, he is also a CPA Australia member.

**CURRENT TRADING AND PROSPECTS**

Trading for the six month period from 31 December 2011 to 30 June 2012 was strong and consistent with the management's expectations, with consolidated unaudited revenue of RMB 158.8 million, representing a 41 per cent. increase compared with the same period in 2011. Unaudited net profit after tax for the period was RMB 90.5 million, slightly exceeding management's expectations, and a significant increase of 34.9 per cent. from the same period in 2011. Unaudited cash and cash equivalents as at 30 June 2012 were approximately RMB159.1 million, a significant increase of 116 per cent. from 30 June 2011. This robust increase in revenue was attributed to a strong growth in customers, mainly in the sports shoes and apparel market, and the structure of the Inventory Solutions Business being more mature since the introduction of the service in the last quarter of 2010. The Directors are confident about the Group's prospects and believe that it is well placed to develop its business in line with its stated strategy.

**HISTORY OF THE COMPANY AND ORGANISATIONAL STRUCTURE**

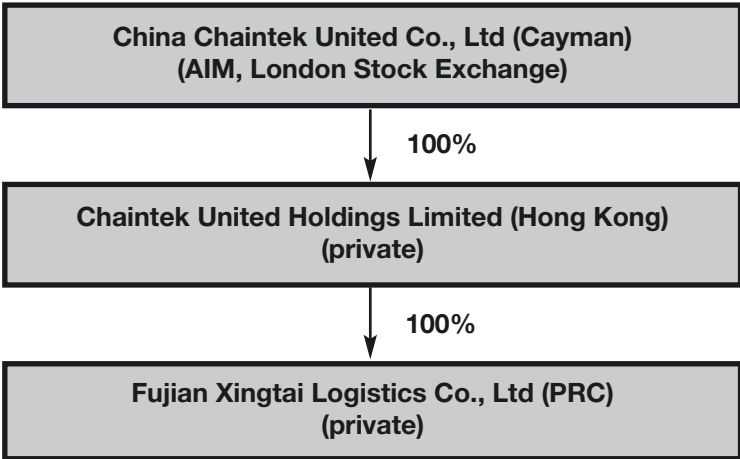
Xingtai Logistics was incorporated on 3 March 2000. In January 2011, Chaintek United Holdings Limited, a company incorporated in Hong Kong and then owned by Mr. Shufang Zhuang and Mrs. Meijin Xu acquired all of the issued shares in Xingtai Logistics. Such transfer was approved on 4 January 2011 and a new business license was issued to Xingtai Logistics in January 2011.

The Company was incorporated under the laws of the Cayman Islands on 13 April 2011. It conducts all of its business through its wholly owned Hong Kong subsidiary, Chaintek United Holdings Limited and, in turn, through its wholly owned PRC subsidiary, Fujian Xingtai Logistics Co. Ltd.

As at 31 December 2011, the Group employed approximately 579 employees and the Group currently employs approximately 588 employees, 460 are employed in Fujian Province, 33 are employed in Guangzhou and 95 are employed in Hangzhou.

The Company's capital structure is comprised of a single class of Ordinary Shares which are intended to be admitted to trading on AIM.

The corporate structure of the Group on Admission will be as follows:



**DIVIDEND POLICY**

Whilst the Board does not currently expect to declare a dividend in the financial year following Admission, and potentially for subsequent periods thereafter, it does intend that the Company shall pay cash dividends to Shareholders in the future when it is able and appropriate to do so.



## **SUMMARY OF PLACING**

The Company is proposing to raise £7.5 million (before expenses) through a placing by the Joint Brokers of 4,696,875 Ordinary Shares at a Placing Price of £1.60 per Ordinary Share.

Under the Placing Agreement, the Joint Brokers have agreed to use their reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. It is anticipated that the Placing Shares will be placed by the Joint Brokers with institutional and other investors. The obligations of the Joint Brokers under the Placing Agreement are conditional upon, *inter alia*, Admission taking place by 8.00 a.m. on 20 August 2012 (or such later date, being not later than 8.00 a.m. on 31 August 2012, as the Company and the Joint Brokers shall agree) and the Placing Agreement not being terminated. The Placing Shares will represent approximately 8.59 per cent. of the Enlarged Share Capital. The Placing has not been underwritten.

Further details of the Placing Agreement are set out in paragraph 10.1 of Part VI of this Document.

Admission and dealings in the Ordinary Shares are expected to commence on 20 August 2012.

The Placing Shares were created under the Companies Law and can be issued in certificated or uncertificated form. The ISIN number for the Ordinary Shares is KYG2115W1006. The Depository Interests will have the same ISIN number.

The currency of the Placing Shares is pounds Sterling. The Placing Shares will be issued credited as fully paid and will, when issued, rank in full for all dividends and other distributions declared paid or made on the Ordinary Shares after Admission.

The Company has entered into depository arrangements to enable investors to settle and pay for their interests in Ordinary Shares through the CREST system. Further details of the depository arrangements are set out on pages 33 to 34 of this Document.

## **REASONS FOR ADMISSION AND USE OF PROCEEDS**

The Company has applied to have its Ordinary Shares admitted to trading on AIM primarily to raise capital to fund its strategy, increase public awareness and recognition of the Group and to provide a trading facility for the Company's shares.

The net proceeds of the Placing received by the Company will be approximately £6 million. The net proceeds, together with debt finance to be arranged by the Company after Admission and its existing cash reserves, will be used to fund the development of the New CDCs. The primary use of funds relates to the LUR purchase over an additional 200,000m<sup>2</sup> in Jinjiang City.

Cash pending investment or distribution will be placed in bank deposits, bonds or government-issued treasury securities in order to protect the capital value of the Company's cash assets.

## **LOCK-IN AGREEMENTS**

On Admission, the Directors will be interested, in aggregate, in 37,000,000 Ordinary Shares representing approximately 67.65 per cent. of the Enlarged Share Capital. Each of the Directors has agreed with the Company and the Joint Brokers 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 (3) months after the publication of the Company's financial report and accounts 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. Further details of these lock-in agreements are set out in paragraph 9 of Part VI of this Document.

## **ADMISSION, CREST AND DEPOSITORY INTERESTS**

Application has been made to the London Stock Exchange for all the Existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence at 8.00 a.m. on 20 August 2012.

The Ordinary Shares are in registered form. CREST is a computerised paperless share transfer and settlement facility enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. Securities issued by non-UK registered companies such as the Company cannot be held or transferred in the CREST system. To enable investors to settle such securities through the CREST system, a depository or custodian can hold the relevant securities and issue dematerialised depository interests representing the underlying securities which are held on trust for the holders of the depository interests.

The Company has therefore established an arrangement whereby Depository Interests, representing Ordinary Shares, can be issued to investors who wish to hold their Ordinary Shares in electronic form and an application has been made for such Depository Interests to be admitted to CREST with effect from Admission. Depository Interests will have the same ISIN as the underlying Ordinary Shares and will not require a separate application for admission to AIM. The Depository Interests will exist only in uncertificated form and cannot be traded other than through CREST. Accordingly, with effect from Admission, settlement of transactions in Ordinary Shares represented by Depository Interests may take place within the CREST system if an investor so wishes. CREST is a voluntary system and shareholders who wish to receive and retain share certificates will be able to do so.

The Depository Interests are independent securities constituted under English law and will be issued and created pursuant to the terms of the Deed Poll with the Depository. The Deed Poll governs the relationship between the Depository and the DI Holders. The Depository (or its nominated custodian) will hold the underlying Ordinary Shares and all or any rights, other securities, property and cash attributable to such Ordinary Shares and pertaining to the Depository Interests for the benefit of the relevant DI Holders.

Pursuant to the Deed Poll, the Depository must pass on to the DI Holders and, so far as it is reasonably able, exercise and cause to be exercised by any custodian on behalf of the DI Holders, all rights and entitlements received or to which it is entitled in respect of the Ordinary Shares which are capable of being passed on or exercised. Subject to the terms of the Deed Poll, rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings of the Company shall be passed on to DI Holders. The Depository is entitled to exercise all voting rights attaching to the Ordinary Shares to which the Depository Interests relate on behalf of the DI Holders but DI Holders may give voting instructions to the Depository on how to exercise the votes relating to the Ordinary Shares to which their underlying Depository Interests relate.

Each Depository Interest will be treated as one Ordinary Share for the purposes of determining eligibility for dividends, issues of bonus stock and voting entitlements.

Further information regarding the depository arrangements and the holding of Depository Interests representing Ordinary Shares is available from the Depository. The Depository may be contacted at Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ or by telephone on +44 (0) 870 702 0003.

## **CORPORATE GOVERNANCE AND BOARD PRACTICES**

There is no mandatory corporate governance regime in the Cayman Islands with which the Company must comply. However, the Directors recognise the importance of sound corporate governance and intend to comply with appropriate recognised corporate governance standards, as far as practicable and to the extent appropriate given the Company's size, assets, liabilities and other relevant information. In practice this means that the Company will be complying with the QCA Guidelines.

### **Board**

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Company intends to hold Board meetings at least eight times each financial year and at other times as and when required.

### **Committees**

The Directors have established an audit committee and a remuneration committee with formally delegated rules and responsibilities.

### **Audit Committee**

The audit committee (“Audit Committee”) of the Company, comprising Stuart Lane, William Knight and Penghua Wu will be chaired by Stuart Christopher Lane and will meet at least three times 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, the work of the internal audit function and compliance by the Group with statutory and regulatory requirements.

The Audit Committee will also advise the Board on the appointment of the external auditors, review their fees and the audit plan. It will approve the external auditors’ terms of engagement, their remuneration and any non-audit work.

The Audit Committee will also meet the Company’s auditors and review reports from the auditors relating to accounts and internal control systems. The Audit Committee will meet with the auditors as and when the Audit Committee requires.

### **Remuneration Committee**

The remuneration committee (“Remuneration Committee”) of the Company, comprising Stuart Lane, William Knight and Penghua Wu will be chaired by William Knight and will meet at least once a year. It will set and review 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 will be determined by the Directors with due regard to the interests of the Shareholders and the performance of the Group. The Remuneration Committee will also make recommendations to the Board concerning the allocation of share options to employees.

### **Relationship Agreement**

Immediately following Admission, the Controlling Shareholders will together be entitled to exercise or control the exercise of voting rights in respect of 67.65 per cent. of the Enlarged Share Capital and will have the ability to exercise a controlling influence on the business of the Company and may cause or take actions that are not in, or may conflict with, the best interests of the Group or its Shareholders as a whole. Accordingly, the Company, the Joint Brokers and the Controlling Shareholders have entered into a Relationship Agreement which regulates the relationship between the Controlling Shareholders and the Company and ensures that the Company is capable of carrying on its business independently of the Controlling Shareholders. The principal terms of the Relationship Agreement is summarised in paragraph 10.5 of Part VI of this Document.

### **Share dealing code**

The Company 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.

### **Pre-emption rights**

The Company is a Cayman Islands company and is subject to Cayman Islands law which differs from the UK Companies Act 2006 in relation to statutory pre-emption rights.

There are no provisions in Cayman Islands law equivalent to section 551 of the UK Companies Act 2006 relating to the ability of directors to allot and issue shares and there are no provisions in Cayman Islands law equivalent to section 561 of the UK Companies Act 2006 which, (subject to certain exceptions), confers pre-emption rights on existing Shareholders in connection with the allotment of shares for cash. However, the Articles provide that the Ordinary Shares issued wholly for cash by the Company must first be offered to existing Shareholders in proportion to their respective holdings of Ordinary Shares (i.e. the provisions relating to statutory pre-emption rights under English companies law have been broadly replicated in the Articles) except that such pre-emption rights shall not apply where they are: disapplied by way of a resolution passed by a majority of 75 per cent. of the holders of the shares of the class who (being entitled to do so) vote in person or by proxy at a separate general meeting of shareholders, or where the shares are bonus shares or are issued in connection with an employee share scheme.

### **The Takeover Code**

As a company incorporated in the Cayman Islands, the Company 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 Company.

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 per cent. or more of the voting rights of the Company, the acquirer and, depending on the circumstances, the concert parties, will be required (except with the agreement of the Company in general meeting by ordinary resolution of independent shareholders) to make a cash offer for the outstanding Shares in the Company 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 per cent. of the voting rights in the Company 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. Details of the key provisions of the Articles may be found in paragraph 4 of Part VI of this Document.

### ***Disclosure and Transparency Rules***

The provisions of DTR 5 shall be deemed to apply to the Company, so that Shareholders are required under the Articles to notify the Company 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 three per cent., four per cent., five per cent., six per cent., seven per cent., eight per cent., nine per cent., ten per cent., and each one per cent. threshold thereafter up to 100 per cent., 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 Company without any obligation to pay interest thereon.

The Directors have the power, by giving notice, to require any Shareholder to disclose to the Company 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 been so interested, in both cases together with details of the nature of such interest.

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 Company or exercise any other right conferred by membership in relation to the meetings of the Company or holders of any class of shares.

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

### **TAXATION**

Information regarding taxation is set out in Part V in this Document

Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.

### **FURTHER INFORMATION**

Your attention is drawn to Part III of this Document which contains risk factors relating to any investment in the Group and to Part IV of this Document which contains financial information on the Company, as well as further additional information in Part VI of this Document.

## PART III

### RISK FACTORS

**An investment in Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this Document before investing in Ordinary Shares. The Board considers the following risk factors to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority.**

**If any of the following risks actually occur, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.**

**Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Company's business and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group.**

**An investment in Ordinary Shares described in this Document is speculative. Potential investors are accordingly advised to consult a person authorised for the purposes of FSMA who specialises in advising on investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.**

#### **GENERAL RISKS**

##### **Investment risks**

An investment in Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment, or other investors who have been professionally advised with regard to the investment, and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complimentary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio.

Prospective investors should be aware that the value of an investment in the Company may go down as well as up and investors may therefore not recover their original investment.

In addition, the price at which investors may dispose of their shares in the Company may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Company's investments, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory or taxation changes, general economic and political conditions and interest and inflation rate variations.

The value of the Ordinary Shares may therefore fluctuate and not reflect their underlying asset value. In addition, the level of dividends to be paid on the Ordinary Shares, if any, is not guaranteed and may fluctuate.

##### **Financing Risk**

The Company intends to secure debt financing to invest in warehouse infrastructure and IT systems which, in addition to the proceeds of the Placing and existing cash reserves, will enable it to execute its current plans and strategy. The Company does not currently have banking agreements in place and whilst the Board believe that lending should be forthcoming for a business such as the Company, there can be no certainty that it will. If debt financing is not secured the Board will have to consider alternative sources of funding which could include equity financing which may be dilutive to Shareholders.

There can be no assurance that the Company will be able to raise additional funds when needed or that such funds will be available on terms favourable to the Company. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion which in turn could have a material adverse impact on the future prospects of the Group.

### **Liquidity and possible price volatility of the Ordinary Shares**

Prior to the Placing, there has been no public market for the Ordinary Shares. The Placing Price has been agreed between the Joint Brokers and the Company and may not be indicative of the market price for the Ordinary Shares following Admission.

The trading price of the Ordinary Shares may be subject to significant volatility in response to, among other factors:

investor perceptions of the Group and the Group's business plans;

variations in the Group's operating results;

changes in senior management personnel; and

general economic and other factors.

An active trading market for the Ordinary Shares may not develop and the trading price for Ordinary Shares may fluctuate significantly. In addition, there can be no assurance that an active trading market for the Ordinary Shares will develop, or, if it does develop, that it will be sustained following Admission, or that the market price of the Ordinary Shares will not decline below the Placing Price.

Stock markets have from time to time experienced severe price and volume fluctuations, a recurrence of which, if recurring, could adversely affect the market price of Ordinary Shares, regardless of the Group's performance.

The declaration, payment and amount of any future dividends of the Company is subject to the discretion of the Directors, and will depend upon, among others, the Company's earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws or generally accepted accounting principles.

### **Securities traded on AIM**

The Ordinary Shares will be quoted on AIM rather than the Official List. The rules of AIM are less demanding than those of the Official List and an investment in shares quoted on AIM may carry a higher risk than an investment quoted on the Official List. Admission of the Ordinary Shares to trading on AIM should not be taken as implying that there will be a liquid market in the Ordinary Shares. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List. Shares held on AIM are perceived to involve higher risk.

### **Management of growth**

The ability of the Group to implement its strategy requires effective planning and management control systems. The Group's growth plans may place a significant strain on the Group's management and operational, financial and personnel resource. Therefore, the Group's future growth and prospects will depend on its ability to manage this growth.

The Company's objectives may not be fulfilled. The value of an investment in the Company is dependent upon the Company achieving the aims set out in this Document. The Group may not achieve the level of success that the Board expects, which could adversely affect the value of any investment in Ordinary Shares.

### **Currency and foreign exchange**

As the Group's trading operations are in China, the Group's income is received in RMB. The value of the RMB against other foreign currencies is subject to changes in the PRC Government's policies and international economic and political developments. On 21 July 2005, the People's Bank of China reformed

the RMB exchange rate regime by moving to a managed floating exchange rate based on market supply and demand with reference to a basket of currencies, and from that date the RMB was no longer pegged solely to the US Dollar. As a consequence, the RMB exchange rate is now more volatile than before. Any significant appreciation or devaluation of RMB against other international currencies (including Sterling) could have a material adverse effect on the value of the Ordinary Shares, the value of the assets of the Group, the Company's ability to pay any dividends on its Ordinary Shares and the Group's ability to fulfil any foreign currency denominated obligations which it may have from time to time.

### **Forward-looking statements**

This Document includes "forward-looking statements" which include all statements other than statements of historical facts, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words "targets", "plan", "project", "believes", "estimates", "aims", "intends", "can", "may", "expects", "forecasts", "anticipates", "would", "should", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Among the important factors that could cause the Company's actual results, performance or achievements to differ materially from those in forward-looking statements include those factors in this Part III and elsewhere in this Document. These forward-looking statements speak only as at the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions in relation to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward-looking statements in this Document may not occur. Prospective investors should be aware that these statements are estimates, reflecting only the judgment of the Company's management and prospective investors should not rely on any forward looking statements.

### **Availability of profits for distribution**

Any future dividends will be proposed by the Board from time to time under the authority granted to them in the Articles. The amount of future dividends proposed by the Directors (if any) will depend on the Group's earnings and financial position, results of operations, capital needs, plans for expansion, distributable reserves and such other factors as the Directors may deem appropriate. The failure by the Company to pay dividends in future may adversely affect the value of Ordinary Shares.

### **Taxation**

The taxation implications of investing in the Company are dealt with in Part V of this Document. The tax rules and their interpretation relating to an investment in the Company may change during the life of the Company. The levels of, and relief from, taxation may change. Any tax relief referred to in this Document are those currently available and their application depends on the individual circumstances of investors. The information given in this Document relates only to Cayman Islands and UK investors and investors in other jurisdictions must seek their own tax advice.

Any change in the Company's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the assets held by the Company or the Group, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax return of Shareholders. Statements in this Document concerning the taxation of the Company, the Group and/or its investors are based upon current law and practice which are subject to change.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands.

## **RISKS RELATING TO THE GROUP'S BUSINESS**

### **Economic uncertainty**

Future economic uncertainty or significant increases in the Group's operating costs could result in a reduction in profits generated by the Group. The effect of economic uncertainty for the Group's customers may result in reduced sales and lower profits. The Directors believe that this risk is mitigated to an extent by China's growing economy.

