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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **BALtrans Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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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

### Independent financial adviser to the Independent Board Committee of BALtrans Holdings Limited



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A letter from the board of directors of BALtrans Holdings Limited is set out on pages 3 to 11 of this circular. A letter from the independent board committee of BALtrans Holdings Limited is set out on page 12 of this circular. A letter from Access Capital Limited containing its advice to the independent board committee of BALtrans Holdings Limited is set out on pages 13 to 28 of this circular.

A notice convening an SGM of BALtrans Holdings Limited to be held at 10:00 a.m. on 17 February 2006 at The Garden Rooms, 2nd Floor, The Royal Garden Hotel, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong is set out on pages 36 to 37 of this circular.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you intend to attend the meeting in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Abacus Share Registrars Limited as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

27 January 2006

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
<b>Letter from the Independent Board Committee</b> .....	12
<b>Letter from the Independent Financial Adviser</b> .....	13
<b>Appendix — General information</b> .....	29
<b>Notice of Special General Meeting</b> .....	36

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context indicates 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
“associate”	as defined under the Listing Rules
“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
“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 persons”	as defined under the Listing Rules
“Consideration Shares”	3,373,819 new Shares issued as part of the consideration for the Acquisition
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Financial Reporting Standards” or “HKFRS”	financial reporting standards approved by the Council of the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and includes all Statements of Standard Accounting Practice and interpretations of HKFRS approved by the HKICPA from time to time
“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
“Independent Board Committee”	an independent Board committee comprising Mr. Yu Hon To David, Ms. Lau Kin Yee Miriam and Mr. Ng Cheung Shing, independent non-executive Directors of the Company

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## DEFINITIONS

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“Independent Financial Adviser”	Access Capital Limited, the independent financial adviser to the Independent Board Committee and a corporation licensed under the SFO to perform types 1, 4, 6 and 9 of the regulated activities (as defined under the SFO)
“Latest Practicable Date”	25 January 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China, but for the purpose of this circular and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“PRC GAAP”	accounting rules and regulations in the PRC
“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
“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong), as amended from time to time
“SGM”	a special general meeting of the Company to be held at The Garden Rooms, 2nd Floor, The Royal Garden Hotel, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 17 February 2006 at 10:00 a.m. and any adjournment thereof
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“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 circular, 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.*

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## LETTER FROM THE BOARD

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Symbol of Quality Logistics Services

# BALTRANS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 562)

*Executive Directors:*

Mr. Lau Siu Wing Anthony

Mr. Ng Hooi Chong

*Non-executive Directors:*

Mr. Wai Chung Hung David

Mr. William Hugh Purton Bird

Mr. Christopher John David Clarke

*Independent Non-executive Directors:*

Mr. Yu Hon To David

Ms Lau Kin Yee Miriam

Mr. Ng Cheung Shing

*Registered Office:*

Clarendon House

Church Street

Hamilton HM 11

Bermuda

*Principal Office in Hong Kong:*

8th Floor, Tower A

New Mandarin Plaza

14 Science Museum Road

Tsim Sha Tsui East

Kowloon

Hong Kong

*To the Shareholders*

Dear Sir or Madam,

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

#### **INTRODUCTION**

The Board of the Company announced on 21 December 2005 that the Purchaser and the Vendor entered into the Agreement pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell 24% equity interest in the capital of BALtrans China. The Acquisition constitutes a share and connected 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.

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## LETTER FROM THE BOARD

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An Independent Board Committee comprising Mr. Yu Hon To David, Ms. Lau Kin Yee Miriam and Mr. Ng Cheung Shing, independent non-executive Directors of the Company, has been appointed to advise the Shareholders in respect of the Agreement. The Company has appointed Access Capital Limited as Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this respect.

The purpose of this circular is to provide you with further information regarding the Agreement, the recommendation of the Independent Board Committee and the opinion of the Independent Financial Adviser and to give you notice of SGM whereat the approval of the independent Shareholders for the Agreement will be sought.

### **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) 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 (in accordance with PRC GAAP) and an approximate audited net asset value of HK\$3,619,271 (in accordance with PRC GAAP) as at 31 December 2004. As at 31 July 2005, BALtrans China recorded an unaudited net asset value of RMB13.7 million (in accordance with PRC GAAP), and RMB6.5 million (in accordance with Hong Kong Financial Reporting Standards). Based on the unaudited net asset value (in accordance with Hong Kong Financial Reporting Standards) of RMB6.5 million, the 24% equity interest in the capital of BALtrans China to be acquired by the Purchaser would be equal to approximately RMB1.6 million (approximately HK\$1.5 million).

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## LETTER FROM THE BOARD

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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 (both in accordance with PRC GAAP) 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>
Audited consolidated net profits (before taxation)	RMB685,909.61	RMB2,843,141.30
Audited consolidated net profits (after taxation)	RMB475,968.09	RMB1,900,589.92

Based on the unaudited management accounts of BALtrans China (in accordance with PRC GAAP) for the twelve months ended 31 July 2005, its unaudited consolidated profit after taxation for the twelve months ended 31 July 2005 was approximately RMB6.5 million and the unaudited consolidated net asset value as at 31 July 2005 was approximately RMB13.7 million. According to the unaudited management accounts of BALtrans China (in accordance with PRC GAAP) for the four months ended 30 November 2005, BALtrans China recorded a net profit of approximately RMB3.4 million for such period and a net asset value of approximately RMB15.3 million as at 30 November 2005.

After adjusting the aforesaid unaudited management accounts pursuant to Hong Kong Financial Reporting Standards, BALtrans China's unaudited consolidated net asset value as at 31 July 2005 was RMB6.5 million, and its unaudited consolidated net asset value as at 30 November 2005 was RMB8.1 million. The unaudited consolidated profits after taxation for the twelve months ended 31 July 2005 and the four months ended 30 November 2005 were unaffected.

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## LETTER FROM THE BOARD

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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)	<u>10%</u>	<u>10%</u>
Total:	<u><u>100%</u></u>	<u><u>100%</u></u>

### **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, and will be paid and settled 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% and 27.23% to the closing price of HK\$3.55 and HK\$4.70 per Share as quoted on the Stock Exchange on 14 December 2005 (ie. the signing date of the Agreement) and the Latest Practicable Date and a discount of approximately 4.87% and 26.92% to the respective five days average closing prices before the signing date of the Agreement and the Latest Practicable Date. The Consideration Shares will rank pari passu in all respects with the existing Shares.

