INSEAD

The Business School for the World

Private Equity

Project Assignment:

Opportunities in the Chinese Logistics Industry

INSEAD 12J SGP - Section AA Group 02

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1. Executive Summary

With changing macro economic conditions and refined growth strategy in China, we believe in the coming years the logistics industry will create more opportunities for both the current logistics industry players and PE/VC firms.

The Chinese logistics market has enjoyed fast growth in the past 10 years and is expected to continue double digits growth in the next 5-10 years. The market is characterized by low efficiency, high fragmentation and low profit margin. The industry faces great challenges to upgrade to modern logistics standards and to start consolidation in order to achieve economy of scale. The transformation of the Chinese logistics industry created great opportunities for PE/VC firms who can provide financing, management expertise and M&A specialty. Blackstone, TPG, GGV Capital, Eastern Bell Venture Capital, and Sequoia Capital are among the key PE/VC players in the Chinese logistics market.

In this report, we first analyzed the Chinese logistics industry including the market size, segmentation, competitive landscape, based on which we discussed the key challenges and opportunities faced by the industry. We then looked into the existing PE/VC firms who have investments in this industry. By studying the deals they made, and the key characteristics of their portfolio companies, we discussed the investment rationales and the value proposition of PE/VC firm to the portfolio companies and to the Chinese logistics industry in general. In the conclusion, we provided recommendations to PE/VC firms with regards to their entrance and expansion strategy in the Chinese logistics market.

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2. Brief History of Logistics Industry in China

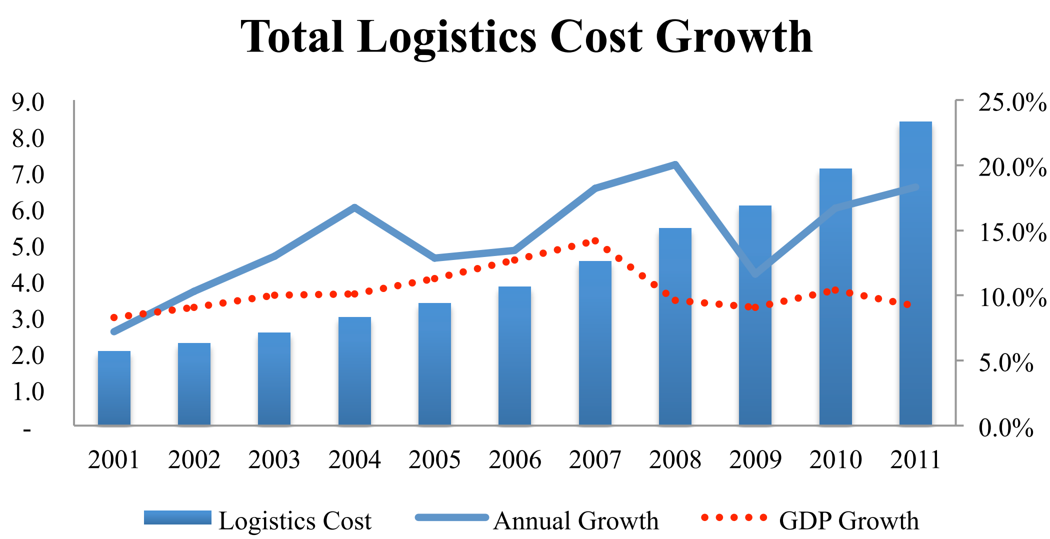
Prior to 1978, the logistics industry in China was built on a three-tier distribution system using a top-down approach, where only state-owned wholesalers were allowed to provide logistics services. From 1978, with the liberalization of economy, the Chinese government began to allow private participation in the logistics industry. Since late 1993, further deregulation allowed even greater competition. In 2001, China entered WTO and began to remove restrictions to foreign logistics investments. Initially foreign capital was allowed only in joint ventures, by 2005, restrictions were completely lifted. However, in practice, most investments are structured in form of joint ventures due to formal and informal constraints.

In the past 2 Five-Year Plans (2001-2005 and 2006-2010), CNY 13.1 trillion (USD 2.2 trillion) was spent on building logistics infrastructure including roads, railway, river ports, sea-ports and logistics parks (Appendix – Figure 1). As a result, the "Quality of trade and transport-related infrastructure" of China, measured by the World Bank, has improved to 3.54, far ahead of world average 2.6 and is close to developed economies (Appendix - Figure 2). Although transport and logistics is not one of the strategic investment areas in the China's 12th Five Year Plan, emphasis on areas such as carbon emission and focus on enhancing domestic consumption will have significant impact on the logistics sector. As China plans to move up the value chain to more services and high technology oriented businesses, there will be needs for good quality supporting infrastructure, integrated logistics solutions, and efficient and reliable services.

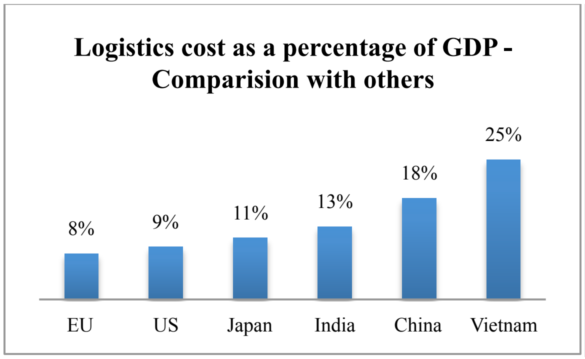
3. Industry Analysis

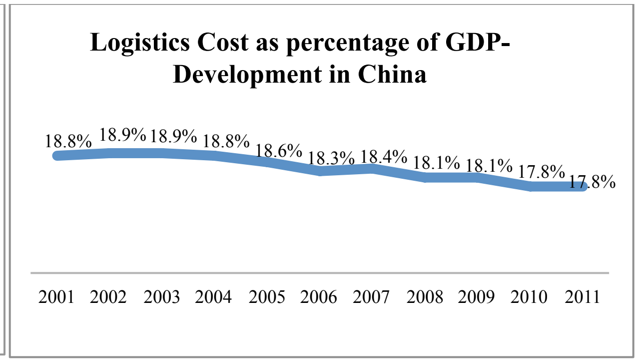
3.1 Market size and growth

The logistics industry has been experiencing consistent growth thanks to China's fast economic progress and a manufacturing-centered economy. The average annual growth rate from 2001 to 2011 is 15.1%, compared to average 10.2% annual growth of GDP. The forecast for year 2012 to 2015 is in the range of 13%-15%. Market size in 2011 is CNY 8.4 trillion (USD 1.33 trillion) measured by total logistics costs (in other words, revenue of logistics companies), and CNY 158 trillion (USD 24 trillion) measured by total logistics value, defined as the total value of products being transported and serviced. Furthermore, transport and logistics companies account for 3.2% of China's A share stock market by capitalization.



