

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This Announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.*



Symbol of Quality Logistics Services

## **BALTRANS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 562)**

### **CONNECTED AND SHARE TRANSACTION**

### **ACQUISITION OF A 24% EQUITY INTEREST IN THE CAPITAL OF A NON WHOLLY-OWNED SUBSIDIARY**

**AND**

### **RESUMPTION OF TRADING**

The Board announces that on 15 December 2005, the Purchaser and the Vendor entered into the Agreement pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell a 24% equity interest in the capital of BALtrans China.

The aggregate consideration for the Acquisition is RMB26,963,000, of which RMB12,000,000 will be satisfied by the Company issuing and allotting the Consideration Shares and the Purchaser paying the balance of RMB14,963,000 in cash to the Vendor upon completion of the Agreement.

The Acquisition constitutes a connected and share transaction of the Company under Chapters 14 and 14A of the Listing Rules, which is subject to the requirements for reporting, announcement and approval of the independent Shareholders at the SGM.

A circular containing, among other things, details of the Acquisition, a notice of the SGM, a letter from the independent board committee of the Company giving its recommendation to the independent Shareholders as to the fairness and reasonableness of the Acquisition and a letter of advice from an independent financial adviser to the independent board committee of the Company in respect of the Acquisition will be dispatched to the Shareholders as soon as practicable.

At the request of the Company, trading in its Shares was suspended with effect from 9:30 am, 16 December 2005, pending the issuance of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 am, 22 December 2005.

# THE AGREEMENT DATED 15 DECEMBER 2005

## Parties

Purchaser BALtrans Logistics Limited, a wholly owned subsidiary of the Company

Vendor Cathay International Industrial Investment Inc., which owns 24% equity interest in the capital of BALtrans China (a non-wholly owned subsidiary of the Company)

The Vendor is an investment holding company which contributed US\$0.49 million (being 49% of the registered capital) to BALtrans China as initial share capital when it was formed in 1997. After the acquisition of equity interests in BALtrans China by the Purchaser and Xiamen Globelink China Logistics Limited in March 2003, the percentage of equity interest in BALtrans China held by the Vendor was diluted from 49% to 24%. To the best knowledge of the Company, save for being a substantial shareholder of BALtrans China, the Vendor, its ultimate beneficial owner(s), chief executive, directors and substantial shareholders and their respective associates do not beneficially hold any Shares or shares or directorship of any other members of the Group.

## Asset to be acquired

Pursuant to the Agreement, the Purchaser agreed to acquire and the Vendor agreed to sell a 24% equity interest in the capital of BALtrans China. The 24% equity interest in the capital of BALtrans China to be acquired by the Purchaser had an approximate audited total asset value of HK\$12,664,541 and an approximate audited net asset value of HK\$3,619,271 as at 31 December 2004.

BALtrans China is a sino-foreign joint venture established in the PRC on 16 October 1997. It is principally engaged in the handling of international sea, land and air freight forwarding agency services for imported and exported goods in the PRC. Its audited consolidated total asset value and net asset value as at 31 December 2004 were approximately RMB54,879,676 and RMB15,683,506 respectively. The audited consolidated net profits (both before and after taxation) of BALtrans China prepared in accordance with the PRC GAAP for each of the two years ended 31 December 2004 are set out as follows:

	<b>For the year ended 31 December 2003</b>	<b>For the year ended 31 December 2004</b>
<b>Audited consolidated net profits (before taxation)</b>	RMB685,909.61	RMB2,843,141.30
<b>Audited consolidated net profits (after taxation)</b>	RMB475,968.09	RMB1,900,589.92

The following table shows the ownership of equity interests in the capital of BALtrans China before and after completion of the Agreement:

