
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities of BALtrans Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Symbol of Quality Logistics Services

BALtrans Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 562)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



KINGSTON CORPORATE FINANCE LIMITED

A letter from the Independent Board Committee to the Independent Shareholders is set out on page 10 of this circular and a letter of advice from Kingston Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 20 of this circular.

A notice convening the special general meeting of BALtrans Holdings Limited to be held at The Garden Rooms, 2nd Floor, The Royal Garden Hotel, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Monday, 20 March 2006 at 10:00 a.m. is set out on pages 27 to 28 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement dated 18 January 2006 issued by the Company
“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
“Latest Practicable Date”	28 February 2006 being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Master Service Agreement”	the agreement entered into on 11 January 2006 between the Company and Mitsui in respect of the provision of the Services
“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

LETTER FROM THE BOARD



Symbol of Quality Logistics Services

BALtrans Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 562)

Directors:

Mr. Lau Siu Wing Anthony
Mr. Ng Hooi Chong
Mr. William Hugh Purton Bird*
Mr. Christopher John David Clarke*
Mr. Wai Chung Hung David*
Mr. Naruyuki Sado*
Mr. Yu Hon To David**
Ms. Lau Kin Yee Miriam**
Mr. Ng Cheung Shing**

* *Non-executive Directors*

** *Independent non-executive Directors*

Registered Office:

Clarendon House
Church Street
Hamilton HM11
Bermuda

Principal Place of Business:

8th Floor, Tower A
New Mandarin Plaza
14 Science Museum Road
Tsim Sha Tsui East
Kowloon
Hong Kong

2 March 2006

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

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

Pursuant to the Master Service Agreement, Mitsui agreed to procure that members of the Mitsui Group to 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 shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

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). Mitsui and its associates will abstain from voting at the special general meeting. The Independent Board Committee has been 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.

The purpose of this circular is to provide you with, 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.

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 by 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 to 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;

LETTER FROM THE BOARD

- (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 period commencing on the date of the Announcement and ending 31 July 2006, and the two financial years ending 31 July 2007 and 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 1 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 period commencing on the date of the Announcement and 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 the Mitsui Group will take time to develop their alliance and there are only about six months for the remaining period of the financial year ending 31 July 2006.

LETTER FROM THE BOARD

- (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 closely 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 period commencing on the date of the Announcement and ending 31 July 2006, and the two financial years ending 31 July 2007 and 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 has been 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

LETTER FROM THE BOARD

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.

RIGHT TO NOMINATE DIRECTOR

In light of the business alliance between the Company and Mitsui, it was also agreed under a separate agreement 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. Accordingly, Mr. Naruyuki Sado was appointed as a non-executive Director on 7 February 2006.

REASONS FOR THE MASTER SERVICE AGREEMENT

The Directors 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 consider that the proposed terms of the Continuing Connected Transactions under the Master Service Agreement are on normal commercial terms, fair and reasonable and in the interests 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 agreed to purchase from Jardine Matheson Holdings Limited its entire shareholding interest in the Company, representing 19.87% of the then existing issued share capital of the Company. Mitsui had on 6 January 2006 completed such purchase and is, for the purposes of the Listing Rules, a substantial shareholder of the Company.

SPECIAL GENERAL MEETING

A notice convening the SGM to be held at The Garden Rooms, 2nd Floor, The Royal Garden Hotel, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Monday, 20 March 2006 at 10:00 a.m. is set out on pages 27 to 28 of this circular.

LETTER FROM THE BOARD

Bye-law 66 of the Bye-laws provides that 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.

As indicated above, the chairman of the SGM will demand that a poll be taken in respect of each of the resolutions to be proposed at the SGM for the approval by the Independent Shareholders.

A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, 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 the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

After having considered all the above principal factors, the Board considers that the terms of the Master Service Agreement are fair and reasonable and the Continuing Connected Transactions are in the interests of the Company and its shareholders as a whole. Accordingly, the Board recommends the shareholders to vote in favour of all the resolutions as set out in the notice of the special general meeting.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Symbol of Quality Logistics Services

BALtrans Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 562)

2 March 2006

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as the Independent Board Committee to advise you in connection with the terms of the Continuing Connected Transactions, details of which are set out in the letter from the Board contained in the circular of the Company dated 2 March 2006 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Continuing Connected Transactions and the advice of Kingston Corporate Finance Limited in relation thereto as set out on pages 11 to 20 of the Circular, we are of the view that the terms thereof are fair and reasonable and are in the interests of the Company and the shareholders, as a whole, so far as the Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the SGM to approve the Master Service Agreement, the Annual Caps and the Continuing Connected Transactions contemplated thereunder.