The fast growing economy and foreign trade however did not bring the most efficient logistics industry. In 2011, the total logistics cost as a percentage of GDP is 17.8%, double that of developed economies. From 2001 to 2011, over ten years period of time, the total logistics cost has only fallen slightly from 18.8% of GDP to 17.8%. China ranked 27th in World Bank's Logistics Performance Index (year 2010) - lagging behind the developed economies and falling behind in dimensions like “Logistics quality and competence”, “Tracking and tracing” and “Timeliness”.





3.2 Market Segmentation

There are many different ways to segment the logistics market.

- By transportation modes: road has more than 60% share, and water, forwarding and railway each has 10-13%, the remaining is air and pipelines. The market share is measured by total logistics cost.
- By product category transported: around 90% of industry products, 7% imported products, and the remaining 3% for renewable products and consumer products. The market share is measured by value of the products. Within industry products category, we can further segment into automotive logistics, petrochemical logistics, coal logistics, etc.
- By scope of services offered: comprehensive services providers, regional service providers and specialty logistics provider.

For the purpose of discussing the implications for the PE/VC firms, we have chosen to segment the market based on value proposition in three categories: infrastructure, logistics services and logistics solutions.

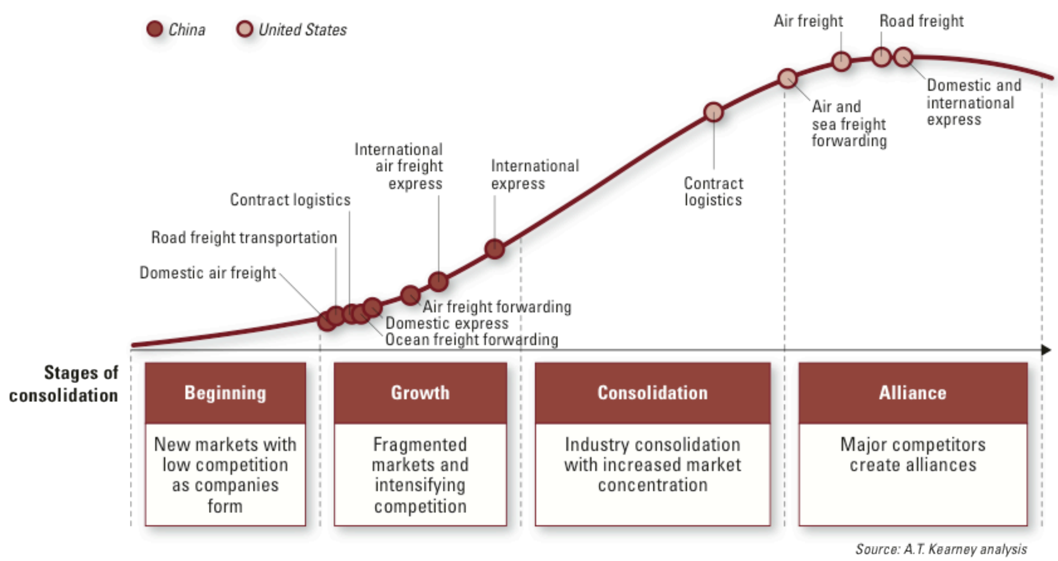
- **Infrastructure**: owning logistics infrastructure such as port, warehouse, road, railway and providing such facilities to logistics services providers in exchange of lease or usage fees. Some players themselves may also offer logistics services.
- **Logistics services**: utilizing infrastructure and related movable assets e.g. trucks to provide transportation, storage, packaging, distribution, supply chain management and value-added services. This segment is called 2nd party and/or 3rd party logistics.
- **Logistics solutions**: logistics related technologies, IT systems, management systems and consultancy. This segment is called 4th party logistics.

Logistics services and logistics solutions are the two segments that we believe are attractive to PE/VC firms. We will discuss the details in later sections.

3.3 Competitive Landscape

The participants in the market include foreign-owned companies, in-house logistics operations, and Chinese-owned transport companies. The market is characterized by joint ventures, particularly between foreign-owned suppliers e.g. TNT, UPS and established domestic players such as China Shipping, COSCO. The market is dominated by companies with limited scale or limited scope of service offerings. As a result, the Chinese logistics market is highly fragmented. The top 20 logistics companies had total revenues of CNY 388 billion in 2010, and that is only 5.5% percent of total market for that year. With further development of infrastructure and government supports in building internationally competitive logistics enterprises, we expect an increasing amount of merger and acquisitions in the next 5-10 years, as shown in below graph.

China's logistics market is in the early stages of consolidation



As a result of highly fragmented market and fierce competition, the capacity utilization is low, with 30% of logistics companies having utilization below 70%. The profit margin of the logistics players is also small, with average margin 6.0%. According to the 8th National Survey on Logistics Market by the National Development and Reform Commission (NDRC) and Nankai University, 42.3% of the surveyed logistics enterprises recorded a profit margin of 5-10%, and 27.2% said their profit margin was between 3-5%. Companies who achieved higher margins are those who provide high quality services for special goods like chemical, automotive.

3.4 Key Challenges and Opportunities

Based on above industry analysis, we identified three key challenges faced by the Chinese logistics industry, as well as the opportunities derived from such challenges.

- **Lack of modern logistics systems and integrated solutions** - Benefiting from the huge investment in the past 10 years, the physical logistics infrastructure in China is superior to world average and close to the developed economies. However, the Chinese logistics players fail to meet the rising demand for modern logistics services due to insufficient integration of logistics services, poor quality information technology and low operational efficiency. According to CBRE and Li&Fung Group, out of total logistics space in China, only 1.1% qualifies as modern logistics space. The 2010 survey conducted by "China Federation of Logistics and Purchasing" for the key logistics players shows that the current logistics systems and solutions do not meet the needs of logistics operations and they are highly segregated, which increased the manual works and unnecessary intermediaries in the supply chain. As a result, the services quality is low and the costs are higher.

Fulfill needs %	System capability to satisfy logistics needs	Integration of solutions
Fully	50.0%	21.9%
Partially	22.7%	62.5%
No	27.3%	15.6%

The central government has acknowledged the problem and in 2010, the Ministry of Industry and Information Technology complied the "Development Plan for Logistics Information 2010-2015" which will be implemented in the coming years.

Opportunity: many local logistics players are not well equipped with the necessary technology to provide high quality logistics services. The rising demand for such modern logistics service therefore translates into increasing demand on applied logistics technologies and solutions that suit the Chinese logistics market. We foresee great opportunities for VC firms who invest in logistics technology startups or early stage growth companies. One example is Gobi Partners, a pioneer VC firm who invested in a startup in developing 2D barcode for handsets.