The balance of RMB14,963,000 as part of the consideration for the Acquisition was not paid and settled as at the Latest Practicable Date, and will be paid and settled upon completion of the Agreement.



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## LETTER FROM THE BOARD

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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 and after taxation of BALtrans China for the financial year of the Company ended 31 July 2005 (RMB7,574,000 and RMB6,516,000 respectively) and the potential synergies to be realised from the Group's ability to integrate its PRC platform.

The authorised share capital of the Company is HK\$50,000,000 divided into 500,000,000 shares of HK\$0.10 each. 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:

Name of Shareholder	Number of Shares held and approximate percentage of shareholding (before completion of the Agreement)	Number of Shares held and approximate percentage of shareholding (after completion of the Agreement)
Asian Rim Co. Ltd. and Mr. Lau Siu Wing Anthony <i>(an executive Director)</i>	73,786,000 (24.29%)	73,786,000 (24.02%)
Mitsui & Co., Ltd.	75,875,125 (24.98%)	75,875,125 (24.70%)
Tropical Holding Investment Inc.	41,803,688 (13.76%)	41,803,688 (13.61%)
Mr. Wai Chung Hung David <i>(a non-executive Director)</i>	25,654,487 (8.44%)	25,654,487 (8.35%)
Mr. Ng Hooi Chong <i>(an executive Director)</i>	300,000 (0.10%)	300,000 (0.10%)
Mr. Christopher John David Clarke <i>(a non-executive Director)</i>	78,000 (0.03%)	78,000 (0.03%)
Vendor	—	3,373,819 (1.10%)
the Public	86,303,200 (28.41%)	86,303,200 (28.10%)
Total :	303,800,500 (100%)	307,174,319 (100%)

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## LETTER FROM THE BOARD

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### **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. As at the Latest Practicable Date, 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”) (*Note 1*) 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 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, the Company will publish an announcement in the newspapers and will include details in its next published annual report and accounts, and the independent non-executive Directors will provide an opinion in the Company’s next published annual report and accounts as to whether the Vendor has fulfilled its obligations under the Profit Guarantee.

*Note 1:* The unaudited consolidated loss of the Relevant Offices prepared in accordance with the PRC GAAP before and after taxation are RMB414,322 and RMB574,909 respectively for the year ended 31 December 2003, and RMB1,330,274 and RMB1,726,139 respectively for the year ended 31 December 2004.

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## LETTER FROM THE BOARD

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### **Completion**

Completion of the Agreement is not subject to any approvals of PRC authorities, or consents of Xiamen Globelink China Logistics Limited (i.e. holder of the 10% equity interest in the capital of BALtrans China), but 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.

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## LETTER FROM THE BOARD

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The Vendor has in the past provided assistance through its local know-how and freight management expertise to manage the businesses of BALtrans China in Qingdao, Beijing, Dalian and Tianjin. 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**

As the Vendor is a substantial shareholder of BALtrans China, the Acquisition constitutes a share and connected 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. To the best knowledge of the Company as at the Latest Practicable Date, no shareholder is required to abstain from voting at the SGM to approve the Agreement and the Acquisition.

### **EFFECT OF THE ACQUISITION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY**

The total consideration for the Acquisition will be settled partly by cash out of the internal funds of the Company and partly by the issue and allotment of the Consideration Shares. No minority interests will be accounted for the shareholding of the Vendor in BALtrans China after the completion of the Agreement. Save as the above, the Acquisition does not have any immediate effect on the assets and liabilities of the Purchaser and the Company. The Acquisition is not expected to have any significant impact on the earnings of the Purchaser.

### **SPECIAL GENERAL MEETING**

The SGM is convened to be held on 17 February 2006 at 10:00 a.m. at The Garden Rooms, 2nd Floor, The Royal Garden Hotel, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the ordinary resolution to approve the Agreement. The notice of SGM is set out on pages 36 to 37 of this circular.

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## LETTER FROM THE BOARD

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A proxy form for use at the SGM is enclosed with this circular. Whether or not you intend to attend the meeting in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

For the reasons stated in the paragraph headed "Reasons for the Acquisition" above, the executive Directors and the non-executive Directors consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable as far as the Shareholders are concerned and recommend the independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the SGM to approve the Agreement.

Your attention is drawn to the letter from Independent Board Committee set out in this circular. Further, your attention is also drawn to the letter from the Independent Financial Adviser set out in this circular which contains its advice to the Independent Board Committee in relation to the Acquisition and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its advice.

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully,  
By Order of the Board  
**LAU Siu Wing Anthony**  
*Chairman*



Symbol of Quality Logistics Services

**BALTRANS HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

(Stock Code: 562)

*To the Shareholders of the Company*

Dear Sir or Madam,

**CONNECTED AND SHARE TRANSACTION  
ACQUISITION OF A 24% EQUITY INTEREST IN THE CAPITAL OF  
A NON WHOLLY-OWNED SUBSIDIARY**

**CONNECTED AND SHARE TRANSACTION**

We refer to the circular issued by the Company to the Shareholders dated 27 January 2006 (the “Circular”) of which this letter forms part. Unless the context otherwise defines terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Shareholders on whether the terms of the Agreement are fair and reasonable so far as the Shareholders are concerned.

We wish to draw your attention to the letter from the Board as set out on pages 3 to 11 and the letter from the Independent Financial Adviser as set out on pages 13 to 28 of the Circular respectively.

Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice, we consider that the Agreement is in the interest of the Shareholders as a whole. Accordingly, we recommend the independent Shareholders to vote for the ordinary resolution which will be proposed at the SGM to approve the Agreement.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee

**Yu Hon To David**

**Lau Kin Yee Miriam**

**Ng Cheung Shing**

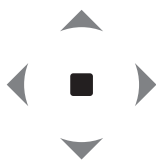
*Independent Non-executive Directors*

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## LETTER FROM ACCESS CAPITAL

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*The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Access Capital prepared for incorporation in this circular.*



ACCESS  
CAPITAL

Suite 606, 6th Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

27 January 2006

*To: The Independent Board Committee and the Independent Shareholders of  
BALtrans Holdings Limited*

Dear Sirs,

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

#### **I. INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with regard to the terms of the Agreement. Details of the Acquisition are contained in the “Letter from the Board” of the circular to the Shareholders dated 27 January 2006 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in the Circular, unless the context otherwise specifies.

#### **II. THE INDEPENDENT BOARD COMMITTEE**

The Board currently consists of two executive Directors, namely Mr. Lau Siu Wing, Anthony and Mr. Ng Hooi Chong; three non-executive Directors, namely Mr. Wai Chung Hung David, Mr. William Hugh Purton Bird and Mr. Christopher John David Clarke; and three independent non-executive Directors, namely Mr. Yu Hon To David, Ms. Lau Kin Yee Miriam and Mr. Ng Cheung Shing.

