



China Logistics Semi-Annual Update

2nd Half 2009

Quarter in Review

- The second half of 2009 saw an increase in M&A activity over the first half, with public and private deals executed in both the Logistics Services and Logistics Infrastructure spaces. A majority of investments/acquisitions were made by corporates in the logistics sector, as opposed to VC/PE funds, suggesting the sector has struggled to gain the attention of the institutional investor universe.
- In addition, four capital markets transactions were completed in the second half of 2009, including the Shenzhen listing of a Jiangsu-based third party logistics provider, showing the ever maturing state of 3PL infrastructure/services in China. Three of the four listings were on domestic China exchanges with the fourth in Hong Kong.

Sector Highlights

- China Eastern Airlines Corp. Ltd., China's 3rd largest airline by fleet-size, raised US\$1.0 billion through issuing 1.3 billion A-shares and 0.5 billion H-shares
- The merger of China Eastern and Shanghai Airlines officially closed on January 29, 2010, whereby creating a combined entity with over US\$22.1 billion current assets as of the year end of 2009
- In the 2nd half of 2009, China logistics services companies raised over US\$349.5 million through public offerings
- Hainan Strait Shipping Co., Ltd., provider of domestic ferry services for passengers, vehicles and cargos, raised US\$194.4 million through its IPO on Shenzhen main board
- Jiangsu Xinning Modern Logistics Co., Ltd., provider of domestic third-party logistics and warehousing services, raised US\$34.3 million through its IPO on Shenzhen ChiNext
- PYI Corp. Ltd., a Hong Kong-listed operator of bulk cargo port and logistics facilities in China, sold 15.0% of Jiangsu Yangkou Port Development & Investment Co., Ltd. to Nantong State-owned Assets Investment and Ritai for US\$43.7 million
- China South City Holdings Ltd., developer and provider of logistics and trade centers in China, raised US\$406.4 million through its Hong Kong IPO

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Logistics Services

Selected M&A/Private Placements in Q4 2009

Date Announced	Transaction Type	Target Name	Acquirer/Investor Name	Transaction Value (US\$ MM)	%	Target Description
Air Freight						
Jul 10	PIPE	China Eastern Airlines Corp. Ltd. (SEHK:670)	Aerospace Science & Tech. Finance Co. Ltd., CES Global Holdings (Hong Kong) Ltd., China Eastern Air Holdings Co., China National Aviation Fuel Group Corp., SinoTrans Air Transportation Develop. Co. (SHSE:600270)	\$1,029.1	14.1%	Offers domestic, regional and international air passenger, cargo and mail transport services
Sea Freight						
NA						
Ground Freight, Express & Warehousing						
Aug 25	Private Placement	Shanghai Bus Logistics Co., Ltd.	Yamato Holdings Co., Ltd. (TSE:9064)	34.1	NA	Provides container and hazardous goods transportation, freight forwarding, customs brokerage and warehousing services
Jul 16	M&A	Shenzhen Zona Transportation Group Co. Ltd.	SMRT Hong Kong Ltd.	47.1	49.0	Leading Shenzhen-based transport operator with 803 buses, 142 chartered coaches, 78 long haul coaches, 830 taxis and 260 leased cars
3PL / Freight Forwarding						
NA						

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

China Eastern Airlines Corp. Ltd., China's 3rd largest airline by fleet-size, raised US\$1.0 billion through issuing 1.3 billion A-shares and 0.5 billion H-shares. The proceeds were used to strengthen China Eastern's balance sheet ahead of its proposed merger with Shanghai Airlines Co., Ltd.

The merger of China Eastern and Shanghai Airlines officially closed on January 29, 2010, whereby creating a combined entity with over US\$22.1 billion current assets as of the year end of 2009. Both companies have started to consolidate marketing campaigns, airplane maintenance services, ground services and freight and operation controls.