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
Director*

*Independent Non-executive
Director*

*Independent Non-executive
Director*

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED

Set out below is the text of the letter from Kingston Corporate Finance Limited to the Independent Board Committee prepared for inclusion in this circular:



KINGSTON CORPORATE FINANCE LIMITED

Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central, Hong Kong

2 March 2006

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Continuing Connected Transactions, particulars of which are set out in the “Letter from the Board” (the “Letter”) contained in the circular to the Shareholders dated 2 March 2006 (the “Circular”) and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in the Circular.

The Company entered into the Master Service Agreement with Mitsui on 11 January 2006. 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 for the remaining period of the financial year ending 31 July 2006 (commencing on the date of the Announcement, which is 18 January 2006, and ending 31 July 2006) (the “Remaining Period”) and the two financial years ending 31 July 2008. Given that Mitsui is a substantial shareholder of the Company, being a connected person of the Company (as defined under the Listing Rules), interested in 24.98% of the entire issued share capital of the Company, the transactions contemplated under the Master Service Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion, we have relied to a considerable extent on the information, statements, opinions and representations supplied to us by the Company and the directors of the Company (the “Directors”) and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true and accurate and complete at the time they were made and continue to be true at the date of the Circular, and we have relied on the same. We have also assumed that all statements of belief, opinion and intention of the directors of the Company as set out in the Letter were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. We have also discussed with the management of the Company their plans for the BALtrans Group and the prospects of the businesses of the BALtrans Group.

We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the Continuing Connected Transactions and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We believe that no material facts or information (which is known to the Company) have been omitted or withheld from the information supplied or opinions expressed in the Circular and have no reason to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the directors of the Company which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the directors of the Company, nor have we conducted an independent in-depth investigation into the business and affairs of the BALtrans Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the terms of the Continuing Connected Transactions, we have taken the following principal factors and reasons into consideration:

1. Background and reasons for the Continuing Connected Transactions

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. with offices located in more than 70 countries (as set out in the data book 2005 of Mitsui). Following completion of the acquisition (the “Acquisition”) by Mitsui of Jardine Matheson’s entire shareholding interest in the Company, representing 19.87% of the existing issued share capital of the Company, on 6 January 2006, Mitsui has become a substantial shareholder of the Company. As set out in the Company’s announcement dated 20 January 2006, following the completion of the further acquisition of the issued shares of the Company by Mitsui from each of Tropical Holding Investment Inc. and Mr. Wai Chung Hung David on 23 January 2006, the shareholding interest of Mitsui in the Company increased to 24.98%.

On 11 January 2006, the Company and Mitsui entered into a Master Service Agreement, pursuant to which Mitsui has agreed to procure members of the Mitsui Group to appoint the Company and/or other members of the BALtrans Group to provide the Services to the Mitsui Group for the Remaining Period and the two financial years ending 31 July 2008.

According to the 2005 annual report of Mitsui, Mitsui Group carries out a variety of activities including domestic sales, export/import, and international trading, and it was recorded that the trading transactions amounted to 13,615,047 million Japanese yen and 12,284,111 million Japanese yen for the years ended 31 March 2005 and 2004 respectively. We consider that with a global network of 155 overseas offices and trading subsidiaries (as set out in the data book 2005 of Mitsui) and substantial participation in the export/import and trading of goods, the Mitsui Group has a need for regional/global freight forwarding and handling services to support its businesses.

It is natural for companies to have business with their business partners which may also be their strategic investors. It is especially justified in the case of the Company and Mitsui where their cooperation in the form of the Services are commercially beneficial to each other. With the Master Service Agreement in place, we consider that the BALtrans Group will be able to foster a more solid global business alliance partnership with its substantial shareholder as well as, with a view to obtaining more business from Mitsui Group, position itself as a company with capability to serve a conglomerate which is one of the Fortune 500 companies. This may enhance BALtrans Group’s negotiation power with its service providers, whereas Mitsui Group will also be benefited as a result of an increase in the business activities of its associated company.