- **Regional imbalance and lack of efficient domestic logistics system -** China's economy is characterized by wide variances in levels of economic activity and development. This is problematic in terms of distribution as there is a major imbalance of goods flows from the developed coastal area to the more undeveloped west. However, with the go-west strategy being implemented, manufacturers moving to the west and boost of domestic consumption, we will see more demand for domestic distribution and increasing requirement for efficiency and reliability. In Jan 2011, Alibaba Group, a giant e-commerce company, announced its investment of USD 3.0-4.5 billion to set up modern logistics infrastructure, to cope with increasing demand and improve the services quality. Many other firms like 360buy.com and Dangdang, are following the same track to upgrade their own facilities.

Opportunity: the surge in domestic consumptions, especially in agriculture goods, automotive and electronics, has created significant demand for domestic distribution services. We will see a switch from export-oriented logistics to inbound and distribution oriented logistics in the coming year, which means increasing demand on road transportation and logistics parks. A good example is the fast growth of domestic courier services in China. This logistics sector has seen accelerated growth from an average of 20% in the past five years to 50% in year 2011 due to booming online shopping attributed to rising income and changing shopping behavior of younger generations. In order to meet the demand, many players are looking for capital to expand. However, most of them are small to medium size companies who have limited access to bank financing, therefore PE firms can play a significant role in equity financing.

- **Local protectionism, over capacity and fragmented market** - driven by the desire to maximize local economic growth, employment and tax revenues, and less by concern about the efficient utilization of regional resources or the creation of an integrated national transport network, local governments have lobbied for, most times unnecessarily, the duplication of logistics parks and transport infrastructure in closely located municipalities. This has led to over capacity in certain regions and uneven development of logistics across the country. Local protectionism also explains the highly fragmented logistics market and lack of integrated national logistics system.

Opportunity: with the changed focus on more efficient economic growth, a different set of economic KPI's is being established for local governments that encourage consolidation of existing logistics facilities aiming at higher efficiency and modern technology. The Chinese logistics industry has now moved into the early stage of consolidation and the next 5-10 years provides a unique opportunity for PE firms to take part in the consolidation process by buying smaller players, rationalize capacity, improve performance through system and management upgrade, and then sell it to larger logistics players or go for IPOs. In year 2011, there were 69 M&A transactions taking place with total transaction price over USD 2.0 billion (Appendix – Table 2) and there were three IPOs for logistics companies in Mainland or Hong Kong Stock Exchange.

4. Company Analysis – Portfolio Companies of PE/VC firms

4.1 Current PE/VC firms active in logistics market

From 2006 to 2010, it was estimated that there were more than 47 PE/VC deals in the Chinese logistics market with total size of USD4.1 billion. The trend continued in 2011 with more than 15 deals taking place, total financing more than USD 0.8 billion. Major global PE players such as Blackstone and TPG also aggressively entered the market. In 2010-2011, Blackstone led a syndicate to acquire an agriculture products logistics park with deal size USD600 million. Though Blackstone retreated at the last moment, it shows their great interest in the Chinese logistics market. TPG signed a joint venture contract with Shanghai Automotive Industry Corporation Group to provide high quality automotive logistics in September 2011. Below table contains deals we are interested to investigate. More deals are included in the Appendix.

Year	Player	Deal	USD mill
2011	TPG	Joint venture with Shanghai Automotive Industry Corporation Group to handle automotive logistics	30+
2010	Blackstone	Led syndicate intended to acquire China Shouguang Agriculture Products Logistics Park. (Retreat at the end)	600
2009	Sequoia Capital	OKBuy.com	27
2008	Equity International	Invested in Shanghai Yupei (Group), a Chinese private logistics property company	45
2007	Gobi Partners	Provided funding to INSPIRY, a company focusing on 2D barcode Technology and Application	N.A.
2007	GGV Capital	Invested in Shangdong Rongqing Logistics which handles long-distance cargo transportation and distribution	25
-	Eastern Bell	China Deppon Logistics Co., Ltd.	N.A.
-	Eastern Bell	Shangdong Yichang Logistics Co., Ltd.	N.A.
-	Eastern Bell	WAP Logistics Equipment Shanghai Co., Ltd.	N.A.
-	Eastern Bell	China Way Ltd. GPS/Management System for logistics	N.A.

4.2 Portfolio companies analysis

Based on our research on the key characteristics of portfolio companies, we found that

- Portfolio companies are all small to medium size companies with growth potential however have limited access to capital due to stage and size of the company
- Investments are mainly in two segments: 3rd party logistics with emphasis on modern logistics facilities or solutions, and 4th party logistics such as logistics related technology and applications

A brief summary of the portfolio companies is listed in below section (more details in the Appendix). In section 4.3, we will further discuss the value adding by PE/VC firms.

4.2.1 Shangdong Rongqing Logistics Co., Ltd.

PE/VC	GGV Capital, Capital Today (Hong Kong), PAMOJA (Canada)
Company stage	Early growth, deal took place in the 10th year of incorporation
Logistics sector	High end logistics, specialized in cold chain logistics, chemical,

	pharmaceutical and project cargo which requires modern logistic solutions
Size	Annual revenue over USD 200 million
Investment rationale	Participate in the fast growth cold chain logistics; company size suitable for IPO (plan to be listed in 2012)
Value adding by PE/VC	Provide capital for growth; assist in M&A during the expansion; guide on strategic directions

4.2.2 Inspiry limited

PE/VC	Gobi Partners
Company stage	Startup, deal took place in the 4th year of incorporation
Logistics sector	Logistics technology, 2D barcoding for warehousing and management information systems
Size	Small
Investment rationale	Pioneer technology with wide applications. Huge market potential
Value adding by PE/VC	Provide capital for technology enhancements, expand its portfolio of 2D barcode applications; leverage existing network with IBM, Nokia and others

4.2.3 Shanghai Yupei Group Co., Ltd.

PE/VC	Equity International
Company stage	Growth stage, acquisition took place in the 8th year of incorporation (2008), and exit within 3 years (2011)
Logistics sector	Modern warehousing services to key logistics players
Size	Assets more than CNY 2 billion, expects to expand to CNY 10 billion
Investment rationale	Huge demand for **modern** logistics warehouses. Extract high return from the industry growth and M&A. The investment was sold to a bigger logistics players who is in the process of consolidating the industry
Value adding by PE/VC	Provide capital for expansion; build a professional management organization and establish institutional operating standards and internal controls; leverage its M&A skills to facilitate the industry consolidation

4.2.4 OKBuy.com

PE/VC	Sequoia Capital
Company stage	Startup, invested in the 2nd year after incorporation
Logistics sector	Warehousing and distribution for online shop
Size	Annual turnover CNY 200-300 million
Investment rationale	Improve warehousing and distribution; high growth in online sale. For similar reasons, Sequoia also invested in Jiuxian, another online shop
Value adding by PE/VC	Provide logistics management expertise; provide financing for expansion.