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## LETTER FROM ACCESS CAPITAL

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The Independent Board Committee comprising the independent non-executive Directors, Mr. Yu Hon To David, Ms. Lau Kin Yee Miriam and Mr. Ng Cheung Shing, has been established to consider the terms of the Acquisition.

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion in relation to the Acquisition for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

### **III. BASES OF AND ASSUMPTIONS OF THE ADVICE**

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided and/or made available to us by the Company and/or the Directors and/or the senior management of the Company. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the statements, information, opinions and representations made or provided by the Company and/or the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.



#### **IV. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In forming our opinion, we have taken into consideration the following principal factors and reasons:

##### **1. Background to the Acquisition**

###### ***1.1 Principal activities of the Group and BALtrans China***

The Group is principally engaged in the provision of air and sea freight forwarding services, exhibition forwarding and household removal services, and third-party logistics representing trucking and warehousing services.

BALtrans China is a Sino-foreign joint venture that the Company 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.

###### ***1.2 Overall financial performance of the Group and BALtrans China***

For the year ended 31 July 2005, the Group achieved a record turnover of over HK\$3,700 million, 12% higher than the previous year, despite challenging market conditions amidst rising fuel prices, increasing freight rates and continuing Sino-foreign trade disputes.

The Group's operation in the Greater China region (i.e. PRC, Hong Kong, Macau and Taiwan) was the largest contributor to the Group's overall turnover during the year ended 31 July 2005, representing approximately 63% of the Group's total turnover.

BALtrans China has offices in Shanghai, Xiamen, Fuzhou, Qingdao, Beijing, Dalian and Tianjin. According to the audited accounts of BALtrans China for the year ended 31 December 2004 (prepared in accordance with the PRC GAAP), BALtrans China recorded a turnover of approximately RMB198.1 million, which was 57% higher than the turnover achieved during the previous year. This in turn represents approximately 5.8% of the Group's total turnover and approximately 8.3% of the Group's Greater China turnover for 2004, as well as approximately 5.1% of the Group's total turnover and approximately 7.0% of the Group's Greater China turnover for 2005.

### **1.3 Business strategy**

During the financial year ended 31 July 2005, the Group integrated its global platform under a single identity, ironing out its inefficiencies and eliminating resource duplications. As part of this streamlining exercise, the Company, in April 2005, disposed of two group entities, Fond Express Logistics Limited and Korchina Group (comprised of Korchina Logistics Holdings Limited and Korchina Freight Taiwan Limited), which were autonomous group entities that neither formed part of the Group's worldwide network nor fit into the Group's long term vision. The Directors anticipate that the Group will continue to leverage its pooled capital resources, management resources and technology resources, and strengthen its market coverage within the Greater China region (particularly in the PRC), as well as expand into the EMEA region (namely Europe, Middle East and Africa), all of which is in line with the Group's long-term strategy to build an integrated global network.

### **1.4 Prospects**

As described in the Group's annual report for the year ended 31 July 2005, the freight forwarding industry continues to face market uncertainties including the rising fuel costs, Sino-foreign trade disputes and the potential outbreak of an avian flu pandemic. Given that the Greater China region is a strategically important market for the Group (representing approximately 63% of the Group's turnover as mentioned in paragraph 1.2 above), and given the continued expectation for the PRC's sustained strong economic performance (with an expected GDP growth of 8% and with post-WTO China as the world's manufacturing powerhouse — with over 175,371 million tons of import/export goods anticipated for 2005 on an annualised basis according to the National Bureau of Statistics of China as compared to 161,083 million tons of import/export goods in 2004), the Directors are confident about the future development of the Group and, in particular, its business operations in the PRC.

### **1.5 Reasons for and benefits of the Acquisition**

As stated in the "Letter from the Board", the Group currently has various parallel networks of offices through JCCTA (a wholly-owned subsidiary of the Company) as well as through BALtrans China, in major cities in the PRC. This has led to a duplication of the Group's resources (i.e. in terms of capital resources, offices, management resources, work force and technology and information technology resources etc.). Following the completion of the Acquisition, the Company will seek to, as soon as practicable, merge

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## LETTER FROM ACCESS CAPITAL

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the businesses of BALtrans China in Qingdao, Beijing, Dalian and Tianjin with the businesses of JCCTA in Qingdao, Beijing, Dalian and Tianjin (together the “Relevant Offices”); and thus the Company will be in a position to eliminate any redundant resources, and streamline operations and staffing (of the Relevant Offices) under a common platform, which would likely lead to multiple cost savings.

By way of background, BALtrans China was established in 16 October 1997 as a sino-foreign joint venture to which the Vendor initially contributed 49% of the registered capital as initial share capital. After the acquisition of equity interests in BALtrans China by the Group and Xiamen Globelink China Logistics Limited and the Group in March 2003, the percentage equity interests in BALtrans China held by the Vendor was diluted from 49% to 24%; and accordingly the Group and Xiamen Globelink China Logistics Limited became holders of 66% and 10% in BALtrans China respectively.

The establishment of BALtrans China predates the Group’s JCCTA operations and it was one of the Group’s first successful forays into the freight forwarding business in the PRC. At the time, the only means for the Group to establish operations in the PRC was by establishing a sino-foreign joint venture. The offices under JCCTA did not become part of the Group’s PRC operations until they were acquired in 2003, and hence the said parallel networks of offices did not arise until recently.

As stated in the “Letter from the Board”, the Company would now like to integrate all of its PRC operations under one platform, so as to form a solid base for the development of the Group’s business in the PRC, and thus enjoy any consequential synergy and economies of scale of the planned business combination mentioned above.

Upon completion of the Acquisition, the assets and liabilities of BALtrans China will continue to be consolidated into the financial statements of the Company as a 90% owned subsidiary, while 10% will remain as minority interest. The Company will seek to acquire the said remaining 10% interest in BALtrans China from Xiamen Globelink China Logistics Limited, with the view to achieving total ownership of BALtrans China. As at the Latest Practicable Date, no agreement for the sale and purchase of the said remaining 10% interest in BALtrans China has been entered into between relevant parties.

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## LETTER FROM ACCESS CAPITAL

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Taking into account the Company's business strategy, its view on the prospects of the Group's business (in particular, in the PRC), and the reasons for and benefits of the Acquisition described above, we concur with the view of the Directors and are of the view that the Acquisition is a step that is consistent with the Company's stated business strategy and is therefore in the interests of the Company and the Shareholders as a whole.