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED

As shown in the Tables 1 and 2 below in which the figures are extracted from the website of the Ministry of Commerce of the People's Republic of China Department of Planning and Finance, the value of the export and import between China and Japan has been increasing since year 2000:

Table 1: Export from China to Japan

Year	2000 (US\$' million)	2001 (US\$' million)	2002 (US\$' million)	2003 (US\$' million)	2004 (US\$' million)	2005 (from January to September) (US\$' million)
Total value	41,654	44,941	48,434	59,423	73,514	61,768

Table 2: Import to China from Japan

Year	2000 (US\$' million)	2001 (US\$' million)	2002 (US\$' million)	2003 (US\$' million)	2004 (US\$' million)	2005 (from January to September) (US\$' million)
Total value	41,510	42,787	53,466	74,151	94,372	72,784

We share the Directors' view that in light of the growing trade volume between Japan and China (as supported by increasing import and export values set out in Tables 1 and 2 below), there is likely a growth in Mitsui's need for the Service. As such, the Master Service Agreement would enhance the Company's ability to capture those opportunities 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.

We are of the view that the Continuing Connected Transactions stipulated in the Master Service Agreement are in the ordinary course of business of the BALtrans Group and provide the BALtrans Group with access to additional source of income.

2. Major terms of the Continuing Connected Transactions

The Master Service Agreement shall take effect from the date of approval of the Independent Shareholders and shall continue to the end of the financial year ending 2008 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.

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED

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 (the “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. We were informed by the Directors that under the BALtrans Group’s existing manpower decentralization policy, its frontline sales staff will provide price quotations to Mitsui Group, upon the latter’s request for Services from time to time, in accordance with the Company’s pricing policy. This will ensure that 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.

We were also informed by the Directors that each member of the BALtrans Group will negotiate with and quote pricing to Mitsui Group’s entities on the same basis as with any other third party customers. According to the Directors, the Company will ensure the Services will be 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 a cost plus margin basis.

We have reviewed, on a sampling basis, copies of the purchase orders and the bills of transactions entered into between (a) the BALtrans Group and Mitsui; and (b) the BALtrans Group and other independent customers for year 2005, and noted that the margin from the previous services charged to Mitsui are (i) comparable to those charged to the independent customers; and (ii) within the pricing policy of the BALtrans Group.

We consider that the Continuing Connected Transactions will have a positive contribution to the BALtrans Group's profit and the gross profit so long as the Services remain to be charged at a comparable and competitive rate as charged to the independent customers. We are of the view that the internal control of the BALtrans Group on upholding its pricing policy towards Mitsui Group is particularly important under the circumstance where it is impracticable to determine the cost and derive a fixed charge to Mitsui Group at this stage in the absence of the exact destinations and levels of the Services, and under the volatile costs for the Services at different period of time as a result of, amongst others, the fluctuations in oil prices. We were informed by the Directors that the message of such policy will be conveyed to all levels of staff involved in the pricing of the Services and it will be emphasized that the pricing must be at arm's length and on normal commercial terms, and that there will be periodic sampling review by the internal audit function of the Company on the business transactions to ensure the transactions are carried out on normal and commercial terms.

On the bases that (i) the Continuing Connected Transactions will be entered into in the ordinary and usual course of business of the BALtrans Group and on normal commercial terms that is in accordance with the pricing policy of the BALtrans Group; and (ii) the charge for the Continuing Connected Transactions will be comparable to that for the freight forwarding and handling services provided to the independent customers and will be determined on normal and commercial basis, we are of the view that the terms of the Continuing Connected Transactions are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

3. Maximum Aggregate Annual Values

As stated in the Letter, the proposed maximum aggregate annual values (the "Annual Caps") of the fees payable by Mitsui for the Services contemplated under the Master Service Agreement with respect to the Remaining Period and the two financial years ending 31 July 2008 are HK\$150 million, HK\$350 million and HK\$450 million, respectively.

