

Logistics Sector

2nd Half of 2007

China Logistics M&A Update

Highlights

- Grand China Airlines Holding Planned to Issue US\$1.3 billion in Convertible Bonds to an Investment Consortium

Global Infrastructure Partners, Och-Ziff Capital, Stark Investments together will invest US\$1.0 billion.

- DHL Bought the Remaining 50% of Exel-Sinotrans Freight Forwarding for US\$697 million

The acquisition further strengthens DHL's abilities to provide integrated 3PL solutions in China.

- Australian Toll Holdings Made an Offer to Acquire Baltrans for US\$348 million

Baltrans is a leading Asia-based freight forwarding company with an operation network spanning all the major cities throughout the world.

- Hong Kong Listed China Merchants Holdings to Invest US\$215 million to Form a JV Port in Zhejiang

The JV investment will further strengthen the company's strategic layout of port operations network in China.

- PYI Corporation Intended to Increase its Stake in Nantong Port by 12.3% for US\$134 million

After the investment, PYI will have 57.3% of Nantong Port.

- Menlo Worldwide Acquires Chic Holdings for US\$60 million

Chic is a leading Shanghai based 3PL company.

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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 second 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 five Logistics sectors:

- Air Freight
- Sea Freight
- 3PL / Freight Forwarding
- Ground Freight, Express & Warehousing
- Port & Logistics Facility

However, during the second half of 2007, there were no notable transactions in the Sea Freight, and Ground Freight, Express & Warehousing sectors.

Air Freight

In the Air Freight sector, Grand China Airlines Holding, parent company of Hainan Airlines, would issue convertible bonds of US\$1.3 billion to an investment consortium, among whom Global Infrastructure Partners, Och-Ziff Capital and Stark Investments will invest US\$1.0 billion.

Selected Air Freight Transactions

Announcement	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 07	Global Infrastructure Partners, Och-Ziff Capital, Stark Investments, etc. ¹	Grand China Airlines Holding	1,300.0	NA	NA	Operates through its subsidiary Hainan Airlines Group and offers airline services

1. Includes Chinese insurance investors, who put in US\$300 million

3PL / Freight Forwarding

In the 3PL / Freight Forwarding sector, DHL decided to buyout the remaining 50% in Sinotrans-Exel JV in China, which was formed in 1996. The acquisition further cements DHL's ability to provide integrated solutions for customers in China. Also, this is a reflection of Deutsche Post World Net's commitment to invest in and expand its presence and capability in China, as evidenced by the announcement of a US\$175 million investment for its new DHL Express North Asia hub in Shanghai.

Also during the quarter, Australian logistics firm Toll Holdings announced its intention to acquire the entire outstanding shares of Baltrans for US\$348 million. Baltrans has an extensive network in all major cities of Europe, North America, Asia Pacific, Middle East and Africa, and according to Toll, the combined firm would generate around US\$1.1 billion sales.

In another notable deal, Con-Way, through its subsidiary Menlo Worldwide, acquired a Shanghai-based 3PL holding company, Chic Holdings. Chic Logistics, a Shanghai-based subsidiary of Chic Holdings, provides logistics and transportation management services in China. According to Menlo Worldwide, the combined company will have over 1,500 employees in China operating in 79 cities with nearly 180,000 square meters of warehouse space under management.

Selected 3PL / Freight Forwarding Transactions

Announcement	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 07	DHL	Exel ¹ -Sinotrans Freight Forwarding	696.9	50.0	1,393.8	An international freight forwarding JV between Exel and Sinotrans
Dec 07	Toll Holdings	Baltrans	348.0	100.0	348.0	Leading Asia international freight forwarding company with significant operations in China
Oct 07	Direct Logistics India	Shenzhen Dida Logistics	NA	100.0	NA	Local freight forwarding firm
Sep 07	MediaREADY Incorporated (OTCBB: MRED)	Shandong Jiajia International Freight Forwarding	NA	51.0	NA	Local freight forwarding firm

Selected 3PL / Freight Forwarding Transactions

Announcement	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 07	Schneider Logistics	BaoYun Logistics	NA	NA	NA	Leading 3PL company
Sep 07	Menlo Worldwide ²	Chic Holdings	60.0	100.0	60.0	Shanghai-based 3PL holding company, provides logistics and transportation management services in China
Aug 07	Sinotrans Ltd. (HKSE: 598)	Trade Sky International	16.8	25.0	67.2	Mainly invests in third party logistics services in China
Jul 07	Capital Today	Rongqing Logistics	20.0	NA	NA	Shandong-based cold chain logistics services provider

1. Acquire by Deutsche Post World Net, parent company of DHL, in December 2005

2. Subsidiary of Con-Way, Inc. (NYSE:CNW)

Port & Logistics Facility

In the Port & Logistics Facility sector, China Merchants Holdings and Zhejiang SASAC agreed to convert currently state owned Zhejiang Port Group into a Sino-Foreign JV, where China Merchants will hold 45% and Zhejiang SASAC will hold the remaining 55%. Port and port-related operations are the core business of China Merchants, and the company currently concentrates on the Pearl River Delta area, the Yangtze River Delta area, the Bohai Rim area and Hong Kong. The investment in Zhanjiang Port JV is an important step to fill the gaps in the strategic layout of the company's port operations network in China.

Also during the quarter, PYI increased its share in Nantong Port to 57.3% by adding another 12.3% for US\$134.6 million.

Selected Port & Logistics Facility Transactions

Announcement	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Nov 07	PYI Corporation (HKSE: 498)	Nantong Port	134.6	12.3	1,092.5	Principally engages in providing various shipping related services in Nantong Port
Sep 07	Shenzhen Airport (SZSE: 000089)	Libo Airport	NA	100.0	NA	Local airport
Sep 07	China Merchants Holdings (International) (HKSE: 144)	Zhanjiang Port JV	215.4	45.0	478.7	Principally engages in providing various shipping related services in Zhejiang Port
Jul 07	Pacific Basin Shipping (HKSE: 2343)	Nanjing Longtan Tianyu Terminal	15.9	45.0	35.3	Local cargo terminal construction firm in Yangtze River area
Jul 07	Shenzhen International Holdings (HKSE: 152)	Shenzhen South-China International Logistics	18.4	33.3	55.3	Developer and operator of South China International Logistics Centre, one of the seven logistic parks in Shenzhen

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