4.2.5 Shouguang Agricultural Products Logistics Park

PE/VC	Blackstone led syndicate
Company stage	Startup to early growth
Logistics sector	Agricultural products distribution
Size	Annual income USD 600 million, with capacity expansion plans
Investment rationale	High growth and high profitable business, modern logistics facility, with favorable governmental support
Value adding by PE/VC	Fast track to IPO listing, secure capital for expansion, provide modern management standards and systems for distribution centers

4.2.6 Shanghai Automotive Industry Corporation JV

PE/VC	TPG
Company stage	Startup
Logistics sector	Modern logistics distribution for automotive
Size	Projected annual revenue close to USD 90 million
Investment rationale	High growth and high margin business due to increasing demand on automotive in China.
Value adding by PE/VC	Management expertise in automotive distribution, portfolio company practice sharing, and capital for growth

4.2.7 China Deppon Logistics Co., Ltd.

PE/VC	Eastern Bell Venture Capital
Company stage	Growth
Logistics sector	GPS enabled express via road or airfreight
Size	Medium size, with operation in 31 provinces in China
Investment rationale	High technology supported logistics to meet increasing demand on reliability and accuracy; high growth sector
Value adding by PE/VC	Portfolio company synergies, provide financing for growth, M&A expertise

4.2.8 China Way

PE/VC	Eastern Bell Venture Capital
Company stage	Growth
Logistics sector	Developer of GPS-based shipment tracking software systems; Develops and operates a website that facilitate logistics related transactions
Size	Small
Investment rationale	High growth in logistics technology and applications
Value adding by PE/VC	Portfolio company synergies; provide financing for R&D

4.2.9 WAP Logistics Equipment (Shanghai) Co., Ltd.

PE/VC	Eastern Bell Venture Capital
Company stage	Early growth
Logistics sector	Manufacturing warehouse automated equipment
Size	Small with registered capital USD 4million
Investment rationale	Advanced technologies for warehouse automation so as to cope with the increasing demand for low cost domestic warehouse and distribution services
Value adding by PE/VC	Provide financing for growth, portfolio company synergies

4.2.10 Shangdong Yichang Logistics Co., Ltd.

PE/VC	Eastern Bell Venture Capital
Company stage	Growth
Logistics sector	Road transportation for chemicals and hazard goods
Size	Small to medium
Investment rationale	High growth and high margin in specialized goods e.g. chemical and hazard transportation
Value adding by PE/VC	Provide financing for growth

4.3 Value proposition of PE/VC firms

Based on study of the above PE/VC deals and the characteristics of the portfolio companies, we identified the key investment rationales and value propositions of PE/VC firms. We go further to discuss in details how PE/VC firms add value to the portfolio companies.

Portfolio Companies	**Key Investment Rationale**			**Value Adding by PE/VC firms**		
	Technology	Growth	Industry consolidation	Financing	Management Improvement	M&A expertise
Shandong Rongqing		✔	✔	✔		✔
INSPIRY	✔			✔		
Shanghai Yupei		✔	✔	✔	✔	✔
OKBuy		✔		✔	✔	
Shouguang Logistic Park		✔		✔	✔	✔
Shanghai Automotives		✔			✔	
China Deppon		✔		✔	✔	✔
China Way	✔			✔		
WAP Logistics	✔			✔		
Shangdong Yichang		✔		✔		

- Financing for Small and Medium Size Enterprises ("SME")

The financing difficulty has historically been a major problem for SMEs in China due to their over reliance on bank loan. According to the People's Bank of China, 66% of China SME debt is borrowed from banks in 2010 while this figure is only 21% in US where capital market is a major source of funding. Due to SME's relatively high business risk, limited collateral and asymmetric information, banks generally consider them as low quality borrowers and are reluctant to lend money or charge very high interest rate. The financing situation becomes even more difficult for SMEs after financial crisis as banks tightened their lending criteria. To support SMEs, the Chinese central government started to encourage large banks to increase lending to SME in 2010. According to central bank, SMEs received CNY 22 trillion (out of 43.5 trillion total loans lending) in 2011 – a y-o-y increase of 18.6% from 2010. However, the support of government is not sufficient to close the gap between the demand and supply as reflected by the over 20% funding cost by most of SME in China. This has been providing private equity tremendous opportunity to invest in target logistics companies at an attractive price. In recent years, we have seen massive investments in China logistics sector by private equity investors. The total investment amount and number of investments reached a record level of USD1.4 billion for 15 investments in 2010. We expected this trend to continue in the next 5 years given the strong growth in logistics sector and growing demand for financing to support technology upgrade and continuous consolidation.

- Expertise in merger and acquisitions

China logistics market is highly fragmented and an increasing trend in consolidation through M&A is expected with foreign entrants that are pushing the domestic players to upgrade their facilities and service in order to compete with them. In addition, further development of infrastructure and the government initiative in building a large number of international competitive logistics companies will also support the consolidation. Besides being an important source of capital, private equity firms also provide support to growth of the portfolio companies by sharing their expertise in the M&A transactions. Furthermore, the continuous consolidation will also create more attractive exit opportunities for private equity investors.

- Best practice sharing from its portfolio companies

Private equity firms with expertise in logistics will be able to add significant value to their portfolio companies in the logistics industry. Although logistics industry in China has achieved double-digit growth in past 10 years and topped among the developing countries based on World's Logistics Index, local players still lack of modern technologies, information system and management experience. These problems has prevented local players from providing more efficient and high value added logistics services, as well as contributed to the frequent logistics service failure in China such as delays in order fulfillment and products damage. By sharing their experience and expertise in modern logistics system and management, PE/VC firms will improve their portfolio companies' operating efficiency, deepen their strategic partnership with the companies and, therefore, increase the return of their investment. We have seen a couple of transactions, such as investment of Gobi Partners in Inspiry and Equity International in Shanghai Yupei, where PE investors provide comprehensive assistance in the development and management of technology and facilities to the investee.

5. Implications and Recommendations to PE/VC firms

The above research shows that:

- The Chinese logistics industry is attractive for PE/VC in the next 5-10 years due to high growth in domestic distribution, increasing demand on logistics technology and applications, and anticipated industry consolidation
- PE/VC can add significant value to the logistics players by providing capital for growth, upgrading the facilities, improving management performance and facilitating the industry consolidation through their expertise in M&A

Our recommendations for the PE/VC firms who are interested in entering the market are

- Focus on **domestic distribution oriented logistics** with special emphasis on high value high profit margin goods e.g. chemicals, pharmaceutical, automotive and electronics Select target companies with small to medium size that have potential for improvement in terms of both management and systems
- Invest in **startups who focus on technology and applications** that are tailor-made and specific to the Chinese logistics market, aiming at improving not only efficiency, reliability and accuracy but also easy integration with the ERP or other operating systems
- Actively participate in the **industry consolidation**, buying smaller players at low price, consolidating their business, improving performance and then selling to major industry players at high price or go through IPO for exit

In conclusion, our research shows that the development of the Chinese logistics market in the coming years posts great opportunities for PE/VC firms, not only to enjoy high returns from the investment but also add significant value to the portfolio companies and facilitate the industry consolidation. We foresee the logistics industry being the next exciting area for PE/VC firm to explore in the next 5 to10 years!