### **Contracts with manufacturers**

Some of the contracts between the Group and the manufacturers are terminable immediately upon written notice by either side. The Directors believe that Mr. Zhuang's close relationships with the manufacturers provides a degree of protection against the risk of termination. If any of the contracts were terminated this would have a serious impact on the Groups trading results and financial condition.

### **Labour disputes could significantly affect the Group's operations**

Labour disputes with the Group's employees or labour disputes, work stoppages or slowdowns at any of the Group's manufacturer clients or suppliers could significantly disrupt the operations or expansion plans. Delays caused by any such disruption could materially affect the Group's projections for increased capacity, production and revenues, which could have a material effect on the business.

### **Future changes to PRC tax law or PRC central tax review**

The Board has reviewed the effective tax rate of the Group based on current PRC tax law and local province tax practices. Changes to PRC tax law or a review by central government tax authorities could result in an increase to the rate of tax applied to the Group.

### **The Group's transition to a public group may not be successful**

The Group has been successful as a private business. The Group's transition to a public group involves changes in the Group's ownership and Board structure. There can be no assurances that under a changed Board structure and ownership, and in the more public environment of a quoted public group, the Group will be able to manage its operations and strategic direction as successfully as it has as a private business.

### **Sustainability of high profit levels generated by the Logistics Services Business**

The profits generated by the Logistics Services Business will ultimately attract the attention of competitors and the division's customers and suppliers. The profit levels of the Group may be squeezed once the Group's accounts are in the public domain. This could adversely affect the Group's operating results and financial condition.

### **Reliance on a small client base**

The ten largest manufacturer clients of the Group currently represented approximately 41 per cent. of the revenues of the Logistics Services Business in 2011. This represents a significant customer concentration risk. The Group's business, operating results and financial condition could be adversely affected if any of these manufacturers significantly reduce their demand for the Group's services.

### **The Group is heavily dependent on certain key executives. The Group's ability to attract, retain and motivate qualified personnel could adversely affect the business and growth prospects.**

To date the Group has been run as an owner-managed business. Mr. Zhuang, Mrs. Xu and Mr. Xu maintain key relationships with the manufacturers, the Transport Agencies and the five clients of the new Inventory Solutions Business. If the services of key executives are lost and cannot be replaced in a timely manner, then the business and prospects may be adversely affected.



### **Employment contracts**

Under PRC law, the probation period included within employment contracts with a term of one year must be no longer than two months. The employment contracts that the Group has entered into with some of its employees have a probation period that is longer than the statutory two month period and such provisions are invalid and the statutory probation period of two months shall apply. The invalidity of the probation period does not affect the validity of any other provisions of the employment contracts and there is no penalty or any other liability currently imposed under PRC for breaching the statutory probation period.

### **Logistics software system**

The Group operates a logistics software system, developed by Jinjiang Ahang Ruan Computer & Technology Co., Ltd (“Zhong Ruan”), which provides various functions such as vehicle management and track and trace. The contract between the Group and Zhong Ruan cannot be located and accordingly the precise terms of the original agreement are not known. Zhong Ruan have therefore provided a confirmation letter dated 26 March 2012 setting out that the logistics software system does not infringe any third party rights; the Group has fully fulfilled all its obligations under the terms of the contract; the Group is exclusively entitled to use the logistics software system and Zhong Ruan has undertaken not to license the software to any other party. Furthermore, Zhong Ruan has confirmed that in the event of any discrepancy between the original contract and the confirmation letter dated 26 March 2012, the terms of the confirmation letter shall prevail.

### **Renegotiation of contract terms**

The Group currently gets paid a percentage based commission of the total delivery charge directly from Transport Agencies. This is the main source of revenue for the Group. If the Transport Agencies seek to renegotiate the terms of the contractual arrangements they currently have in place with the Group then it is possible that the commission figure currently paid to the Group could be reduced significantly which would adversely affect the Group’s operating result and financial condition.

### **Short term contractual agreements**

The Group does not have long term contracts in place with any of its clients or Transport Agents and some of the contractual agreements that are in place between the Group and its clients are terminable on written notice. The terms of the contract that the Group has entered into with its manufacturer clients range from one year to three years. The terms of the contracts that the Group has entered into with each of the Transport Agencies are for one year.

### **The Group may not be able to implement its expansion strategy**

As set out in Part II of this Document, a key part of the Group’s future strategy depends on the success of the launch of the Inventory Solutions Business. To date this has been successful. Nevertheless the business remains in a nascent stage and there can be no guarantee that the proposed expansion and roll-out of the Inventory Solutions Business will be a success. As the Group’s business operations expand, additional resources may be required to manage the relationships with clients. The Group’s ability to manage its operations and growth will require it to continue to improve its operational, financial and management controls, reporting systems and procedures. If it is unable to effectively manage its growth, it may be difficult for the Group to implement its growth strategy which may materially and adversely affect the Group’s business, operating results and financial condition.

### **Temporary Construction Work Planning Permits**

The Group was issued with a Temporary Construction Work Planning Permit by the Jinjiang Planning Construction & Property Administrative Bureau for a temporary warehouse it constructed in the Meiling Industrial Park in Jinjiang City on 27 September 2006. Pursuant to the Administrative Measures or Regulations of Urban Property that no real estate title certificate shall be granted for temporary constructions, the Group received a letter from the Jinjiang Planning Construction & Planning Administrative Bureau on 15 July 2011 confirming it could not extend the term of validity of the Temporary Construction Work Planning Permit for this warehouse but it approved the use of the warehouse until 28 September 2012. There is no guarantee that the Group will get approval to use the warehouse beyond 28 September 2012.

The Group was issued with Temporary Construction Work Planning Permit by the Jinjiang Planning and Construction & Property Administrative Bureau for a temporary warehouse it constructed at Cizao Dagongshan on 28 February 2012. The term of validity for the temporary warehouse is for two years and there is no guarantee that the Group will get approval to use the warehouse beyond 28 February 2014. If the terms of validity for the temporary warehouse is not extended beyond 28 February 2014 then the Group may not be able to continue to use this temporary warehouse after this date and the Group may be required to deconstruct the warehouse.

### **Land Use Right for land at Jinjiang City**

The Group and the People's Government of Cizao Town, Jinjiang City entered into a letter of intent on 18 June 2010 and a supplementary agreement dated 23 February 2012 in respect of a LUR on a piece of land with an area of 200,000m<sup>2</sup> in Jinjiang City. Under the terms of the letter of intent, the People's Government of Cizao Town, Jinjiang City shall specify a piece of land with an area of approximately 200m<sup>2</sup> prior to 30 June 2013; however there is no guarantee that it shall do so. If the People's Government of Cizao Town, Jinjiang City fails to specify such piece of land the deposit paid by the Group, which is currently RMB 52 million, shall be refunded or both parties shall enter into a new letter of intent for a new piece of land.

## **GEOGRAPHIC RISKS**

### **Political risks in PRC**

The Chinese system operates within a political framework of communist control. Although the Directors believe that political conditions in the PRC are generally stable, changes may occur in its political, fiscal and legal systems which might affect the ownership or operation of the Group's interests, including, *inter alia*, changes in exchange control regulations, changes in government and in legislative and regulatory regimes. The Chinese Government since 1978 has pursued a policy of economic liberalisation, including the relaxation of private sector involvement in certain business sectors. The degree to which the PRC government regulates industry is a key risk to business in the PRC in the future. The rate of economic liberalisation could change and laws and policies affecting the environmental protection sector, foreign investment, exchange rates and other matters affecting investment in PRC could change as well. A material change in the PRC's economic liberalisation could disrupt the country's economy generally and the Group's business in particular.

### **Limitations caused by PRC foreign exchange control**

The Group is subject to the PRC rules and regulations on currency conversion. In the PRC, the State Administration of Foreign Exchange ("**SAFE**") regulates the conversion of the RMB into foreign currencies. Currently, foreign investment enterprises ("**FIEs**") are required to apply to SAFE for "Foreign Exchange Registration Certificates" for FIEs. With such registration certifications (which need to be examined annually), FIEs are allowed to open foreign currency accounts including the "current account" and "capital account". Currently, conversion within the scope of a "current account" (e.g. remittance of foreign currencies for payment of dividends, etc.) can be effected without requiring the approval of SAFE. However, conversion of currency in a "capital account" (e.g. for capital items such as direct investments, loans, securities, etc.) still requires the approval of SAFE. PRC regulatory authorities may impose further restrictions on the convertibility of the RMB. Any future restriction on currency exchanges may limit the ability of the Company to repatriate distributable reserves.

### **PRC legal environment**

As the Group's business is conducted in the PRC, its operations are governed principally by the laws of the PRC. The PRC legal system is based on written statutes. Prior legal decisions and judgments have limited precedent value. The PRC is still in the process of developing a comprehensive statutory framework, and its legal system is still considered to be underdeveloped in comparison with legal systems in some western countries. The interpretation of Chinese laws may be subject to changes that have a material adverse effect on the Group. In addition, enforcement of existing laws may be uncertain. The PRC legal system and taxation laws have inherent uncertainties and inconsistencies as to interpretation that could limit the legal protections available to members of the Group and might constrain the effectiveness of its intellectual property rights.

## **The M&A Regulations**

On 8 August 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission (the “**CSRC**”), issued the Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors (“**Ordinance 10**”) that became effective on 8 September 2006 (“**Effective Date**”). This regulation, amongst other things, has a number of provisions that purport to require that an offshore special purpose vehicle (“**SPV**”) formed for listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of such SPV’s securities on an overseas stock exchange. On 21 September 2006, the CSRC published on its official website procedures specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listing. The new regulations are unclear as to whether or not a SPV using cash to acquire a PRC domestic enterprise is required to obtain approval from the CSRC for its overseas listing, and it is silent on if and how the new regulations are applicable to an overseas listing of a SPV which has completed the acquisitions of relevant PRC domestic enterprises prior to the Effective Date.

The Company’s PRC lawyers have advised that it is not necessary for the Company to obtain the CSRC’s approval under Ordinance 10 for its Admission on the basis that Ordinance 10 is not applicable to the Company. Ordinance 10 applies where a PRC domestic company is acquired by foreign investors in the period specified by Ordinance 10. The PRC Subsidiary of the Company has been a wholly foreign owned enterprise since its establishment.

The implementation of Ordinance 10 is not well tested in practice and given the uncertainties regarding the interpretation and application of the current or future PRC law, there is no assurance that the above understanding of the regulations is consistent with those of the PRC central authorities. Furthermore, there is no assurance that MOFCOM may not change, amend, or replace the Rules in the immediate future or in the longer term with or without retroactive effect and effective immediately on promulgation.

Notwithstanding the above analysis, in the event that the CSRC did determine that the Company is required to obtain its written approval prior to Admission and such approval is not obtained prior to Admission, the Group may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on the Group’s operations in the PRC, limit its operating privileges in the PRC, delay or restrict the repatriation of proceeds from the Placing into the PRC, or take other actions that could have a material adverse effect on the Group’s business, financial conditions, results of operations, reputation and prospects, as well as the trading price of the Ordinary Shares. The CSRC or other PRC regulatory agencies also may take actions requiring the Company, or making it advisable for the Company, to cease and desist in pursuing the Placing before settlement and delivery of the Placing Shares. Consequently, prospective investors who engage in market trading or other activities in anticipation of and prior to settlement and delivery do so at the risk that settlement and delivery may not occur.

If the CSRC determines that Admission requires its approval, the Group may be unable to obtain a waiver of the CSRC approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding this CSRC approval requirement could have a material adverse effect on the trading price of the Ordinary Shares.

## **Risks relating to the Cayman Islands**

### ***Rights of shareholders is more limited under Cayman Islands law than under United Kingdom law***

The Company’s corporate affairs are governed by its memorandum and articles of association, the Companies Law, as amended, and the common law of the Cayman Islands. The rights of Shareholders to take action against the Directors, the rights of minority Shareholders to institute actions and the fiduciary responsibilities of Directors under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of Shareholders and the fiduciary responsibilities of Directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions. In particular, the Cayman Islands has a less developed body of securities laws than the United Kingdom.

The Company is organised under the laws of the Cayman Islands. As a result, a Shareholder may not be able to enforce a judgment against the Company or some or all of the Directors and executive officers outside the Cayman Islands. It may not be possible for a Shareholder to effect service of process upon the Directors and executive officers within the Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a Shareholder will be able to enforce any judgments in civil and commercial matters against the Directors or executive officers who are residents of countries other than those in which judgment is made.

## **RISKS RELATING TO THE INTERPRETATION AND IMPLEMENTATION OF PRC LAW**

### **PRC regulations relating to the establishment of offshore special purpose companies by PRC residents**

The SAFE issued a public notice (the "SAFE Notice") in October 2005 requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of the PRC for the purpose of capital financing with assets or equities of PRC companies, referred to in the SAFE Notice as an "offshore special purpose company". PRC residents that are shareholders of offshore special purpose companies established before 1 November 2005 were required to register with the local SAFE branch before 31 March 2006. The failure of PRC resident Shareholders to register with the local SAFE branch or to amend their SAFE registrations pursuant to the SAFE Notice or the failure of future shareholders of the Company who are PRC residents to comply with the registration procedures set forth in the SAFE Notice, may subject such beneficial owners to fines and legal sanctions and may also limit the Group's ability to contribute additional capital into the Group, limit the ability of the Group to distribute dividends to the Company or otherwise adversely affect the business. The implementation of the SAFE Notice is not well tested in practice and given the uncertainties regarding the interpretation and application of the current or future PRC law, there is no assurance that the SAFE will uphold the terms of the SAFE Notice in such manner. Furthermore, there is no assurance that the SAFE may not change, amend or replace the terms of the SAFE Notice and any other relevant rules in the immediate future or the longer term with or without retrospective effect.

### **Licences and permits**

The Group's business is subject to various rules and regulations in the PRC which require the Group to hold licences or permits. If any such license was revoked or suspended, or is not renewed or expires, the Group's business operations would be adversely affected.

### **Scope of Indemnity**

As at the date of this Document, the Directors believe that the Group complies in all material respects with the PRC and Hong Kong law and regulation which applies to it by virtue of the Group's business and operation. By virtue of the complex nature of, in particular, PRC law and regulation leading to differing interpretation of such law and regulation, whether at a local or state level, including levels of enforcement and implementation, whilst the Directors hold such a belief having taken appropriate professional advice, there can be no guarantee that the Group will not be subject to investigation, criticism or formal legal proceedings in relation to the same which may ultimately result in a liability for the Group. In recognition of this the Controlling Shareholders have provided an indemnity to the Group in respect of certain key aspects of risks which the Group may be subject to and is further described in paragraph 11.2 of Part VI. To the extent that either the indemnified liabilities crystallise and the Controlling Shareholders are unable to satisfy them in full, or the scope of the indemnity does not cover a liability arising as a result of one of these risks, then the relevant Group Company will suffer a loss.

## **GENERAL RISKS**

### **Recent developments in global financial markets**

There can be no assurances that financial conditions in global financial markets will not worsen or adversely affect the Company's prevailing financial position and performance.

**Taxation risk**

Any change in the Company's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation in any of the jurisdictions in which the Group operates or may invest could affect the value of the investments held by the Group, affect the Company's ability to provide distributions to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this Document concerning the taxation of the Company and its investors are based upon tax law and practice at the date of this Document, which is subject to change.

**No takeover protection**

As a company incorporated in the Cayman Islands, the Company 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 Company.

Any takeover offer for the Company or consolidation of control in the Company will not, therefore, be regulated by the Takeover Code or any other takeover regime. Although the Articles contain certain limited takeover protections in such circumstances, they do not provide the full protections afforded by the Takeover Code.

**Force majeure**

The Company's proposed projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions, earthquakes or other catastrophes, epidemics or quarantine restrictions.

**PART IV**  
**FINANCIAL INFORMATION**

**Section A**

**ACCOUNTANT'S REPORT ON THE CONSOLIDATED GROUP HISTORICAL FINANCIAL  
INFORMATION FOR THE THREE YEARS ENDED 31 DECEMBER 2011**

The Directors  
China Chaintek United Co., Limited  
Mei Ling Industrial Park  
Jinjiang City  
Fujian Province  
The People's Republic of China

14 August 2012

Dear Sirs

**China Chaintek United Co., Limited ("the Company")  
and its subsidiary undertakings (together, "the Group")**

We report on the consolidated historical financial information for the three years ended 31 December 2011 of China Chaintek United Co., Limited set out in Part IV.B of this admission document ("the Historical Financial Information"). The Historical Financial Information has been prepared for inclusion in the admission document dated 14 August 2012 of the Company ("the Admission Document") on the basis of the accounting policies set out in notes 2 and 3 to the Historical Financial Information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

**Responsibilities**

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or consenting to its inclusion in the Admission Document.

As described in note 2(b) to the Historical Financial Information, the directors of the Company are responsible for preparing the Historical Financial Information on the basis of preparation set out in note 2(b) to the Historical Financial Information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion on the Historical Financial Information as to whether the Historical Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Historical Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Historical Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and recognised gains and losses and changes in equity for the periods then ended in accordance with International Financial Reporting Standards.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

## Section B

### CONSOLIDATED GROUP HISTORICAL FINANCIAL INFORMATION FOR THE THREE YEARS ENDED 31 DECEMBER 2011

#### Consolidated statement of financial position

as at 31 December 2009, 2010 and 2011 and 1 January 2009

	Notes	1 January 2009 RMB	31 December 2009 RMB	31 December 2010 RMB	31 December 2011 RMB
<b>Assets</b>					
<b>Non-Current</b>					
Land use right prepayments	4	9,679,359	9,458,116	9,236,873	30,776,029
Property, plant and equipment	5	27,994,775	26,904,638	25,980,467	72,486,395
		<u>37,674,134</u>	<u>36,362,754</u>	<u>35,217,340</u>	<u>103,262,424</u>
<b>Current</b>					
Land use right prepayments	4	221,243	221,243	221,243	669,911
Trade and other receivables	6	12,813,452	19,332,876	74,975,814	118,219,965
Cash and cash equivalents	7	13,719,829	26,108,003	50,230,696	97,746,651
		<u>26,754,524</u>	<u>45,662,122</u>	<u>125,427,753</u>	<u>216,636,527</u>
<b>Total assets</b>		<u><u>64,428,658</u></u>	<u><u>82,024,876</u></u>	<u><u>160,645,093</u></u>	<u><u>319,898,951</u></u>
<b>Equity and Liabilities</b>					
<b>Capital and reserves</b>					
Share capital	8	10,000,000	10,000,000	10,000,000	327,439
Merger reserve	9	–	–	–	(204,100)
Statutory common reserve	10	3,979,681	5,000,000	5,000,000	5,000,000
Retained earnings		35,817,131	56,693,998	130,195,098	279,212,825
		<u>49,796,812</u>	<u>71,693,998</u>	<u>145,195,098</u>	<u>284,336,164</u>
<b>Liabilities</b>					
<b>Current</b>					
Trade and other payables	11	12,020,965	6,008,084	6,833,846	22,948,587
Current tax payable		2,610,881	4,322,794	8,616,149	12,614,200
		<u>14,631,846</u>	<u>10,330,878</u>	<u>15,449,995</u>	<u>35,562,787</u>
<b>Total equity and liabilities</b>		<u><u>64,428,658</u></u>	<u><u>82,024,876</u></u>	<u><u>160,645,093</u></u>	<u><u>319,898,951</u></u>

The annexed notes form an integral part of and should be read in conjunction with this consolidated historical financial information



