

China Logistics M&A Quarterly

1st Half 2009

Quarter in Review

- While the China logistics industry was hard hit in the fall of 2008, there has been some recovery and return to growth (albeit not nearly as fast as pre-2008 levels). International shipments are still down but the domestic market has begun to drive further demand for China logistics services.
- Accompanying this trend, the first half of 2009 saw a glimmer of activity with 4 deals announced in the Air Freight and Port and Logistics Facility subsectors.
- Although the number of deals is more than half when compared to the 'year ago' period (4 deals 1H09 versus 9 deals in 1H08), the dollar value of those deals was substantially large (US\$5.8 billion 1H09 versus US\$195 million 1H08).
- China's logistics stimulus plan should also bolster growth as well as M&A activity in the sector in the near to medium term.

Deal Highlights

- China Eastern Airlines Corp. announced that it will acquire 100.0% of Shanghai Airlines Co. for US\$3.1 billion. The merged entity will benefit from cost savings on shared routes, however, improvements on competitiveness and network coverage are expected to be minimal.
- Grand Point Investment Ltd, a subsidiary of Hong Kong-listed Tianjin Port Development, will acquire 56.8% of Tianjin Port Co. for US\$ 2.8 billion. The transaction will be settled in cash and stock issued by Tianjin Port Development. Upon closing, Tianjin Port Co.'s parent, Tianjin Port (Group) will own 51.0% of the enlarged issued share capital of Tianjin Port Development.

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Introduction

Cowen Latitude Asia, the wholly-owned Asia subsidiary of Cowen Group, Inc. (NASDAQ: COWN), is one of Asia's leading growth sector focused investment banks providing directly or through its affiliates, a full range of capital markets, M&A advisory and private placement services. The Firm specializes in the growth sectors of Alternative Energy, Consumer, Health Care, Industrial, Media, Technology, Telecom and Aerospace & Defense.

We are pleased to present our quarterly review of cross-border China M&A and private placement activities in Logistics-related industries, focusing on both financial and strategic buyers/investors acquiring China 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 2009, 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 and Warehousing
- Port & Logistics Facility

There were no notable transactions announced in the Sea Freight, 3PL / Freight Forwarding, Ground Freight and Express and Warehousing sectors during the first half of 2009.

Air Freight

China Eastern Airlines Corp. announced that it will acquire 100.0% of Shanghai Airlines Co. for US\$3.1 billion. The merged entity will benefit from cost savings on shared routes; however, improvements in competitiveness and network coverage are expected to be minimal. Post transaction, Shanghai Airlines will retain its brand name and will be de-listed from the Shanghai Stock Exchange.

Earlier in 2009, China Eastern announced that it will sell 35.0% of its 40.0% stake in Joy Air Co. to Joy Air's largest shareholder, Aviation Industry Corporation of China, a China state-owned aircraft manufacturer. This divestment will enhance China Eastern's liquidity and improve its financial position.

Selected Air Freight Transactions

Announcement	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 30, 2009	China Eastern Airlines Corp. Ltd. (SEHK:670)	Shanghai Airlines Co., Ltd. (SHSE:600591)	3,059.4	100.0	3,059.4	Offers domestic, regional and international air passenger, cargo and mail transport services
Feb 4, 2009	Aviation Industry Corp. of China	Joy Air Co. Ltd.	NA	35.0	NA	Xian-based regional carrier

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

Port & Logistics Facility

Grand Point Investment Ltd., a subsidiary of Hong Kong-listed Tianjin Port Development, will acquire 56.8% of Tianjin Port Co. for US\$2.8 billion. The transaction will be settled in cash and stock issued by Tianjin Port Development. Upon closing, Tianjin Port Co.'s parent company, Tianjin Port (Group) will own 51.0% of the enlarged issued share capital of Tianjin Port Development.

Selected Port & Logistics Facility Transactions

Announcement	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 11, 2009	PYI Corp. Ltd. (SEHK:498)	Jiangyin Sunan International Container Terminal Co., Ltd.	4.0	25.0	16.0	Provides container loading and unloading, storage, maintenance and leasing services

Selected Port & Logistics Facility Transactions

Announcement	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 16, 2009	Grand Point Invest. Ltd.	Tianjin Port Co., Ltd. (SHSE:600717)	2,775.7	56.8	4,886.8	Provides container loading and unloading, integrated transportation and freight forwarding services

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

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