

Logistics Sector

2006 Annual Report

China Logistics M&A Update

Highlights

- **PSA International acquires 20% of Hutchison Port Holdings for US\$4.4 billion**

PSA's biggest investment to date values the Hong Kong-based world's largest port operator at US\$22 billion.

- **FedEx buys FedEx DTW Co. and DTW's domestic express business for US\$400 million**

The US-based giant took over its joint venture with DTW Group and bought out DTW's domestic express business to prepare for growing competition from foreign companies in China.

- **Zim Integrated, CMA-CGM and Deutsche Bahn become the first foreign enterprises to invest in China's railway industry**

Three of the world's largest logistics companies jointly invested in a US\$1.5 billion JV with China Railway Container Transport Co., marking the first large-scale investment in China's railway market by foreign entities.

- **Baltrans buys significant stakes in foreign logistics firms BNG, Clover, JLS and Gothenburg**

The largest non-asset based freight forwarder in Hong Kong continues to develop its worldwide network through recent acquisitions of logistics companies in Germany, South Africa, United Kingdom and Sweden.

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INTRODUCTION

We are pleased to present our annual review of the China Logistics M&A and private placement activities in China, 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 Logistics M&A and private placement activities in 2006, 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:

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

Port and Container Shipping

Chinese leading logistics companies participated in several transactions involving large-scale port and container shipping operations. Hutchison Port, the world's biggest operator of container ports, continued to increase its global market share by acquiring 70% of Terminal Catalunya S.A. in Spain for US\$551.3 million, and 100% of Talleres Navales del Golfo S.A. de C.V. in Mexico. Orient Overseas sold four container terminals in the North American region to Ontario Teachers' Pension Plan for US\$2.35 billion, significantly above market estimates. PSA International made its biggest investment by purchasing a 20% stakes in Hutchison Port Holdings and Hutchison Ports Investments S.à.r.l. for US\$4.4 billion that is expected to help the Singaporean state-owned enterprise to diversify away from its flagship port businesses.

While Shanghai International Port Group, the largest port operator in China, bought 40% of APM Terminals Zeebrugge in Belgium, APM also joined COSCO Pacific in a joint venture to develop Guangzhou Nansha Phase-2 Terminal, and owns 20% of the project. In 2005, the container handling capacity of Guangzhou's container ports ranked 18th in the world. The completion of Nansha Phase-2 Terminal is expected to facilitate China in attracting more businesses from its neighbor Singapore, which operates the world's largest container handling ports.

Selected Port and Container Shipping Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 28, 2006	Hainan Airlines Co. Ltd. [SHSE:900945]	Tianjin Marine Shipping Co., Ltd. [SHSE:900938]	25.6	37.4	68.5	International and domestic container shipping services provider
Nov 23, 2006	Ontario Teachers' Pension Plan	Orient Overseas (International) Ltd. Terminals Division	2,350.0	100.0	2,350.0	Operator of four container terminals located in North America
Sep 23, 2006	Shanghai International Port Group Co. Ltd. [SHSE:600018]	APM Terminals Zeebrugge N.V.	60.0 ¹	40.0	150.0	Container handling services provider
Aug 27, 2006	China Shipping Container Lines Co. Ltd [SEHK:2866]	Universal Shipping Asia Co.	10.3	100.0	10.3	Container transportation company in Pearl River Delta Area
Aug 23, 2006	APM Terminals International B.V.	Terminal 2, COSCO Ports Nansha Ltd.	N/A	20.0	N/A	JV port operator at Nansha Port, Guangzhou
Jun 6, 2006	Shanghai International Port Group Co. Ltd. [SHSE:600018]	Shanghai Port Container Co., Ltd.	1,105.9	30.0	3,708.6	Container terminal operator, freight forwarding and warehousing services provider
Apr 21, 2006	PSA International Pte Ltd.	Hutchison Port Holdings Ltd., Hutchison Ports Investments S.à.r.l.	4,400.0	20.0	22,000.0	World's leading port developer and operator
Dec 19, 2005	COSCO Pacific Ltd. [SEHK:1199]	Suez Canal Container Terminal S.A.E.	N/A	20.0	N/A	Transshipment and terminal operator for eastern Mediterranean in Egypt
Dec 13, 2005	Hutchison Port Holdings	Terminal Catalunya S.A.	551.3	70.0	787.5	Container terminal operator in Barcelona
Nov 22, 2005	Hutchison Port Holdings	Talleres Navales del Golfo, S.A. de C.V.	N/A	100.0	N/A	Port operator in Mexico

¹ Source: Reuters

Freight Forwarding and Warehousing

Israel's Zim Integrated Shipping Services Ltd., France-based CMA-CGM and Deutsche Bahn AG from Germany collaborated in the first ever large-scale foreign investment in the traditionally state-run Chinese railway industry. The three overseas logistics giants, along with 4 other domestic investors, including China Railway Container Transport Co., the operating vehicle of China's Ministry of Railways, would invest a total of US\$1.5 billion to set up a joint venture in building 18 larger railway container terminal stations in China's first-tier and second-tier cities, such as Shanghai, Chengdu and Tianjin. The terminals will commence operations in 2010.