## Consolidated statement of comprehensive income

for the financial years ended 31 December 2009, 2010 and 2011

		<i>Year ended 31 December 2009 RMB</i>	<i>Year ended 31 December 2010 RMB</i>	<i>Year ended 31 December 2011 RMB</i>
Revenue	12	91,689,025	169,718,727	262,736,832
Cost of sales		<u>(15,383,315)</u>	<u>(23,440,532)</u>	<u>(44,985,958)</u>
<b>Gross profit</b>		76,305,710	146,278,195	217,750,874
Other operating income	13	48,936	161,581	643,827
Distribution expenses		(282,900)	(379,539)	(1,225,047)
Administrative expenses		<u>(6,875,498)</u>	<u>(8,058,770)</u>	<u>(17,573,673)</u>
<b>Profit before taxation</b>	14	69,196,248	138,001,467	199,595,981
Income tax expense	15	<u>(17,299,062)</u>	<u>(34,500,367)</u>	<u>(50,578,254)</u>
<b>Profit for the year</b>		51,897,186	103,501,100	149,017,727
<b>Other comprehensive income:</b>				
Other comprehensive income (at nil tax)		—	—	—
Total comprehensive income for the year		<u>51,897,186</u>	<u>103,501,100</u>	<u>149,017,727</u>
<b>Earnings per share (RMB)</b>				
– Basic and diluted	19	<u>1,038</u>	<u>2,070</u>	<u>2,980</u>

The annexed notes form an integral part of and should be read in conjunction with this consolidated historical financial information

## Consolidated statement of changes in equity

for the financial years ended 31 December 2009, 2010 and 2011

	<i>Share capital RMB</i>	<i>Merger reserve RMB</i>	<i>Statutory common reserve RMB</i>	<i>Retained earnings RMB</i>	<i>Total RMB</i>
Balance as at 1 January 2009	10,000,000	–	3,979,681	35,817,131	49,796,812
Total comprehensive income for the year	–	–	–	51,897,186	51,897,186
Transfer to statutory common reserve	–	–	1,020,319	(1,020,319)	–
Dividends (Note 22)	–	–	–	(30,000,000)	(30,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2009	10,000,000	–	5,000,000	56,693,998	71,693,998
Total comprehensive income for the year	–	–	–	103,501,100	103,501,100
Dividends (Note 22)	–	–	–	(30,000,000)	(30,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2010	10,000,000	–	5,000,000	130,195,098	145,195,098
Restructuring Exercise (Note 2(a))	(10,000,000)	(204,100)	–	–	(10,204,100)
Total comprehensive income for the year	–	–	–	149,017,727	149,017,727
Issue of share upon incorporation	6	–	–	–	6
Issue of shares	327,433	–	–	–	327,433
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2011	<u>327,439</u>	<u>(204,100)</u>	<u>5,000,000</u>	<u>279,212,825</u>	<u>284,336,164</u>

The annexed notes form an integral part of and should be read in conjunction with this consolidated historical financial information

## Consolidated statement of cash flows

for the financial years ended 31 December 2009, 2010 and 2011

		<i>Year ended</i> <i>31 December</i> <i>2009</i> <i>RMB</i>	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>RMB</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>RMB</i>
<b>Cash Flows from Operating Activities</b>				
Profit before taxation		69,196,248	138,001,467	199,595,981
Adjustments for:				
Amortisation of land use rights prepayments	4	221,243	221,243	445,576
Depreciation of property, plant and equipment	5	1,707,428	1,768,478	2,270,119
Loss on disposal of property, plant and equipment	14	–	–	71,516
Interest income	13	(48,126)	(160,881)	(257,419)
		<u>71,076,793</u>	<u>139,830,307</u>	<u>202,125,773</u>
Operating profit before working capital changes		71,076,793	139,830,307	202,125,773
Increase in trade and other receivables		(6,519,424)	(55,642,938)	(43,244,151)
Increase in trade and other payables		284,648	825,762	3,974,057
		<u>64,842,017</u>	<u>85,013,131</u>	<u>162,855,679</u>
Cash generated from operations		64,842,017	85,013,131	162,855,679
Income tax paid		(15,587,149)	(30,207,012)	(46,580,203)
		<u>49,254,868</u>	<u>54,806,119</u>	<u>116,275,476</u>
Net cash generated from operating activities		49,254,868	54,806,119	116,275,476
<b>Cash Flows from Investing Activities</b>				
Acquisition of land use rights		–	–	(22,433,400)
Acquisition of property, plant and equipment		(6,914,820)	(844,307)	(49,566,883)
Proceeds from disposal of property, plant and equipment		–	–	719,320
Interest received		48,126	160,881	257,419
		<u>(6,866,694)</u>	<u>(683,426)</u>	<u>(71,023,544)</u>
Net cash used in investing activities		(6,866,694)	(683,426)	(71,023,544)
<b>Cash Flows from Financing Activities</b>				
Advance from a shareholder		–	–	2,264,023
Dividends paid		(30,000,000)	(30,000,000)	–
		<u>(30,000,000)</u>	<u>(30,000,000)</u>	<u>2,264,023</u>
Net cash (used in)/generated in financing activities		(30,000,000)	(30,000,000)	2,264,023
		<u>12,388,174</u>	<u>24,122,693</u>	<u>47,515,955</u>
Net increase in cash and cash equivalents		12,388,174	24,122,693	47,515,955
Cash and cash equivalents at beginning of year		13,719,829	26,108,003	50,230,696
		<u>26,108,003</u>	<u>50,230,696</u>	<u>97,746,651</u>
Cash and cash equivalents at end of year	7	<u>26,108,003</u>	<u>50,230,696</u>	<u>97,746,651</u>

The annexed notes form an integral part of and should be read in conjunction with this consolidated historical financial information

## Notes to the consolidated historical financial information

for the financial years ended 31 December 2009, 2010 and 2011

### 1. General information

China Chaintek United Co., Ltd. ("China Chaintek" or the "Company") was incorporated as an exempted limited liability in 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 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 2(a).

### 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 ("PRC") controlled by Mr. Zhuang Shu Fang (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. Xu Mei Jin (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 per cent. 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 per cent. 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.

Upon completion of the above Restructuring Exercise, the Company had acquired the following subsidiaries:

Name of subsidiary	Country of incorporation and operations	Percentage of equity held			Principal activities
		31 December 2009	31 December 2010	31 December 2011	
<b>Held by Company</b>					
Chaintek United Holdings Ltd	Hong Kong	–	–	100%	Investment holding
<b>Held by Chaintek United Holdings Ltd</b>					
Fujian Xingtai Logistics Co., Ltd.	PRC	–	–	100%	Provision of logistics services and inventory solutions

## **2(b) Basis of preparation**

The Company's directors are responsible for the preparation of this consolidated historical financial information.

The consolidated historical financial information has been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"). This is the Group's first consolidated financial information prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

The principal accounting policies adopted in the preparation of the consolidated historical financial information are set out below.

The consolidated historical financial information has been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The consolidated historical financial information is presented in Renminbi ("RMB"), which is the Company's functional currency. All financial information has been presented in RMB, unless otherwise stated.

China Chaintek is a new entity established in 2011 and has not historically prepared financial information. Its subsidiaries have previously prepared management accounts under Chinese GAAP which are not available in the public domain. These accounts have been prepared under IFRS for the first time for the purpose of the inclusion of this consolidated historical financial information within this document.

The preparation of financial information in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated historical financial information and their effect are disclosed.

The consolidated historical financial information of the Group for the financial years ended 31 December 2009, 2010 and 2011 has been prepared based on the management accounts of the companies now comprising the Group, on the basis set out in Note 3. Adjustments have been made, for the purpose of this consolidated historical financial information, to restate these management accounts to align with IFRSs. As no statutory accounts were prepared under a previous GAAP, no prior GAAP to IFRS reconciliations have been prepared.

A key policy choice in this consolidated historical financial information relates to the method of consolidation. A business combination is a "common control combination" if the combining entities are ultimately controlled by the same party (including the same individual shareholder or a group of shareholders acting together in accordance with a contractual arrangement) both before and after the combination and the common control is not transitory. For the purposes of this consolidated historical financial information, the creation of the China Chaintek United Co., Limited Group under the Restructuring Exercise set out in Note 2(a) has been treated as a business combination involving entities under common control. Business combinations involving entities under common control fall outside the scope of IFRS 3: Business Combinations. In accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, management have considered the pronouncements of other standard-setting bodies in developing an accounting policy for common control combinations, in particular the pooling of interests-type method prescribed under UKGAAP Financial Reporting Standard 8 'Acquisition and Mergers'.

As a result, the China Chaintek United Co., Limited Group accounts for business combinations involving entities under common control using pooling of interest-type accounting. Under this policy the assets and liabilities of the acquiree are recorded at book value not fair value (although adjustments are made to achieve uniform accounting policies), intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the acquiree in accordance with applicable IFRS, no goodwill is recorded, any expenses of the combination are written off immediately in the income statement and comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

Accordingly, the Consolidated financial information of the Group for the three years year ended 31 December 2011 presented the state of affairs of the Group as at 31 December 2009, 2010 and 2011 and the results,

changes in equity and cash flows of the Group for the three years year ended 31 December 2009, 2010 and 2011 as if the current structure of the Group had been in existence throughout the relevant periods.

The accounting policies applied by the Group are consistent with all years presented in the consolidated historical financial information and in preparing the opening IFRS consolidated statement of financial position at 1 January 2009 for the purposes of the transition to IFRSs.

### **Significant accounting judgements and estimates**

The preparation of the consolidated historical 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.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are detailed below:

#### ***Critical judgements***

##### *Classification of Land Use Right prepayments as Operating Leases*

Within the People's Republic of China 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.

#### ***Accounting estimates***

##### *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 per cent. difference in the expected useful lives of these assets from management's estimates would result in approximately 0.1 per cent., 0.1 per cent. and 0.1 per cent. variance in the Group's profit for the financial years ended 31 December 2009, 2010 and 2011, respectively.

##### *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 the statement of comprehensive income.

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 continued use of the asset in the business; (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.

#### *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) IFRSs not yet effective**

The Group has not applied the following IFRSs that have been issued but are not yet effective:

<i>Pronouncement</i>		<i>Effective dates for periods beginning on or after</i>
IFRS 1(Revised)	– Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	1 July 2011
	– Additional exemption for entities ceasing to suffer from severe hyperinflation	1 July 2011
IFRS 7	Amendments enhancing disclosures about transfers of financial assets	1 July 2011
	Financial Instruments: Disclosures	1 January 2013
	– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	
	Financial Instruments: Disclosures	1 January 2015
	– Amendments requiring disclosures about the initial application of IFRS 9	
IFRS 9	Financial Instruments	1 January 2013
	– Classification and measurement of financial assets	
	Financial Instruments	1 January 2013
	– Accounting for financial liabilities and derecognition requirements	
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Financial Statements	1 July 2012
	– Amendments to revise the way other comprehensive income is presented	
IAS 12	Income Taxes	1 January 2012
	– Limited scope amendment (recovery of underlying assets)	

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
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 has preliminarily assessed the potential impact of the adoption of such standards and interpretations on the consolidated historical financial information of the Group. The impact is not expected to be significant and will primarily be disclosure related.

### 3. Summary of significant accounting policies

#### Business combinations

##### ***Common control business combination outside the scope of IFRS 3***

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Accordingly, the assets and liabilities of these entities have been accounted for at historical amounts in the consolidated historical financial information.

In applying pooling-of-interests accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated historical financial information of the combined entity as if the combination had taken place at the beginning of the earliest comparative period presented.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated historical financial information of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such consolidated historical financial information had been prepared by the controlling party, including adjustments required for conforming the combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination.

The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated historical financial information of the combined entity.

#### 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 are included in the consolidated historical financial information 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 the statement of comprehensive income. 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.

**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 except for differences arising on the translation of monetary items that in substance form part of the Group's net investment in a foreign operation.

***Foreign subsidiaries***

The assets and liabilities of foreign operations are translated to RMB at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to RMB at average exchange rates. None of the foreign operations' currencies is the currency of a hyper-inflationary economy.

**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 the statement of comprehensive income.

### **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.

### **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, other receivables, deposits and prepayments, other than land use right prepayments which are prepaid operating lease expense.

### **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 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.

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 assets belong 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 the statement of comprehensive income unless it reverses a previous revaluation in which case it is charged to equity.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

- A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the statement of comprehensive income, a decrease in that impairment loss is reversed through the statement of comprehensive income.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting date.

## **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 of 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 per cent. and 10 per cent. of its profit after taxation to statutory common reserve until the common reserve balance reaches 50 per cent. 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. 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.

### **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.

### **Financial liabilities**

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

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 statement of comprehensive income. 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 the statement of comprehensive income 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 the statement of comprehensive income 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 the statement of comprehensive income 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.

### **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 their 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 recognized 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.

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.

**Earnings per share**

Basic and diluted earnings per share per share for the years ended 31 December 2009, 2010 and 2011 have been computed by dividing the net profit by 50,000 ordinary shares issued and outstanding upon the establishment of the Company on 13 April 2011 as if such shares had been outstanding for all years presented.

**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

The Group's 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 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.

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

## 4. Land use rights prepayments

	1 January 2009 RMB	31 December 2009 RMB	31 December 2010 RMB	31 December 2011 RMB
<b>Cost</b>				
Balance at beginning of year	11,062,125	11,062,125	11,062,125	11,062,125
Additions	–	–	–	22,433,400
Balance at end of year	<u>11,062,125</u>	<u>11,062,125</u>	<u>11,062,125</u>	<u>33,495,525</u>
<b>Accumulated amortisation</b>				
Balance at beginning of year	940,280	1,161,523	1,382,766	1,604,009
Amortisation for the year	221,243	221,243	221,243	445,576
Balance at end of year	<u>1,161,523</u>	<u>1,382,766</u>	<u>1,604,009</u>	<u>2,049,585</u>
Carrying amount	<u>9,900,602</u>	<u>9,679,359</u>	<u>9,458,116</u>	<u>31,445,940</u>
	1 January 2009 RMB	31 December 2009 RMB	31 December 2010 RMB	31 December 2011 RMB
Presented as:				
Current assets	221,243	221,243	221,243	669,911
Non-current assets	9,679,359	9,458,116	9,236,873	30,776,029
	<u>9,900,602</u>	<u>9,679,359</u>	<u>9,458,116</u>	<u>31,445,940</u>

## 5. Property, plant and equipment

	<i>Buildings RMB</i>	<i>Plant and machinery RMB</i>	<i>Computers and office equipment RMB</i>	<i>Motor vehicles RMB</i>	<i>Construction work in- progress RMB</i>	<i>Total RMB</i>
<b>Cost</b>						
At 1 January 2009	23,297,529	436,450	1,403,793	5,801,487	–	30,939,259
Additions	175,300	63,000	143,650	235,341	–	617,291
At 31 December 2009	23,472,829	499,450	1,547,443	6,036,828	–	31,556,550
Additions	–	207,900	187,140	449,267	–	844,307
At 31 December 2010	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
<b>Accumulated depreciation</b>						
At 1 January 2009	711,869	63,940	219,948	1,948,727	–	2,944,484
Depreciation charge for the year	777,071	48,370	285,962	596,025	–	1,707,428
At 31 December 2009	1,488,940	112,310	505,910	2,544,752	–	4,651,912
Depreciation charge for the year	782,428	50,612	307,444	627,994	–	1,768,478
At 31 December 2010	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
<b>Net book value</b>						
At 1 January 2009	22,585,660	372,510	1,183,845	3,852,760	–	27,994,775
At 31 December 2009	21,983,889	387,140	1,041,533	3,492,076	–	26,904,638
At 31 December 2010	21,201,461	544,428	921,229	3,313,349	–	25,980,467
At 31 December 2011	20,779,623	1,066,110	4,692,265	2,848,397	43,100,000	72,486,395

## 6. Trade and other receivables

	<i>1 January 2009 RMB</i>	<i>31 December 2009 RMB</i>	<i>31 December 2010 RMB</i>	<i>31 December 2011 RMB</i>
Trade receivables	11,454,404	17,334,537	32,355,189	52,432,277
Non-trade amounts due from shareholders	–	–	–	327,439
Rental deposits*	1,000,000	1,000,000	2,003,300	13,021,860
Deposit for acquisition of land use rights**	–	–	40,000,000	52,000,000
Insurance claims	43,035	661,130	–	–
Insurance prepayments	316,013	337,209	361,764	405,473
Other prepayments	–	–	219,114	–
Others	–	–	36,447	32,916
	<u>1,359,048</u>	<u>1,998,339</u>	<u>42,620,625</u>	<u>65,787,688</u>
Total	<u>12,813,452</u>	<u>19,332,876</u>	<u>74,975,814</u>	<u>118,219,965</u>

The Group allows an average credit period of 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 relate to proceeds receivable from the issue of shares during the financial year ended 31 December 2011 (Note 8). They are unsecured, interest free and repayable on demand.

\* 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 construction of a warehouse. As at 31 December 2011, the Group has yet to obtain the land use right certificate to commence use of the parcel of land.

## 7. Cash and cash equivalents

	<i>1 January 2009 RMB</i>	<i>31 December 2009 RMB</i>	<i>31 December 2010 RMB</i>	<i>31 December 2011 RMB</i>
Cash and bank balances	<u>13,719,829</u>	<u>26,108,003</u>	<u>50,230,696</u>	<u>97,746,651</u>

As at 31 December 2009, 2010 and 2011, bank balances of approximately RMB26,072,000, RMB50,214,000 and RMB97,715,000 are interest earning. The weighted average effective interest rate of these interest-earning bank balances as at 31 December 2009, 2010 and 2011 is 0.18 per cent., 0.32 per cent. and 0.36 per cent. per annum, respectively.

Cash and bank balances are denominated in the following currencies:

	<i>1 January 2009 RMB</i>	<i>31 December 2009 RMB</i>	<i>31 December 2010 RMB</i>	<i>31 December 2011 RMB</i>
Chinese Renminbi	13,719,829	26,108,003	50,230,696	97,745,327
United States dollars	–	–	–	1,324
	<u>13,719,829</u>	<u>26,108,003</u>	<u>50,230,696</u>	<u>97,746,651</u>



## 8. Share capital

	<i>1 January 2009</i>	<i>31 December 2009</i>	<i>31 December 2010</i>	<i>31 December 2011</i>
<b>No. of ordinary shares</b>				
Authorised:				
50,000 ordinary shares of US\$1 each *	–	–	–	50,000
Issue of shares	–	–	–	49,999
Issued and fully paid:				
Balance at beginning of year	10,000,000	10,000,000	10,000,000	10,000,000
Upon incorporation	–	–	–	1
Restructuring Exercise (Note 2(a))	–	–	–	(10,000,000)
Balance at end of year	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>50,000</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<b>Value in RMB</b>				
Authorised:				
Ordinary shares of US\$1 each	–	–	–	327,439
Issued:				
Balance at beginning of year	10,000,000	10,000,000	10,000,000	10,000,000
Upon incorporation	–	–	–	6
Issue of shares	–	–	–	327,433
Restructuring Exercise (Note 2(a))	–	–	–	(10,000,000)
Balance at end of year	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>327,439</u>

\*Prior to 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 9).

For the purpose of preparation of the consolidated historical financial information, the share capital as at 31 December 2011 represents the issued share capital of the Company.

The Company was incorporated in 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 subscriber shares. During the financial year ended 31 December 2011, the Company issued 49,999 new ordinary shares at par for RMB327,433 (US\$50,000) which remains outstanding and payable to the Company as at 31 December 2011 (Note 6).

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.

## 9. Merger reserve

For the purpose of preparation of the consolidated financial information of the Group, the merger reserve represents the excess of the purchase consideration for the acquisition of the subsidiaries under common control in Restructuring Exercise described in Note 2(a) over the combined paid-up registered capital of those subsidiaries (Note 8).