### **2. Terms of the Agreement**

As stated in the "Letter from the Board", the Agreement was entered into on normal commercial terms after arm's length negotiations. 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.

#### **2.1 Assets to be acquired**

The Company shall acquire 24% of the existing registered capital of BALtrans China.

The original cost of this 24% of BALtrans China's existing registered capital to the Vendor was US\$0.49 million (being 49% of the original registered capital of BALtrans China during its formation in 1997 — approximately RMB4.07 million when adopting the then reference exchange rate of RMB8.30 = US\$1.00).

#### **2.2 Consideration**

The total consideration for the Acquisition was arrived at after arm's length negotiations between the parties to the Agreement. Shareholder should note that whereas the Group's financial year end is 31 July, BALtrans China's financial year end is 31 December.

As stated in the "Letter from the Board", since the Group's financial year end is 31 July, the total consideration for the Acquisition was determined with reference to the unaudited profit after taxation of BALtrans China (prepared in accordance with PRC GAAP) for the twelve months ended 31 July 2005 (which falls in line with the Group's financial year end date) of approximately RMB6.5 million, as well as the potential synergies to be realised from integration of the Group's PRC platform.

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## LETTER FROM ACCESS CAPITAL

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We have noted that the audited financial results of BALtrans China for the year ended 31 December 2004 (prepared in accordance with the PRC GAAP) has been set out in the “Letter from the Board”. According to these financial statements, the audited consolidated profit after taxation for the year ended 31 December 2004 was approximately RMB1.90 million, and the audited total asset value and net asset value of BALtrans China as at 31 December 2004 were approximately RMB54.9 million and approximately RMB15.7 million respectively.

As mentioned above, the consideration of the Acquisition was determined with reference to the unaudited profit after taxation of BALtrans China (prepared in accordance with PRC GAAP) for the twelve months ended 31 July 2005; and we have compared the consideration of the Acquisition based on these unaudited financial results of BALtrans China as at 31 July 2005.

Based on the aforesaid unaudited management accounts of BALtrans China for the twelve months ended 31 July 2005 provided by the Company (which we have discussed and reviewed with the management of the Company), we have noted that BALtrans China’s unaudited consolidated profit after taxation for the twelve months ended 31 July 2005 was approximately RMB6.5 million and the unaudited consolidated net asset value as at 31 July 2005 was approximately RMB13.7 million. According to the unaudited management accounts of BALtrans China for the four months ended 30 November 2005 (the latest available financial information), BALtrans China recorded a net profit of approximately RMB3.4 million; and as at 30 November 2005, BALtrans China’s recorded a net asset value of approximately RMB15.3 million.

After adjusting the aforesaid unaudited management accounts to Hong Kong Financial Reporting Standards, we note that BALtrans China’s unaudited consolidated net asset value as at 31 July 2005 was RMB6.5 million, and its unaudited consolidated net asset value as at 30 November 2005 was RMB8.1 million. The unaudited consolidated profit after taxation for the corresponding periods were unaffected.

Following discussions with the Company’s management, we have noted that the major differences between the audited figures of BALtrans China for the year ended 31 December 2004 and the unaudited figures of BALtrans China for the year ended 31 July 2005 (all of which were prepared in accordance with PRC GAAP) were due to tax planning savings (which were reflected in the unaudited profit and loss account for the twelve months

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## LETTER FROM ACCESS CAPITAL

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ended 31 July 2005); as well as the adjustments of approximately RMB135,000 to the unaudited consolidated net asset value with regard to various provisions and prepayments made in accordance with the Company's accounting policies under Hong Kong Financial Reporting Standards, which are not reflected in the audited balance sheet of BALtrans China as at 31 December 2004 (which was prepared in accordance with PRC GAAP).

On the basis of the total consideration for the 24% interest in BALtrans China, the entire BALtrans China is valued at approximately RMB112.3 million (approximately HK\$107.0 million). Based on the unaudited profit after taxation of BALtrans China for the year ended 31 July 2005 of approximately RMB6.5 million, the consideration of the Acquisition represents a historical price/earnings ratio ("PER") of approximately 17.3 times.

We have compared this historical PER with the historical PER of the Company (approximately 9.65 times as at the date prior to signing of the Agreement, and approximately 12.77 times as at the Latest Practicable Date), and have noted that the Company's historical PER is substantially lower than the historical PER of BALtrans China.

In addition, we have compared and considered Sinotrans Limited, an "H-share" company listed on the Main Board of the Stock Exchange, engaged in the provision of integrated logistics services with core services that include sea, air, rail and road freight forwarding, express services, and shipping agency services, as the only Hong Kong listed comparable company in terms of its business and geographical coverage; and we have also considered comparables based in other markets, which compare with the Company in terms of their business (i.e. they are engaged in the provision

## LETTER FROM ACCESS CAPITAL

of integrated logistics services with core services that include sea, air and road freight forwarding). All of these comparables have been set out in the table below:

### Comparable companies analysis of non-asset based logistics companies

Company name	Ticker	Country/ Exchange	Market cap.		PER as at date of Agreement (times)	PBR as at date of Agreement (times)	PER as at Latest Practicable Date) (times)	PBR as at Latest Practicable Date) (times)
			Market cap. (as at date of Agreement) (in HK\$ million)	(as at Latest Practicable Date) (in HK\$ million)				
Yamato Holdings Co., Ltd.	9064	Japan	60,461	62,650	32.8	2.4	33.3	2.2
Expeditors International of Washington, Inc.	EXPD	US	57,164	57,247	42.2	8.3	42.2	8.3
Kuehne & Nagel International AG	KNIN	Switzerland	50,857	53,814	26.3	9.5	27.8	9.9
C.H. Robinson Worldwide, Inc.	CHRW	US	50,111	52,085	35.3	8.6	36.7	8.9
J.B. Hunt Transport Services, Inc.	JBHT	US	27,662	27,336	21.1	4.5	20.9	4.4
Toll Holdings Limited	TOL	Australia	28,144	22,051	23.5	4.7	18.4	3.7
CNF Inc.	CNF	US	23,040	22,824	15.6	3.5	14.5	3.5
				<b>Mean</b>	28.1	5.9	27.7	5.9
				<b>Median</b>	26.3	4.7	27.8	4.4
Sinotrans Limited ("Sinotrans") - H	598	Hong Kong	11,685	13,597	14.5	2.4	17.5	2.1
The Company	562	Hong Kong	1,077	1,426	9.6	1.7	12.8	2.2
BALtrans China				107			17.3	17.3

*Notes:*

1. HK\$1.00 = JPY14.80
2. HK\$7.80 = US\$1.00
3. HK\$6.16 = CHF1.00
4. HK\$5.83 = AU\$1.00
5. The financial information of these companies are extracted from their latest audited financial reports

*Source: Bloomberg*

Although the consideration payable under the Acquisition is priced at level that is higher than the historical PER of the Company, it does fall within the range of the historical PERs of its international comparables and is fractionally lower higher than the PER for Sinotrans.

