

ASIAN TRANSPORT AND LOGISTICS NEWSLETTER

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A Quarterly newsletter of developments in the logistics and transportation markets

Welcome to the Asian Logistics Newsletter. This publication was initiated to address the growth of opportunities in the Asian logistics market. We hope you find the Asian Logistics Newsletter informative.

Business Development Asia (“BDA”) is an investment banking firm specializing in executing cross-border transactions involving Asia, including acquisitions, divestments, JVs and restructuring. We have offices and professional staff

throughout Asia, and in the US and Europe. If you think that BDA’s services may be useful to you, please contact us at any one of our offices or email me at pdigiacom@bdallc.com. Contact details for our offices are at the back of this newsletter. We look forward to speaking with you in the future.

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China

Air China, the listed Chinese airline, has acquired an additional 25% stake in **Air China Cargo**, through **China National Aviation Co**, its wholly-owned subsidiary. Air China paid US\$118m to increase its stake from 51% to 76% by purchasing the shares of financial investors **Gold Leaf** and **CITIC Pacific**. It is now in negotiations with **Beijing Capital Airport** to purchase the remaining 24% stake. *February 25, 2008.*

China Shipping Development, the Hong Kong marine shipping company, will form a JV with **Shanghai Puyuan Shipbuilding**. China Shipping will contribute US\$10.2m for a 51% stake,

and Shanghai Puyuan will contribute US\$9.8m for a 49% stake in the JV. Under the terms of the agreement, Shanghai Puyuan will construct a waterborne unloading platform for bulk cargo at Shengsi, which will provide services for loading and off-loading iron ore imports. *January 22, 2008*

Dalian Port Co, the China-based port company, has acquired a 60% stake in **DCT Logistics** through its subsidiary for US\$7.5m. **Dalian Port’s** 85% owned subsidiary acquired the stake which raises its shareholding in DCT Logistics to 65%. DCT Logistics is primarily engaged in container-related logistics services in Dalian. *January 22, 2008*

Hainan Airlines Group, a Haikou-based air carrier in South China, will form a JV with **Hyundai Heavy Industries**, the world’s largest shipbuilding firm, through its subsidiary **Grand China Logistics Holdings**. The JV will be based in Hong Kong and will be engaged in the international shipping of bulk cargo. The parties will operate out of the Yangpu Bonded Area in Hainan Province, the only free-trade zone in southern China. *February 15, 2008*

Lufthansa Cargo, the German airfreight company, has formed a JV to operate a freight station at the Tianjin Binhai International Airport in China. Lufthansa Cargo will hold a 46% stake in the JV, to be called

Tianjin Airport Hua Yu Air Cargo Terminal Co, while Taiwan-based **Hwa-Hsia International** and **Tianjin Airport International Logistics Joint Stock Co** will hold 49% and 5% respectively. The new company will have an area of 90,000 m² and a handling capacity of 360,000 tons per year. *January 28, 2008*

Nippon Express, the Japanese logistics company, is in negotiations to acquire an additional stake in its China JV, Nippon Express (China). The 50:50 JV is with **Beijing Kingmay Science & Technology**. Nippon Express would like to increase its stake to over 90% and turn the JV into a subsidiary. Nippon Express (China) has revenues of US\$281m. *February 5, 2008*

Toll Holdings, the Australian transportation and logistics giant, will acquire Asian freight forwarder, **BALtrans Holdings**. Toll acquired a 44.4% stake in December 2007 and subsequently acquired the remaining shares in the Hong Kong freight forwarder. The transaction, which was approved by 95% of BALtrans' shareholders on February 13, 2008, will be worth US\$319m. BALtrans is one of the largest freight forwarding companies in Asia. *February 14, 2008*

YRC Logistics, a subsidiary of the US less-than-truckload carrier, **YRC Worldwide**, will acquire a 65% stake in **Shanghai Jiayu Logistics** for US\$43m. YRC plans to acquire the remaining 35% in 2010 for up to

US\$32m, depending on Jiayu's 2008 and 2009 financial performance. Jiayu is one of the largest providers of less-than-truckload ground transportation services in China with over 30,000 customers, 1,800 employees and a network of over 3,000 vehicles. *January 4, 2008*

India

Allcargo Global Logistics, the Indian logistics operator, has raised US\$61m through a preferential allotment of shares and fully convertible debentures to **Blackstone Advisors**. Allcargo is a provider of less than container load cargo and container freight stations. Blackstone acknowledged that it would like to acquire shares on the open market but will not seek to acquire more than a 14.9% stake. It currently holds an 11% share. *February 20 2008*