## 10. Statutory common reserve

	1 January 2009 RMB	31 December 2009 RMB	31 December 2010 RMB	31 December 2011 RMB
Statutory common reserve				
– Balance at beginning of year	831,231	3,979,681	5,000,000	5,000,000
– Transfer from retained earnings	3,148,450	1,020,319	–	–
– Balance at end of year	<u>3,979,681</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>

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

## 11. Trade and other payables

	1 January 2009 RMB	31 December 2009 RMB	31 December 2010 RMB	31 December 2011 RMB
<b>Trade payables</b>	1,046,426	1,291,511	1,961,963	3,582,527
<b>Other payables</b>				
Deposit from transportation agents	4,000,000	4,000,000	4,000,000	4,000,000
Advance from a shareholder*	–	–	–	12,140,684
Amounts owing to fixed assets vendors	6,297,529	–	–	–
Accrued payroll costs	384,438	393,179	435,043	778,917
Accrued professional fees	–	–	–	1,709,918
Accrued social insurance	48,048	53,553	88,088	163,484
Other tax payables	243,724	269,041	337,952	505,113
Amount owing to former shareholders of Chaintek United**	–	–	–	8,215
Others	800	800	10,800	59,729
	<u>10,974,539</u>	<u>4,716,573</u>	<u>4,871,883</u>	<u>19,366,060</u>
	<u>12,020,965</u>	<u>6,008,084</u>	<u>6,833,846</u>	<u>22,948,587</u>

\* At 31 December 2011, 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. Subsequent to 31 December 2011, Chaintek United and Mrs. Xu entered into an agreement pursuant to which the shareholder has agreed to waive a portion of the loan amounting to RMB9,817,692 (USD1,559,775).

\*\* On 27 June 2011, in connection with the restructuring exercise described in Note 2(a), the Company acquired 100 per cent. 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 has yet to be paid at 31 December 2011. This amount is unsecured, interest free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	1 January 2009 RMB	31 December 2009 RMB	31 December 2010 RMB	31 December 2011 RMB
Chinese Renminbi	12,020,965	6,008,084	6,833,846	8,855,250
United States dollars	–	–	–	11,135,655
Great Britain pounds	–	–	–	2,253,012
Singapore dollars	–	–	–	704,580
	<u>12,020,965</u>	<u>6,008,084</u>	<u>6,833,846</u>	<u>22,948,587</u>

## 12. Revenue

	Year ended 31 December		
	2009	2010	2011
	RMB	RMB	RMB
Logistics services	91,689,025	168,675,552	238,735,518
Inventory solutions	–	1,043,175	24,001,314
	<u>91,689,025</u>	<u>169,718,727</u>	<u>262,736,832</u>

## 13 Other operating income

	Year ended 31 December		
	2009	2010	2011
	RMB	RMB	RMB
Interest income	48,126	160,881	257,419
Exchange gain	–	–	386,408
Others	810	700	–
	<u>48,936</u>	<u>161,581</u>	<u>643,827</u>

## 14 Profit before taxation

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

	Year ended 31 December		
	2009	2010	2011
	RMB	RMB	RMB
Amortisation of land use rights	221,243	221,243	445,576
Loss on disposal of property, plant and equipment	–	–	71,516
Depreciation of property, plant and equipment	1,707,428	1,768,478	2,270,119
Operating lease expense	1,639,440	2,194,470	7,281,203
Staff costs			
– Directors:			
– Directors' remuneration	755,200	755,200	755,400
– Contributions to defined contribution plans	4,290	5,115	6,129
– Key management personnel (other than directors):			
– Salaries, wages and other related costs	599,200	599,200	870,200
– Contributions to defined contribution plans	4,290	5,115	8,540
– Other than key management personnel:			
– Salaries, wages and other related costs	7,798,939	9,398,565	17,045,624
– Contributions to defined contribution plans	459,830	659,233	1,223,500
	<u>9,621,749</u>	<u>11,422,428</u>	<u>19,909,393</u>

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

	Included in		
	2009	2010	2011
	RMB	RMB	RMB
– Directors:			
– Directors' remuneration	338,600	338,600	338,700
– Contributions to defined contribution plans	2,145	2,558	3,064
	<u>340,745</u>	<u>341,158</u>	<u>341,764</u>

- (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:

	<i>Cost of sales</i> <i>RMB</i>	<i>Included in</i> <i>Administrative</i> <i>expenses</i> <i>RMB</i>	<i>Total</i> <i>RMB</i>
<b>Year ended 31 December 2009</b>			
Amortisation of land use rights	139,950	81,293	221,243
Depreciation of property, plant and equipment	312,387	1,395,041	1,707,428
Operating lease expense	1,639,440	–	1,639,440
Staff costs			
– Directors:			
– Directors’ remuneration	–	755,200	755,200
– Contributions to defined contribution plans	–	4,290	4,290
– Key management personnel (other than directors):			
– Salaries, wages and other related costs	–	599,200	599,200
– Contributions to defined contribution plans	–	4,290	4,290
– Other than key management personnel:			
– Salaries, wages and other related costs	5,762,219	2,036,720	7,798,939
– Contributions to defined contribution plans	386,994	72,836	459,830
	6,149,213	3,472,536	9,621,749
<b>Year ended 31 December 2010</b>			
Amortisation of land use rights	139,950	81,293	221,243
Depreciation of property, plant and equipment	330,920	1,437,558	1,768,478
Operating lease expense	2,293,172	–	2,293,172
Staff costs			
– Directors:			
– Directors’ remuneration	–	755,200	755,200
– Contributions to defined contribution plans	–	5,115	5,115
– Key management personnel (other than directors):			
– Salaries, wages and other related costs	–	599,200	599,200
– Contributions to defined contribution plans	–	5,115	5,115
– Other than key management personnel:			
– Salaries, wages and other related costs	7,139,852	2,258,713	9,398,565
– Contributions to defined contribution plans	568,233	91,000	659,233
	7,708,085	3,714,343	11,422,428
<b>Year ended 31 December 2011</b>			
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			
– Directors:			
– Directors’ remuneration	–	755,400	755,400
– Contributions to defined contribution plans	–	6,129	6,129
– Key management personnel (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

## 15. Income tax expense

	Year ended 31 December		
	2009	2010	2011
	RMB	RMB	RMB
Current taxation	17,299,062	34,500,367	50,578,254
<b>Reconciliation of effective tax rate</b>			
Profit before taxation	69,196,248	138,001,467	199,595,981
Tax at China statutory rate of 25% (2010: 25%, 2009: 25%)	17,299,062	34,500,367	49,898,995
Differences in foreign tax rate	–	–	185,828
Non-deductible expenses	–	–	132,706
Deferred tax assets on losses not recognised	–	–	360,725
	17,299,062	34,500,367	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.

The Group has not recognised a deferred tax asset in respect of tax losses incurred by during the financial year ended 31 December 2011 because management believes that it is not probable that these tax losses would be allowed by the tax authorities.

## 16. Commitments

### Capital commitment

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

	1 January 2009 RMB	31 December 2009 RMB	31 December 2010 RMB	31 December 2011 RMB
Capital expenditure contracted but not provided for in the consolidated historical financial information:				
– Construction of a Central Distribution Centre warehouse	–	–	–	4,672,000
– Acquisition of plant and equipment	–	–	–	6,500,000
	–	–	–	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.

	1 January 2009 RMB	31 December 2009 RMB	31 December 2010 RMB	31 December 2011 RMB
Not later than one year	1,639,440	1,229,580	5,996,841	10,637,628
Later than one year and not later than five years	1,229,580	–	11,087,739	11,416,514
Later than five years	–	–	–	–
	2,869,020	1,229,580	17,084,580	22,054,142

These leases expire between January 2012 and July 2014 with an option to renewal at prevailing market rents.

### **17. Significant related party transactions**

Other than as disclosed elsewhere in the consolidated historical financial information, there were no transactions with related parties during the financial years ended 31 December 2009, 2010 and 2011.

### **18. Operating segments**

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

- (a) Logistics services- includes the arrangement 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 2. 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 historical financial information.

#### ***Segment revenue and expense:***

Segment revenue and expenses are the operating revenue 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.

#### ***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.

## 18. Operating segments (continued)

	Logistics services		Inventory solutions		Corporate		Consolidated	
	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000
Sales to external customers	91,689	168,675	-	1,043	-	-	91,689	169,718
<b>Segment revenue</b>	91,689	168,675	-	1,043	-	-	91,689	169,718
Segment results	69,196	139,639	-	(1,638)	-	-	69,196	138,001
Profit before taxation							69,196	138,001
Income tax expense							(17,299)	(34,500)
<b>Profit for the year</b>							51,897	103,501
<b>Assets and liabilities:</b>								
Segment assets	55,916	64,843	-	45,572	-	-	55,916	110,415
Unallocated assets							26,108	50,230
Total assets							82,024	160,645
Segment liabilities	6,008	6,336	-	497	-	-	6,008	6,833
Unallocated liabilities							4,322	8,616
Total liabilities							10,330	15,449
<b>Other segment information:</b>								
Non-current assets	36,363	34,903	-	314	-	-	36,363	35,217
Acquisition of property, plant and equipment	617	560	-	284	-	-	617	844
Depreciation	1,707	1,624	-	144	-	-	1,707	1,768
Amortisation	221	221	-	-	-	-	221	221

## 18. Operating segments (continued)

	Logistics services		Inventory solutions		Corporate		Consolidated	
	Year ended 31 December 2010 RMB'000	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000	Year ended 31 December 2011 RMB'000
Sales to external customers	168,675	238,736	1,043	24,001	-	-	169,718	262,737
<b>Segment revenue</b>	168,675	238,736	1,043	24,001	-	-	169,718	262,737
Segment results	139,639	193,040	(1,638)	6,556	-	-	138,001	199,596
Profit before taxation							138,001	199,596
Income tax expense							(34,500)	(50,578)
<b>Profit for the year</b>							103,501	149,018
<b>Assets and liabilities:</b>								
Segment assets	64,843	56,838	45,572	140,695	-	24,619	110,415	222,152
Unallocated assets							50,230	97,742
Total assets							160,645	319,899
Segment liabilities	6,336	5,532	497	574	-	16,843	6,833	22,949
Unallocated liabilities							8,616	12,614
Total liabilities							15,449	33,563
<b>Other segment information:</b>								
Non-current assets	34,903	30,312	314	72,950	-	-	35,217	103,262
Acquisition of property, plant and equipment	560	4	284	48,491	-	1,072	844	49,567
Acquisition of land use rights	-	-	-	22,433	-	-	-	22,433
Depreciation	1,624	311	144	450	-	1,509	1,768	2,270
Amortisation	221	132	-	208	-	106	221	446
<b>Geographical information</b>								
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.								
<b>Major customer</b>								
None of the customers accounted for more than 10 per cent. of the Group's total revenues for the years ended 31 December 2009, 2010 and 2011.								



## 19. Earnings per share

	Year ended 31 December		
	2009 RMB	2010 RMB	2011 RMB
Net profit after taxation (RMB)	<u>51,897,186</u>	<u>103,501,100</u>	<u>149,017,728</u>
Weighted average number of ordinary shares in issue during the year	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Earnings per share – Basic and diluted (RMB)	<u>1,038</u>	<u>2,070</u>	<u>2,980</u>

Basic and diluted earnings per share per share for the years ended 31 December 2009 and 2010 and 2011 have been computed by dividing the net profit by 50,000 ordinary shares issued and outstanding upon the establishment of the Company on 13 April 2011 as if such shares had been outstanding for all years presented.

The Company did not have any stock options or dilutive potential ordinary shares during the years ended 31 December 2009, 2010 and 2011.

## 20. 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 and 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.

##### *Sensitivity analysis – Interest rate risk*

A 30 basis points interest/decrease in interest rate on interest-bearing cash balances at the reporting date would increase/decrease profit before tax and equity by approximately RMB78,000, RMB150,000 and RMB293,000 for the financial years ended 31 December 2009 and 2010 and 2011, 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 Company's and the subsidiary's functional currency.

At 31 December 2011, the Group is exposed to foreign currency risk in respect of transactions, primarily professional services, that are denominated in a currency other than the functional currencies of the respective group entities. The currencies in which these transactions primarily are denominated are the United States dollar (USD), British Pound (GBP) and Singapore dollar (SGD). All of the Group's financial assets and financial liabilities were denominated in RMB at 31 December 2009 and 2010.

#### *Sensitivity analysis for foreign currency risk*

A 5 per cent. strengthening/weakening of the above currencies against the respective functional currencies of the group entities 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 foreign currency rates, remain constant.

	<i>Profit before tax increase (decrease) RMB</i>	<i>Equity increase (decrease) RMB</i>
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, and obtaining sufficient security where appropriate to mitigate credit risk. The Group closely monitors and avoid 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 adopt 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. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

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

	<i>1 January 2009 RMB</i>	<i>31 December 2009 RMB</i>	<i>31 December 2010 RMB</i>	<i>31 December 2011 RMB</i>
<b>Financial assets</b>				
Financial assets measured at amortised cost:				
Trade and other receivables*	12,813,452	19,332,876	34,975,814	66,219,965
Cash and cash equivalents	13,719,829	26,108,003	50,230,696	97,746,651
	<u>26,533,281</u>	<u>45,440,879</u>	<u>85,206,510</u>	<u>163,966,616</u>

\* excluded deposit for acquisition of land use rights.

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

	<i>1 January 2009 RMB</i>	<i>31 December 2009 RMB</i>	<i>31 December 2010 RMB</i>	<i>31 December 2011 RMB</i>
<b>Financial assets</b>				
Not past due	11,454,404	17,334,537	32,355,189	52,432,277
Past due one month or less	–	–	–	–
Trade receivables (Note 6)	<u>11,454,404</u>	<u>17,334,537</u>	<u>32,355,189</u>	<u>52,432,277</u>

At the reporting date, no allowances 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.

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 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.

	<i>Carrying amount RMB</i>	<i>Total RMB</i>	<b>Contractual cash flows</b>		
			<i>Less than 1 year RMB</i>	<i>Between 2 and 5 years RMB</i>	<i>Over 5 years RMB</i>
At 1 January 2009					
Trade and other payables	<u>12,020,965</u>	<u>12,020,965</u>	<u>12,020,965</u>	–	–
At 31 December 2009					
Trade and other payables	<u>6,008,084</u>	<u>6,008,084</u>	<u>6,008,084</u>	–	–
At 31 December 2010					
Trade and other payables	<u>6,833,846</u>	<u>6,833,846</u>	<u>6,833,846</u>	–	–
At 31 December 2011					
Trade and other payables	<u>22,948,587</u>	<u>22,948,587</u>	<u>22,948,587</u>	–	–

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

**(d) Financial instruments by category**

	1 January 2009 RMB	31 December 2009 RMB	31 December 2010 RMB	31 December 2011 RMB
<b>Financial assets</b>				
Financial assets measured at amortised cost:				
Trade and other receivables*	12,813,452	19,332,876	34,975,814	66,219,965
Cash and cash equivalents	13,719,829	26,108,003	50,230,696	97,746,651
	<u>26,533,281</u>	<u>45,440,879</u>	<u>85,206,510</u>	<u>163,966,616</u>

\* excluded deposit for acquisition of land use rights

**Financial liabilities**

Financial liabilities measured at amortised cost:	<u>12,020,965</u>	<u>6,008,084</u>	<u>6,833,846</u>	<u>22,948,587</u>
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**(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.

**21. 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 and debt 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 and debt capital structure and make adjustments to them, 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 2009, 2010 and 2011.

The Group currently does not adopt any formal dividend policy.

The Group monitors capital using Gearing Ratio, which is net debt divided by total equity. Net debt represents borrowings less cash and cash equivalents.

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

	1 January 2009 RMB	31 December 2009 RMB	31 December 2010 RMB	31 December 2011 RMB
Total borrowings	–	–	–	12,140,684
Less: Cash and cash equivalents	(13,719,829)	(26,108,003)	(50,230,696)	(97,746,651)
Net (cash)/debt	(13,719,829)	(26,108,003)	(50,230,696)	(85,605,967)
Total equity	49,796,812	71,693,998	145,195,098	284,336,164
Net-debt-to-total-equity ratio (times)	#	#	#	#

# Not applicable. The Group had a net cash position.

## 22. Dividends

	Year ended 31 December		
	2009 RMB	2010 RMB	2011 RMB
Interim dividends paid in respect of current year	30,000,000	30,000,000	–
Interim dividends paid per share	600	600	–

## Section C

### UNAUDITED CONSOLIDATED GROUP INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012

	<i>Unaudited 30 June 2012 RMB</i>	<i>Unaudited 30 June 2011 RMB</i>	<i>Audited 31 December 2011 RMB</i>
<b>Assets</b>			
<b>Non-Current</b>			
Land use right prepayments	30,336,326	9,102,882	30,776,029
Property, plant and equipment	76,063,222	51,787,761	72,486,395
	<u>106,399,548</u>	<u>60,890,643</u>	<u>103,262,424</u>
<b>Current</b>			
Land use right prepayments	669,911	221,243	669,911
Trade and other receivables	153,937,203	95,597,580	118,219,965
Cash and cash equivalents	159,128,766	73,575,723	97,746,651
	<u>313,735,880</u>	<u>169,394,546</u>	<u>216,636,527</u>
<b>Total assets</b>	<u><u>420,135,428</u></u>	<u><u>230,285,189</u></u>	<u><u>319,898,951</u></u>
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Share capital	327,439	327,439	327,439
Merger reserve	(204,100)	(204,100)	(204,100)
Statutory common reserve	5,000,000	5,000,000	5,000,000
Capital reserve	9,821,903	–	–
Retained earnings	369,667,005	197,247,178	279,212,825
Total equity	384,612,247	202,370,517	284,336,164
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables	15,486,117	15,544,567	22,948,587
Current tax payable	20,037,064	12,370,105	12,614,200
	<u>35,523,181</u>	<u>27,914,672</u>	<u>35,562,787</u>
<b>Total equity and liabilities</b>	<u><u>420,135,428</u></u>	<u><u>230,285,189</u></u>	<u><u>319,898,951</u></u>

**Consolidated statement of comprehensive income**

for the six months ended 30 June 2012

	<i>Unaudited 6 months to 30 June 2012 RMB</i>	<i>Unaudited 6 months to 30 June 2011 RMB</i>	<i>Audited Year ended 31 December 2011 RMB</i>
Revenue	158,799,383	112,593,445	262,736,832
Cost of sales	(25,040,419)	(17,376,074)	(44,985,958)
<b>Gross profit</b>	<b>133,758,964</b>	<b>95,217,371</b>	<b>217,750,874</b>
Other operating income	920,110	135,947	643,827
Distribution expenses	(503,186)	(518,388)	(1,225,047)
Administrative expenses	(12,272,524)	(5,391,527)	(17,573,673)
<b>Profit before taxation</b>	<b>121,903,364</b>	<b>89,443,403</b>	<b>199,595,981</b>
Income tax expense	(31,449,184)	(22,391,323)	(50,578,254)
Profit and total comprehensive income for the period/year	<u>90,454,180</u>	<u>67,052,080</u>	<u>149,017,727</u>
<b>Earnings per share (RMB)</b>			
– Basic and diluted	<u>1,809</u>	<u>1,341</u>	<u>2,980</u>

