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Symbol of Quality Logistics Services

BALtrans Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 562)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

Supreme Sale and Purchase Agreement

BALtrans International as the purchaser has entered into a sale and purchase agreement on 18 July 2006 for the acquisition of 7.5% interest in Supreme from Mr. Kwan, for a cash consideration to be determined as mentioned below. An up front payment of the consideration in the sum of HK\$3,600,000 will be paid by BALtrans International to Mr. Kwan on 28 July 2006 or within five (5) business days from the date of fulfilment of all conditions as set forth in the Supreme Sale and Purchase Agreement, whichever is later.

BALtrans International is a wholly owned subsidiary of the Company. Mr. Kwan is a director of Supreme (a non-wholly owned subsidiary of the Company). The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the requirements for reporting and announcement in accordance with Rule 14A.32 of the Listing Rules.

Seko Sale and Purchase Agreement

Supreme as the vendor has entered into a sale and purchase agreement on 18 July 2006 for the sale of 30% interest in Seko to Mr. Kwan for a cash consideration to be determined as mentioned below. An up front payment of the consideration in the sum of HK\$2,000,000 will be paid by Mr. Kwan to Supreme on 28 July 2006 or within five (5) business days from the date of fulfilment of all conditions as set forth in the Seko Sale and Purchase Agreement, whichever is later.

Supreme is a non-wholly owned subsidiary of the Company. Mr. Kwan is a director of Supreme. The Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the requirements for reporting and announcement in accordance with Rule 14A.32 of the Listing Rules.

Consultancy Agreement

On 18 July 2006, Supreme entered into a Consultancy Agreement with the Consultant pursuant to which the Consultant would provide consultancy services to Supreme.

Mr. Kwan is the sole shareholder of the Consultant. Since Mr. Kwan is a director of Supreme, the services provided by the Consultant to Supreme constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the aggregate amount payable during the term of the Consultancy Agreement, on an annual basis, are expected to be less than 2.5% of the applicable percentage ratios in respect of the Company, therefore the Consultancy Agreement falls within Rule 14A.34 of the Listing Rules and is therefore only subject to annual review requirements of Rule 14A.37 to 14A.40 of the Listing Rules and reporting and announcement requirements of Rules 14A.45 to 14A.47 of the Listing Rules.

SUPREME SALE AND PURCHASE AGREEMENT DATED 18 JULY 2006

Parties:

Vendor : Mr. Kwan
Confirmor : Spill-Rich Company Limited (as trustee of the Vendor with respect to the 7.5% interest in the issued and fully paid share capital of Supreme)
Purchaser : BALtrans International, a wholly owned subsidiary of the Company

To the best knowledge of the Company, Mr. Kwan through his nominee, Spill-Rich Company Limited, acquired 1,500 issued and fully paid shares in the capital of Supreme in 1995 at HK\$150,000. In 1998, Mr. Kwan transferred 375 issued and fully paid shares of Supreme to Wellfirm Nominees Limited (an independent third party of both the Company and all existing shareholders of Supreme) at \$37,500. As a result, he holds 1,125 issued and fully paid shares of Supreme (being 7.5% of the issued share capital of Supreme) through Spill-Rich Company Limited.

As Mr. Kwan is a director of Supreme (a non-wholly owned subsidiary of the Company), Mr. Kwan is regarded as a connected person of the Company under the Listing Rules.

Asset to be acquired:

Pursuant to the Supreme Sale and Purchase Agreement, BALtrans International agreed to acquire and Mr. Kwan agreed to sell 7.5% interest in the issued and fully paid share capital of Supreme. The 7.5% interest in the issued and fully paid share capital of Supreme to be acquired by BALtrans International had an approximate audited total asset value of HK\$8,188,386 and an approximate audited net asset value of HK\$3,731,608 as at 31 July 2005.