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED

According to the Directors, the value of the freight forwarding and handling services provided by the BALtrans Group to the Mitsui Group has had a progressive growth since the financial year of the Company ended 31 July 2004 as illustrated in the following table:

	Fees on services provided by the BALtrans Group to the Mitsui Group (the “Fee(s)” (approximately) <i>HK\$’000</i>	Percentage of the Fees to total turnover of the BALtrans Group for the year ended 31 July 2005 (approximately) (%)
For the period between 1 August 2005 to 30 November 2005	5,000	N/A
For the financial year ended 31 July 2005	1,900	0.051
For the financial year ended 31 July 2004	200	0.005

As shown in the above table, the services provided by BALtrans Group in terms of dollar value have increased significantly. We consider that with Mitsui having become a substantial shareholder of the Company on 6 January 2006 and the Master Service Agreement in place, the cooperation between Mitsui Group and the BALtrans Group will become more strong and solid and accordingly it is likely that Mitsui will employ more services from the BALtrans Group.

As stated in Mitsui’s interim business report for the six-month period ended 30 September 2005 (“Mitsui’s Interim Business Report”), Mitsui received approval from the Chinese Ministry of Commerce in September 2005 to establish three wholly owned trading companies in China, permitting Mitsui to conduct import and export and wholesale trade domestically within China under its own name and title. As a result of the establishment of such three trading companies, Mitsui will be able to trade in a broader range of products, including added value services in finance and logistics. Mitsui’s Interim Business Report also stated that Mitsui intended to seek further opportunities in business investments and distribution operations that would support domestic and external trade in China. We anticipate that the business expansion of Mitsui in the Greater China Region will result in an increasing rate and volume of the import and export of Mitsui in the Greater China Region in the near future and accordingly there is very likely a demand of Mitsui for freight forwarding and handling services within the Greater China Region, and between its headquartered country, Japan, and the Greater China Region.

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Annual Cap of HK\$150 million for the Remaining Period (“Year 2006 Remaining Cap”)

We discussed with the Directors and were informed that the Year 2006 Remaining Cap was determined by reference to 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 for Mitsui’s financial year ended March 2005, and adjusted by the management of the Company after taking into account the fact that the BALtrans Group and Mitsui Group will take time to develop their alliance and there are only about six months for the Remaining Period.

Based on the Company’s annual report for the year ended 31 July 2005 (the “2005 Annual Report”), the Year 2006 Remaining Cap represents approximately 4.05% (or approximately 8% on an annualized basis) of the total turnover of the BALtrans Group for the year ended 31 July 2005. As illustrated by the abovementioned Mitsui Group’s significant trading transactions for the year ended 31 March 2005 and Mitsui Group’s business expansion in the Greater China Region, we consider that such percentage is not significant and there will be room for increase when the alliance between BALtrans Group and Mitsui Group becomes mature.

Annual Caps of HK\$350 million and HK\$450 million for the respective financial years ending 31 July 2007 (“2007 Annual Cap”) and 31 July 2008 (“2008 Annual Cap”)

We discussed with the Directors and were informed that the 2007 Annual Cap was determined 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 mainly in Asia/Greater China, including China, Hong Kong, Thailand, Indonesia and Singapore, during the financial year ending 31 March 2007 (with the benefit of the experience in the previous financial year) and that the Company will be able to undertake such services for Mitsui in such locations.

The 2007 Annual Cap is an increase of approximately 133.33% over the Year 2006 Remaining Cap. However, as the 2007 Annual Cap accounts for a full financial year where the 2006 Annual Cap only accounts for about half financial year, the effective annualized increase in the cap is approximately 16.67%. We discussed with the Directors the action plan on how to work closely in the agreed locations and were informed that Mitsui and the Company had exchanged contact details of their respective operating entities in each location to facilitate discussions and negotiations on relevant terms of cooperation and engagement along the line of the Services, and in addition, Mitsui Group would assist by communicating the rationale and benefits of the strategic alliance

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and actively promoting the service quality and network capabilities of the Company amongst the Mitsui Group entities. On such basis, we are of the view that with concrete cooperation plan in place, the Company will be able to procure more business opportunities from Mitsui Group, with substantial international trading businesses that need the Services, thereby increasing Mitsui Group's contributions to the Company's turnover.