## Consolidated statement of changes in equity

for the six months ended 30 June 2012

	Share capital RMB	Merger reserve RMB	Statutory common reserve RMB	Capital 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
Restructuring Exercise	(10,000,000)	(204,100)	–	–	–	(10,204,100)
Total comprehensive income for the year	–	–	–	–	–	–
<b>Transactions with shareholders in their capacity as owners</b>						
Issue of share upon incorporation	6	–	–	–	–	6
Issue of shares	327,433	–	–	–	–	327,433
<b>Balance as at 31 December 2011</b>	<u>327,439</u>	<u>(204,100)</u>	<u>5,000,000</u>	<u>–</u>	<u>279,212,825</u>	<u>284,336,164</u>
Waiver of a portion of shareholder's loan	–	–	–	9,821,903	–	9,821,903
Total comprehensive income for the period	–	–	–	–	90,454,180	90,454,180
<b>Balance as at 30 June 2012 (Unaudited)</b>	<u><u>327,439</u></u>	<u><u>(204,100)</u></u>	<u><u>5,000,000</u></u>	<u><u>9,821,903</u></u>	<u><u>369,667,005</u></u>	<u><u>384,612,247</u></u>
<b>Unaudited</b>						
Balance as at 1 January 2011	10,000,000	–	5,000,000	–	130,195,098	145,195,098
Restructuring Exercise	(10,000,000)	(204,100)	–	–	–	(10,204,100)
Total comprehensive income for the period	–	–	–	–	67,052,080	67,052,080
<b>Transactions with shareholders in their capacity as owners</b>						
Issue of share upon incorporation	6	–	–	–	–	6
Issue of shares	327,433	–	–	–	–	327,433
<b>Balance as at 30 June 2011 (Unaudited)</b>	<u><u>327,439</u></u>	<u><u>(204,100)</u></u>	<u><u>5,000,000</u></u>	<u><u>–</u></u>	<u><u>197,247,178</u></u>	<u><u>202,370,517</u></u>



**Consolidated statement of cash flows**

for the six months ended 30 June 2012

	<i>Unaudited 6 months to 30 June 2012 RMB</i>	<i>Unaudited 5 months to 30 June 2011 RMB</i>	<i>Audited Year ended 31 December 2011 RMB</i>
<b>Cash Flows from Operating Activities</b>			
Profit before taxation	121,903,364	89,443,403	199,595,981
Adjustments for:			
Amortisation of land use rights prepayments	439,703	133,991	445,576
Depreciation of property, plant and equipment	2,235,258	1,173,866	2,270,119
Loss on disposal of property, plant and equipment	–	–	71,516
Interest income	(220,110)	(117,020)	(257,419)
Operating profit before working capital changes	124,358,215	90,634,240	202,125,773
Increase in trade and other receivables	(35,717,238)	(20,621,766)	(43,244,151)
(Decrease)/Increase in trade and other payables	(205,539)	(1,493,379)	3,974,057
Cash generated from operations	88,435,438	68,519,095	162,855,679
Income tax paid	(24,026,320)	(18,637,367)	(46,580,203)
Net cash generated from operating activities	64,409,118	49,881,728	116,275,476
<b>Cash Flows from Investing Activities</b>			
Acquisition of land use rights	–	–	(22,433,400)
Acquisition of property, plant and equipment	(5,812,085)	(26,981,160)	(49,566,883)
Proceeds from disposal of property, plant and equipment	–	–	719,320
Interest received	220,110	117,020	257,419
Net cash used in investing activities	(5,591,975)	(26,864,140)	(71,023,544)
<b>Cash Flows from Financing Activities</b>			
Advance from a shareholder	2,564,972	–	2,264,023
Net proceeds from issuing of ordinary shares	–	327,439	–
Net cash generated in financing activities	2,564,972	327,439	2,264,023
Net increase in cash and cash equivalents	61,382,115	23,345,027	47,515,955
Cash and cash equivalents at beginning of period/year	97,746,651	50,230,696	50,230,696
Cash and cash equivalents at end of period/year	159,128,766	73,575,723	97,746,651

## NOTES

### Basis of preparation

These condensed consolidated interim financial statements (the interim financial statements) are for the six months ended 30 June 2012 and have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2011.

The interim financial statements comprise the financial statements of all the entities within the Group. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The interim financial statements have been prepared under the historical cost convention.

### Accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 31 December 2011. The Group has not applied the following IFRSs that have been issued but are not yet effective:

		<i>Effective dates for periods beginning on or after</i>
<i>Pronouncement</i>		
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 2013
	Financial Instruments — Accounting for financial liabilities and derecognition requirements	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
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 12	Income Taxes — Limited scope amendment (recovery of underlying assets)	1 January 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
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 has preliminarily assessed the potential impact of the adoption of such standards and interpretations on the financial information of the Group. The impact is not expected to be significant and will primarily be disclosure related.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed interim consolidated financial statements.

### **Seasonal fluctuations**

The business of the Group is subject to seasonal fluctuations, with stronger demand for services in the festive seasons which are towards the second half of the year.

### **Operating segments**

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

- (a) Logistics services – includes the arrangement 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 above. 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 consolidated financial information.

### **Segment revenue and expense:**

Segment revenue and expenses are the operating revenue 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.

### **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.

**Operating segments (continued)**

	Logistics services		Inventory solutions		Corporate		Consolidated	
	Unaudited 6 months to 30 June 2012 RMB'000	Audited Year ended 31 December 2011 RMB'000	Unaudited 6 months to 30 June 2012 RMB'000	Audited Year ended 31 December 2011 RMB'000	Unaudited 6 months to 30 June 2012 RMB'000	Audited Year ended 31 December 2011 RMB'000	Unaudited 6 months to 30 June 2012 RMB'000	Audited Year ended 31 December 2011 RMB'000
Sales to external customers	136,885	238,736	21,914	24,001	-	-	158,799	262,737
<b>Segment revenue</b>	136,885	238,736	21,914	24,001	-	-	158,799	262,737
Segment results	112,761	193,040	9,142	6,556	-	-	121,903	199,596
Profit before taxation							121,903	199,596
Income tax expense							(31,449)	(50,578)
<b>Profit for the period/year</b>							90,454	149,018
<b>Assets and liabilities:</b>								
Segment assets	86,846	56,838	150,185	140,695	23,975	24,619	261,006	222,152
Unallocated assets							159,129	97,747
Total assets							420,135	319,899
Segment liabilities	4,697	5,532	488	574	10,301	16,843	15,486	22,949
Unallocated liabilities							20,037	12,614
Total liabilities							35,523	35,563
<b>Other segment information:</b>								
Non-current assets	30,022	30,312	76,378	72,950	-	-	106,400	103,262
Acquisition of property, plant and equipment	10	4	5,802	48,491	-	1,072	5,812	49,567
Acquisition of land use rights	-	-	-	22,433	-	-	-	22,433
Depreciation	155	311	1,348	450	732	1,509	2,235	2,270
Amortisation	160	132	196	208	84	106	440	446

## Operating segments (continued)

	Logistics services		Inventory solutions		Corporate		Consolidated	
	Unaudited 6 months to 30 June 2012 RMB'000	Unaudited 6 months to 30 June 2011 RMB'000	Unaudited 6 months to 30 June 2012 RMB'000	Unaudited 6 months to 30 June 2011 RMB'000	Unaudited 6 months to 30 June 2012 RMB'000	Unaudited 6 months to 30 June 2011 RMB'000	Unaudited 6 months to 30 June 2012 RMB'000	Unaudited 6 months to 30 June 2011 RMB'000
Sales to external customers	136,885	105,041	21,914	7,552	-	-	158,799	112,593
<b>Segment revenue</b>	136,885	105,041	21,914	7,552	-	-	158,799	112,593
Segment results	112,761	87,508	9,142	1,935	-	-	121,903	89,443
Profit before taxation							121,903	89,443
Income tax expense							(31,449)	(22,391)
<b>Profit for the period</b>							90,454	67,052
<b>Assets and liabilities:</b>								
Segment assets	86,846	42,955	150,185	87,782	23,975	25,972	261,006	156,709
Unallocated assets							159,129	73,576
Total assets							420,135	230,285
Segment liabilities	4,697	4,627	488	275	10,301	10,643	15,486	15,545
Unallocated liabilities							20,037	12,370
Total liabilities							35,523	27,915
<b>Other segment information:</b>								
Non-current assets	30,022	29,111	76,378	31,780	-	-	106,400	60,891
Acquisition of property, plant and equipment	10	12	5,802	26,969	-	-	5,812	26,981
Depreciation	155	1,079	1,348	95	732	-	2,235	1,174
Amortisation	160	134	196	-	84	-	440	134

## 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 customer

None of the customers accounted for more than 10% of the Group's total revenues for the 6 month periods ended 30 June 2011 and 2012, and for the year ended December 31 2011.

## PART V

### TAXATION

**The information below, which is of a general nature only and which relates only to UK and Cayman Islands taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK (except where indicated) and who hold Ordinary Shares as an investment. It is based on existing law and practice and is subject to subsequent changes thereto. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK are strongly advised to consult their own professional advisers immediately.**

#### 1. Cayman Islands

##### ***Cayman Islands tax***

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, on 15 May 2012 the Company was granted from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands after the date of grant of the undertaking imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking has been granted for a period of twenty years from the date of grant.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands.

The Cayman Islands has entered into a limited double taxation arrangement for the avoidance of double taxation and the prevention of fiscal evasion with the United Kingdom on 15 June 2009 which came into force on 20 December 2010 and is effective (in both the United Kingdom and in the Cayman Islands) from 1 April 2011 for corporation tax, from 6 April 2011 for income tax and capital gains tax and from 15 December 2010 for other taxes.

#### 2. United Kingdom

**Any person who is in any doubt as to their tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult their own professional adviser.**

##### 2.1 General

- 2.1.1 The following paragraphs are intended as a general guide only and summarise comments received by the Directors about the UK tax position of Shareholders who are resident (and in the case of individuals ordinarily resident) in the UK, holding shares as investments and not as securities to be realised in the course of a trade.

The paragraphs below are based on current UK legislation and published HM Revenue & Customs ("HMRC") practice. It should be noted that although a number of UK tax treatments referred to below refer to unquoted shares, shares on the AIM market are generally treated as unquoted for these purposes.

- 2.1.2 Any person who is in any doubt about their tax position or who is subject to taxation in a jurisdiction other than the UK should consult their own professional adviser.
- 2.1.3 The information in these paragraphs is intended as a general summary of the UK tax position and, should not be construed as constituting advice.

## 2.2 **The Company**

- 2.2.1 The following information is based on the law and published HMRC practice currently in force in the UK.
- 2.2.2 Provided that the Company is not resident in the UK for taxation purposes and does not carry out any trade in the UK (whether or not through a permanent establishment situated there), the Company should not be liable for UK taxation on its income and gains, other than in respect of interest and other income received by the Company from a UK source (to the extent that it is subject to withholding taxes in the UK).
- 2.2.3 It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the UK in order that the Company does not become resident in the UK for taxation purposes. The Directors intend, insofar as this is within their control, that the affairs of the Company are conducted so the Company is not treated as carrying on a trade in the UK through a permanent establishment.

## 2.3 **Tax treatment of UK investors**

- 2.3.1 The following information, which relates only to UK taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK and who beneficially own Ordinary Shares as investments and not as securities to be realised in the course of a trade. It is based on the law and published HMRC practice currently in force in the UK. The information is not exhaustive and does not apply to potential investors:
- who intend to acquire, or may acquire (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 10 per cent. of any of the classes of shares in the Company; or
  - who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or
  - who acquire any shares or rights over shares in connection with an employment contract; or
  - who are in any doubt as to their taxation position.
- 2.3.2 Such Shareholders should consult their professional advisers without delay. Shareholders should note that tax law and interpretation can change and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.
- 2.3.3 Shareholders who are neither resident nor ordinarily resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Ordinary Shares are connected will not normally be liable to UK taxation on dividends paid by the Company or on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

## 2.4 **Taxation of dividends**

- 2.4.1 A UK tax resident individual Shareholder is entitled to a tax credit in respect of the dividend received and will be subject to UK income tax on the aggregate of the dividend received and the related tax credit (the “gross dividend”), which will be treated as the top slice of the individual’s income.
- 2.4.2 The value of the tax credit is currently an amount equal to one ninth of the dividend received (or 10 per cent. of the gross dividend). A basic rate taxpayer will be subject to tax on the gross

dividend at the rate of 10 per cent., so that the tax credit will satisfy in full such Shareholders' liability to income tax on the dividend, and such Shareholder will have no further income tax to pay in respect of the dividend. A higher rate taxpayer will be subject to income tax on the gross dividend at the rate of 32.5 per cent. but will be able to set the tax credit against this liability. Such Shareholders will have to account for additional tax equal to 25 per cent. of the cash dividend received to the extent that the gross dividend when treated as the top slice of the Shareholder's income falls above the threshold for higher rate income tax. UK tax resident individual Shareholders who have taxable income over £150,000 will be subject to income tax on their gross dividends at the additional rate of 42.5 per cent. but will be able to set the tax credit against this liability. Such Shareholders would have to account for additional tax equal to 36.1 per cent. of the cash dividend received, to the extent that the gross dividend when treated as the top slice of the Shareholder's income falls above the £150,000 threshold for additional rate income tax. Whilst not yet enshrined in law, Finance Bill 2012 proposes that the dividend additional rate will be reduced from 42.5 per cent. to 37.5 per cent. from 6 April 2013. In this case, Shareholders subject to the additional rate of income tax would have to account for additional tax equal to 30.6 per cent. of the cash dividend received.

- 2.4.3 Individual shareholders may be able to claim relief for withholding tax suffered on dividends paid to them.
- 2.4.4 UK resident and ordinarily resident individuals who are not domiciled in the UK and pay tax on a remittance basis, will be taxed on dividends paid by the Company, but only if they are remitted to the UK. Such investors should consult their own tax advisers regarding their UK tax liability.
- 2.4.5 Shareholders who are subject to corporation tax should generally, and subject to certain anti-avoidance provisions, be able to claim exemption from UK corporation tax in respect of any dividend received but will not be entitled to claim relief in respect of any underlying tax or withholding tax imposed.
- 2.4.6 Trustees of discretionary trusts receiving dividends from shares are also liable to account for income tax at the dividend trust rate, currently 42.5 per cent. Subject to enactment of Finance Bill 2012 this rate will be reduced to 37.5 per cent. from 6 April 2013.
- 2.4.7 UK pension funds and charities are generally exempt from tax on dividends that they receive.

## 2.5 **Anti-avoidance**

- 2.5.1 A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Ordinary Share capital of the Company should note the provisions of the Controlled Foreign Companies legislation contained in Sections 747-756 of the Income and Corporation Taxes Act 1988 and also changes to the Controlled Foreign Companies legislation currently proposed in Finance Bill 2012.

## 2.6 **Taxation of chargeable gains**

- 2.6.1 Any gain arising on the sale, redemption or other disposal of Ordinary Shares will be taxed at the time of such sale, redemption or disposal as a capital gain.
- 2.6.2 For Shareholders within the charge to UK corporation tax, indexation allowance may reduce any chargeable gain arising on disposal of Ordinary Shares but will not create or increase an allowable loss.
- 2.6.3 Individual shareholders who are UK resident, ordinarily resident or only temporarily non-UK resident may be subject to capital gains tax on any gain made on disposal of shares, without any indexation allowance, subject to the availability of any annual exemption or allowable losses. The rate of tax is currently 18 per cent. for taxpayers taxable at the basic rate and 28 per cent. for taxpayers subject to taxation at the upper or additional rate.
- 2.6.4 A shareholder who is an individual resident in the UK and who is not domiciled in the UK who makes gains on the disposal of Ordinary Shares where the proceeds are not remitted to the



UK may benefit from the remittance basis of UK taxation. Such individuals should consult their own tax advisers concerning their UK tax liability.

*Further information for Shareholders subject to UK income tax and capital gains tax*

2.6.5 The attention of individuals ordinarily resident in the UK is drawn to the provisions of Chapter 2 (Transfer of Assets Abroad) of Part 13 of the Income Tax Act 2007, which seek to prevent the avoidance of income tax in circumstances where an individual who is resident in the UK makes a transfer of assets abroad but retains the ability to enjoy the income arising from those assets. This could include the acquisition of shares in a non-UK incorporated company and any undistributed income of the company such that the income could be attributed to, and be taxed in the hands of, the Shareholder. This legislation should not apply where it can be demonstrated that there are bona fide commercial reasons for the arrangement.

2.6.6 There are also other anti-avoidance provisions in the UK tax legislation which may potentially affect shareholders in non-UK resident companies, and Shareholders should consult their professional advisers regarding the effect of UK tax anti-avoidance legislation in general.

## 2.7 **Inheritance tax**

Individuals and trustees subject to inheritance tax in relation to a shareholding in the Company may be entitled to business property relief of up to 100 per cent. after a holding period of two years providing that all the relevant conditions for the relief are satisfied at the appropriate time.

## 2.8 **Stamp Duty and Stamp Duty Reserve Tax**

2.8.1 The following comments are intended as a guide to the general UK Stamp Duty and Stamp Duty Reserve Tax ("SDRT") position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

*Ordinary Shares held in certificated form*

2.8.2 No stamp duty or stamp duty reserve tax ("SDRT") should be payable on the allotment and issue of Ordinary Shares.

2.8.3 In respect of a subsequent transfer of shares, stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Ordinary Shares. A special rate of 1.5 per cent. is payable on an instrument transferring Ordinary Shares into a clearance or depository system (rounded up to the next multiple of £5).

2.8.4 An exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

2.8.5 In practice, no charge to stamp duty will arise in relation to a subsequent transfer of Ordinary Shares held in certificated form provided that all instruments relating to the transfer are executed and retained outside the UK and do not relate to matters or actions performed in the UK. However any instrument effecting or evidencing a transfer of Ordinary Shares held in certificated form whether executed in the UK or offshore will not be admissible as evidence in UK civil proceedings unless duly stamped.

2.8.6 Interest on unpaid stamp duty will accrue from 30 days after the date the instrument was executed.

2.8.7 No charge to SDRT will arise in respect of an agreement to transfer Ordinary Shares held in certificated form, provided such shares are not registered in any register kept in the UK by or on behalf of the Company.

### *Ordinary Shares held in uncertificated form*

2.8.8 Due to the restrictions of the CREST system, shares of companies incorporated outside the UK, such as the Company, may not be settled directly on the CREST system. Accordingly, should Ordinary Shares be held within the CREST system in uncertificated form, they will be held in the form of Depository Interests issued by the Depository. Agreements to transfer depository interests in shares of companies listed on AIM are liable to SDRT at the rate of 0.5 per cent. of the value of the consideration for the transfer. The charge is generally borne by the purchaser unless other arrangements have been put in place.

### **3. Hong Kong taxation on dividends**

- 3.1 An individual or a corporate shareholder will not be subject to Hong Kong tax on the dividend received from the Company.
- 3.2 Similarly, a corporate shareholder will not be subject to Hong Kong Profits Tax on the dividend received from the Company.