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15. National Development and Reform Committee http://www.NDRC.gov.cn

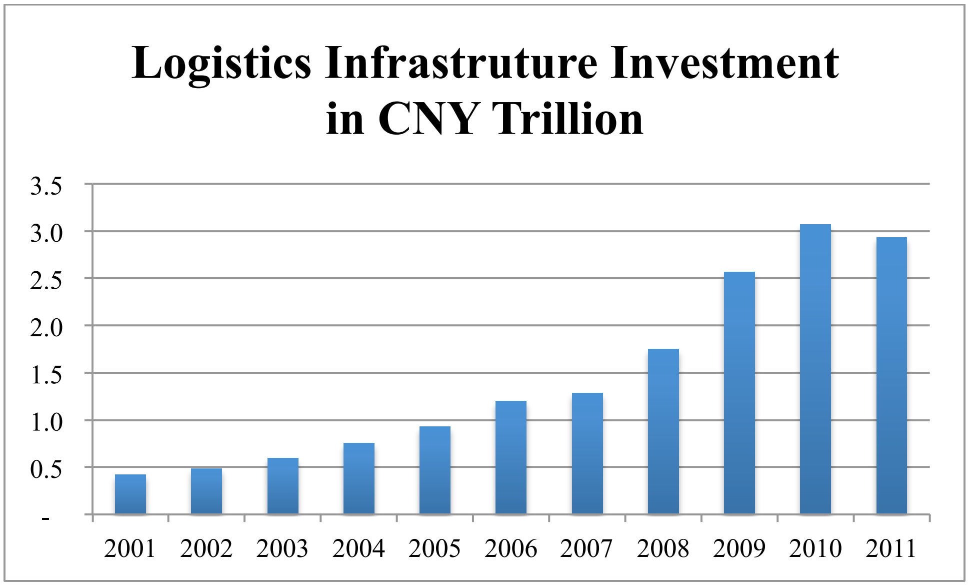
16. Company website of the PE/VC firms we listed in section 4.1 and the portfolio companies' website

17. Search engines www.google.com, www.baidu.com

18. VCSource

7. Appendix

Figure 1 – Logistics Infrastructure Investment in China



Source: www. NDRC.gov.cn

Figure 2 - Index of Trade Infrastructure Quality 2007-211

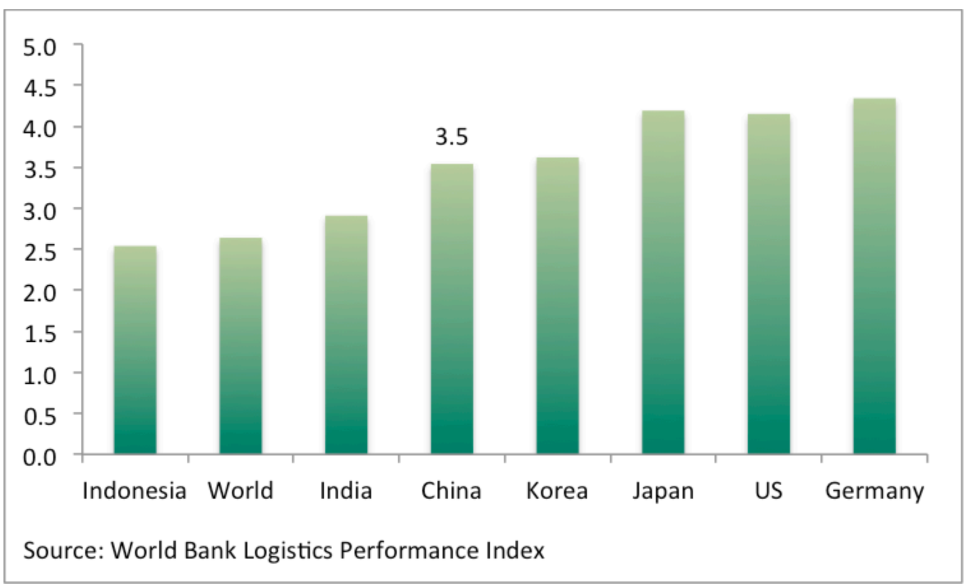


Table 1 – PE/VC deals in the Chinese Logistics Industry in 2011

Company	Investor	Rationale	Amount USD mill	Nature	Website
Haifa Ocean Logistics	GGTT VC/JiuDing Invest	VC-Series A	N/A	Private	http://www.haifa88.com
Zhengming Logistics	PreIPO优势资本	VC-Series A	3.17	Private	http://www.zhengming-sh.com
Dachufang Logistics	Housheng Invest	VC-Series A	1.43	Private	http://
Yuancheng Logistics	Co-Bridge Capital	VC-Series A	N/A	Private	http://www.ycgwl.com
Lichen Logistics	Ecitic Capital	PE-Growth	14.44	Private	http://www.lichen56.com
China Special Logistics	Jianying Yuanwei	PE-Growth	19.05	Private	http://www.csalc.cn
Jiacheng Logistics	Guangdong VC	VC-Series A	6.35	Private	http://www.jiacheng88.com
Yichang Logistics	JAFCO Asia	VC-Series A	N/A	Private	N/A
Fawang Logistics	Vstone China Europe	VC-Series A	N/A	Private	http://www.fineex.com
Rongqing Supply Chain	Capital Today	VC-Series A	38.10	Private	N/A
Tangshang Port	PengAn VC/HongPeng	PE-PIPE	30.95	Public	http://www.jtport.com.cn
Chukou Logistics	KPCB	VC-Series A	4.00	Private	http://www.chukou1.com
Best Logistics	N/A	VC-Series B	N/A	Private	http://www.800best.com