According to the Directors, the 2008 Annual Cap was determined 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 be able to capture more of such services required by Mitsui globally, and thereby increase the Company's share of Mitsui's total requirements of such services.

The 2008 Annual Cap shows an increase of approximately 28.57% over the 2007 Annual Cap. We discussed with the Directors the BALtrans Group's action plan on own freight operations in Japan and were informed that with the assistance of Mitsui, the Company plans to identify suitable acquisition targets in Japan, which are targeted to be airfreight companies with existing business operations in key airports within Japan, with a view to increase its operational effectiveness so as to create more incentive to Mitsui Group's members in Japan to employ the Services, although no specific acquisition target has been identified as at the Latest Practicable Date. We are of the view that through such suitable acquisition(s), the Company will be able to establish its own network and solid operations platform in Japan and increase the operational effectiveness, thereby convincing the Mitsui Group to further employ the Services. As such, we concur with the Directors that an annual increase in the Annual Caps is necessary in light of the gradual consolidation of cooperation between Mitsui and the Company and the operation base of the Company in Japan becoming gradually mature.

The 2007 Annual Cap and the 2008 Annual Cap respectively represents approximately 9.44% and 12.14% of the total turnover of the BALtrans Group for the year ended 31 July 2005. These calculations have not taken into account the possible change in the total turnover of BALtrans Group for the three years ending 31 July 2008. On the face of the said calculations, we consider that the 2007 Annual Cap and the 2008 Annual Cap will not make the Company rely too heavily on its connected person.

However, the Shareholders' attention is also drawn to the fact that there is no assurance that the aggregate annual values of the Services to be provided to the Mitsui Group for the Remaining Period and the two financial years ending 31 July 2008 will actually reach the levels indicated by the Annual Caps.

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Based on (i) the progressive growth on the historical values of the freight forwarding and handling services provided by the BALtrans Group to the Mitsui Group, and the potential increase in such services following Mitsui becoming the substantial shareholder of the Company in early January 2006; (ii) Mitsui's intended business expansion into the Greater China Region that drives demand for freight forwarding and handling services within the Greater China Region, and between its headquartered country, Japan, and the Greater China Region; (iii) the action to be taken the Company to undertake the roll-out of the partnership underpinned by the Master Service Agreement, we are of the view that the Annual Caps (from 150 million for the Remaining Period to 350 million for the financial year 2007 of the Company and subsequently to HK\$450 million to the financial year 2008) are fair and reasonable.

4. Independent Shareholders' approval

As Mitsui was interested in 24.98% of the entire issued share capital of the Company as at the Latest Practicable Date, the transactions contemplated under the Master Service Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. The Company would seek the approval of the Independent Shareholders for the Continuing Connected Transactions pursuant to rules 14A.35 and 14A.48 of the Listing Rules. Furthermore, the Company will ensure that the Continuing Connected Transactions is in compliance with the provisions of Chapter 14A of the Listing Rules and in particular rules 14A.35 to 14A.41 and 14A.46 governing continuing connected transactions.

On this basis, we consider that the Company has taken appropriate measures to govern itself in carrying out the Continuing Connected Transactions, thereby safeguarding the interest of the Independent Shareholders thereunder.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Continuing Connected Transactions are in the usual and ordinary course of business of the Company and the terms and conditions of the Continuing Connected Transactions, including the Annual Caps, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and recommend the Independent Shareholders to vote in favour of the resolution to approve the Master Service Agreement to be proposed at the special general meeting of the Company to be held on 20 March 2006.

Yours faithfully,
For and on behalf of
Kingston Corporate Finance Limited
Gregory Ho
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 BALtrans Group. 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 herein 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%
<i>(an executive Director)</i>	500,000 Shares	Personal	0.17%
<i>(Notes 1 & 2)</i>	2,100,000 underlying Shares	Personal	0.69%
Wai Chung Hung David	25,654,487 Shares	Personal	8.44%
<i>(a non-executive Director)</i>	1,500,000 underlying Shares	Personal	0.49%
<i>(Note 2)</i>			
William Hugh Purton Bird	41,803,688 Shares	Corporate	13.76%
<i>(a non-executive Director)</i>			
<i>(Note 3)</i>			
Ng Hooi Chong	300,000 Shares	Personal	0.10%
<i>(an executive Director)</i>	1,500,000 underlying Shares	Personal	0.49%
<i>(Note 2)</i>			
Christopher John David Clarke	78,000 Shares	Personal	0.03%
<i>(a non-executive Director)</i>			