### **4. PRC taxation on dividends**

- 4.1 Under the PRC Enterprise Income Tax Law (the “EIT Law”), enterprises established outside of China whose “de facto management bodies” are located in China are considered as “resident enterprises”.
- 4.2 According to the PRC Enterprise Income Tax Implementation Rules, “de facto management bodies” refer to the “management body” with the substantial and overall management and control over the production, business operations, personnel, books and records or assets.
- 4.3 The Company is currently not treated as a PRC resident enterprise by the relevant tax authorities. Since the management is currently based in the PRC and is expected to remain in the PRC in the future, the Company cannot assure that it will not be considered as a resident enterprise under the EIT Law.
- 4.4 If the Company is not considered as a PRC resident enterprise, a non-PRC individual shareholder will not be subject to PRC Individual Income Tax (“IIT”) on the dividend received from the Company. On the other hand, a PRC individual shareholder will be subject to PRC IIT at the rate of 20 per cent. on the dividend received from the Company.
- 4.5 Similarly, if the Company is not considered as a PRC resident enterprise, a non-PRC corporate shareholder which does not have an establishment or place of business in the PRC or which has such establishment or place of business in the PRC but the dividend income is not effectively connected with such establishment or place of business will not be subject to PRC Enterprise Income Tax (“EIT”) on the dividend received from the Company.
- 4.6 If the Company is not considered as a PRC resident enterprise, a PRC corporate shareholder or a non-PRC corporate shareholder which has an establishment or place of business in the PRC and the dividend income is effectively connected with such establishment or place of business will be subject to PRC EIT at the rate of 25 per cent. on the dividend received from the Company.
- 4.7 If the Company is considered as a PRC resident enterprise, an individual shareholder might be subject to a PRC withholding tax at a rate of 20 per cent. on the dividend received from the Company. If the individual shareholder is considered as a tax resident of a country which China has entered into a tax treaty with, a more favorable tax rate may be applicable.
- 4.8 If the Company is considered as a PRC resident enterprise, a non-PRC corporate shareholder which does not have an establishment or place of business in the PRC or which has such establishment or place of business in the PRC but the dividend income is not effectively connected with such establishment or place of business might be subject to a PRC withholding tax at a rate of 10 per cent. on the dividend received from the Company. Where the non-PRC corporate shareholder is considered as a tax resident of a country which China has entered into a tax treaty with, a more favorable tax rate may be applicable.

- 4.9 If the Company is considered as a PRC resident enterprise, according to the PRC EIT Law and its Implementation Rules, a PRC corporate shareholder or a non-PRC corporate shareholder which has an establishment or place of business in the PRC and the dividend income is effectively connected with such establishment or place of business may be exempt from the PRC EIT on the dividend received from the Company.

## **5. Hong Kong taxation on the gain realized on the transfer of shares**

An individual or a corporate shareholder will not be subject to Hong Kong tax on any gain realized on the transfer of shares of the Company.

## **6. PRC taxation on the gain realized on the transfer of shares**

- 6.1 If the Company is not considered as a PRC resident enterprise, a non-PRC individual shareholder will not be subject to PRC IIT on any gain realized on the transfer of shares of the Company. On the other hand, a PRC individual shareholder will be subject to PRC IIT at the rate of 20 per cent. on any gain realized on the transfer of shares of the Company.
- 6.2 If the Company is not considered as a PRC resident enterprise, a non-PRC corporate shareholder which does not have an establishment or place of business in the PRC or which has such establishment or place of business in the PRC but the gain is not effectively connected with such establishment or place of business will not be subject to PRC EIT on any gain realized on the transfer of shares of the Company.
- 6.3 If the Company is not considered as a PRC resident enterprise, a PRC corporate shareholder or a non-PRC corporate shareholder which has an establishment or place of business in the PRC and the gain is effectively connected with such establishment or place of business in the PRC will be subject to PRC EIT at the rate of 25 per cent. on any gain realized on the transfer of shares of the Company.
- 6.4 If the Company is considered as a PRC resident enterprise, an individual shareholder might be subject to a PRC withholding tax at a rate of 20 per cent. on any gain realized on the transfer of shares of the Company. If the individual shareholder is considered as a tax resident of a country which China has entered into a tax treaty with, he/she might be exempt from the PRC withholding tax on any gain realized on the transfer of shares of the Company under certain circumstance.
- 6.5 If the Company is considered as a PRC resident enterprise, a non-PRC corporate shareholder which does not have an establishment or place of business in the PRC or which has such establishment or place of business in the PRC but the gain is not effectively connected with such establishment or place of business might be subject to a PRC withholding tax at a rate of 10 per cent. on any gain realized on the transfer of shares of the Company. Similarly, if the corporate shareholder is considered as a tax resident of a country which China has entered into a tax treaty with, it might be exempt from the PRC withholding tax on any gain realized on the transfer of shares of the Company under certain circumstance.
- 6.6 If the Company is considered as a PRC resident enterprise, a PRC corporate shareholder or a non-PRC corporate shareholder which has an establishment or place of business in the PRC and the gain is effectively connected with such establishment or place of business will be subject to PRC EIT at the rate of 25 per cent. on any gain realized on the transfer of shares of the Company.

## PART VI

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

- 1.1 The Company and the Directors (whose names appear on page 5) accept responsibility individually and collectively for the information contained in this Document, including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors, each of whom has taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The business address of each Director and their respective functions are set out on page 31.

#### 2. THE GROUP

- 2.1 The Company was incorporated on 13 April 2011 in the Cayman Islands with registered number 254843 as an exempted company with limited liability under the name China Chaintek United Co., Ltd.
- 2.2 The registered office of the Company is Ogier Fiduciary Services (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Islands and its telephone number is + 1345 949 9876.
- 2.3 The Company's accounting reference date is 31 December.
- 2.4 The Company's auditors are Foo Kon Tan Grant Thornton LLP of 47 Hill Street #05.01, Singapore Chinese Chamber of Commerce & Industry Building, Singapore 179365. Foo Kon Tan Grant Thornton LLP was appointed on 10 April 2012.
- 2.5 The principal legislation under which the Company was formed and now operates (and under which the Ordinary Shares have been created) is the Companies Law.
- 2.6 The principal place of business of the Group is in the PRC.
- 2.7 The Company's web site address is [www.chaintek-united.com](http://www.chaintek-united.com)
- 2.8 The ISIN (International Security Identification Number) is KYG2115W1006.
- 2.9 The Company is the holding company of the following subsidiaries:

<i>Company Name</i>	<i>Place of Incorporation</i>	<i>Percentage of issued share capital or interest held</i>	<i>Principal Activity</i>
Chaintek United Holdings Limited	Hong Kong	100%	Holding company
Fujian Xingtai Logistics Co., Limited	PRC	100%	Trading company

#### 3. SHARE CAPITAL OF THE COMPANY

- 3.1 The Company is authorised to issue 200,000,000 shares. The authorised and issued share capital of the Company at the date of this Document and as it is expected to be immediately following Admission is as follows:

	<i>Prior to Placing and Admission</i>		<i>Immediately following Placing and Admission</i>	
	<i>Number of Shares</i>	<i>Nominal Value</i>	<i>Number of Shares</i>	<i>Nominal Value</i>
Number of shares the Company is authorised to issue	200,000,000	US\$0.0010 each	200,000,000	US\$0.0010 each
Number of shares issued and fully paid up	50,000,000	US\$0.0010 each	54,696,875	US\$0.0010 each

- 3.2 Changes in the share capital of the Company preceding the date of this Document are as follows:
- 3.2.1 On incorporation, the Company was authorised to issue 50,000 Ordinary Shares with a par value of US\$1.00 each.
- 3.2.2 On incorporation, the Company issued 50,000 Ordinary Shares of US\$1.00 each to the following persons:
- (a) Golden Plan Development Limited: 18,000
  - (b) Odylink Limited: 19,000
  - (c) Wild Boom Investment Limited: 2,500
  - (d) Galant Guide Investments Holding Limited: 2,900
  - (e) Lin Zhiyang: 2,700
  - (f) Dong Meiling: 1,500
  - (g) Sze Pik Yuk: 1,200
  - (h) Zhong Fu Investment Limited: 250
  - (i) China Hua Chen Capital Co., Ltd: 300
  - (j) Delpmann Holdings Ltd: 250
  - (k) Zhou Baolin: 100
  - (l) Riemann Investment Holdings Limited: 1,000
  - (m) Asian Eagle International Investment Corp: 300
- 3.2.3 On 19 April 2012, China Hua Chen Capital Co., Ltd transferred 100 Ordinary Shares to Zedex Capital International Holdings Limited.
- 3.2.4 On 19 April 2012, Zhou Baolin transferred 100 Ordinary Shares to Zedex Capital International Holdings Limited.
- 3.2.5 On 19 April 2012, Asian Eagle International Investment Corp. transferred 300 Ordinary Shares to Zedex Capital International Holdings Limited.
- 3.2.6 On 31 May 2012, Lin Zhiyang transferred 2,700 Ordinary Shares to David Lam.
- 3.2.7 On 31 May 2012, Delpmann Holdings Ltd transferred 250 Ordinary Shares to Zhong Fu Investment Limited.
- 3.2.8 On 31 May 2012, China Hua Chen Capital Co., Ltd transferred 200 Ordinary Shares to Hua Chen Capital Limited.
- 3.2.9 Pursuant to ordinary and special resolutions passed on 1 August 2012, it was resolved that:
- (a) each issued Ordinary Share of US\$1.00 each be divided into 1,000 Ordinary Shares of US\$0.0010 each;
  - (b) the authorised share capital of the Company be increased from US\$50,000 to US\$200,000;
  - (c) the Memorandum of Association be adopted; and
  - (d) conditional upon Admission, the Articles be adopted.

3.2.10 Pursuant to a special resolution passed on 13 August 2012, it was resolved that conditional upon Admission, the Directors may, notwithstanding the pre-emption rights under the Articles:

- (a) issue warrants to subscribe for an aggregate of 1,685,350 Ordinary Shares to be constituted by the warrant instruments described in paragraph 10.6 below, to be made by the Company, with such power expiring on the fifth (5th) anniversary of the date of Admission; and
- (b) 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 per cent. of the issued share capital immediately following Admission, with such power expiring at the conclusion of the Company's annual general meeting in 2013 or on November 2013 (whichever is the earlier).

#### **4. MEMORANDUM AND ARTICLES**

The Memorandum was adopted and the Articles were adopted conditionally upon Admission on 1 August 2012 pursuant to a written resolution of the Shareholders of the Company.

The Memorandum and Articles of the Company include provisions to the following effect:

##### **4.1 Objects**

The Company's objects are included in clause 3 of the memorandum of association and are unrestricted. The Company shall have full power to carry out any object not prohibited by applicable law.

##### **4.2 Voting Rights**

4.2.1 Subject to any rights or restrictions as to voting attached to any shares, on a show of hands every member who is present in person and every person representing a member by proxy shall have one vote and on a poll every member who is present in person and every person representing a member by proxy shall have one vote for each share of which he or the person represented by proxy is the holder.

4.2.2 Votes may be given either personally or by proxy.

##### **4.3 Variation of Rights**

4.3.1 Whenever the capital of the Company is divided into different classes of shares, the rights attaching to any class of share (unless otherwise provided by the terms of issue of the shares of that class) may be varied either with the consent in writing of the holders of not less than 75 per cent. of the issued shares of that class, or with the sanction of a resolution passed by a majority of not less than 75 per cent. of the holders of shares of the class present in person or by proxy at a separate general meeting of the holders of shares of that class.

4.3.2 The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

##### **4.4 Alteration of share capital**

4.4.1 Subject to the Companies Law, the Company may, by ordinary resolution:

- (a) increase its share capital by new Shares of the amount fixed by that ordinary resolution and with the attached rights, priorities and privileges set out in that ordinary resolution;
- (b) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- (c) convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination;

- (d) subdivide all or any of its existing shares into shares of a smaller nominal value;
- (e) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

4.4.2 Subject to the Companies Law and to any rights for the time being conferred on the Shareholders holding a particular class of Shares, the Company may, by special resolution, reduce its share capital in any way.

#### 4.5 **Redemption and purchase of own shares**

4.5.1 Subject to, and in accordance with, the Companies Law and the AIM Rules for Companies and to any rights for the time being conferred on the Shareholders holding a particular class of shares, the Company may by its Directors:

- (a) issue shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Company or the Shareholder holding those redeemable Shares, on the terms and in the manner its Directors determine before the issue of those Shares;
- (b) with the consent by special resolution of the Shareholders holding Shares of a particular class, vary the rights attaching to that class of shares so as to provide that those shares are to be redeemed or are liable to be redeemed at the option of the company on the terms and in the manner which the Directors determine at the time of such variation; and
- (c) purchase all or any of its own shares of any class (including any redeemable shares) on such terms and in the manner as the Directors may determine at the time of such purchase.

The Company may make a payment in respect of the redemption or purchase of its own shares in any manner authorised by the Companies Law, including out of any combination of the following: capital, its profits and the proceeds of a fresh issue of Shares.

4.5.2 Upon the date of redemption or purchase of a share, the Shareholder holding that share shall cease to be entitled to any rights in respect of the share other than the right to receive the price for the share; and any dividend declared in respect of the share prior to the date of redemption or purchase. The share shall be cancelled or held as a treasury share, as the Directors may determine.

4.5.3 When making a payment in respect of the redemption or purchase of Shares, the Directors may make the payment in cash or in specie (or partly in one and partly in the other) if so authorised by the terms of the allotment of those Shares or by the terms applying to those Shares in accordance with the Articles, or otherwise by agreement with the Shareholder holding those Shares.

#### 4.6 **Allotment of securities and pre-emption rights**

4.6.1 Subject to the provisions of the Companies Law and the Articles about the redemption and purchase of the Company's own Shares, the Directors have general and unconditional authority to allot (with or without confirming rights of renunciation), grant options over or otherwise deal with any unissued Shares of the Company to such persons, at such times and on such terms and conditions as they may decide. No Share may be issued at a discount except in accordance with the provisions of the Companies Law.

4.6.2 Subject to the Articles and unless the Company shall by special resolution otherwise direct, unissued shares in the capital of the Company shall only be allotted for cash and unless it is issued as bonus shares or in connection with an employee share scheme,

- (a) must first be offered to existing Shareholders in proportion to their respective holdings of Ordinary Shares;
- (b) the offer to relevant Shareholders set out in paragraph (a) above shall be made in proportion to the existing holdings of Shares of relevant Shareholders (but subject to

such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any country or jurisdiction);

- (c) the offer shall be made by written notice (the “**offer notice**”) from the Directors specifying the number and price of the offer shares and shall invite each relevant Shareholder to state in writing within a period, not being less than fourteen (14) clear days, whether they are willing to accept any offer shares and, if so, the maximum number of offer shares they are willing to take;
- (d) at the expiration of the time specified for acceptance in the offer notice the Directors shall allocate the offer shares to or amongst the relevant Shareholders who shall have notified to the Directors their willingness to take any of the offer shares but so that no relevant Shareholder shall be obliged to take more than the maximum number of shares notified by him under paragraph (c) above; and
- (e) if any offer shares remain unallocated after the offer, the Directors shall be entitled to allot, grant options over or otherwise dispose of those shares to such persons on such terms and in such manner as they think fit save that those shares shall not be disposed of on terms which are more favourable to their subscribers than the terms on which they were offered to the relevant Shareholder,

except that this Article shall not apply to Shares which are issued as bonus shares or in connection with an employee share scheme.

#### 4.7 **Share certificates**

4.7.1 Subject to the Companies Law, the requirements of (to the extent applicable) the AIM Rules for Companies and/or the London Stock Exchange, and the Articles, every person whose name is entered as member of the Company in the Company’s register of members shall, without payment, be entitled to a certificate for all the Shares of each class held by that person and such certificate may be under the seal of the Company or executed in such other manner as the Directors determine. All certificates shall specify the class, distinguishing numbers, number of share or shares held by that person and the amount paid up thereon.

4.7.2 If a share certificate is defaced, worn-out, lost or destroyed it may be renewed on such terms as the Directors think fit.

#### 4.8 **Calls and lien**

4.8.1 Subject to the terms of allotment, the Directors may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their shares including any premium and each Shareholder shall (subject to being given at least 14 clear days’ notice specifying where and when payment is to be made) pay to the Company the specified amount called on his shares. If any sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid. Interest shall be paid at a rate fixed by the terms of allotment of the share or in the notice of the call; or if no rate is fixed, at ten per cent. per annum from the day appointed for the payment thereof to the time of the actual payment. The Directors may at their discretion waive payment of any such interest in whole or in part.

4.8.2 The Company shall have a first and paramount lien on all shares (whether fully paid or not) registered in the name of a shareholder (whether solely or jointly with others). The lien is for all moneys payable to the Company by the Shareholder or the Shareholder’s estate:

- (a) either alone or jointly with any other person, whether or not that other person is a Shareholder; and
- (b) whether or not those moneys are presently payable.



4.8.3 The Directors may declare any share to be wholly or partly exempt from the provisions in the Articles in respect of liens.

4.8.4 The Company may sell, in such manner as the Directors determine, any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days' after a notice demanding payment of such part of the amount in respect of which the lien exists and stating that if the notice is not complied with the shares may be sold has been given to the registered holder for the time being of the share, or the persons entitled thereto by reason of his death or bankruptcy.

#### 4.9 ***Untraceable Member***

Subject to the Companies Law the Company may sell, subject to certain conditions, any share of a Shareholder who cannot be traced if, during a period of 12 years, at least three cash dividends in respect of the share have become payable and no such dividend during that period has been claimed.

#### 4.10 ***Forfeiture of shares***

4.10.1 If a Shareholder fails to pay any call or instalment of a call on the day appointed for payment of such call or instalment, the Directors may, during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of is the amount unpaid together with any interest which may have accrued and any expenses which have been incurred by the Company due to the default. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made and shall state that in the event of non-payment at or before the time appointed the shares in respect of which the call was made will be liable to be forfeited.

4.10.2 A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Board determine and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

4.10.3 A person whose shares have been forfeited shall cease to be a Shareholder in respect of the forfeited shares, but shall, notwithstanding such forfeit, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with all expenses and interest from the date of forfeiture or surrender until payment, but his liability shall cease if and when the Company receives payment in full of the unpaid amount.

4.10.4 A statutory declaration in writing that the declarant is a Director or the secretary of the Company, and that the particular share of the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the forfeited share.

#### 4.11 ***Share premium account***

The Directors shall, in accordance with Section 34 of the Companies Law, establish a share premium account and shall carry the credit of such account from time to time to a sum equal to the amount or value of the premium paid on the issue of any share or capital contributed or such other amounts required by the Companies Law.

#### 4.12 ***Transfer of shares***

4.12.1 All transfers of certificated shares shall be effected by an instrument of transfer, in a common form or in a form approved by the Directors and shall be signed by or on behalf of the transferor and, if the share is partly paid, by the transferor and the transferee. Transfers of uncertificated shares shall be effected without a written instrument in accordance with the CREST Regulations.

4.12.2 The Directors may refuse to register the transfer of a share to any person. They may do so in their absolute discretion, without giving any reason for their refusal, and irrespective of whether

the share is fully paid or the Company has no lien over it, provided that the Board shall not refuse to register any transfer or renunciation of any certificated shares listed on AIM on the ground that they are partly paid in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

4.12.3 The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a participating security held in uncertificated form in accordance with the CREST Regulations, except that the Board may refuse (subject to any relevant requirements of (to the extent applicable) the AIM Rules for Companies and/or the London Stock Exchange) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations.

4.12.4 The Company shall register the transfer of any shares represented by Depository Interests in accordance with the CREST Regulations and any other applicable laws and regulations. Where permitted by the CREST Regulations and any other applicable laws and regulations, the Board may, in its absolute discretion and without giving any reason for its decision, refuse to register any transfer of any share represented by a Depository Interest.

#### 4.13 **Disclosure of interests in shares**

4.13.1 The provisions of DTR 5 shall be deemed to apply to the Company, so that shareholders are required under the Articles to notify the Company in accordance with the provisions of DTR 5, if any member fails to comply with these requirements, the Directors may, by notice to the holder of the shares, suspend their rights as to attendance and voting at general meetings or to be reckoned in a quorum, dividends and transfer. Such suspension shall have effect from the date on which the default notice is given 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 cured 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 Company without any obligation to pay interest thereon.