Table 2 – M&A deals in the Chinese Logistics Industry in 2011

Company	Buyer	Seller	Announcement	Type	交易金额 US$ M	Share%	Target Company Valuation US$ M
奥克石化仓储	长春石油化学股份有	奥克石化仓储	2011-12-09	Capital Increase	3.11	7.75%	40.18
奥克石化仓储	长春人造树脂厂股份	奥克石化仓储	2011-12-09	Capital Increase	3.11	7.75%	40.18
奥克石化仓储	台湾大连化学（扬	奥克石化仓储	2011-12-09	Capital Increase	6.23	15.50%	40.18
奥克石化仓储	辽宁奥克化学股份有	奥克石化仓储	2011-12-09	Capital Increase	13.98	36.55%	38.26
奥克石化仓储	南京港股份有限公	奥克石化仓储	2011-12-09	Capital Increase	6.83	17.00%	40.18
颐文实业	上海新时达电气股份	新裕经济发展	2011-12-08	Acqusition	6.14	100.00%	6.14
明华新加坡	招商局能源运输股	N/A	2011-12-07	Acqusition	0.39	100.00%	0.39
重庆集海航运	上港集团长江港口物	上港集团/集海航	2011-11-30	Acqusition	0.00	50.00%	0.00
滨海泰达物流	正大（中国）投资	泰达控股	2011-11-18	Acqusition	7.29	8.00%	91.07
滨海泰达物流	中国生物制药有限	N/A	2011-11-18	Acqusition	19.87	21.82%	91.06
天津航空	海南航空股份有限	天航控股	2011-10-28	Acqusition	102.51	21.74%	471.53
上海陆交中心	上海同盛投资（集	上海陆交中心	2011-10-25	Capital Increase	11.68	8.94%	130.61
新通泰储运	唐山港集团股份有	N/A	2011-10-25	Acqusition	10.34	70.00%	14.77
中海洋山国际	中海集装箱运输股	中海物流海外	2011-10-20	Acqusition	5.00	25.00%	20.02
银河国际货运	韩亚大投证券有限公	新韩投资/韩亚投	2011-10-17	Acqusition	0.00	24.00%	0.00
东方明珠创业	N/A	N/A	2011-10-07	Acqusition	0.00	2.49%	0.00
上海陆交中心	长发集团长江投资实	西北物流	2011-09-22	Acqusition	1.53	1.29%	118.74
San Lu Logistics	辉联集团	N/A	2011-09-21	Acqusition	2.09	100.00%	2.09
中国基建港口	N/A	N/A	2011-09-21	Acqusition	28.35	52.12%	54.38
珠海航务船舶代理	珠海港股份有限公	珠海航务发展/珠	2011-08-31	Acqusition	0.74	100.00%	0.74
上海陆交中心	上海同盛投资（集	长江投资	2011-08-15	Acqusition	23.78	20.00%	118.90
顺丰航空	顺丰速运（集团）有	顺丰航空	2011-08-10	Capital Increase	59.08	80.00%	73.86
陆港国际物流	北京建设（控股）有	N/A	2011-07-25	Acqusition	20.32	82.24%	24.71
信德集团	N/A	N/A	2011-07-21	Acqusition	0.00	1.67%	0.00
金果快递	深圳市友和道通实	中外运敦豪	2011-06-29	Acqusition	0.00	100.00%	0.00
中外运速递	深圳市友和道通实	中外运敦豪	2011-06-29	Acqusition	0.00	100.00%	0.00
中国海运	现代货箱码头有限公	中国海运	2011-06-28	Asset purchase	0.00	N/A	0.00
日照港集团	日照港股份有限公	日照港集团	2011-06-20	Asset purchase	0.00	N/A	0.00
天驰物流	云南云天化股份有	天盛公司	2011-06-08	Acqusition	0.20	15.00%	1.31
临港综合信兴物流	Shanghai Zhong Se I	综合物流中国	2011-06-03	Acqusition	4.39	100.00%	4.39
珠船集装箱码头	珠江船务发展有限公	珠江船务企业	2011-05-31	Acqusition	31.02	100.00%	31.02

Table 2 – M&A deals in the Chinese Logistics Industry in 2011 (continued)

Company	Buyer	Seller	Announcement	Type	交易金额 US$ M	Share%	Target Company Valuation US$ M
中山港货运联营	珠江船务发展有限	珠江船务企业	2011-05-31	Acqusition	5.47	25.00%	21.86
全一快递	深圳市友和道通实	中外运敦豪	2011-05-31	Acqusition	14.77	100.00%	14.77
天津安达物流	拓领集团	N/A	2011-05-31	Acqusition	0.00	40.00%	0.00
湛江港石化码头	中石化冠德控股有	湛江港	2011-05-27	Acqusition	49.04	50.00%	98.08
INB	中国外运股份有限	INB	2011-05-20	Acqusition	29.32	35.30%	83.05
招商局海运物流	深圳赤湾港航股份	N/A	2011-04-28	Acqusition	0.96	20.00%	4.81
深圳能源物流	深圳市盐田港物流	妈湾电力/深圳能	2011-04-20	Acqusition	20.33	100.00%	20.33
SAFI	招商局国际有限公	N/A	2011-04-18	Acqusition	0.00	25.00%	0.00
新宁公共保税仓储	江苏新宁现代物流	N/A	2011-04-18	Acqusition	0.07	10.00%	0.74
上海城建国际物流	上海隧道工程股份	上海城建集团	2011-04-11	Acqusition	3.61	100.00%	3.61
重钢运输	重庆钢铁股份有限	重庆钢铁（集团	2011-04-01	Acqusition	9.30	100.00%	9.30
铁洋联运	中铁铁龙集装箱物	铁洋联运	2011-03-25	Capital Increase	3.10	N/A	0.00
沪北物流	上海交运股份有限	上海交运	2011-03-16	Acqusition	39.14	100.00%	39.14
三和集团	N/A	N/A	2011-03-09	Acqusition	25.38	56.29%	45.09
中拓建工物流	N/A	中拓建工物流	2011-03-09	Capital Increase	0.66	9.00%	7.39
中拓建工物流	南方建材股份有限	中拓建工物流	2011-03-09	Capital Increase	3.77	51.00%	7.39
中拓建工物流	南方建材股份有限	湖南建筑工程	2011-03-09	Acqusition	0.37	12.50%	2.95
扬州恒基	珠海恒基达鑫国际	N/A	2011-03-08	Acqusition	6.59	25.00%	26.36
普盛物流	上海普天邮通进出	邮通物业管理	2011-02-21	Acqusition	0.12	17.74%	0.66
World Hand Shipping	Sinwa Ltd.	N/A	2011-02-16	Acqusition	0.43	75.00%	0.58
营口港务	营口港务股份有限	营口港务	2011-02-15	Asset purchase	892.54	N/A	0.00
南沙汽车码头	日本邮船株式会社	N/A	2011-02-07	Acqusition	0.00	12.50%	0.00
紫江国际贸易	上海紫江企业集团	紫江集团	2011-01-29	Acqusition	11.19	94.67%	11.82
陆航物流	海南农垦现代物流	陆航物流	2011-01-27	Capital Increase	4.98	70.95%	7.02
陆航物流	N/A	N/A	2011-01-27	Acqusition	0.00	18.84%	0.00
陆航物流	海南农垦现代物流	N/A	2011-01-27	Acqusition	0.64	31.16%	2.04
中信轮船	江阴利港发电股份	N/A	2011-01-26	Acqusition	17.77	100.00%	17.77
今天国际物流科技	深圳市今天国际物	N/A	2011-01-24	Acqusition	0.31	27.00%	1.16
金龙物流	厦门海翼物流有限	金龙汽车/金龙车	2011-01-21	Acqusition	5.80	60.00%	9.67
福音物流	福建中福实业股份	N/A	2011-01-19	Acqusition	9.04	55.00%	16.44
福人仓储	福建中福实业股份	N/A	2011-01-19	Acqusition	12.74	55.00%	23.16
冠忠公交	重庆市公共交通控	N/A	2011-01-11	Acqusition	9.85	55.00%	17.91
冠忠公共	重庆市公共交通控	N/A	2011-01-11	Acqusition	24.12	76.64%	31.47
铁洋联运	中铁铁龙集装箱物	中铁国际多式联	2011-01-11	Acqusition	2.57	31.40%	8.19
佳豪物流	上海佳豪船舶工程	N/A	2011-01-10	Acqusition	1.08	100.00%	1.08
航港发展	普洛斯公司	N/A	2011-01-05	Acqusition	375.00	53.00%	707.55
湘潭电机进出口	湘电集团有限公司	湘潭电机进出口	2011-01-05	Capital Increase	0.22	8.31%	2.63
湘潭电机进出口	湘潭电机股份有限	湘潭电机进出口	2011-01-05	Capital Increase	0.93	35.50%	2.63