Allcargo Global Logistics will also form a JV with state-run **Container Corp**, to establish a container facility in Dadri, Uttar Pradesh. The container freight station and inland container depot will cover an area of 40,000 m² and is expected to commence operations by January 2009. Financial details of the transaction were not disclosed. *February 26, 2008*

CMA CGM, the world's third largest container shipping firm, is looking to acquire a majority stake in **Adani**

Logistics, which runs container trains across India. Earlier, CMA had been looking for a minority investment of 26%. It now seeks a 51% stake which has delayed the deal. The world's other top two shipping lines, **Maersk Line** and **APL**, already have a container train presence in India. Adani's management is considering the new offer. *February 23, 2008*

Essar Shipping, the Indian shipping company, is exploring opportunities to reorganize and consolidate its business by merging with its affiliate companies. The company is exploring an option of bringing the drilling and exploration business of **Essar Oilfields Services** and several ports and terminal assets under itself. *January 24, 2008*

Gateway Distriparks, the listed Indian provider of port-related logistics support services, is seeking to raise between US\$64m and US\$77m through a private equity placement. The company will sell a 15% to 20% stake in order to finance expansion plans for its **Gateway Rail Freight** subsidiary. No private equity firms have been named but the investment is expected to close by April. *January 3, 2008*

Gati Ltd, a provider of express cargo delivery, distribution and supply chain management solutions has entered into a strategic alliance with **General Logistics Systems**, a Pan-European company providing parcel and express services as well

as value-added logistics solutions. Under the terms of the agreement, General Logistics Systems will act as a strategic partner for Gati in Europe providing easy access for Gati's customers in the region, while Gati will act as GLS' international strategic partner in India to better serve their customers in India. *February 26, 2008*

Om Logistics, a multi-modal logistics company, has raised US\$31m in debt and equity financing from **Merrill Lynch**. The funds will be utilized by Om Logistics to finance the acquisition of a Delhi-based telecom logistics company, **Crossroads Logistics**, and the remaining will be used to expand warehousing capacities across the country and meet working capital requirements for the future. *February 12, 2008*

Sical Logistics is close to acquiring a freight forwarding company to help broaden its logistics portfolio. Three companies have been evaluated and one is in an advanced stage of talks with Sical. Sical Logistics manages port terminals, provides port stevedoring services, operates a fleet of 2,500 trucks and will soon start running freight trains. *January 25, 2008*

Siva Ventures, an Indian shipping firm, has acquired **JB Ugland Shipping** of Norway for US\$300m. Siva Ventures, a subsidiary of **Sterling Infotech Group**, hopes to use JB Ugland's fleet of 46 owned and operated tankers and bulkers to import crude and export petroleum

products in India. *February 19, 2008*

Spire Group of Canada and **Apollo LogiSolutions Ltd (ALL)**, a subsidiary of Indian company **Apollo International Ltd**, have executed a JV agreement for US\$250m to construct and operate temperature-controlled warehouses in India. The JV will operate under the name **Apollo Everest Kool Solutions**. The Indian JV would construct up to 15 temperature-controlled warehouses in India, starting this year. The first two such facilities would be built in Mulund and Panvel. *March 10, 2008*

Indonesia

PT Tambang Batubara Bukit Asam ("Bukit Asam"), Indonesia's sixth largest coal miner, will acquire a state-owned shipping company, **Bahtera Adiguna Sejahtera**, for US\$10.6m. By running its own shipping company, Bukit Asam will be able to secure a better price for its coal sold to domestic buyers as it will not have to subcontract the shipping to third parties. *December 18, 2007*

Japan

Japan Airlines ("JAL"), Japan's biggest airline, will establish a JV with Mitsui, Mitsubishi and others to operate cargo flight services. The JV will oversee and streamline JAL's cargo flights unit. In the year ending March 2007, the unit

earned US\$2.1bn in revenue but lost US\$96m due to competition. *January 11, 2008*

Japan Post Holdings will expand a strategic partnership with major convenience store chain operator **Lawson**. The companies plan to open 800 jointly operated outlets in three years, while Lawson will supply products to 10,000 post offices. The original partnership was formed in 2002 and the current partnership will expand on that relationship. Lawson will also help post offices introduce point-of-sales (POS) systems and supply them with merchandise including confectionery, processed food and event tickets. The presence of Lawson will help maintain struggling post office units in sparsely populated areas. *February 18, 2008*

Japan Post Service will establish a JV with private delivery company **Sankyu** to expand its international air cargo business. Sankyu will transfer its international air cargo operations to the JV, of which it will hold 40%, while the mail delivery unit of **Japan Post Holdings** will own 60%. A Sankyu executive will become president of the new firm, which is expected to start operations in July. *February 28, 2008*

