

## Logistics Sector

1st Half of 2007

### China Logistics M&A Update

#### Highlights

- Sinotrans and consortium win China's approval for a US\$65 million air cargo JV

China signaled a green light for Sinotrans, Korean Air, Korea's Hana Capital and Shinhan Capital to establish an air cargo joint venture, which aims to become China's top cargo carrier in the near future.

- YRC Worldwide acquires Shanghai Jiayu Logistics

The Kansas-headquartered global logistics company purchased Shanghai Jiayu Logistics, one of the largest less-than-truckload carriers in China, for expanding its scale on ground transports in China.

- LinkGlobal becomes the first Chinese company to acquire a European airport

The Beijing-based private 4PL company outbid FedEx, Emirates Airline and Hamburg Airport, and acquired Germany's Baltic Airport Mecklenburg for US\$130 million.

- COSCO Pacific buys 30% of Fuzhou Port Group

The Hong Kong shipping company acquired a 30% interest in Fuzhou Port Group to strengthen its terminal businesses in China with a more diversified investment model.

#### Beijing

Suite 11J Oriental Kenzo Plaza  
48 Dongzhimen Wai Avenue  
Beijing 100027, China  
+86 (10) 8447 7398

#### Hong Kong

Suite 3518 Jardine House  
One Connaught Place  
Central, Hong Kong  
+852 2973 5311

#### Shanghai

5F Crystal Century Tower  
567 Weihai Road, Jingan District  
Shanghai 200040, China  
+86 (21) 6288 6555

info@latitudecapital.com  
www.latitudecapital.com

## Introduction

We are pleased to present our 2007 semi-annual review of the China Logistics M&A and private placement activities, focusing on both financial and strategic buyers/investors acquiring Chinese assets and Chinese corporations acquiring overseas targets.

The purpose of this report is to provide a summary of cross-border China Logistics M&A and private placement activities in the first half of 2007, highlighting notable selected transactions that are relevant to venture capital, private equity, and strategic buyers/investors. Our review is broken down into the following four Logistics sectors:

- 3PL (Third-Party Logistics)
- Express
- Freight Forwarding
- Port and Container Shipping
- Transportation
- Warehousing

However, during the first half of 2007, there was no notable transaction in the 3PL (Third-Party Logistics), Express and Warehousing sectors.

## Freight Forwarding

Sinotrans Air Transport Development Co., Ltd., a subsidiary of China's largest logistics enterprise Sinotrans, and Korean Air, the world's largest commercial air cargo company, won initial approval from General Administration of Civil Aviation of China (CAAC) to set up a US\$65 million cargo venture with two other Korean strategic partners, Hana Capital and Shihan Capital. Through the collaboration, the two logistics giants will be entitled to benefit from their counterpart's comprehensive global networks. The venture is expected to commence operations in the second half of this year with three freighters.

### Selected Freight Forwarding Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 29, 2007	Sinotrans Air Transport Development Co., Ltd. [SHSE:600270], Korean Air Lines Co., Ltd. [KOSE:3490], Hana Capital Co., Ltd., Shinhan Capital Co., Ltd.	Galaxy International Co., Ltd. <sup>1</sup>	65.0	100.0 <sup>2</sup>	65.0	Tianjin-based air cargo JV engaged in cargo transportation services worldwide
Apr 16, 2007	Integrated Distribution Services Group Ltd. [SEHK:2387]	Sebor (Sarawak) Sdn Bhd	8.7	67.1	13.0	Freight forwarding and warehousing company of consumer goods based in Sarawak, Malaysia
Apr 16, 2007	Integrated Distribution Services Group Ltd. [SEHK:2387]	Sebor (Sabah) Sdn Bhd	1.3	40.0	3.3	Freight forwarding and warehousing company of consumer goods based in Sabah, Malaysia

## Port and Container Shipping

Hutchison Port Holdings increased its stake in Yantian International Container Terminals Ltd., a Sino-foreign JV between Hutchison and Shenzhen Yantian Port Group Co. Ltd. Upon the close of the transaction, Hutchison will own 65% of the JV and Shenzhen Yantian Port will hold the remainder. The venture is responsible for developing and operating Phase I, II, III and the Expansion Project of Shenzhen Yantian Port, one of the fastest growing container terminals in the South-China region. Yantian Port will be in full operations with the completion of the Expansion Project by 2010.

Beijing-based LinkGlobal Logistics Co., Ltd. outbid global players such as FedEx, Emirates Airline and Hamburg Airport to purchase Baltic Airport Mecklenburg GmbH in Germany for US\$130 million. This first ever Chinese acquisition of a European airport will further stretch the private 4PL company's network, which currently covers over 200 cities in China and 90 countries worldwide. In addition, the governments of Henan Province and Zhengzhou City have agreed to form a Zhengzhou-based aviation logistics venture, which is focused on providing transportation services between China and Germany, with LinkGlobal. The German airport is expected to serve as a major part of the JV's operations.