Supreme is a company incorporated in Hong Kong on 12 June 1979. It is principally engaged in freight forwarding. Its audited consolidated total asset value and net asset value as at 31 July 2005 were approximately HK\$109,178,484 and HK\$49,754,776 respectively. For the two years ended 31 July 2005, its consolidated net profits (both before and after taxation) for each of the two years ended 31 July 2005 are set out as follows:

	For the year ended 31 July 2004	For the year ended 31 July 2005
Audited consolidated net profits (before taxation)	HK\$8,183,108	HK\$17,084,521
Audited consolidated net profits (after taxation)	HK\$7,576,033	HK\$15,916,943

The following table shows the ownership of interests in the issued and fully paid share capital of Supreme before and after completion of the Supreme Sale and Purchase Agreement:

Owner	Percentage of interest in the issued and fully paid share capital of Supreme (before completion of the Supreme Sale and Purchase Agreement)	Percentage of interest in the issued and fully paid share capital of Supreme (after completion of the Supreme Sale and Purchase Agreement)
BALtrans International	86.5%	94%
Mr. Kwan	7.5%	–
I-Logistic (HK) Limited (an independent third party to this transaction)	6%	6%
Total:	<u>100%</u>	<u>100%</u>

Consideration and payment terms:

The consideration for the Acquisition shall be equal to:

7.5%A + \$75,000

Where:

A = net asset value of Supreme as at 31 July 2006

Provided always that the amount of the consideration for the Acquisition shall in any event not exceed HK\$10,000,000.

An up front payment of the consideration in the sum of HK\$3,600,000 (the “Up Front Payment”) will be paid to the Vendor on 28 July 2006 or within five (5) business days from the date of fulfilment of all conditions as set forth in the Supreme Sale and Purchase Agreement, whichever is later.

The Up Front Payment will be adjusted within 14 days upon presentation of the audited accounts of Supreme for the year ending 31 July 2006 (the presentation of which shall take place no later than 28 February 2007). The difference between the adjusted figure and the Up Front Payment will be settled by one party to the other at a date no later than 30 April 2007.

The consideration for the Acquisition was arrived at after arm’s length negotiations and with reference to Supreme’s net asset value as at 31 July 2005 and its business potential. The consideration for the Acquisition will be paid out of the Company’s internal resources.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are fair and reasonable as far as the Company and the independent Shareholders are concerned and are on normal commercial term.

Completion:

Completion of the Supreme Sale and Purchase Agreement is condition upon, amongst other things, the following:

1. Completion of the Seko Sale and Purchase Agreement taking place on the same day; and
2. the Consultancy Agreement having been duly executed by the parties thereto.

Completion will take place on 28 July 2006 or within five (5) business days from the date of fulfilment of all conditions as set forth in the Supreme Sale and Purchase Agreement, whichever is later.

Mr. Kwan’s appointment as a director of Supreme shall terminate automatically upon Completion.

SEKO SALE AND PURCHASE AGREEMENT DATED 18 JULY 2006

Parties:

Vendor : Supreme
Purchaser : Mr. Kwan

Supreme is a non-wholly owned subsidiary of the Company. As Mr. Kwan is a director of Supreme, Mr. Kwan is regarded as a connected person of the Company under the Listing Rules.

Asset to be disposed:

Pursuant to the Seko Sale and Purchase Agreement, Supreme agreed to sell and Mr. Kwan agreed to acquire 30% interest in the issued and fully paid share capital of Seko. The 30% interest in the issued and fully paid share capital of Seko to be disposed by Supreme had an approximate unaudited total asset value of HK\$5,896,258 and an approximate unaudited net asset value of HK\$1,524,611 as at 31 December 2005.