Plus Logistics, the privately-held Tokyo-based logistics company, will acquire the domestic freight company **Hankyu Cargo Service**. Plus Logistics will acquire 100% of the shares in

Hankyu Cargo Service, a subsidiary of the unlisted travel company **Hankyu Express International**, for an undisclosed amount. Hankyu Cargo Service was spun off from Hankyu Express in November 2007 and had revenues of US\$110m. *March 3, 2008*

Korea

Dongwon Group, a Korean conglomerate has acquired **Aju Logistics**. Aju Logistics is a privately-held express delivery company in Korea with revenues of US\$50m. In addition to Aju, Dongwon acquired **KT Logis** in May 2007 and is actively expanding and consolidating its delivery services. *December 18, 2007*

Kumho Asiana was chosen as the preferred bidder to purchase **Korea Express**, Korea's largest logistics company. Korea Express has been under court receivership since 2001 and on January 24, Kumho Asiana's bid of over US\$4bn was accepted. The final contract is expected to be signed on March 5 with little change to the initial offer price. The 24 million shares will be worth 60% of the company. *February 25, 2008*

A consortium led by **Korean Shinhan Bank** has acquired the largest stake in a state-owned railway company in Uzbekistan. The consortium will acquire a 47% stake in **Yolref Trans**, a small-sized state-run railway firm, for US\$25m. The company had US\$12m

in revenue in 2006. Shinhan Bank, a subsidiary of Korea's second largest financial services provider, **Shinhan Financial Group**, set up the consortium with **Shindong Enercom**, an overseas resources developer, and **Eurasia Investment Holdings**.

February 13, 2008

Malaysia

City-Link Express, a Malaysian courier firm, will enter the Japanese market through an alliance with Japan's second largest courier and logistics provider, **Sagawa Global Logistics**. The alliance will also expand Sagawa's network in Malaysia. **City-Link** had revenues of US\$30m in 2007 and expects the new alliance to increase revenue by 10% in Japan alone. *January 26, 2008*

Singapore

A/S Dampskibsselskabet TORM ("TORM"), the Danish shipping company, has acquired a 50% stake in the Singaporean shipping company **FR8 Holdings**, a subsidiary of the international oil trader **Projector**. TORM will pay US\$125 for its 50% stake and Projector will maintain its 50% share. The acquisition of FR8 will provide TORM's fleet with access to oil cargoes from Projector and FR8 and enhance its insight into the tanker market. *January 24, 2008*

Pacific International Lines, a Singaporean owner and operator of vessels and containerships, has formed a JV with **PSA Singapore Terminals**, the flagship terminal of **PSA International**, to jointly manage and operate a container terminal for PIL in Singapore. The JV terminal, PIL-PSA Singapore Terminal, will operate three container berths at Keppel Terminal. *January 8, 2008*

RichLand Group, the listed Singaporean supply chain management and land transportation company, has received a takeover offer from a group of Indonesian businessmen, including a member of the Soeryadjaya family. The offer is a 70% stake, at a price of US\$21m. RichLand's majority owners are currently its senior management. In connection with the offer, RichLand will acquire a 75% stake in the Indonesian oil and gas company **Elnusa Tristar Ramba**, whose main shareholders are part of the group offering to buy RichLand. *March 4, 2008*

STX Pan Ocean, the Singaporean shipping company, has formed a JV with **Pakistani Kopak Shipping Co**, a Pakistan-based dry bulk shipping company, to form **STX Gulf Shipping FZCO**. The JV will focus on the bulker and tanker business in the Middle East, India and Pakistan. STX Pan Ocean will control a 54.5% stake while Kopak will have a 45.5% share. *February 4, 2008*

United Arab Emirates

Dnata, the Dubai supplier of air travel services, will further expand its airport handling business in Australia through the acquisition of two regional businesses. **Toll Dnata Airport Services** (“TDAS”), a 50:50 JV with **Toll Holdings** in Australia, has acquired the airport handling operations of **Skystar** in the Perth and Brisbane airports and the

international passenger handling operations of **Aerocare** in Sydney and **Adelaide**. *January 21, 2008*

Dubai Port World, the port management company, will acquire a 48.5% stake in the Mozambique-based port management company **Portus Indico** for US\$32m. Portus Indico also owns 51% of the **Maputo Port Development Co**, which owns and manages the port of Maputo

in Mozambique, the busiest in the country. *January 7, 2008*

To submit stories to future editions of this newsletter, please contact Mr. Ben Kamarck in Hong Kong on (852) 2537-9565 or email bkamarck@bdallc.com.

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