4.13.2 The Directors have the power, by giving notice, to require any member to disclose to the Company the identity of any person other than the member who is interested in the shares held by the member or who has been at any time during the preceding three years been so interested, in both cases together with details of the nature of such interest. If any member 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. The notice may direct that the member shall not be entitled to be present or vote at a general meeting or meeting of the holders of any class of shares of the Company or exercise any other right conferred by membership in relation to the meetings of the Company or holders of any class of shares or to be reckoned in a quorum. Where the default shares represent at least 0.25 per cent. of the issued shares of that class, any dividend or other money which would otherwise be payable may also be retained by the Company (bearing no interest) and transfers of default shares may also be restricted until the restrictions cease to apply.

#### 4.14 **Dividends**

4.14.1 Subject to the provisions of the Companies Law and any rights for the being attaching to any class or classes of shares, the Directors may declare dividends or distributions out of funds of the Company which are lawfully available for that purpose.

4.14.2 Subject to the provisions of the Companies Law and any rights for the being attaching to any class or classes of shares, the Company may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the Directors.

4.14.3 Subject to the requirements of the Companies Law regarding the application of a company's share premium account and with the sanction of an ordinary resolution, dividends may also be declared and paid out of any share premium account. The Directors when paying dividends to Shareholders may make such payment either in cash or in specie.

4.14.4 Unless provided by the rights attached to a Share, no dividend shall bear interest against the Company.

#### 4.15 **General meetings**

- 4.15.1 The Company shall hold an annual general meeting in each calendar year, which shall be convened by the Board, but so that the maximum period between such annual general meetings shall not exceed 15 months. All general meetings other than annual general meetings shall be called extraordinary general meetings.
- 4.15.2 The Directors may convene general meetings whenever they think fit. General meetings shall also be convened on the written requisition of one or more of the Shareholders entitled to attend and vote at general meetings of the Company who together hold not less than 15 per cent. of the paid up voting share capital of the Company deposited in accordance with the notice provisions in the Articles, specifying the objects of the meeting and signed by each of the Shareholders making the requisition. If the Directors do not convene such meeting for a date not later than 21 clear days' after the date of receipt of the written requisition, those Shareholders who requested the meeting may convene the general meeting themselves within three months after the end of the aforesaid 21 clear days', and all reasonable expenses incurred by them as a result of the Directors failing to convene a meeting shall be reimbursed by the Company.
- 4.15.3 At least 14 days' notice specifying the place, the day and the hour of the meeting and, subject to the AIM Rules for Companies, the general nature of that business must be given to the Shareholders, unless it is a notice of an annual general meeting, in which case at least 21 clear days' notice must be given to the Shareholders. If a resolution is proposed as a special resolution, the text of that resolution shall be given to all Shareholders. In addition notice of every general meeting shall be given to all Shareholders other than those who are not entitled to receive such notice under the provisions of the Articles or any restrictions imposed on any shares, and also to the Directors and auditors.
- 4.15.4 Subject to the Companies Law, a meeting may be convened on shorter notice, subject to the Companies Law with the consent of the Shareholders who, individually or collectively, hold at least 90 per cent. of the voting rights of all those who have a right to vote at that meeting.
- 4.15.5 Two members present in person or represented by proxy at a meeting shall constitute a quorum.
- 4.15.6 If within 15 minutes from the time appointed for the general meeting a quorum is not present, the meeting, if convened upon the requisition of Shareholders, shall be cancelled. In any other case it shall stand adjourned to the same time and place seven days or to such other time or place as is determined by the Directors.
- 4.15.7 The chairman may, with the consent of a meeting at which a quorum is present, adjourn the meeting. When a meeting is adjourned for seven days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.
- 4.15.8 At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before the declaration of the result of the show of hands) demanded by the chairman of the meeting or by at least two Shareholders having the right to vote on the resolutions or one or more Shareholders present who together hold not less than 10 per cent. of the voting rights of all those who are entitled to vote on the resolution, and unless a poll is so demanded, a declaration by the chairman as to the result of a resolution and an entry to that effect in the minutes of the meeting of the Company, shall be conclusive evidence of the outcome of a show of hands, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.
- 4.15.9 If a poll is duly demanded it shall be taken in such manner as the chairman directs and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
- 4.15.10 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.

#### 4.16 **Directors**

- 4.16.1 The Company may by ordinary resolution, from time to time, fix the maximum and minimum number of Directors to be appointed. Under the Articles, the minimum number of Directors shall be three and the maximum number of directors shall be 11.
- 4.16.2 A Director may be appointed by ordinary resolution or by the Directors. Any appointment may be to fill a vacancy or as an additional director.
- 4.16.3 The remuneration of the Directors shall be determined by the Company by ordinary resolution, except that the Directors shall be entitled to such remuneration as the Directors may determine not exceeding RMB 2,000,000 per annum (until otherwise determined by the Company by ordinary resolution).
- 4.16.4 Any Director may in writing appoint another person, including another Director, to act in his place as an alternate Director. No appointment shall take effect until the Director has given notice of the appointment to the Board. All notices of meetings of Directors shall continue to be given to the appointing Director and not to the alternate. An alternate director shall be entitled to attend and vote at any Board meeting or meeting of a committee of the Directors at which the appointing Director is not personally present, and generally to perform all the functions of the appointing Director in his absence. An alternate director, however, is not entitled to receive any remuneration from the Company for services rendered as an alternate director. A Director may at any time revoke the appointment of an alternate director appointed by him.

#### 4.17 **Share qualification**

The shareholding qualification for Directors may be fixed by the Company by ordinary resolution and unless and until so fixed no share qualification shall be required.

#### 4.18 **Retirement and removal of Directors**

- 4.18.1 The first Directors of the Company and all subsequent Directors shall submit themselves for re-election by the Shareholders at the first annual general meeting after their appointment. No Director shall remain in office for longer than three years since their last election or re-election without submitting themselves for re-election. At each annual general meeting, the Directors subject to retirement shall retire from office. A Director retiring at such meeting shall retain office until the dissolution of such meeting and accordingly on retiring, a Director who is re-elected or deemed to have been re-elected will continue in office without a break.
- 4.18.2 The Directors to retire by rotation shall be:
- (a) any Director who wishes to retire and not to offer himself for re-election;
  - (b) any Director who has been, or who by the time of the next annual general meeting will have been, in office for three (3) years or more; and
  - (c) such number of additional Directors (if any) as, when added to those Directors referred to in paragraphs (a) and (b) above, equal one-third of the Directors (or, if the number of Directors is not three or a multiple of three, the number nearest to but not exceeding one-third of the Directors), provided that such additional Directors shall be those who have been longest in office. As between two or more Directors who have been in office an equal length of time, the Directors to retire shall in default of agreement between them be determined by lot. The length of time a Director has been in office shall be computed from the date of his last election or appointment when he has previously vacated office.
- 4.18.3 A retiring Director shall be eligible for re-election.
- 4.18.4 The Company at the meeting at which a Director retires in the manner aforesaid may fill the vacated office by appointing a person thereto by ordinary resolution and in default the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at such meeting

it is expressly resolved not to fill the vacated office or a resolution for the re-appointment of such Director shall have been put to the meeting and lost. The Company at such meeting may also, subject to the Articles, fill any other vacancies.

4.18.5 A Director may be removed by ordinary resolution.

4.18.6 A Director may at any time resign or retire from office by giving to the Company notice in writing. Unless the notice specifies a different date, the Director shall be deemed to have resigned on the date that the notice is delivered to the Company.

4.18.7 Subject to the provisions of the Articles, the office of a Director may be terminated forthwith if:

- (a) he is prohibited by the law of the Cayman Islands from acting as a Director; or
- (b) he is made bankrupt or makes an arrangement or composition with his creditors generally; or
- (c) he resigns his office by notice to the Company; or
- (d) he only held office as a Director for a fixed term and such term expires; or
- (e) in the opinion of a registered medical practitioner by whom he is being treated he becomes physically or mentally incapable of acting as a Director; or
- (f) he is given notice by the majority of the other Directors (not being less than two in number) to vacate office (without prejudice to any claim for damages for breach of any agreement relating to the provision of the services of such Director); or
- (g) he is made subject to any law relating to mental health or incompetence, whether by court order or otherwise; or
- (h) without the consent of the other Directors, he is absent from meetings of Directors for a continuous period of six months.

#### 4.19 **Compensation for loss of office**

The provisions contained in sections 215 to 221 of the UK Companies Act 2006 in relation to payments made to Directors (or a person connected to such Directors) for loss of office and the circumstances in which such payments would require the approval of Shareholders broadly apply to the Company, and the Company shall comply with such provisions as if it were a company incorporated in the United Kingdom.

#### 4.20 **Powers and duties of Directors**

4.20.1 Subject to the provisions of the Companies Law, the memorandum of association and the Articles, the business of the Company shall be managed by the Directors, who may exercise all powers of the Company. No prior act of the Directors shall be invalidated by any subsequent alteration of the memorandum of association or the Articles. However, to the extent allowed by the Companies Law, Shareholders may by special resolution validate any prior or future act of the Directors which would otherwise be in breach of their duties.

4.20.2 The Directors may delegate any of their powers to any committee consisting of one or more persons who need not be Shareholders and may include non-directors so long as the majority of those persons are Directors; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.

4.20.3 The Board may establish any local or divisional board or agency and delegate to it its powers and authorities (with power to sub-delegate) for managing any of the affairs of the Company whether in the Cayman Islands or elsewhere and may appoint any persons to be members of a local or divisional board, or to be managers or agents, and may fix their remuneration.

4.20.4 The Directors may from time to time and at any time by power of attorney or in any other manner they determine appoint any person, either generally or in respect of any specific matter,

to be the agent of the Company with or without authority for that person to delegate all or any of that person's powers.

4.20.5 The Directors may from time to time and at any time by power of attorney or in any other manner they determine appoint any person, whether nominated directly or indirectly by the Directors, to be the attorney or the authorised signatory of the Company and for such period and subject to such conditions as they may think fit. The powers, authorities and discretions, however, must not exceed those vested in, or exercisable, by the Directors under the Articles. The Board may remove any person so appointed and may revoke or vary the delegation.

#### 4.21 ***Proceedings of Directors***

4.21.1 The Directors may meet together to discuss any matters of the Company (either within or outside the Cayman Islands) and, subject to the provisions of Articles, may regulate their meetings and proceedings as they think fit.

4.21.2 Any Director and the Company secretary may at the requisition of a Director, summon a meeting of the Directors.

4.21.3 All matters discussed at meetings of the Directors shall be decided by a majority of votes. In the case of an equality of votes the chairman may, if he wishes, exercise a casting vote.

4.21.4 The quorum for the transaction of the business of the Board shall be two unless the Directors fix some other number.

4.21.5 A resolution in writing agreed by and signed by all the Directors entitled to receive notice of and vote at a meeting of the Board shall be as valid and effectual as if it had been passed at a meeting of the Board or (as the case may be) a committee of the Board duly convened and held.

4.21.6 A person entitled to be present at a meeting of the Board shall be deemed to be present for all purposes if he takes part in the meeting by way of a conference telephone, video or any other form of communications equipment which allows everybody participating in the meeting to speak to and be heard by all those present or deemed to be present simultaneously. A Director so deemed to be present shall be entitled to vote and be counted in a quorum accordingly.

4.21.7 The Directors may fill any casual vacancy in the office of Auditors to the Company.

#### 4.22 ***Borrowing powers of Directors***

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital or any part thereof, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or its parent undertaking (if any) or any subsidiary undertaking of the Company or of any third party.

#### 4.23 ***Interests of Directors and Restrictions on Voting***

4.23.1 A Director shall not, as a Director, vote in respect of any contract, transaction, arrangement or proposal in which he has an interest which (together with any interest of any person connected with him) is a material interest (otherwise than by virtue of his interests, direct or indirect, in Shares or debentures or other securities of, or otherwise in or through, the Company) and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting, but (in the absence of some other material interest than is mentioned below) none of these prohibitions shall apply to:

- (a) the giving of any security, guarantee or indemnity in respect of:
  - (i) money lent or obligations incurred by him or by any other person for the benefit of the Company or any of its subsidiaries; or

- (ii) a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (b) where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to or may participate;
- (c) any contract, transaction, arrangement or proposal affecting any other body corporate in which he is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise howsoever, provided that he (together with persons connected with him) does not to his knowledge hold an interest representing one per cent or more of any class of the equity share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purposes of the Articles to be a material interest in all circumstances);
- (d) any act or thing done or to be done in respect of any arrangement for the benefit of the employees of the Company or any of its subsidiaries under which he is not accorded as a Director any privilege or advantage not generally accorded to the employees to whom such arrangement relates; or
- (e) any matter connected with the purchase or maintenance for any Director of insurance against any liability or (to the extent permitted by the Companies Law) indemnities in favour of Directors, the funding of expenditure by one or more Directors in defending proceedings against him or them or the doing of any thing to enable such Director or Directors to avoid incurring such expenditure.

4.23.2 A Director may, as a Director, vote (and be counted in the quorum) in respect of any contract, transaction, arrangement or proposal in which he has an interest which is not a material interest or which falls within the above.

#### 4.24 **Indemnity**

4.24.1 To the extent permitted by law, the Company shall indemnify each existing or former secretary, Director (including alternate director), and other officer of the Company (including an investment adviser or an administrator or liquidator) and their personal representatives against:

- (a) all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by the existing or former secretary or officer in or about the conduct of the Company's business or affairs or in the execution or discharge of the existing or former secretary's or officer's duties, powers, authorities or discretions; and
- (b) without limitation to paragraph (a), all costs, expenses, losses or liabilities incurred by the existing or former secretary or officer in defending (whether successfully or otherwise) any civil, criminal, administrative or investigative proceedings (whether threatened, pending or completed) concerning the Company or its affairs in any court or tribunal, whether in the Cayman Islands or elsewhere.

4.24.2 No such existing or former secretary or officer, however, shall be indemnified in respect of any matter arising out of his own dishonesty.

4.24.3 To the extent permitted by law, the Company may make a payment, or agree to make a payment, whether by way of advance, loan or otherwise, for any legal costs incurred by an existing or former secretary or officer of the Company in respect of any matter identified in paragraph 4.24.1 (a) or (b) above on condition that the secretary or officer must repay the amount paid by the Company to the extent that it is ultimately found not liable to indemnify the secretary or that officer for those legal costs.

#### 4.25 **Capitalisation of profits**

4.25.1 The Directors may resolve to capitalise:

- (a) any part of the Company's profits not required for paying any preferential dividend (whether or not those profits are available for distribution); or
- (b) any sum standing to the credit of the Company's share premium account or capital redemption reserve, if any.

The amount resolved to be capitalised must be appropriated to the Shareholders who would have been entitled to it had it been distributed by way of dividend and in the same proportions.

#### 4.26 **Distribution of assets in a liquidation**

4.26.1 If the Company is wound up, the Shareholders may, subject to the Articles and any other sanction required by the Companies Law, pass a special resolution allowing the liquidator to do either or both of the following:

- (a) to divide in specie among the Shareholders the whole or any part of the assets of the Company and, for that purpose, to value any assets and to determine how the division shall be carried out as between the Shareholders or different classes of Shareholders;
- (b) to vest the whole or any part of the assets in trustees for the benefit of Shareholders and those liable to contribute to the winding up.

4.26.2 The Directors have the authority to present a petition for the winding up of the Company to the Grand Court of the Cayman Islands on behalf of the Company without the sanction of a resolution passed at a general meeting.

#### 4.27 **Takeover provisions**

4.27.1 The Company is not currently subject to the Takeover Code.

4.27.2 The Company's Articles contain certain protections which are similar to those provisions of the Takeover Code. The Articles provide among other things that:

- (a) if any Shareholder (or person acting in concert with such Shareholder) acquires, whether in a single transaction or by a series of transactions over a period of time, an interest in Shares which (taken together with Shares in which such Shareholder or persons acting in concert with such Shareholders are interested) carry 30 per cent. or more of the voting rights of the Company; or
- (b) any Shareholder, together with persons acting in concert with such Shareholder, is interested in Shares which in the aggregate carry not less than 30 per cent. of the voting rights of the Company but does not hold Shares carrying more than 50 per cent. of such voting rights and such Shareholder, or any person acting in concert with such Shareholder, acquires an interest in any other Shares which increases the percentage of shares carrying voting rights in which he is interested,

such Shareholder (the "**Offeror**") shall extend an offer, to the holders of all the issued (and to be issued) Shares in the Company. An offer will not be required where control of the Company is acquired as a result of a voluntary offer made materially in accordance with the provisions of the Takeover Code (as if the Takeover Code applied to the Company) to all holders of shares.

4.27.3 An offer must be conditional only upon the Offeror having received acceptances in respect of Shares which, together with Shares acquired or agreed to be acquired before or during the offer, will result in the Offeror and any person acting in concert with it holding Shares carrying more than 50 per cent. of the voting rights of the Company.

4.27.4 An offer will not be required under the Articles, as a result of the acquisition by a person of Shares upon Admission, or as a result of the exercise by a person (or, in respect of a corporate entity, a member of that corporate entity's group) of warrants or options which were granted to such person upon Admission.



4.27.5 An offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the Offeror or any person acting in concert with it for any interest in shares during the 12 months prior to the date upon which an announcement of that offer would have been required had the Takeover Code applied to the Company. If, after the obligation to make an offer pursuant to the Articles arises and before the offer closes for acceptance, the Offeror or any person acting in concert with it acquires any interest in Shares at above the offer price, it shall increase its offer to not less than the highest price paid for the interest in Shares so acquired.

4.27.6 When an offer is made and the Company has convertible securities outstanding, the Offeror must make an appropriate offer or proposal, on terms equivalent to the offer made for shares, to the holders of such convertible securities to ensure that their interests are safeguarded.

4.27.7 Any offer shall be made on terms that would be required by the then current Takeover Code, save to the extent that the Board otherwise determines. In relation to any offer required to be made under the Articles, any matter which under the Takeover Code would fall to be determined by the Takeover Panel shall be determined by the Board in its absolute discretion or by such person appointed by the Board to make such determination.

4.27.8 Except with the consent of an ordinary resolution of independent Shareholders on a poll, Shareholders shall comply with the requirements of the Takeover Code (as if the Takeover Code applied to the Company) in relation to any dealings in any Shares and in relation to their dealings with the Company in relation to all matters.

4.27.9 At all times when the Company is in an offer period each Shareholder shall comply with the disclosure obligations set out in Rule 8 of the Takeover Code as if the Takeover Code applied to the Company.

#### 4.28 **Power to amend the Memorandum of Association and Articles**

Subject to the Companies Law, the Company may, by special resolution, amend the provisions of the memorandum of association and Articles in whole or in part.

## **5. SQUEEZE OUT RIGHTS UNDER CAYMAN ISLANDS LAW**

### ***Compulsory Acquisition***

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. in value of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer.

### ***Mergers and Consolidations***

The Companies Law provides that any two or more Cayman Islands companies limited by shares (other than segregated portfolio companies) may merge or consolidate in accordance with the Companies Law. The Companies Law also allows one or more Cayman Islands companies to merge or consolidate with one or more foreign companies (provided that the laws of the foreign jurisdiction permit such merger or consolidation).

To effect a merger or consolidation of one or more Cayman Islands companies, the directors of each constituent company must approve a written plan of merger or consolidation in accordance with the Companies Law. The plan must then be authorized by each constituent company by a special resolution of members and such other authorization, if any, as may be specified in such constituent company's articles of association.