Selected Capital Markets Transactions in Q4 2009

Pricing Date	Transaction Type	Exchange	Company Name	Sub-Sector	Amount (US\$ MM)	Final Pricing	Premium/ (Discount) to Market ⁽¹⁾	Price as of Dec 31	Market Cap as of Dec 31 (US\$ MM)	Company Description
Dec 10	Follow-on	Shanghai	Zongchu Development Stock Co. Ltd.	Ground Freight	\$120.8	\$1.17	-	\$1.43	\$1,197.1	Provides trucking and warehousing services for steel, coal and consumer electronics
Dec 4	IPO	Shenzhen	Hainan Strait Shipping Co., Ltd.	Sea Freight	194.4	4.92	-	\$7.52	\$1,184.4	Provides domestic ferry services for passengers, vehicles and cargos
Oct 12	IPO	Shenzhen	Jiangsu Xinning Modern Logistics Co. Ltd.	3PL / Freight Forwarding	34.3	2.29	-	\$4.82	\$289.2	Provides third-party logistics and warehousing services for electronic parts and components

⁽¹⁾ Premium/Discount to Market is calculated based on the closing price of the day of pricing

Source: Company announcements, Dealogic, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

In the 2nd half of 2009, China logistics services companies raised over US\$349.5 million through public offerings.

Hainan Strait Shipping Co., Ltd., provider of domestic ferry services for passengers, vehicles and cargos, raised US\$194.4 million through its IPO on Shenzhen main board. For the year ended 2008, Hainan Strait achieved approximately US\$66.3 million of sales and approximately US\$18.9 million in net profit.

Jiangsu Xinning Modern Logistics Co., Ltd., provider of domestic third-party logistics and warehousing services, raised US\$34.3 million through its IPO on Shenzhen ChiNext. For the year ended 2008, Jiangsu Xining achieved approximately US\$20.8 million of sales and approximately US\$3.0 million in net profit. Shares of Jiangsu Xining closed 106.4% higher on its first day of trading.

Shenzhen ChiNext is a newly-established bourse focused on promoting the growth of small and medium-sized enterprises. All listings surged on the first day, with returns ranging from 120.0% to 226.0% compared to their respective IPO prices.

Logistics Infrastructure

Selected M&A/Private Placements in Q4 2009

Date Announced	Transaction Type	Target Name	Acquirer/Investor Name	Transaction Value (US\$ MM)	%	Target Description
Port & Logistics Facility						
Dec 30	M&A	Shenzhen Lianda Tug Services Co., Ltd.	China Merchants Port Service (Shenzhen) Co. Ltd., Hong Kong Yiu Lian Dockyards Ltd.	\$1.7	11.0%	Operates tugboats and provides tug and harbor towage services
Nov 30	M&A	Jiangsu Yangkou Port Development & Investment Co., Ltd.	Nantong State-owned Assets Investment Holdings Ltd., Ritai	43.7	15.0	Constructs and operates bulk cargo handling sea ports and related land-based facilities
Nov 3	M&A	Rizhao Port (Group) Co., Ltd. (SHSE:600017)	Shandong State-owned Assets Investment Holdings Co. Ltd.	28.7	2.8	Provides in port handling, docking and coal and iron ore loading services

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

PYI Corp. Ltd., a Hong Kong-listed operator of bulk cargo port and logistics facilities in China, sold 15.0% of Jiangsu Yangkou Port Development & Investment Co., Ltd. to Nantong State-owned Assets Investment and Ritai for US\$43.7 million. PYI Corp. will retain a 60.0% stake in Jiangsu Yangkou. The transaction will not materially affect PYI's profit before tax.

Selected Capital Markets Transactions in Q4 2009

Pricing Date	Transaction Type	Exchange	Company Name	Sub-Sector	Amount (US\$ MM)	Final Pricing	Premium/ (Discount) to Market ⁽¹⁾	Price as of Dec 31	Market Cap as of Dec 31 (US\$ MM)	Company Description
Sep 23	IPO	Hong Kong	China South City Holdings Ltd.	Port & Logistics Facility	\$406.4	\$0.27	-	\$0.18	\$1,80.0	Develops and operates integrated logistics and trade centers in China

⁽¹⁾ Premium/Discount to Market is calculated based on the closing price of the day of pricing

Source: Company announcements, Dealogic, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

China South City Holdings Ltd., developer and provider of logistics and trade centers in China, raised US\$406.4 million through its Hong Kong IPO. For the fiscal year ended March 31, 2009, China South City achieved approximately US\$33.0 million of sales and approximately US\$96.6 million in net profit. Fair value revaluation of investment properties contributed US\$147.9 million to the bottom line.

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