<b>Owner</b>	<b>Percentage of equity interest in the capital of BALtrans China (before completion of the Agreement)</b>	<b>Percentage of equity interest in the capital of BALtrans China (after completion of the Agreement)</b>
Purchaser	66%	90%
Vendor	24%	—
Xiamen Globelink China Logistics Limited (an independent third party to this transaction)	10%	10%
Total:	<u>100%</u>	<u>100%</u>

To the best knowledge of the Company, the following table shows the expected shareholding structure of the Company before and after completion of the Agreement:

<b>Name of Shareholder</b>	<b>Number of shares held and approximate percentage of shareholding (before completion of the Agreement)</b>	<b>Number of shares held and approximate percentage of shareholding (after completion of the Agreement)</b>
Asian Rim Co. Ltd.	73,286,000 (24.15%)	73,286,000 (23.88%)
Jardine Asian Holdings Inc.	60,300,100 (19.87%)	60,300,100 (19.65%)
Tropical Holding Investment Inc.	49,591,200 (16.34%)	49,591,200 (16.16%)
Mr. Wai Chung Hung David (a non-executive Director)	33,442,000 (11.02%)	33,442,000 (10.90%)
Mr. Lau Siu Wing Anthony (an executive Director)	500,000 (0.16%)	500,000 (0.16%)
Mr. Ng Hooi Chong (an executive Director)	300,000 (0.10%)	300,000 (0.10%)

Mr. Christopher John David Clarke (a non-executive Director)	78,000 (0.03%)	78,000 (0.03%)
Vendor	—	3,373,819 (1.10%)
the Public	86,003,200 (28.33%)	86,003,200 (28.02%)
Total:	303,500,500 (100%)	306,874,319 (100%)

### Consideration and payment terms

Upon completion of the Agreement, the Purchaser will pay the Vendor an aggregate consideration of RMB26,963,000 as follows:

1. RMB12,000,000 which will be satisfied by the issue and allotment of the Consideration Shares at an issue price of HK\$3.42 per Consideration Share; and
2. an amount in Hong Kong dollars which equals to the balance of RMB14,963,000 in cash, will be paid from the internal funds of the Company.

The Consideration Shares represent approximately 1.111% of the issued share capital of the Company and will represent approximately 1.099% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares. The issue price of a Consideration Share represents a discount of approximately 3.66% to the closing price of HK\$3.55 per Share as quoted on the Stock Exchange on 14 December 2005 and a discount of approximately 4.87% to the five days average closing price before the signing date. The Consideration Shares will rank pari passu in all respects with the existing Shares.

The total consideration for the Acquisition represents a premium of approximately 616% to the approximate audited net asset value of the 24% equity interest in the capital of BALtrans China to be acquired by the Purchaser and was arrived at after arm's length negotiations between the parties to the Agreement with reference to the unaudited profit before taxation of BALtrans China for the financial year of the Company ended 31 July 2005 and the potential synergies to be realised from the Group's ability to integrate its PRC platform.

### Profit guarantee

After the completion of the Acquisition, the Purchaser will as soon as practicable merge the businesses of BALtrans China in Shanghai, Qingdao, Beijing, Dalian and Tianjin into the businesses of JCCTA in Shanghai, Qingdao, Beijing, Dalian and Tianjin (the "Merger"). The Merger is expected to be completed by the end of June 2006. At present, the Company has no concrete plan for the implementation of the Merger.

The Group acquired its initial 45% shareholding in JCCTA as part of the Jardine Logistics Group acquired in January 2003 and following completion of the acquisition, the Group continued to operate its

China business under two separate entities because the Group did not have sufficient shareholding control over the entities to integrate the two businesses. The Group subsequently managed to increase its shareholding in JCCTA to 100% in March 2005.

The Agreement contains a profit guarantee (the “**Profit Guarantee**”) given by the Vendor to the Purchaser under which the Vendor guarantees that the consolidated profit after taxation of the offices of JCCTA in Qingdao, Beijing, Dalian and Tianjin (the “**Relevant Offices**”) for a financial year (the “**Relevant Profit**”) will not be less than RMB2.4 million. The Profit Guarantee does not cover the other offices of BALtrans China or JCCTA in Shanghai, Xiamen and Fuzhou as the Vendor will not provide assistance through its local know-how and freight management expertise in the management of such offices.