Where a Cayman Islands parent is merging with one or more of its Cayman Islands subsidiaries, shareholder consent is not required if a copy of the plan of merger is given to every member of each subsidiary company to be merged, unless that member argues otherwise.

To effect a merger or consolidation of one or more Cayman Islands companies with one or more foreign companies, in addition to the approval requirements applicable to the merger or consolidation of Cayman Islands companies (in relation to Cayman Islands company(ies) only), the merger or consolidation must also be effected in compliance with the constitutional documents of, and laws of the foreign jurisdiction applicable to, the foreign company(ies).

## 6. DISCLOSURE OF INTERESTS

### 6.1 *Directors' and other interests*

6.1.1 As at the date of this Document and following the Placing and Admission, the interests of the Directors (all of which are beneficial) (including persons connected with the Directors within the meaning of section 252 of the UK Companies Act 2006) in the issued share capital of the Company are as follows:

<i>Director</i>	<i>At the date of this Document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Ordinary Shares</i>
	Shufang Zhuang <sup>1</sup>	19,000,000	38	19,000,000
Meijin Xu <sup>2</sup>	18,000,000	36	18,000,000	32.91

6.1.2 Save as disclosed in this paragraph 6, none of the Directors nor any member of their families, nor any person connected with them within the meaning of section 252 of the UK Companies Act 2006, has any interest in the issued share capital of the Company or its subsidiaries.

6.1.3 Save as disclosed in this paragraph 6 as at the date of this Document, no Director has any option over or warrant to subscribe for any shares in the Company.

6.1.4 Save for the Placing Agreement referred to in paragraph 10.1 of Part VI of this Document or the service agreements and letters of appointment referred to in paragraph 7 of Part VI of this Document or the Lock-in Agreements referred to in paragraph 9 of Part VI of this Document, or the warrant instruments referred to in paragraph 10.6 of Part VI of this Document or the agreements with Zedex and Riemann referred to in paragraphs 10.18 to 10.19 of Part VI of this Document there are no agreements, arrangements or understandings (including compensation agreements) between any of the Directors, recent Directors, Shareholders or recent Shareholders of the Company connected with or dependent upon Admission or the Placing.

6.1.5 None of the Directors nor any member of their families, nor any person connected with them within the meaning of section 252 of the UK Companies Act, has a related financial product (as defined in the AIM Rules for Companies) referenced to the Ordinary Shares.

<sup>1</sup> Shufang Zhuang holds his interest in the Company through Odylink Limited, a company incorporated in the British Virgin Islands.

<sup>2</sup> Meijin Xu holds her interest in the Company through Golden Plan Development Limited, a company incorporated in the British Virgin Islands.

## 6.2 Major Shareholders

6.2.1 Including those disclosed at paragraph 6.1.1 above, the Company is aware of the following persons who, at 14 August 2012 (being the latest practicable date before publication of this Document) and following completion of Admission and the Placing, have interests in voting rights over 3 per cent. or more of the issued share capital of the Company:

<i>Shareholder</i>	<i>At the date of this Document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Capital Share</i>
Odylink Limited <sup>3</sup>	19,000,000	38	19,000,000	34.7
Gorden Plan Development Limited <sup>4</sup>	18,000,000	36	18,000,000	32.9
Galant Guide Investments Holding Limited	2,900,000	5.8	2,900,000	5.3
David Lam	2,700,000	5.4	2,700,000	4.9
Wild Boom Investments Limited	2,500,000	5	2,500,000	4.6
Spearpoint Nominees Limited	NIL	NIL	2,500,000	4.6
Investec Asset Management Limited	NIL	NIL	1,875,000	3.4
Dong Meiling	1,500,000	3	1,500,000	2.7

6.2.2 Save as disclosed above, the Directors are not aware of any person or persons who, directly or indirectly, have an interest in the Company which represents 3 per cent. or more of its issued share capital or voting rights who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

6.2.3 The Company and the Directors are not aware of any arrangements, the operation of which may, at a subsequent date, result in a change of control of the Company.

6.3 Neither the Directors nor any substantial Shareholders have different voting rights to other holders of the share capital of the Company.

## 7. DIRECTORS' SERVICE AGREEMENTS AND TERMS OF APPOINTMENT

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

7.1.1 On 14 August 2012 Mr. Shufang Zhuang entered into a service agreement with the Company for an initial term of two years, the terms of which are conditional upon Admission. Mr. Shufang Zhuang has agreed to act as an Executive Director of the Company for a salary of RMB 336,000 per annum. The appointment is terminable on six months' notice by either party.

7.1.2 On 14 August 2012 Mrs. Meijin Xu entered into a service agreement with the Company for an initial term of two years, the terms of which are conditional upon Admission. Mrs. Meijin Xu has agreed to act as an Executive Director and Chief Executive Officer of the Company for a salary of RMB 336,000 per annum. The appointment is terminable on six months' notice by either party.

7.1.3 On 14 August 2012, Mr. "Derrick" Sze Hau Wong entered into a service agreement with the Company for an initial term of two years, the terms of which are conditional upon Admission. Mr. "Derrick" Sze Hau Wong has agreed to act as the Finance Director and Chief Financial Officer of the Company for a salary of RMB 558,000 per annum. The appointment is terminable on six months' notice by either party.

<sup>3</sup> Shufang Zhuang holds his interest in the Company through Odylink Limited, a company incorporated in the British Virgin Islands.

<sup>4</sup> Meijin Xu holds her interest in the Company through Golden Plan Development Limited, a company incorporated in the British Virgin Islands.

7.1.4 On 14 August 2012, Mr. Penghua Wu entered into a letter of appointment with the Company 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. Mr. Wu has agreed to act as a Non-Executive Director of the Company for a fee of RMB 30,000 per annum. The appointment is terminable on three months' notice by either party.

7.1.5 On 14 August 2012, Mr. Stuart Christopher Lane entered into a letter of appointment with the Company 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. Mr. Lane has agreed to act as a Non-Executive Director of the Company for a fee of RMB 300,000 per annum. The appointment is terminable on three months' notice by either party.

7.1.6 On 14 August 2012, Mr. William Knight entered into a letter of appointment with the Company 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. Mr. Knight has agreed to act as the Non-Executive Chairman of the Company for a fee of RMB 500,000 per annum. The appointment is terminable on three months' notice by either party.

7.2 Save as set out above there are no contracts providing for benefits upon termination of employment of any Director.

## 8. ADDITIONAL INFORMATION ON THE DIRECTORS

8.1 The Directors currently hold (other than Directorship of the Company and its subsidiaries) the following Directorships and are partners in the following partnerships and have held the following Directorships and have been partners in the following partnerships within the five years prior to the publication of this Document:

<i>Director</i>	<i>Current Directorships or partnerships</i>	<i>Former Directorships or Interests in Partnerships held in last five years</i>
Shufang Zhuang	Odylink Limited	None
Meijin Xu	Golden Plan Development Limited	None
Penghua Wu	None	None
"Derrick" Sze Hau Wong	None	None
Stuart Christopher Lane	Northland Capital Partners Limited Swan Alley Nominees Limited Geong International Limited Shigo Asia AG	Seymour Pierce Limited Postfuhramnt Oranienburyerstr GmbH Heltroni Trading & Investments Limited
Christopher William Knight	JP Morgan Chinese Investment Trust Plc Fidelity Asian Values Plc William Knight & Associates Limited Abingworth Bio Ventures II Aureos India Advisors PVT Ltd Axis Fiduciary Ltd Campbell-Lutyens & Co Ltd Ceylon Guardian Investment Trust Plc Emerisque Capital Limited Greater China Corporation Homestrings LLC LG India Food Ltd Relief International-UK	Navigator London Financial Group Ltd Gryphon Capital Corporation Limited

- 8.2 Save as set out in this Document, no Director has:
- 8.2.1 any unspent convictions in relation to indictable offences;
  - 8.2.2 ever had any bankruptcy order made against him or entered into any individual voluntary arrangements;
  - 8.2.3 ever been a director of a company which has been placed in receivership, creditors' voluntary liquidation, compulsory liquidation or administration, or been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company at that time or within the 12 months preceding such events;
  - 8.2.4 ever been a partner in any partnership which has been placed in compulsory liquidation or administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership at that time or within the 12 months preceding such events.
  - 8.2.5 owned, or been a partner in a partnership which owned, any asset which, while he owned that asset, or while he was a partner at that time or within 12 months preceding such events;
  - 8.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
  - 8.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

## 9. LOCK-IN AGREEMENTS

On 14 August 2012, the Company, ZAI, Liberum Capital and each of the Locked-in Parties entered into Lock-in Agreements pursuant to the terms of which each of each of the Locked-in Parties have undertaken, subject to certain limited exceptions, not to dispose of any of the Ordinary Shares which they hold immediately following Admission for a period commencing at Admission and ending on the later of three (3) months after the publication of the Company's financial report and accounts for the financial year ended 31 December 2012 and the first anniversary of Admission, without the prior written consent of the Company, ZAI and Liberum Capital. In addition, each of the Locked-in Parties has undertaken to the Company, ZAI and Liberum Capital that, for a further year thereafter, he will only sell such Ordinary Shares through ZAI or Liberum Capital in order to maintain an orderly market.

## 10. 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 this Document and are, or may be, material:

- 10.1 On 14 August 2012, the Company, the Directors, ZAI and Liberum Capital entered into the Placing Agreement. The Placing Agreement contains the following terms:
  - 10.1.1 the Company appointed the Joint Brokers as its agents to procure subscribers at the Placing Price of the Placing Shares and the Joint Brokers agreed (subject to paragraph 10.1.2 below) to each use their reasonable endeavours to procure subscribers at the Placing Price for the Placing Shares;
  - 10.1.2 the obligations of the Joint Brokers are conditional, *inter alia*, on Admission occurring on or 20 August 2012 or such later date (being no later than 31 August 2012) as the Company and the Joint Brokers may agree;
  - 10.1.3 subject to Admission, the Company shall pay to:
    - (a) ZAI, a corporate finance fee of £200,000; and
    - (b) the Joint Brokers commission equal to 5 per cent. on funds raised from places procured by the Joint Brokers, payable in cash on Admission;
  - 10.1.4 subject to Admission, the Company shall issue warrants to the Joint Brokers to subscribe for a total of 585,413 Ordinary Shares, pursuant to the terms of a warrant instrument (further details of which are set out at paragraph 10.6 below);

10.1.5 the Placing Agreement contains certain warranties and indemnities given by the Company and the Directors in favour of the Joint Brokers (including warranties relating to the accuracy of the information in this Document and the Company's incorporation and capacity).

- 10.2 On 14 August 2012, the Company entered into an ongoing nomad agreement with ZAI whereby ZAI agreed to act as nominated adviser to the Company for an annual fee of £35,000. The agreement contains certain indemnities given by the Company to ZAI.
- 10.3 On 14 August 2012, the Company entered into an ongoing broker agreement with ZAI whereby ZAI agreed to act as broker to the Company for an annual fee of £1. The agreement contains certain indemnities given by the Company to ZAI.
- 10.4 On 3 April 2012, the Company entered into a letter of engagement with Liberum Capital whereby Liberum Capital agreed to act as financial adviser and joint broker to the Company, *inter alia*, in connection with Admission. Under the terms of this letter of engagement, the Company shall pay a fee of £25,000 per annum to Liberum Capital until such time as the letter of engagement is terminated.
- 10.5 On 14 August 2012, the Company, ZAI, Liberum Capital and the Controlling Shareholders entered into the Relationship Agreement which is conditional upon Admission, in order to regulate the ongoing relationship between the Company 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 per cent. of the voting rights of the Company.

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 Company'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.

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 Company.

- 10.6 Warrant instruments have been executed by the Company to give effect to the issue of warrants to certain advisers and investors. Pursuant to the warrant instruments certain advisers and investors have been issued warrants to subscribe for an aggregate of 1,685,350 Ordinary Shares. The warrants will be exercisable at any time from Admission for a period of five years (save in the case of those issued to Riemann, pursuant to paragraph 10.18 below which shall be exercisable during a 3 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 warrant instruments contains 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 Company.

The rights attaching to the warrants may be altered with the prior written consent of the Company and the warrant holders entitled to subscribe for 100 per cent. of the Ordinary Shares subject to unexercised warrants.

- 10.7 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 RMB 0.86 per item of clothing, RMB 0.86 per pair of shoes and RMB 0.76 per accessory.

- 10.8 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 provides 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 charges RMB 2.58 per item of clothing, RMB 2.18 per pair of shoes and RMB 1.15 per accessory.
- 10.9 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 RMB 2.58 per item of clothing, RMB 2.18 per pair of shoes and RMB 1.15 per accessory.
- 10.10 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 provides 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 charges RMB 2.18 item of clothing, RMB 2.58 per pair of shoes and RMB 1.15 per accessory and all charges are inclusive of tax.
- 10.11 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<sup>2</sup>. Under the terms of the agreement, the total purchase price was RMB 47,772,000 and the purchase price is payable in four instalments. The first instalment is for 30 per cent. of the overall contract sum or RMB 15,000,000 and is payable after passing the completion inspection of piling and foundation works. The second instalment of 40 per cent. of the total contract sum and is payable after the inspection and acceptance of the installation of steel structure works. The third instalment is for 20 per cent. 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 RMB 43,100,000.
- 10.12 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 shall pay a one off payment of RMB 1,800,000 to Xiamen Xiomsoft Co. Ltd. and Xingtai Logistics shall permanently be entitled to use the warehouse management software without any further payment.
- 10.13 On 24 May 2011, Xingtai Logistics entered into a 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<sup>2</sup>. The LUR fee was RMB 21,780,000 plus RMB 653,000 tax which has been fully paid and the LUR certificate was issued on 29 June 2011 and expires on 23 June 2061.
- 10.14 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 with an area of approximately 200,000m<sup>2</sup>. The LUR fee was RMB 300,000,000 in total but as yet no LUR Certificate has been granted and RMB 52,000,000 has been paid at the date of this Document and it is estimated that a further payment of RMB 150,000,000 will be necessary. Xingtai Logistics entered into a supplemental agreement to this letter of intend on 23 February 2012.
- 10.15 On 14 August 2012, the Company and Computershare Investor Services PLC entered into an agreement for the provision of depositary services and custody services (the “**Depositary Agreement**”), pursuant to which the Company 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 Company has agreed to pay the Depositary an annual fee of £8,000. The Company has also agreed to pay the Depositary £6,000 in respect of the compilation of the initial depositary interests register and the provision of the draft documentation in respect of the Deed Poll and the Depositary Agreement.

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.

- 10.16 On 14 August 2012, the Company and Computershare Investor Services (Cayman) Limited entered into a registrar's agreement (the "**Registrar's Agreement**"), pursuant to which the Company 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 Company has agreed to pay the Registrar a set up fee of £1,500 and 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 Company giving to the Registrar not less than six months' notice, such notice not to expire prior to the third anniversary of Admission.

- 10.17 On 31 August 2011, Chaintek HK entered into an agreement with Zedex whereby Zedex agreed to provide financial advisory services to Chaintek HK in connection with Admission. In addition, under the terms of this agreement, Zedex shall be issued with 1 per cent. of the issued share capital of the Company prior to Admission and a fee of £50,000 is payable to Zedex under the terms of this agreement.

- 10.18 On 23 August 2010, Xingtai Logistics entered into an agreement with Riemann whereby Riemann agreed to provide financial advisory services in connection with Admission to Xingtai Logistics and a fee of RMB 200,000 is payable to Riemann, along with 2 per cent. of the issued share capital of the Company prior to Admission and Riemann will be issued with warrants to subscribe for 3 per cent. of the issued share capital of the Company immediately prior to Admission (further details of which are set out in paragraph 10.6 above).

- 10.19 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.

## **11. RELATED PARTY TRANSACTIONS**

- 11.1 On 20 March 2011, Mrs. 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 RMB 12,140,684. On 23 April 2012, Mrs. Meijin Xu waived all rights to repayment of part of the loan being an amount of RMB 9,871,692 (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.

- 11.2 On 14 August 2012, the Company entered into a deed of indemnity with Mr. Shufung Zhuang and Mrs. Meijin Xu pursuant to which Mr. Shufung Zhuang and Mrs. 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 Mr. Shufang Zhuang to Chaintek HK dated 27 June 2011 and 4,900 shares in Xingtai Logistics by Mrs. Meijin Xu to Chaintek dated 27 June 2011.

## **12. LITIGATION**

The Group is not, nor has at any time in the 12 months immediately preceding the date of this Document, been engaged in any governmental, legal or arbitration proceedings and the Directors are not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this Document in each case which may have, or have had in the 12 months preceding the date of this Document, a significant effect on the Group's financial position or profitability.

## **13. WORKING CAPITAL**

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company and the Group, taking into account the estimated net proceeds of the Placing, will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## **14. GENERAL**

- 14.1 The gross proceeds of the Placing receivable by the Company are expected to amount to approximately £7.5 million. Total costs and expenses payable by the Company in connection with the Admission and Placing (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £1.5 million (excluding VAT).
- 14.2 The Placing Price is 160 pence per Share. The Shares are in registered form.
- 14.3 The Group consolidated historical financial information relating to the Group set out in Part IV. B of this Document does not comprise statutory accounts within the meaning of the UK Companies Act 2006.
- 14.4 Grant Thornton UK LLP has given and not withdrawn its written consent to the inclusion of its report in Part IV. A of this Document and the references to its name in the form and context in which they are respectively included.
- 14.5 ZAI has given and not withdrawn its consent to the inclusion in this Document of the references to its name in the form and context in which they are included.
- 14.6 Liberum Capital has given and not withdrawn its consent to the inclusion in this Document to the references to its name in the form and context in which they are included.
- 14.6 Save as disclosed in this Document, there has been no significant change in the trading or financial position of the Group since 31 December 2011, the date to which the Group consolidated historical financial information was prepared.
- 14.7 Save as set out in this Document no person (other than a professional adviser referred to in this Document or trade suppliers) has:
- 14.7.1 received directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission; or

14.7.2 entered into contractual arrangements (not otherwise disclosed in this Document) to receive directly or indirectly, from the Company on or after Admission, any of the following:

- (i) fees totalling £10,000 or more;
- (ii) securities in the Company with a value of £10,000 or more calculated by reference to the issue price; or
- (iii) any other benefit with a value of £10,000 or more at the date of Admission.

14.8 Save as disclosed in this Document, there are no investments in progress of the Company which are or may be significant.

14.9 Save as disclosed in this Document, the Directors are unaware of any exceptional factors which have influenced the Company's recent activities.

14.10 Other than the current application for Admission, the Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made or refused nor are there intended to be any other arrangements for dealings in the Shares.

14.11 No public takeover bids have been made by third parties in respect of the Company's issued share capital since its incorporation until the date of this document.

14.12 The Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.

14.13 Save as disclosed in this Document, the Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for the current financial year.

## **15. THIRD PARTY INFORMATION**

15.1 Various data used in this Document has been obtained from independent sources. The Company has not verified the data obtained from these sources and cannot give any guarantee of the accuracy or completeness of the data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications, risks and uncertainties described above.

15.2 Where information has been sourced from a third party, the Company confirms that the information has been accurately reproduced and that as far as it is aware and is able to ascertain from information published by each of those third parties, no facts have been omitted which would render the information reproduced inaccurate or misleading.

## **16. AVAILABILITY OF ADMISSION DOCUMENT**

Copies of this Document are available free of charge from the offices of ZAI and may be inspected at the offices of Pinsent Masons LLP during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Document until at least one month after the date of Admission and on the Company's website, [www.chaintek-united.com](http://www.chaintek-united.com).

Dated: 14 August 2012