We have focused on the historical PERs rather than net asset values in our assessment as the Group and BALtrans China's are considered to be non-asset based logistics businesses (in other words, their operations do not require heavy capital asset investments). For this reason, we have not

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## LETTER FROM ACCESS CAPITAL

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included the various shipping companies listed on the Main Board of the Stock Exchange as comparables, as these companies maintain a different capital structure and have heavy capital investment requirements associated with their shipping operations.

As stated in the “Letter from the Board”, the consideration for the Acquisition represents approximately 616% premium to the audited net asset value of the 24% equity interest in BALtrans China. On the other hand, based on the unaudited net asset value of BALtrans China of approximately RMB6.5 million as at 31 July 2005, the price to book value ratio (“PBR”) was approximately 17.3 times. Notwithstanding the large premium to BALtrans China’s net asset value (and since BALtrans China’s asset base is relatively small i.e. RMB6.5 million, but that it also supported a business operation with an unaudited turnover of approximately RMB235 million for the year ended 31 July 2005), we are of the view that such a premium to the net asset value is not unexpected for a non-asset based logistics business, as presented in the table above.

Given that BALtrans China has been operating for almost 10 years in the PRC, though at a much smaller scale than the Company and the other comparables, we consider that by acquiring a significant and the second largest shareholding block of BALtrans China, at a historical PER of approximately 17.3 times, the Company will be able to achieve a milestone bringing it closer to securing complete control over BALtrans China. In addition, taking into account the potential synergies and cost savings to be generated from the merger of the Relevant Offices (as described in section 1.5 above) and the reasons for and benefits of the Acquisition (as described in the “Letter from the Board”, and in section 1.5 above), and despite the fact that the consideration represents a substantial premium to the book value of BALtrans China (which we believe to be inevitable due to the low asset base nature of this kind of business), we are of the view that the consideration payable by the Purchaser under the Acquisition is fair and reasonable.

### **2.3 *Settlement methods of the consideration for the Acquisition***

Upon completion of the Agreement, the Purchaser will pay the Vendor an aggregate consideration of RMB26,963,000. Out of the total consideration, (i) RMB14,963,000 will be satisfied in cash from the Company’s internal funds; and (ii) the balance of RMB12,000,000 will be satisfied by the issue and allotment of 3,373,819 new Shares at an issue price of HK\$3.42 per Share to the Vendor.



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## LETTER FROM ACCESS CAPITAL

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As stated in the annual report of the Group for the year ended 31 July 2005, the Group possessed approximately HK\$203.0 million in cash and cash equivalents as at 31 July 2005. We have discussed with the Directors and concur with the Directors that the Group has sufficient internal resources to satisfy the total consideration for the Acquisition. However, we also note that the Directors believe that issuing the Consideration Shares to the Vendor will help incentivise the Vendor so as to ensure that the merger of the Group's business in northern China (in particular, the Relevant Offices) runs smoothly and is well executed.

The abovementioned Consideration Shares represent approximately 1.111% of the existing 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 Consideration Shares will rank *pari passu* in all respects with the existing Shares.

The issue price of the Consideration Shares represents (i) 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 (the last full trading date prior to the signing of the Agreement), (ii) a discount of approximately 4.87% to the five day average closing price of HK\$3.595 per Share prior to the date the Agreement was signed, and (iii) a discount of approximately 27.23% to the closing price of HK\$4.70 per Share on the Latest Practicable Date.

Please note that the closing price on the Latest Practicable Date is for reference only, as the issue price of the Consideration Shares was set previously with reference to the last full trading date prior to the signing of the Agreement as stated above.

## LETTER FROM ACCESS CAPITAL

We have taken the issue of Consideration Shares as an alternative to a private placement of new shares, for the purposes of raising funds for the Acquisition. Accordingly, we have considered the table below, which lists out all share placements of new shares (executed between January 2005 to the date the Agreement was signed) ranging from HK\$10 million to HK\$20 million in size:

### Placings between HK\$10m to HK\$20m (Jan 2005 to date)

Date of announcement	Company name	Stock code	Gross funds raised <i>HK\$ million</i>	(Discount)/Premium of Subscription		Placing price per share <i>HK\$</i>
				the closing price on the last trading day prior to the relevant announcement	the 5-day average closing price prior to the relevant announcement	
6-Jan-05	Premium Land Limited	164	15.90	(28.57)	(14.29)	0.030
7-Jan-05	Hansom Eastern (Holdings) Limited	279	12.00	(11.11)	N.A.	0.040
19-Jan-05	Hopefluent Group Holdings Limited	733	19.32	(1.43)	N.A.	1.380
20-Jan-05	B.A.L. Holdings Limited	8079	10.37	(20.00)	0.90	0.022
26-Jan-05	Radford Capital Investment Limited	901	16.40	42.61	34.43	0.033
28-Jan-05	Sun Innovation Holdings Limited	547	14.06	(1.21)	(0.61)	0.065
3-Feb-05	First Dragoncom Agro-Strategy Holdings Limited	875	14.00	(18.60)	N.A.	0.035
16-Feb-05	Ezcom Holdings Limited	312	10.01	(13.29)	(15.25)	0.150
15-Mar-05	China Water Affairs Group Limited	855	15.00	(5.66)	8.70	0.500
21-Apr-05	New World Cyberbase Limited	276	13.92	(15.80)	(15.50)	0.240
17-May-05	Lang Chao International Limited	8141	18.72	(7.69)	(7.69)	0.360
18-May-05	Gorient (Holdings) Limited	729	13.80	2.60	(9.20)	0.040
18-May-05	Zhong Hua International Holdings Limited	1064	15.66	0.00	(15.97)	0.020
24-May-05	Solartech International Holdings Limited	1166	18.31	0.00	(19.77)	0.280
15-Jun-05	Zida Computer Technologies Limited	859	10.20	(19.05)	(18.53)	0.510
12-Aug-05	Wing Shing International Holdings Limited	850	10.25	(9.42)	(19.35)	0.125
28-Sep-05	Wanji Pharmaceutical Holdings Limited	835	11.43	(8.70)	0.19	0.105
<b>Maximum</b>				<b>42.61</b>	<b>34.43</b>	
<b>Minimum</b>				<b>(28.57)</b>	<b>(19.77)</b>	
<b>Average</b>				<b>(6.78)</b>	<b>(6.57)</b>	
14-Dec-05 (Note 1)	The Company	562	12.00	(3.66)	(4.87)	3.42 (Note 2)

Source: Stock Exchange website/Bloomberg

Notes:

- (1) The issue price of HK\$3.42 per Consideration Share was determined based on the closing price of the Shares on the last full trading day the day the Agreement was signed.
- (2) Refers to the issue price of HK\$3.42 per Consideration Share.

