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Symbol of Quality Logistics Services

BALTRANS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 562)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that the Company has on 11 January 2006 entered into a Master Service Agreement with Mitsui, a substantial shareholder of the Company.

Under the Master Service Agreement, Mitsui has agreed to procure that members of the Mitsui Group appoint the Company and/or other members of the BALtrans Group to provide the Services to the Mitsui Group. Mitsui is a substantial shareholder of the Company and hence, a connected person of the Company. Accordingly, the transactions contemplated under the Master Service Agreement will constitute continuing connected transactions under Rule 14A.14 of the Listing Rules and be subject to the relevant disclosure and/or shareholder approval requirements set out in Chapter 14A of the Listing Rules.

The proposed maximum aggregate annual values of the fees payable by members of the Mitsui Group to members of the BALtrans Group for the Services contemplated under the Master Service Agreement with respect to the three financial years ending 31 July 2008 are HK\$150 million, HK\$350 million and HK\$450 million, respectively. As each of these proposed maximum aggregate annual values exceeds 2.5% of the revenue of the BALtrans Group, the Services contemplated under the Master Service Agreement constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules.

The Company will convene a special general meeting to seek the approval of the Independent Shareholders in respect of the Continuing Connected Transactions (including the maximum aggregate annual values). The Independent Board Committee will be formed to advise the Independent Shareholders in respect of the Continuing Connected Transactions. Kingston Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions. A circular containing, among other things, details of the Continuing Connected Transactions, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice convening the special general meeting will be sent to shareholders of the Company in accordance with the requirements of the Listing Rules as soon as practicable. Mitsui and its associates will abstain from voting at the special general meeting.

As Jardine Matheson ceased to be a substantial shareholder of the Company on 6 January 2006 following the acquisition by Mitsui of Jardine Matheson's entire shareholding interest in the Company, transactions between members of the Jardine Group and the BALtrans Group will no longer constitute connected transactions under the Listing Rules.

THE MASTER SERVICE AGREEMENT

On 11 January 2006, the Company and Mitsui entered into the Master Service Agreement. The Master Service Agreement shall take effect from the date of approval of the Independent Shareholders as required under Rule 14A.52 of the Listing Rules and shall continue for a period of three years unless (i) earlier terminated with the mutual agreement of the Company and Mitsui, or (ii) Mitsui ceases to hold, directly or indirectly, shares representing 10% or more of the entire issued share capital of the Company.

Pursuant to the Master Service Agreement, Mitsui has agreed to use commercially reasonable efforts to procure that members of the Mitsui Group appoint the Company and/or other members of the BALtrans Group to provide the following services to the Mitsui Group (where the Mitsui Group has itself been entrusted by its customers to perform the same):

- (i) freight forwarding services for the Mitsui Group's import air cargoes into Japan from overseas origins, particularly the Greater China region;
- (ii) origin handling services for the Mitsui Group's import air cargoes into Japan from overseas origins, particularly the Greater China region;
- (iii) destination handling services for the Mitsui Group's export air cargoes from Japan to overseas destinations, particularly the Greater China region; and
- (iv) freight forwarding services for the Mitsui Group's ocean cargoes, particularly in and out of the Greater China region.

Mitsui and the Company have agreed that the provision of each specific Service shall be governed by a separate contract, which may be constituted by the acceptance of a price quotation provided by a member of the BALtrans Group. The Services will be conducted in the ordinary and usual course of business of the BALtrans Group and on terms agreed after arm's length negotiations between the parties.

The Company shall further ensure that the Services are charged based on the most competitive rates and services levels, within the limits of normal commercial terms and the pricing policy of the BALtrans Group which are applicable to third party customers. In general, it is expected that the Services will be charged on cost plus margin basis.

