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*Symbol of Quality Logistics Services*

## **BALtrans Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 562)**

### **CONNECTED TRANSACTION**

## **ACQUISITION OF A 10% EQUITY INTEREST IN THE CAPITAL OF A NON WHOLLY-OWNED SUBSIDIARY**

The Board announces that on 18 May 2006, the Purchaser and the Vendor entered into the Agreement pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell 10% equity interest in the capital of BALtrans China.

The aggregate consideration for the Acquisition is RMB3,200,000.00 (approximately HK\$3,076,923) in cash which has been paid by the Purchaser to the Vendor upon execution of the Agreement.

The Purchaser is a wholly-owned subsidiary of the Company. As the Vendor is a substantial shareholder of BALtrans China (a non-wholly owned subsidiary of the Company), the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.25 of the Listing Rules and as requested by the Stock Exchange, the Acquisition would have to be aggregated with the acquisition as described in our announcement made on 21 December 2005 (which has been approved by the independent Shareholders at the SGM held on 17 February 2006). As each of the applicable percentage ratios (other than profits ratio) for the two acquisition transactions in aggregate is being less than 2.5%, the Company is subject to the requirements for reporting and announcement in accordance with 14A.32 of the Listing Rules.

### **THE AGREEMENT DATED 18 MAY 2006**

#### **Parties**

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

Vendor Xiamen Globelink China Logistics Limited, which owns 10% equity interest in the capital of BALtrans China (a non-wholly owned subsidiary of the Company)

To the best knowledge of the Company, the Vendor acquired the equity interests in BALtrans China in March 2003 at RMB7,016,800. The Vendor is principally engaged in the provision of freight forwarding and logistic services in the PRC. As the Vendor is a substantial shareholder of BALtrans China, the Vendor is regarded as a connected person of the Company under the Listing Rules.

## Asset to be acquired

Pursuant to the Agreement, the Purchaser agreed to acquire and the Vendor agreed to sell a 10% equity interest in the capital of BALtrans China. The 10% equity interest in the capital of BALtrans China to be acquired by the Purchaser had an approximate audited total asset value of HK\$5,276,892 and an approximate audited net asset value of HK\$1,508,029 as at 31 December 2005.

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 2005 were approximately RMB54,879,676 (approximately HK\$52,768,919) and RMB15,683,506 (approximately HK\$15,080,294) 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 2005 are set out as follows:

|   | <b>For the year ended<br/>31 December 2004</b> | <b>For the year ended<br/>31 December 2005</b> |
|---|--|--|
| Audited consolidated net profits<br>(before taxation) | RMB685,909.61                                  | RMB2,843,141.30                                |
| Audited consolidated net profits<br>(after taxation)  | RMB475,968.09                                  | RMB1,900,589.92                                |

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

| <b>Owner</b> | <b>Percentage of<br/>equity interest<br/>in the capital of<br/>BALtrans China<br/>(before completion<br/>of the Agreement)</b> | <b>Percentage of<br/>equity interest<br/>in the capital of<br/>BALtrans China<br/>(after completion<br/>of the Agreement)</b> |
|--------------|--|---|
| Purchaser    | 90%  | 100%  |
| Vendor       | 10%  | —   |
| Total:       | <u>100%</u>  | <u>100%</u>   |

Upon completion of this Agreement, the board of directors of BALtrans China shall comprise of five directors, all of whom shall be nominated by the Purchaser.

## Consideration and payment terms

The consideration for the Acquisition is RMB3,200,000.00 (approximately HK\$3,076,923), which has been paid by the Purchaser to the Vendor upon execution of the Agreement.

The consideration for the Acquisition was arrived at after arm's length negotiations between the parties to the Agreement with reference to the unaudited profit before taxation of BALtrans China for the financial year of the Company ended 31 December 2005 and the potential synergies to be realised from the Group's ability to integrate its PRC platform. Although the Company has already taken control at BALtrans China, 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 the Acquisition enables 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. Such potential synergies includes (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. The consideration for the Acquisition was paid out of the Company's internal resources.

## **Completion**

Completion of the Agreement is conditional upon, among other things, (i) approval for the Acquisition and the new articles of association of BALtrans China being obtained from the relevant PRC examination and approval authorities, and such approval has been evidenced by the reply and approval certificate issued by the said authorities; and (ii) BALtrans China having obtained the new business licence (which showing the new shareholding and new articles of association of BALtrans China after the Acquisition) issued by the PRC industry and commerce authorities. Completion shall take place on the fifth business day after the conditions of the Agreement have been satisfied or waived by the Purchaser. If the conditions of the Agreement are not fulfilled or waived on or before 31 December 2007, the parties shall be entitled to postpone the completion of the Agreement or terminate the Agreement. The Company has commenced the preparation for applying for the relevant approval and new business license from the PRC authorities.

The Agreement was entered into on normal commercial terms after arm's length negotiation. The consideration for the Acquisition was determined by the parties with reference to the unaudited profit before taxation of BALtrans China for the financial year ended 31 December 2005 and the potential synergies to be realized from the Group's ability to integrate its PRC platform upon completion of the Acquisition. The Directors (including the independent non-executive Directors) therefore 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.

## **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. Although the Company has already taken control at BALtrans China, 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 the Acquisition enables 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. 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.

## **GENERAL**

The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.25 of the Listing Rules and as requested by the Stock Exchange, the Acquisition would have to be aggregated with the acquisition as described in our announcement made on 21 December 2005 (which has been approved by the independent Shareholders at the SGM held on 17 February 2006). As each of the applicable percentage ratios (other than profits ratio) for the two acquisition transactions in aggregate is being less than 2.5%, the Company is only subject to the requirements for reporting and announcement in accordance with 14A.32 of the Listing Rules.

## **DEFINITIONS**

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

|               |   |
|---------------|---|
| “Acquisition” | the acquisition by the Purchaser of a 10% equity interest in the capital of BALtrans China from the Vendor      |
| “Agreement”   | an agreement dated 18 May 2006 entered into between the Vendor and the Purchaser in relation to the Acquisition |

|                    |   |
|--------------------|---|
| “BALtrans China”   | BALtrans Logistics (China) Limited, a sino-foreign joint venture established in the PRC and a 90%-owned subsidiary of the Company   |
| “Board”            | the board of directors of the Company   |
| “Company”          | BALtrans Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange  |
| “connected person” | as defined in the Listing Rules   |
| “Directors”        | the directors of the Company  |
| “Group”            | the Company and its subsidiaries  |
| “Hong Kong”        | the Hong Kong Special Administrative Region of the PRC  |
| “HK\$”             | Hong Kong dollars, the lawful currency of Hong Kong   |
| “JCCTA”            | Jardine-CCTA Logistics Services Limited, a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of the Company, which is principally engaged in the handling of international sea, land and air freight forwarding agency services for imported and exported goods in the PRC |
| “Listing Rules”    | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “PRC”              | The People’s Republic of China  |
| “Purchaser”        | BALtrans Logistics Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company   |
| “RMB”              | Renminbi, the lawful currency of the PRC  |
| “Shares”           | shares of HK\$0.10 each in the share capital of the Company   |
| “Shareholder(s)”   | the shareholders of the Company   |
| “Stock Exchange”   | The Stock Exchange of Hong Kong Limited   |
| “Vendor”           | Xiamen Globelink China Logistics Limited, a company incorporated under the laws of the PRC  |

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

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

Hong Kong, 22 May 2006

*As at the date of this announcement, the executive directors of the Company are Mr. Lau Siu Wing Anthony and Mr. Ng Hooi Chong; the non-executive directors are Mr. Naruyuki Sado, 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.*

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