We note that 13 out of the 17 share placements listed above involved shares issued at between 1.43% to 28.6% discount to their respective last closing market prices, whereas 2 of the above placements in the list were priced at market price, and 2 were priced at a premium to market price. Given that the Consideration Shares will be issued at a discount of approximately 3.66% to their market price, and that this falls within the range of placements priced at a discount to market shown above, we are of the view that the discount rate is acceptable and reasonable.

### **2.4 Profit Guarantee**

As stated in the “Letter from the Board”, the Agreement contains a profit guarantee, pursuant to which the Vendor guarantees that the consolidated profit after taxation of the Relevant Offices for a financial year will not be less than RMB2.4 million per annum (“Relevant Profit”). If the period commencing from the first day of the month in which the merger is completed to the end of the first financial year from such date is less than one financial year, the Profit Guarantee applicable to that period will be adjusted on a pro rata basis.

The Profit Guarantee shall become effective from the first day of the month in which the Merger is completed 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 in each relevant accounting period 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 on a dollar-for-dollar basis. 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.

Given that the Vendor has contributed its local know-how and freight management expertise to manage the BALtrans China’s offices in Qingdao, Beijing, Dalian and Tianjin, the Company believes that it is essential to maintain stability (in terms of business operation and staff morale) during the transitional period when the Group is in the process of implementing the merger vis-à-vis the Relevant Offices. In order to ensure that (i) the merger is smoothly executed and the potential cost synergies are realised, and that (ii) a strong and stable combined business platform can be developed towards the end of the Guarantee Period, the Vendor will be incentivised to perform and support the post-Acquisition integration process (as described above). In view of the aforesaid rationale, we are of the view that it is reasonable for the Company to negotiate for the Profit Guarantee (including

the following terms: (i) if the Relevant Profit is less than the guaranteed amount of profit during the Guarantee Period, the Vendor will pay the Purchaser the shortfall on a dollar-for-dollar basis; and (ii) 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 (irrespective that the Vendor originally owned 24% of BALtrans China)) to be included the Agreement.

We have discussed with the Directors the potential conflicts of interest and potential competition that might arise between the Vendor and the Company in the future. The Directors are not concerned that the Vendor will compete with the Group's business, as (i) the market is highly fragmented, (ii) the customer base or customer data of the Company are not accessible to the Vendor, (iii) the Relevant Offices will soon be merged and operated under one single brand "BALtrans", and also (iv) the Profit Guarantee is designed to ensure that the Vendor will assist in making the Relevant Offices perform. In the event competition between the Company and the Vendor arises in other cities in the PRC (if any), the Directors are confident that the Group's global network, customer service capability and quality will prove more competitive than the other market participants (including the Vendor). Notwithstanding the above, the Directors intend to put in place various performance benchmarks against which the progress of the integration of the Relevant Offices will be measured and closely monitored. In view of the aforesaid reasons, we concur with the views of the Directors and their rationale for proceeding with the Acquisition along with the Profit Guarantee, and as such we are of the view that it is reasonable for the Group to proceed and implement the Acquisition with the Profit Guarantee.

### **3. Possible financial effects on the Company as a result of the Acquisition**

Upon completion of the Acquisition, BALtrans China will from a 66%-owned subsidiary become a 90%-owned subsidiary of the Company, and the financial results of BALtrans China will continue to be consolidated into the Group's financial statements.

#### **3.1 Net asset value**

As at 31 July 2005, the Group recorded an audited consolidated net asset value of approximately HK\$646.5 million.

As at 31 July 2005, BALtrans China recorded an unaudited net asset value of 13.7 million (in accordance with PRC GAAP), and RMB6.5 million (in accordance with Hong Kong Financial Reporting Standards).

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## LETTER FROM ACCESS CAPITAL

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Based on the unaudited net asset value (in accordance with Hong Kong Financial Reporting Standards) of RMB6.5 million, the attributable additional 24% interest in BALtrans China would be equal to approximately RMB1.6 million (approximately HK\$1.5 million).

Assuming that the Acquisition was completed on 31 July 2005, and based on the unaudited net asset value of BALtrans China as at 31 July 2005 (adjusted to Hong Kong Financial Reporting Standards), the net asset value of the Group would be enhanced (as the goodwill on the Acquisition and the additional net asset value attributable to the 24% interest in BALtrans China less cash, exceeds the cash consideration payable by the Group for the Acquisition).

### **3.2 Earnings**

For the year ended 31 July 2005, the Group recorded an audited consolidated net profit of approximately HK\$111.0 million.

The effects of the Acquisition on the future earnings of the Group will depend on the business operations of BALtrans China.

### **3.3 Cash position and working capital position**

As at 31 July 2005, the Group recorded a cash position of approximately HK\$247.9 million and a net cash position of approximately HK\$137.2 million (after deduction of bank borrowings of approximately HK\$110.7 million). As at that date, the Group had total banking facilities of approximately HK\$350.8 million.

As part of the Consideration will be settled in cash, the cash position of the Group is expected to be reduced by RMB14,963,000 (approximately HK\$14.4 million) by the Acquisition.

Given the abovementioned banking facilities and the cash position of the Group, the Directors are satisfied that the Group will continue to have sufficient working capital following the completion of the Acquisition.

As a portion of the consideration for the Acquisition will be financed by the internal resources of the Group (i.e. no borrowings), and the Group's net asset value will be slightly enhanced (as described in section 3.1 above), and the effect on the gross gearing (i.e. total borrowings/net asset value) of the Group following completion of the Acquisition will be negligible when compared to the Group's gross gearing of approximately 17.5% as at 31 July 2005.