COSCO Pacific Ltd. purchased a 30% stake in the state-run Fuzhou Port Group Ltd., which operates one of the major hub ports along the coast of China. While the ports in Fuzhou are ranked 11<sup>th</sup> largest in China, they are also appointed by the

<sup>1</sup> Source: Hong Kong Trade Development Council. Official English name unavailable. Official Chinese name: 银河国际货运航空有限公司.

<sup>2</sup> Sinotrans Air Transport Development Co., Ltd. owns 51%; Korean Air Lines Co., Ltd. owns 25%; Hana Capital Co., Ltd. owns 13%; Shinhan Capital Co., Ltd. owns 11%.

Ministry of Communication for operating an experimental direct shipping route between Fujian Province and Taiwan. The acquisition will help diversify the world's leading container leasing firm's investment portfolio, and present an advantage to increase COSCO Pacific's competitiveness in the China-Taiwan trade businesses.

### Selected Port and Container Shipping Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 28, 2007	Haikou Meilan International Airport Co., Ltd. [SEHK:357]	Tianjin Marine Shipping Co., Ltd. [SHSE:600751]	21.0	30.0	70.0	International and domestic marine container freights transportation services provider
May 31, 2007	Hutchison Port Holdings	Yantian International Container Terminals Ltd.	N/A	23.3	N/A	JV engaged in the development and operation of Shenzhen Yantian Port
May 30, 2007	N/A <sup>3</sup>	Ningbo Marine Company Ltd. [SHSE:600798]	81.1	N/A	N/A	Coastal, inland river (Changjiang) and international marine container shipping services provider
May 14, 2007	LinkGlobal Logistics Co., Ltd.	Baltic Airport Mecklenburg GmbH	130.2	100.0	130.2	Airport in Parchim, Germany providing airfreight handling and forwarding services
May 2, 2007	Genco Shipping & Trading Ltd. [NYSE:GNK]	Jinhui Shipping & Transportation Ltd. [OB:JIN]	N/A	5.3	N/A	Investment holding company, mainly engaged in ship chartering, ship owning, and investments in China
Apr 20, 2007	COSCO Pacific Ltd. [SEHK:1199]	Fuzhou Port Group Co., Ltd.	N/A	30.0	N/A	Subsidiary of state-owned Fujian Transport Co. engaged in transports between Fujian and Taiwan

### Transportation

YRC Worldwide Ltd., one of the world's largest transportation service providers, acquired 100% of Shanghai Jiayu Logistics Ltd. The Shanghai-based trucking company's established domestic network and its fleet of over 3,000 vehicles will significantly expand the local scale of the Kansas-based logistics giant, which currently owns fewer than 200 vehicles in China. Moreover, the acquisition is essential to YRC's presence in China as Bill Zollars, Chairman of YRC, stated that 90% of their 800,000 customers in China increasingly demand transportation services within the country.

### Selected Transportation Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 26, 2007	YRC Worldwide Inc. [NASDAQ:YRCW]	Shanghai Jiayu Logistics Ltd.	N/A	100.0	N/A	One of the largest providers of less-than-truckload ground transport services in China
Mar 6, 2007	N/A <sup>4</sup>	Nanjing Water Transport Industry Co., Ltd. [SHSE:600087]	62.0	N/A	N/A	Shipping company engaged in warehousing and transportation of petroleum and chemical products along Yangtze River

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<sup>3</sup> PIPE deal for no more than 10 investors. Target investors include current significant shareholders, domestic strategic investors, investment funds and foreign institutions.

<sup>4</sup> PIPE deal for a maximum of 10 investors. Target investors include current significant shareholders, domestic strategic investors, investment funds and foreign institutions. No less than 60% of the 400 million shares issued will be placed to CSC Nanjing Tanker Corp.; no more than 40% will be placed to 9 other investors.

## Beijing

Suite 11J Oriental Kenzo Plaza  
48 Dongzhimen Wai Avenue  
Beijing 100027, China

Tel +86 (10) 8447 7398  
Fax +86 (10) 8447 7396

## Hong Kong

Suite 3518 Jardine House  
One Connaught Place  
Central, Hong Kong

Tel +852 2973 5311  
Fax +852 2295 3979

## Shanghai

5F Crystal Century Tower  
567 Weihai Road, Jingan District  
Shanghai 200040, China

Tel +86 (21) 6288 6555  
Fax +86 (21) 6288 6585

[info@latitudecapital.com](mailto:info@latitudecapital.com)

[www.latitudecapital.com](http://www.latitudecapital.com)

 **LATITUDE**  
CAPITAL GROUP