The unaudited consolidated loss (both before and after taxation) of the Relevant Offices prepared in accordance with the PRC GAAP for each of the two years ended 31 December 2004 are set out as follows:

	<b>For the year ended 31 December 2003</b>	<b>For the year ended 31 December 2004</b>
<b>Unaudited consolidated loss (before taxation)</b>	RMB414,322	RMB1,330,274
<b>Unaudited consolidated loss (after taxation)</b>	RMB574,909	RMB1,726,139

The Profit Guarantee shall become effective from the first day of the month in which the Merger is completed (the “**Effective Date**”) and lapse on 31 July 2008 (the “**Guarantee Period**”). If the period commencing from the Effective Date and ending on the forthcoming financial year end is less than a financial year, the guaranteed amount of the Relevant Profit will be adjusted proportionally.

If the Relevant Profit is less than the guaranteed amount of profit during the Guarantee Period, the Vendor will pay the Purchaser the shortfall. If the Relevant Profit is more than the guaranteed amount of the profit during the Guarantee Period, the Purchaser will pay the Vendor 50% of the surplus.

There is no option granted by the Vendor to the Purchaser to sell the 24% equity interest in the capital of BALtrans China back to the Vendor under the Profit Guarantee or the Agreement. If the Relevant Profit is less than the guaranteed amount of profit during the Guarantee Period, an announcement will be published by the Company pursuant to Rule 14A.57 of the Listing Rules which will include the opinion of the independent non-executive Directors in accordance with Rule 14A.57 (4)(a) and (b).

In order to deliver on the Profit Guarantee and in return for the incentive to share 50% of the net profit in excess of the Profit Guarantee, the Vendor will provide assistance through its local know-how and freight management expertise to manage the Relevant Offices during the Guarantee Period in order to ensure that the Merger is smoothly executed and the potential cost synergies are realised so that a strong and stable platform can be developed towards the end of the Guarantee Period.

## **Completion**

Completion of the Agreement is conditional upon, among other things, (i) the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares, (ii) the approval of the Agreement and the transactions contemplated thereunder by the independent Shareholders at the SGM; and shall take

place on the tenth business day after the conditions of the Agreement have been satisfied or waived by the relevant parties to the Agreement. Subject to the Listing Rules, the conditions of the Agreement may be waived by the relevant parties to the Agreement in accordance with the terms thereof.

An application will be made by the Company to the Stock Exchange in due course for the listing of and permission to deal in the Consideration Shares.

If the conditions of the Agreement are not fulfilled or waived on or before 31 March 2006, the parties to the Agreement shall be entitled to postpone the completion of the Agreement or terminate the Agreement.

The Agreement was entered into on normal commercial terms after arm's length negotiation. The Directors believe that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors also consider that the completion of the Acquisition will not bring any adverse effect on the Group.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in the provision of air and sea freight forwarding services, exhibition forwarding and household removal services, third-party logistics representing trucking and warehousing services. The PRC market is a strategically important market for the Group given the significance of the PRC in global trade and manufacturing. The Group currently has various parallel networks of offices through JCCTA and BALtrans China in major cities in the PRC which lead to duplication of resources. Thus it is the goal of the Company to integrate its PRC operations under a single platform so as to form a solid base for the further development of the Group's business in the PRC and enjoy the consequential synergy. The Acquisition is consistent with the above goal of the Company and the premium of the total consideration for the Acquisition to the approximate audited net asset value of the 24% equity interest in the capital of BALtrans China is paid in the light of the prospective synergy. Such synergy is expected to arise from (i) the avoidance of duplication of resources and the potential savings in respect of the administrative and other operating expenses of the Group, and (ii) the better exploitation of the complementary strengths of the staff and offices of the Group in the PRC under a single integrated platform.