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## LETTER FROM ACCESS CAPITAL

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Based on the analysis mentioned above, in particular that, (i) there will be no material impact to the net asset value of the Group; (ii) there may be a slight enhancement to the earnings of the Group; and that (iii) there will be negligible impact to the gearing position of the Group (though the cash balance will be reduced), we are of the view that the Acquisition was agreed on normal and commercial terms and that the Acquisition is fair and reasonable so far as the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

### V. RECOMMENDATION

In considering the terms of the Acquisition, we have taken into account the following factors:

- the businesses and prospects of the Group and BALtrans China as described in paragraph 1.4 above, which indicates the growth potential in the Greater China region in which the Group currently operates;
- the reasons for and benefits of the Acquisition as described in paragraph 1.5 above, in particular, for the long-term business strategy of the Group as described in paragraph 1.3 above, which is to build an integrated global network;
- the terms of the Agreement with regard to the basis of the consideration and the Profit Guarantee as described in paragraphs 2.2 and 2.3 above, which is reasonable; and
- the possible financial effects to the Company as described in paragraph 3 above.

After having considered the above principal factors and based on the information provided and the representations made to us, we are of the view that the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned; and that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favor of the relevant resolution which will be proposed at the SGM to approve the Acquisition.

Yours faithfully,  
For and on behalf of  
**ACCESS CAPITAL LIMITED**  
**Jeanny Leung**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Number of Shares or underlying Shares	Nature of interest	Percentage of shareholding
Lau Siu Wing Anthony	73,286,000 Shares	Trust	24.12%
(an executive Director)	500,000 Shares	Personal	0.17%
(Notes 1 & 2)	2,100,000 underlying Shares	Personal	0.69%
Wai Chung Hung David	25,654,487 Shares	Personal	8.44%
(a non-executive Director)	1,500,000 underlying Shares	Personal	0.49%
(Note 2)			
William Hugh Purton Bird	41,803,688 Shares	Corporate	13.76%
(a non-executive Director)			
(Note 3)			
Ng Hooi Chong	300,000 Shares	Personal	0.10%
(an executive Director)	1,500,000 underlying Shares	Personal	0.49%
(Note 2)			
Christopher John David Clarke	78,000 Shares	Personal	0.03%
(a non-executive Director)			

*Notes:*

1. 73,286,000 Shares are beneficially owned by Asian Rim Co. Ltd., which is wholly owned by brother and brother-in-law of Lau Siu Wing Anthony (“Mr. Lau”) as the trustees of a discretionary trust set up for the benefit of Mr. Lau’s family. Mr. Lau is a director of Asian Rim Co. Ltd.
2. Mr. Lau, Wai Chung Hung David and Ng Hooi Chong hold options under the share option scheme of the Company to subscribe for 1,500,000 Shares, 1,500,000 Shares and 900,000 Shares respectively at HK\$2.045 per Share for a period of 5 years from 4 May 2004 to 3 May 2009 provided that the options shall be exercisable as follows:
  - (a) up to 25% thereof from 4 May 2005;
  - (b) up to 25% thereof from 4 May 2006;
  - (c) up to 25% thereof from 4 May 2007; and
  - (d) up to 25% thereof from 4 May 2008.

Mr. Lau and Ng Hooi Chong also hold additional options under the share option scheme of the Company to subscribe for 1,600,000 Shares and 600,000 Shares respectively at HK\$2.95 per Share for a period of 5 years from 17 August 2005 to 16 August 2010 provided that the options shall be exercisable as follows:

  - (a) up to 25% thereof from 17 August 2006;
  - (b) up to 25% thereof from 17 August 2007;
  - (c) up to 25% thereof from 17 August 2008; and
  - (d) up to 25% thereof from 17 August 2009.
3. These Shares are beneficially owned by Tropical Holding Investment Inc. (“Tropical Holding”), which is wholly owned by William Hugh Purton Bird and his wife. Mr. William Hugh Purton Bird is a director of Tropical Holding.

Save as disclosed above and non-beneficial interests in Shares of the Company’s certain associated companies and subsidiaries, so far as the Company is aware, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) for which (a) notification shall be given to the Company or the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors and chief executives are supposed or deemed to be holding or owning pursuant to the provisions of the SFO); or (b) registration shall be made in the register in accordance with Section 352 of the SFO; or (c) notification shall be made to the Company and the Stock Exchange pursuant to the Model Mode for Securities Transactions by Directors of Listed Companies of the Listing Rules.



- (b) As at the Latest Practicable Date, so far as are known to the Directors, interests or short positions held by any individual or company, other than the Directors or chief executive of the Company, for which disclosure shall be made to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or any beneficial interests representing 5% or more of the issued share capital of the Company directly or indirectly which were recorded in the register kept by the Company under section 336 of the SFO, were as follows:

Name	Number of Shares	Name of interest	Percentage of shareholding
Asian Rim Co. Ltd. ( <i>Note 1</i> )	73,286,000	Beneficial owner	24.12%
Mitsui & Co., Ltd.	75,785,125	Beneficial owner	24.98%
Tropical Holding Investment Inc. ( <i>Note 2</i> )	41,803,688	Beneficial owner	13.76%

*Notes:*

- 73,286,000 Shares are beneficially owned by Asian Rim Co. Ltd., which is wholly owned by brother and brother-in-law of Lau Siu Wing Anthony (“Mr. Lau”) as the trustees of a discretionary trust set up for the benefit of Mr. Lau’s family. Mr. Lau is a director of Asian Rim Co. Ltd.
- These Shares are beneficially owned by Tropical Holding Investment Inc. (“Tropical Holding”), which is wholly owned by William Hugh Purton Bird and his wife. Mr. William Hugh Purton Bird is a director of Tropical Holding.

Saved as disclosed above, as far as the Directors are aware, as at the Latest Practicable Date, there was no other person who had any interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 or 3 of Part XV of the SFO or who owns any beneficial interests representing 5% or more of any class of shares or warrants or attached with a right to vote at any of the shareholders’ general meeting of the Company.