MAXIMUM AGGREGATE ANNUAL VALUES

The proposed maximum aggregate annual values (the “**Annual Caps**”) of the fees payable by members of the Mitsui Group to members of the BALtrans Group for the Services contemplated under the Master Service Agreement with respect to the remaining period of the financial year ending 31 July 2006 and the two financial years ending 31 July 2008 are HK\$150 million, HK\$350 million and HK\$450 million, respectively. The historical annual values of the freight forwarding and handling services provided by the BALtrans Group to the Mitsui Group have grown from approximately HK\$0.2 million for the financial year ended 31 July 2004, to HK\$1.9 million for the financial year ended 31 July 2005 and to HK\$5.0 million for the period between 31 August 2005 to 30 November 2005.

The basis on which the Annual Caps have been determined is as follow:

- (i) The Annual Cap of HK\$150 million for the remaining period of the financial year ending 31 July 2006 has been arrived at by reference to (a) the indication by Mitsui of the likely value of the Services which will be required of the BALtrans Group based on the historical aggregate amount of the expenditure of the Mitsui Group for freight forwarding and handling services (which was attributable to certain agreed locations) for Mitsui's financial year ended March 2005 (the "**Indicated Values**"); and (b) an adjustment factor considered by the management of the Company to be commercially reasonable being applied to such aggregate value referred to in paragraph (a) to take account of the fact that the BALtrans Group and Mitsui Group will take time to develop their alliance and there will likely be less than six months for the remaining period of the financial year ending 31 July 2006.
- (ii) The Annual Cap for the financial year ending 31 July 2007 of HK\$ 350 million has been arrived at by reference to the Indicated Values and on the assumptions that Mitsui and the Company will be able to work very close together in various agreed locations in Asia/Greater China during this period (with the benefit of the experience in the financial year ending 31 July 2006) and that the Company will be able to undertake such services for Mitsui in such locations.
- (iii) The Annual Cap for the financial year ending 31 July 2008 of HK\$450 million has been arrived by reference to the Indicated Values and on the assumptions that (i) the Company will develop its own airfreight operations in Japan and (ii) the Company will at the same time develop and strengthen its operations in other parts of the world and able to capture more of such services required by Mitsui globally; and thereby increase BALtrans' share of Mitsui's total requirements of such services.

The senior management of the Company has held various discussions with relevant Mitsui personnel as well as internal management meetings to discuss and review the details of the business alliance between Mitsui and the Company, including the determination of the Annual Caps.

Shareholders should note that there is no assurance that the aggregate annual values of the Services to be provided to the Mitsui Group for the remaining period of the financial year ending 31 July 2006 and the two financial years ended 31 July 2008 will actually reach the levels indicated by the Annual Caps.

REQUIREMENTS OF THE LISTING RULES

As Mitsui is a substantial shareholder of the Company and hence, a connected person of the Company, the Services contemplated under the Master Service Agreement will constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rules.

As each of these proposed maximum aggregate annual values exceeds 2.5% of the revenue of the BALtrans Group, the Services contemplated under the Master Service Agreement constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules.

The Company will convene a special general meeting to seek the approval of the Independent Shareholders in respect of the Continuing Connected Transactions (including the Annual Caps). The Independent Board Committee will be formed to advise the Independent Shareholders in respect of the Continuing Connected Transactions. Kingston Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions. At the special general meeting, Mitsui and its associates shall abstain from voting on the resolutions in connection with the Master Service Agreement and the Annual Caps. The vote taken at the special general meeting to seek approval of the Master Service Agreement and the Annual Caps will be taken by poll.

A circular containing, among other things, details of the Continuing Connected Transactions, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice convening the special general meeting will be sent to shareholders of the Company in accordance with the requirements of the Listing Rules as soon as practicable.

RIGHT TO NOMINATE DIRECTOR

In light of the business alliance between the Company and Mitsui, it has also been agreed that as long as Mitsui holds, directly or indirectly, shares representing not less than 10% of the entire issued share capital of BALtrans, Mitsui shall be entitled to appoint a Board representative.