However, the Vendor has in the past provided assistance through its local know-how and freight management expertise to manage the Relevant Offices. Hence, in order to ensure that the Merger is smoothly executed and the potential cost synergies are realised so that a strong and stable platform can be developed after completion of the Acquisition, the Company had negotiated for a Profit Guarantee element and an incentive element in the Agreement so as to secure the commitment of the Vendor and to incentivise the Vendor to support and assist the Company in developing the combined platform.

Though the Company has sufficient internal resources to satisfy the total amount of the consideration for the Acquisition, the Directors believe the issuance of the Consideration Shares to the Vendor will also incentivise the Vendor to ensure the completion of a smooth Merger of the Group's PRC business.

The Company is also currently negotiating with the remaining 10% shareholder with a view to acquiring those shares in order to push ahead with streamlining and integrating of its PRC platform. The Company will also comply with any disclosure requirements of the Listing Rules if and when appropriate.

## **GENERAL**

The Acquisition constitutes a connected and share transaction of the Company under Chapters 14 and 14A of the Listing Rules, which is subject to the requirements for reporting, announcement and approval of the independent Shareholders at the SGM. No Shareholder is required to abstain from voting at the SGM to approve the Agreement and the Acquisition.

An independent board committee of the Company will be formed to advise the independent Shareholders in respect of the Acquisition. An independent financial adviser will be appointed to advise the independent board committee of the Company on the terms of the Acquisition.

A circular containing, among other things, details of the Acquisition, a notice of the SGM, a letter from the independent board committee of the Company giving its recommendation to the independent Shareholders as to the fairness and reasonableness of the Acquisition and a letter of advice from an independent financial adviser to the independent board committee of the Company in respect of the Acquisition will be dispatched to the Shareholders as soon as practicable.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in its Shares was suspended with effect from 9:30 am, 16 December 2005, pending the issuance of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 am, 22 December 2005.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition by the Purchaser of a 24% equity interest in the capital of BALtrans China from the Vendor
“Agreement”	an agreement dated 15 December 2005 entered into between the Vendor and the Purchaser in relation to the Acquisition
“BALtrans China”	BALtrans Logistics (China) Limited, a sino-foreign joint venture established in the PRC and a 66%-owned subsidiary of the Company
“Board”	the board of directors of the Company
“Company”	BALtrans Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“connected person”	as defined in the Listing Rules
“Consideration Shares”	3,373,819 new Shares issued as part of the consideration for the Acquisition
“Directors”	the directors of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“JCCTA”	Jardine-CCTA Logistics Services Limited, a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of the Company, which is principally engaged in the handling of international sea, land and air freight forwarding agency services for imported and exported goods in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Purchaser”	BALtrans Logistics Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened for approving the Acquisition
“Shares”	shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Cathay International Industrial Investment Inc., a company incorporated under the laws of the British Virgin Islands

*Unless otherwise specified in this announcement, amounts denominated in RMB have been converted into HK\$ at a rate of RMB1.04 to HK\$1.00. No representation is made that any amounts in RMB could have been or could be converted at the above rate or at any other rates or at all.*

By Order of the Board  
**Lau Siu Wing, Anthony**  
*Chairman*

Hong Kong, 21 December 2005

*As at the date of this announcement, the executive directors of the Company are Mr. Lau Siu Wing Anthony and Mr. Ng Hooi Chong; the non-executive directors are Mr. Peter James Holland Riley, Mr. Wai Chung Hung David, Mr. William Hugh Purton Bird and Mr. Christopher John David Clarke; and the independent non-executive directors are Mr. Yu Hon Yo David, Ms. Lau Kin Yee Miriam and Mr. Ng Cheung Shing.*

Please also refer to the published version of this announcement in the South China Morning Post.