Table 3 – Shandong Rongqing Logistics Co., Ltd

Company Profile	
Company Name	Shandong Rongqing Logistics Co., Ltd
PE Investor	GGV Capital™
Year of incorporation	1997
Year of deal	2007
Private or public	It received 2nd PE investment in 2010 from Capital Today (Hong Kong) Co., Ltd. and PAMOJA(Canada) and plans to get public within 3-5 years
Stage of the company	early growth at the time of first round PE investment
Geographic location	Headquartered in Shandong, Northeast of China.
Logistics sector	Transportation; Storage; Distribution ; Cold chain storage and distribution solution
Main business	The company handles long-distance cargo transportation and distribution and operates a distribution network across China. It specializes in cold chain, chemical and project cargo.
Transported goods; or its main customers	Cold food/food, pharmaceutical, Chemical and other project cargo.
Annual turnover	RMB 1.2Billion in 2010
Annual throughput	Cold storage /warehouse annual capacity: 1m tons
Assets	It has already been the leading player in the cold chain industry, with 7 subsidiaries or related companies, including Shanghai Rongqing International Logistics Co., Ltd., Shanghai Rongqing Logistics Co., Ltd., and Shanghai Xiaorong Hazardous Materials Transporting Co., Ltd. Besides that, it owns more than 1,200 vehicles, 48 warehouses totaling200, 000 sqm, among which the cold storage area of 80,000 sqm.
Debt	N/A
Investment Rationale	
Why PE invest in this company	◦ Large and growing addressable market Rongqing focuses on high-end cold chain logistics and was one of the largest players. The market size of China's cold chain logistics industry values at about CNY100 billion, and will maintain an annual growth at 20%-30% in the future. ◦ Strong and experienced management team ◦ Solid, referenceable customer base ◦ Demonstrated ability to grow the business and hit financial targets
What value PE brings to this company	GGV's Partners bring experiences to the company in areas of: ◦ M&A assistance ◦ Management team and personnel introductions ◦ Partner / business development introductions ◦ Strategic guidance

Table 4 – Inspiry Limited

Company Profile	
Company Name	Inspiry Limited
PE Investor	Gobi Partners(www.gobi.cn)
Year of incorporation	July, 2002
Year of deal	2007
Private or public	Private
Stage of the company	early stage at the time of investment
Geographic location	Beijing
Logistics sector	Technology; solution provider
Main business	As China's leading two-dimensional (2D) barcode technology and application provider, Inspiry has developed a portfolio of 2D barcode-related technologies and intellectual properties. ° 2D code reading device and the core module provider (hardware); ° Inspiry works with telecom operators, mobile carriers and handset manufacturers to jointly develop applications based on 2D barcode(operational application) ° 2D technology based integrated solutions for the management of information and warehouse, process and inventory control etc. to various industries
Transported goods; or its main customers	Logistics, electricity, hospital, manufacturing, telecom, IT, finance, retail etc
Annual turnover	N/A
Annual throughput	N/A
Assets	R&D
Debt	N/A
Investment Rationale	
Why PE invest in this company	Inspiry fits into the company's investment principles: ° early stage digital media and technology companies; ° Staying ahead of the technology curve ° Wide application of the technology
What value PE brings to this company	° Inspiry would use the funds to make additional technology enhancements, expand its portfolio of 2D barcode applications, and provide deeper technology support to mobile carriers and handset manufacturers. ° Gobi brings additional value to INSPIRY by providing access to and leveraging the networks and resources of key strategic investors which include: IBM, Nokia Growth Partners, NTT DoCoMo etc. ° Gobi provides comprehensive assistance in a number of areas including: financial, human resources, legal, public relations, operations, strategy, and technology.

Table 5 – Shanghai Yupei Group Co., Ltd.

Company Profile	
Company Name	Shanghai Yupei Group Co Ltd
PE Investor	Equity International (EI)
Year of incorporation	2000
Year of deal	2008-2011
Private or public	Private; has future plans to be listed on stock market
Stage of the company	Early growth to high growth stage
Geographic location	Headquartered in Shanghai
Logistics sector	Logistics warehousing facility/developer
Main business	Development, operation, and management of logistics warehousing facility
Transported goods	Coca Cola, BSH Group and Siemens Household Appliances
Assets	Currently their asset portfolio of logistics warehousing real estate are present in Shanghai, Beijing, Suzhou, Chuzhou, Shenyang, and Wuhan with area totaling approximately 700K square meters with estimated asset value of RMB 2 billion with plans in the next 3-5 years to expand to total area of 3 million square meters (Asset value estimated at RMB 10 billion)
Any other valuable information	EI sold its stake to Global Logistic Properties Limited (GLP) giving Yupei 49% ownership of largest logistics facilities provider in Asia in 2011
Investment Rationale	
Why PE invest in this company	° Yubei fits PE's firm target since it focuses exclusively on investment in real-estate related business within emerging markets region for firms that are in early to high growth stage. It is one of the country's leading domestic player with high-quality clients. ° Target Company possesses a management team with superior professional and technical skills with extensive work experience in the logistics and real estate industries, where majority of management educational background is masters or above.
What value PE brings to this company	° Their expertise which brought about advanced enterprise operating and management methods f better management organization and establish institutional operating standards and internal controls for product development concept ° Large capital investments for large scale expansion to build 16 warehousing logistic parks in key strategic cities in China ° A good brand name as it represents a leading American real estate investment company which helps build strong foundation for the Group to develop into the largest logistics real estate developer in the country and to establish the number-one brand in logistics real estate based on its national wide strategy ° Opportunity for Yupei to form strategic alliance with PE firm portfolio company through M&A; in 2011 it acquired 49% stake in GLP which was wholly owned by EI