REASONS FOR THE MASTER SERVICE AGREEMENT

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) believe that entering into the Master Service Agreement will benefit the shareholders of the Company as a whole as it will enhance the Company's ability to capture the opportunities resulting from the growing trade volume between Japan and Greater China and to achieve the Company's plan to expand its businesses globally, including Japan (where the BALtrans Group does not have a significant business presence).

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider the proposed terms of Continuing Connected Transactions under the Master Service Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES INVOLVED

The BALtrans Group is a leading freight forwarding and logistics group in Asia, offering a wide range of services including air freight forwarding, sea freight forwarding, sea-air combination services, exhibition forwarding, air chartering, international household removal, marine insurance brokerage, project shipping and logistics services.

The Mitsui Group is a conglomerate engaged in a wide range of businesses including power, chemicals, financial services, transportation, plastics, machinery, engineering, food etc. It was announced on 30 December 2005 that Mitsui has agreed to purchase from Jardine Matheson Holdings Limited its entire shareholding interest in the Company, representing 19.87% of the existing issued share capital of the Company. Mitsui has on 6 January 2006 completed such purchase and is, for the purposes of the Listing Rules, a substantial shareholder of the Company.

STATUS OF TRANSACTIONS WITH THE JARDINE GROUP

The BALtrans Group currently (i) provides freight forwarding services to, and (ii) uses shipping agencies services of, members of the Jardine Group. Following the acquisition by Mitsui of Jardine Matheson's entire shareholding interest in the Company on 6 January 2006, Jardine Matheson has ceased to be a substantial shareholder of the Company. Depending on commercial requirements, the BALtrans Group may continue to transact with the Jardine Group in future. Transactions between members of the Jardine Group and the BALtrans Group will no longer constitute connected transactions under the Listing Rules.

DEFINITIONS

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| “associates” | has the meaning ascribed to it in the Listing Rules |
| “BALtrans Group” | the Company and its subsidiaries |
| “Board” | the board of directors, including independent non-executive directors, of the Company |
| “Company” | BALtrans Holdings Limited, a company incorporated in Bermuda with limited liability and whose securities are listed on the main board of the Stock Exchange |
| “connected person” | has the meaning ascribed to it in the Listing Rules |
| “Continuing Connected Transactions” | the transactions from time to time between members of the BALtrans Group and members of the Mitsui Group in relation to the Services |
| “Independent Board Committee” | the independent committee of the board of directors of the Company comprising Mr. Yu Hon To David, Ms. Lau Kin Yee Miriam and Mr. Ng Cheung Shing, independent non-executive Directors, which has been established to advise the Independent Shareholders |
| “Independent Financial Adviser” | Kingston Corporate Finance Limited, a licensed corporation under the SFO permitted to carry out Type 6 regulated activity (as defined in the SFO) which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders |
| “Independent Shareholders” | the shareholders of the Company, other than Mitsui and its associates |
| “Jardine Group” | Jardine Matheson Holdings Limited and its subsidiaries and affiliated companies, including Jardine Asian Holdings Inc. |
| “Jardine Matheson” | Jardine Matheson Holdings Limited |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Master Service Agreement” | the agreement entered into on 11 January 2006 between the Company and Mitsui in respect of the provision of the Services |

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| “Mitsui” | Mitsui & Co., Ltd. |
| “Mitsui Group” | Mitsui & Co., Ltd. and its subsidiaries and affiliated companies, excluding the BALtrans Group |
| “Services” | the freight forwarding and handling services to be provided by the BALtrans Group to the Mitsui Group pursuant to the Master Service Agreement from time to time |
| “SFO” | Securities and Futures Ordinance (Chapter 571 Laws of Hong Kong) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholder” | has the meaning ascribed to it in the Listing Rules |

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

By Order of the Board
Lau Siu Wing Anthony
Chairman

Hong Kong, 18 January 2006

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