Baltrans kicked off its year by selling a 19.9% stake for US\$31 million to Mitsui, one of the largest corporate conglomerates in Japan. The Hong Kong-based freight forwarder then engaged in a series of acquisitions through purchases of 52% of Clover Cargo (South Africa), 25% of JLS Logistics (UK) and the remaining 50% of BNG Logistics (Germany) in the freight forwarding sector to complement its existing core business in Hong Kong/U.S. airfreight forwarding.

Selected Freight Forwarding and Warehousing Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 28, 2006	China Railway Container Transport Co. Ltd., NWS Service Management [SEHK:0659], China International Marine Container (Group) Co. Ltd. [SZSE: 200039], Promisky Investment, Zim Integrated Shipping Services Ltd., CMA-CGM, Deutsche Bahn AG	China United International Rail Container Co. Ltd.	1,474.4	100.0 ²	1,474.4	JV engaging in the construction and operation of 18 railway container terminals in China
Sep 28, 2006	China COSCO Holdings Ltd [SHSE:601919]	COSCO Logistics Co. Ltd.	212.5	51.0	416.7	Freight forwarding services provider in Mainland China
Aug 2, 2006	Baltrans Holdings Ltd. [SEHK:562]	BNG Logistics GmbH	1.3	50.0	2.6	International freight forwarding services provider
Jul 8, 2006	DFDS Transport (Hong Kong) Ltd.	CDS-Frans Maas (Asia) Ltd.	N/A	100.0	N/A	Air and ocean freight and logistics services provider
Jun 29, 2006	Baltrans Holdings Ltd. [SEHK:562]	JLS Logistics UK Ltd.	1.6	24.8	6.6	Multi-modal freight forwarding and logistics services provider
Jun 20, 2006	DVB Bank AG [DB:DVB]	COSCO Pacific Ltd., Marine Containers	869.4	100.0	869.4	Container leasing fleet
Jun 13, 2006	Eva Airways Corp. [TSEC:2618]	Shanghai Airlines Cargo Int'l Co. Ltd.	3.9	25.0	15.5	Air and ocean freight and logistics services provider
Feb 6, 2006	Baltrans Holdings Ltd. [SEHK:562]	Clover Cargo Holdings Ltd.	2.9	52.0	5.6	Supply chain logistics and freight forwarding services provider in South Africa
Jan 2, 2006	Mitsui & Co. Ltd. [TSE:8031]	Baltrans Holdings Ltd. [SEHK:562]	31.1	19.9	141.4	Global freight forwarding and logistics services provider

Express

TNT acquired China's Hoau Logistics, a leading inland freight and parcel company with a fleet of over 3,000 trucks, to become the largest privately-owned freight and parcels network operator in China. Market sources suggest that the transaction size was approximately US\$135 million, though no official number was disclosed. Through this acquisition, TNT can incorporate its international businesses into China to leverage on the combined distribution infrastructure, which includes over 1,200 operating facilities in total spreading across all major and second-tier cities in China.

² China Railway Container Transport Co. owns 34%; NWS owns 22%; China International Marine Container Co. and Promisky own 10% each; Zim, CMA-CGM and Deutsche Bahn own 8% each.

FedEx took over FedEx DTW Co. Ltd, a 50-50 joint venture company between FedEx and Tianjin DTW Group, and DTW's domestic express cargo network in China for US\$400 million. It is expected that M&A activities in the express sector will become more vigorous due to the significant increase in the demand for express deliveries as the 2008 Beijing Olympics approaches.

Selected Express Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jan 24, 2006	FedEx [NYSE:FDX]	FedEx DTW Co. Ltd.	N/A ³	50.0	N/A	JV between FedEx and Datian Air Service. International express transportations services shipping to and from China
Jan 24, 2006	FedEx [NYSE:FDX]	Datian W. Air Service Corporation, Domestic Express Business	400.0	100.0	400.0	Domestic express cargo transportation services provider in China
Dec 06, 2005	TNT [ENXTAM:TNT]	Hoau Logistics Group	N/A	100.0	N/A	Owner of the densest road freight network in China; freight and parcel transportation operator

3PL (Third-Party Logistics)

Baltrans acquired Sweden-based Gothenburg Shipping Logistics for US\$21.2 million to extend its reach in the 3PL business in addition to freight forwarding. The Swedish company was touted by some local media as one of the fastest growing and the most profitable Swedish companies. Gothenburg's strong business foundation in Europe's Nordic region is an example of the new markets that Baltrans is actively seeking to tap into, an initiative that would also enhance its China-related export businesses.

Selected 3PL Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 01, 2006	Integrated Distribution Services Group Ltd. [SEHK:2387]	Impac Logistics Services LLC	35.0	100.0	35.0	Tailored logistics solutions provider in US
Oct 13, 2006	Kerry Logistics Network Ltd.	Reliable Freight Forwarders Pvt Ltd.	N/A	51.0	N/A	3PL logistics services provider in India
Jul 14, 2006	Baltrans Holdings Ltd. [SEHK:562]	Gothenburg Shipping Logistics AB	21.2	100.0	21.2	An independent 3PL company in Sweden
Dec 20, 2005	Deutsche Bahn AG	StarTrans International Ltd.	N/A	80.0 ⁴	N/A	JV specializing in Asia Pacific services to the US
Nov 08, 2005	Zim Integrated Shipping Services Ltd.	Sun Hing Agencies Ltd.	N/A	100.0	N/A	Shipping agency services provider

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³ Included in the consideration of US\$400 million paid to Datian W. Air Service

⁴ Source: Hong Kong Trade Development Council

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