Table 6 – OKbuy.com

Company Profile	
Company Name	Okaybuy
PE Investor	Sequoia Capital
Year of incorporation	2007
Year of deal	Dec 2009
Private or public	Private
Stage of the company	Startup – Early stage
Geographic location	Beijing
Logistics sector	E-Commerce - online retailer
Main business	Online retailer of shoes and apparel in China
Transported goods; or its main customers	Customers mainly located in 2nd tier and 3rd tier cities with services in over 1,100 cities
Annual turnover	RMB 200 -300 million
Any other valuable information	Okbuy.com received $10 million from Sequoia Capital, sole investor, in its first round (series A) of funding in 2009. It raised a total of $17 million in a second round of funding (Series B) in 2010 from Sequoia Capital, Intel Capital, and Draper Fisher Jurvetson
Investment Rationale	
Why PE invest in this company	° Their target are internet startups who specialize areas such as e-commerce ° Shoes and apparel in China has enormous opportunity given the number of wealthy Chinese households forecast up to year 2015 of more than 4 million ° Sequoia wants to invest in online retail in order to bring synergies of retail into other opportunities around logistics services given the existence of the target's business throughout its retail networks. For the similar reason, Sequoia also invested in Jiuxian, another online shop
What value PE brings to this company	° Significant financing where this funding would be used towards website promotion, team formation, and warehouse construction ° Its expertise in managing e-commerce company with ability to improve management through unique inventory management and shelf management as well as its logistics

Table 7 – ShouGuang Agricultural Products Logistics Park

Company Profile	
Company Name	ShouGuang Agricultural Products Logistic Park
PE Investor	Blackstone led syndicate including Atlantis Investment Management, Blackstone, Capital International and Warburg Pincus
Year of deal	2010 (failed in May 2011)
Private or public	Private
Stage of the company	Early growth
Geographic location	ShanDong Province
Logistics sector	Agricultural products distribution
Main business	China Shouguang Agricultural Product Logistic Park operates a vegetable and fruit market, an e-business sector, and an agricultural products market. The company is based in Shouguang, China.
Transported goods	Agriculture goods
Annual turnover	Annual income of 60 million US dollars, tax of 5 million US dollars and investment profit rate of 12.5% by prediction
Annual throughput	Annual trading volume to reach 10 million metric tons
Assets	The park has floor area of 975 mu and total building area of 57,000 square meters, and mainly builds nine areas such as urban distribution area, goods distribution and loading area, combined transportation area, commercial office area, trade exhibition area, comprehensive service area and port function area.
Investment Rationale	
Why PE invest in this company	1. Fast capacity expansion: According to the public data, this company was founded in 2009 with the registered capital reaching 120 million yuan (USD 17.6 million). The 2nd project covered 494 acres and the total investment reached 2 billion yuan (USD 292.9 million). The investors plan to make use of this dealing company to build an agricultural products distribution network covering the whole country. 2. Fast Industry growth: The report said Chinese people are placing a greater priority on their health, which has directly influenced agriculture production and investment activities in the country. By the end of 2010, the average per capita consumption of pork by Chinese people came to 33.1 kg, an 85 percent increase from 1990. The figure for dairy products, meanwhile, was 11.27 kg, 6.7 times greater than 10 years ago, according to a report by Southwest Securities Co Ltd 3. High and stable ROI: Though tiny profits could be seen in the scattered agricultural products dealings, the collective market is still quite lucrative with the return on investment reaching 60%. 4. IC card : Logistics Park use IC card settlement, on the one hand for the payment of a commission to do transactions, and security; the other IC card into a logistics park on a rare 'bank'. Daily deposit estimated will be over 100 Million RMB.

	5. Favorable Regulation: Policymakers have already realized the importance of building a sophisticated nationwide logistics network and, to this end, are allocating greater resources and investment to cities, to encourage them to upgrade existing trading centers and build logistics parks similar to Shouguang.
What value PE brings to this company	Fast track IPO in Hong Kong Stock Exchange, however, Blackstone retreated at the last moment.
Other considerations	SOE nature of the company

Table 8 – Shanghai Automotive Industry Corporation JV

Company Profile	
Company Name	Shanghai Automotive Industry Corporation JV
PE Investor	TGP USD 30 million. TPG and SAIC will own an equal 50% in the joint venture.
Year of incorporation	To be incorporated
Year of deal	2001
Private or public	Private
Stage of the company	Startup
Geographic location	Shanghai
Logistics sector	Logistics services to the automotive industry in China by offering state-of-the-art logistics technology, solution design and implementation.
Main business	Shanghai Automotive Industry Corporation engages in the research and development, manufacture, and sale of passenger cars, commercial vehicles, and components. It offers buses, heavy duty trucks, tractors, motor cycles, excavators, and dozers. The company also offers parts, including power train, chassis, and electronic and electric parts. In addition, it involves in import and export logistic services; auto repair and maintenance; auto clubs and rental; production and non-production materials trading; financing and leasing business to cater traffic and transportation, construction machinery, and production equipment; retail of vehicles; and investment activities.
Transported goods; or its main customers	Automotive industry
Annual turnover	The joint venture will generate about USD 88.2 million
Annual throughput	Shanghai Automotive Industry Corporation is China's leading automotive company, employing more than 60,000 people in vehicle and parts manufacturing and producing 250,000 automobiles per year, through joint ventures with Volkswagen
Investment Rationale	
Why PE invest in this company	1. Take advantage of Fast growth in China: With the fastest-growing economy in the world, China stood as a key growth target for TPG. The firm's joint venture with Shanghai Automotive Industry Corporation, ANJI-TNT, operated as the country's largest logistics provider. In 2003, ANJI-TNT signed China's largest automotive inbound logistics contract

	with Shanghai Volkswagen. TPG also signed a Memorandum of Understanding with The State Post Bureau of China, which laid the groundwork for future partnerships in mail, express, and logistics services. 2. Expertise in Automotive Logistics business: The JV with SAIC reinforces TPG's global leader position in the Automotive Logistics business. China is on its way to become one of the most important world markets and it is key for TPG to have an early presence to understand its needs and requirements. Our goal is to add the most value to our present and future customers in the region. 3. Geographic Expansion: Expand TPG areas of operation to China, which TPG key customers consider important
What value PE brings to this company	1. The joint venture will provide world-class logistics services to the automotive industry in China. China is regarded as an important growth market for TPG. The joint venture is expected to become one of the key players in China's logistics industry. 2. The combined strength of TPG and SAIC will better serve domestic and foreign joint venture automobile and parts manufacturing companies in China