- (c) As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10 per cent. or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the following subsidiaries of the Company:
- Mr. Jorg Peter Timmermann and Mr. Robert Ernest Norman Lipton were each interested in 12.5 per cent. of the issued share capital of BALtrans (Australia) Pty. Limited;

- (ii) Mr. Eugene Yip and Mr. Paulus Choi were each interested in 15 per cent. of the issued share capital of BALtrans Logistics (Canada) Limited;
- (iii) Miss Lai Ming Kuen was interested in 10 per cent. of the issued share capital of BALtrans International Moving Limited;
- (iv) Mr. Pak Sau Hwa was interested in 20 per cent. of the issued share capital of BALtrans International Moving Limited;
- (v) Miss Lai Ming Kuen was interested in 15 per cent. of the issued share capital of BALtrans Exhibition & Removal Limited;
- (vi) Mr. Pak Sau Hwa was interested in 25 per cent. of the issued share capital of BALtrans Exhibition & Removal Limited;
- (vii) Mr. Richard Chia was interested in 29 per cent. of the issued share capital of HeluTrans (S) Pte. Limited;
- (viii) Mr. Joao Manuel Pestana Gomes and Mr. Edward Nigel Stroud were interested in 15 per cent. and 10 per cent. of the issued share capital of JLS Logistics UK Limited respectively;
- (ix) Cathay International Industrial Investment Inc. and Xiamen Globelink China Logistics Ltd. were interested in 24 per cent. and 10 per cent. of the issued share capital of BALtrans Logistics (China) Limited respectively;
- (x) Mr. Kapil Dutta was interested in 26% of the issued share capital of BALtrans Logistics (India) Private Limited;
- (xi) Mr. Fung Tak Fai Thomas was interested in 20% of the issued share capital of Muragawa Logistics Limited; and
- (xii) Mr. Randall Kelly was interested in 16.31% of the issued share capital of BALtrans Logistics (Lanka) Pvt Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as are known to the Directors, there was no other person who is directly or indirectly, interested in 10% or more of the equity interest carrying rights to vote in all circumstances at general meetings of any other members of the Group.

**3. CONSENTS OF EXPERT**

The Independent Financial Adviser is a corporation licensed under the SFO to perform types 1, 4, 6 and 9 of the regulated activities (as defined under the SFO). It does not hold any shares in any member company of the Group nor does it has any right to subscribe for or to nominate any other person to subscribe for the securities of any member company of the Group (regardless of whether it is exercisable from a legal point of view).

The Independent Financial Adviser has on 27 January 2006 given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of its letter and the references to its name in the form and context in which they are respectively included.

**4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**5. MATERIAL CHANGES**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 July 2005, the date to which the latest published audited financial statements of the Group were made up.

**6. LITIGATION**

In March 2005, certain subsidiaries of the Company in the US received a complaint filed with the United States Bankruptcy Court, alleging that those subsidiaries had collected antecedent debts (the "Transfers") of approximately US\$1.4 million from certain US customers within 90 days preceding 21 March 2003 (the date such US customers filed voluntary petitions for reorganization relief under Chapter 11 of the Bankruptcy Code in the US) and that the Transfers had enabled those subsidiaries to receive more than they would have received if the Transfers had not been made and those subsidiaries received payment on the antecedent debts to the extent provided by the Bankruptcy Code. The complaint seeks to void and recover the Transfers. The Company has sought legal advice on the above claim. Based on the advice from the US counsel, the exposure is likely to be significantly less than the full amount of the alleged Transfers due to the availability of a wide range of valid defences under the statute of limitations and on the merits recognized under several sections of the Bankruptcy Code as well as additional common law defences.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## 7. MISCELLANEOUS

- (a) So far as the Company is aware, none of the Directors or the Independent Financial Adviser had any interests, directly or indirectly, in any assets acquired, sold or leased or proposed to be acquired, sold or leased as recorded in the audited accounts of the Company as at 31 July 2005, being the date to which the latest published audited accounts of the Company were made up.
- (b) The qualified accountant of the Company is Mr. Ng Hooi Chong. He is an associate of The Institute of Chartered Accountants in England and Wales and The Hong Kong Institute of Certified Public Accountants respectively.

The secretary of the Company is Ms. Chan Sau Yee. She is an associate member of The Institute of Chartered Secretaries and Administrators in UK and The Hong Kong Institute of Chartered Secretaries in Hong Kong respectively.

- (c) The registered office of the Company is situated at Clarendon House, Church Street, Hamilton HM 11, Bermuda and its principal office in Hong Kong is situated at 8th Floor, Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The address of the Company's branch share registrar, Abacus Share Registrars Limited, is at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) None of the executive Directors have personal interests in companies engaged in businesses, which compete or may compete with the Group.
- (e) There is no contract or arrangement subsisting as at the date of this circular in which a Director is materially interested and which is significant in relation to the business of the Group.
- (f) According to the Bye-laws of the Company, a resolution put to the vote of a general meeting of the Company shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:
  - (i) by the chairman of such meeting; or

- (ii) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (iv) by a member or members present in person or in the case of a member being a corporation by its authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (v) if required by the rules of the designated stock exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

## 8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Messrs. Dibb Lupton Alsop of 41st Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours up to and including 14 February 2006 (being a period of not less than 14 days from the date of this circular):

- (i) the Agreement;
- (ii) the letter from the Independent Financial Adviser; and
- (iii) the written consent referred to in the paragraph headed “Consents of Expert” in this appendix.

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## NOTICE OF SPECIAL GENERAL MEETING

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Symbol of Quality Logistics Services

# BALTRANS HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

(Stock Code: 562)

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of BALtrans Holdings Limited (the “Company”) will be held on 17 February 2006 at 10:00 a.m. at The Garden Rooms, 2nd Floor, The Royal Garden Hotel, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

### ORDINARY RESOLUTION

**“THAT:**

- (i) the agreement dated 15 December 2005 entered into between BALtrans Logistics Limited and Cathay International Industrial Investment Inc. (the “Agreement”), pursuant to which BALtrans Logistics Limited agreed to acquire and Cathay International Industrial Investment Inc. agreed to sell a 24% equity interest in the capital of BALtrans Logistics (China) Limited, a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification, be and is hereby approved, confirmed and ratified;
- (ii) the issue and allotment by BALtrans Holdings Limited (the “Company”) of 3,373,819 shares of par value of HK\$0.10 each in its share capital to Cathay International Industrial Investment Inc. be and is hereby approved and the directors of the Company be and are hereby authorised to do such act and do all things necessary or desirable in connection with the Agreement as he or she deems expedient or necessary in relation thereto.”

By Order of the Board

**Ng Hooi Chong**

*Executive Director*

Hong Kong, 27 January 2006

*As at the date of this notice, the executive directors of the Company are Mr. Lau Siu Wing Anthony and Mr. Ng Hooi Chong; the non-executive directors are 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 To David, Ms Lau Kin Yee Miriam and Mr. Ng Cheung Shing.*

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## NOTICE OF SPECIAL GENERAL MEETING

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*Notes:*

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and, in the event of a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's branch share registrar, Abacus Share Registrars Limited, located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for the holding of the SGM or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.