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 50% thereof from 4 May 2006;
 - (c) up to 75% thereof from 4 May 2007; and
 - (d) up to 100% 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 50% thereof from 17 August 2007;
 - (c) up to 75% thereof from 17 August 2008; and
 - (d) up to 100% 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 Code 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	Nature of interest	Percentage of shareholding
Asian Rim Co. Ltd. <i>(Note 1)</i>	73,286,000	Beneficial owner	24.12%
Mitsui & Co., Ltd.	75,875,125	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.

Save 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:
- (i) 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) Ms. 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) Ms. 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 Helu-Trans (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 per cent. or more of the equity interest carrying rights to vote in all circumstances at general meetings of any other members of the BALtrans Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the BALtrans Group and any Director or proposed Director (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

4. COMPETING BUSINESS

None of the Directors or any of their respective associates has any interest in any business which competes or is likely to compete, either directly or indirectly, with the BALtrans Group's business.

5. MATERIAL CHANGE

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

6. INTERESTS IN ASSETS

Since 31 July 2005, the date of the latest published audited financial statements of the BALtrans Group, none of the Directors or Kingston has any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the BALtrans Group.

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the BALtrans Group taken as a whole.

7. QUALIFICATION AND CONSENT OF EXPERT

The qualifications of the expert who has given opinions in the circular are as follows:

Name	Qualifications	Date of opinion
Kingston Corporate Finance Limited (“Kingston”)	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	2 March 2006

Kingston has given and has not withdrawn its written consent to the issue of this circular with copy of its letter and the references to its name included herein in the form and context in which they are respectively included.

As at the Latest Practicable Date, Kingston did not have any shareholding in the Company or any other member of the BALtrans Group or the right, whether legally enforceable or met, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the BALtrans Group.

8. GENERAL

The English text of this circular prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company’s principal place of business in Hong Kong up to and including 17 March 2006:

- (1) Master Service Agreement;
- (2) the letter from the Independent Board Committee, the text of which is set out on page 10 of this circular;
- (3) the letter from Kingston, the text of which is set out on pages 11 to 20 of this circular; and
- (4) the written consent from Kingston referred to in the paragraph headed “Qualification and Consent of Expert” in this circular.

NOTICE OF SPECIAL GENERAL MEETING



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 of BALtrans Holdings Limited (the “Company”) will be held at The Garden Rooms, 2nd Floor, The Royal Garden Hotel, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Monday, 20 March 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions or, as the case may be, a special resolution of the Company:

ORDINARY RESOLUTIONS

1. “THAT:

- (a) the Master Service Agreement (as defined in the circular of the Company dated 2 March 2006 of which the notice of this meeting forms part) dated 11 January 2006 and the transactions contemplated therein be and are hereby approved, ratified and confirmed and any one director be and is hereby authorised to sign and execute such documents (and, if required, affix the common seal of the Company thereto) for and on behalf of the Company, in such final form and with such amendments as that director may deem appropriate, and to otherwise do all such things, as he may in his absolute discretion consider necessary or desirable to give effect to the Master Service Agreement and the transactions contemplated therein;
- (b) the proposed Annual Caps (as defined in the circular of the Company dated 2 March 2006) for the period commencing on the date of the Announcement and ending 31 July 2006, and the two financial years ending 31 July 2007 and 31 July 2008 are HK\$150 million, HK\$350 million and HK\$450 million, respectively be and are hereby approved; and

NOTICE OF SPECIAL GENERAL MEETING

- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and to do all such acts or things as that director may in his absolute discretion deem appropriate to give effect to the Master Service Agreement and the transactions contemplated therein.”

By Order of the Board
Lau Siu Wing Anthony
Chairman

Hong Kong, 2 March 2006

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he holds more than 2 shares, more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy must be deposited at the Company’s branch share registrar in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, as soon as possible and in any event not less than 48 hours before the time for holding the meeting or adjourned meeting.