Seko is a company incorporated in Hong Kong on 21 May 2004. It is principally engaged in freight forwarding. Its unaudited total asset value and net asset value as at 31 December 2005 were approximately HK\$19,654,192 and HK\$5,082,037 respectively. For the two years ended 31 December 2005, its net profits (both before and after taxation) for each of the two years ended 31 December 2005 are set out as follows:

	For the year ended 31 December 2004 Audited	For the year ended 31 December 2005 Unaudited
Net profits (before taxation)	HK\$756,772	HK\$3,586,926
Net profits (after taxation)	HK\$622,823	HK\$2,959,214

The following table shows the ownership of interests in the issued and fully paid share capital of Seko before and after completion of the Seko Sale and Purchase Agreement:

Owner	Percentage of interest in the issued and fully paid share capital of Seko (before completion of the Seko Sale and Purchase Agreement)	Percentage of interest in the issued and fully paid share capital of Seko (after completion of the Seko Sale and Purchase Agreement)
Mr. Kwan	10%	40%
Supreme	30%	–
Two individuals (independent third parties to this transaction)	60%	60%
Total:	100%	100%

Consideration and payment terms:

The consideration for the Disposal shall be equal to 30% of the net asset value of the Company as at 31 July 2006, provided that the amount of the consideration shall in any event not exceed HK\$3,000,000.

An up front payment of the consideration for the Disposal in the sum of HK\$2,000,000 (the "Up Front Payment") will be paid to the Vendor on 28 July 2006 or within five (5) business days from the date of fulfilment of all conditions as set forth in the Seko Sale and Purchase Agreement, whichever is later.

The Up Front Payment will be adjusted within 14 days upon presentation of the audited accounts of Seko for the year ending 31 July 2006 (the presentation of which shall take place no later than 28 February 2007). The difference between the adjusted figure and the Up Front Payment will be settled by one party to the other no later than 30 April 2007.

The consideration for the Disposal was arrived at after arm's length negotiations and with reference to Seko's net asset value as at 31 December 2005 and its business potential.

The Directors (including the independent non-executive Directors) consider that the terms of the Disposal are fair and reasonable as far as the Company and the independent Shareholders are concerned and are on normal commercial term.

Financial effect of the Disposal:

The Group does not expect any gain or loss to accrue upon the completion of the disposal. This is because Seko has adopted equity accounting in valuing the assets. The net proceed of approximately HK\$3,000,000 from the Disposal will be used as general working capital of the Group.

Completion:

Completion of the Seko Sale and Purchase Agreement is conditional upon, amongst other things, the following:

1. completion of the Supreme Sale and Purchase Agreement taking place on the same day; and
2. the Consultancy Agreement having been duly executed by the parties thereto.

Completion shall take place on 28 July 2006 or a date within five (5) business days from the date of fulfilment of all conditions as set forth in the Seko Sale and Purchase Agreement, whichever is later.

CONSULTANCY AGREEMENT DATED 18 JULY 2006**Parties:**

- (1) Supreme (a non-wholly owned subsidiary of the Company)
- (2) The Consultant

The Consultant is a company incorporated in Hong Kong on 13 May 2006. It is principally engaged in investment holding and consultancy. To the best knowledge of the Company, Mr. Kwan is the sole registered shareholder of the Consultant. Since Mr. Kwan is a director of Supreme, Mr. Kwan is a connected person of the Company. The services provided by the Consultant to Supreme under the Consultancy Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Principal terms of the Consultancy Agreement:

- (1) The Consultant agrees to provide Supreme with consultancy services in assisting in the businesses of Supreme and its subsidiaries, amongst other things, the following:
 - (a) assisting Supreme in retaining its space allocations from Airline Companies; and
 - (b) assisting Supreme to retain its oversea agents including, but not limited to, Air Cargo Partner.
- (2) Supreme agrees to pay to the Consultant:
 - (a) a consultancy fee at the rate of HK\$80,000 per month; and
 - (b) a management bonus equal to 25% of the net profit after tax of the Company for the financial year ending 31 July 2006 after a sum of HK\$5,500,000 being deducted therefrom by Supreme, provided that the management bonus shall in any event not exceed HK\$4,500,000.

The consultant fee and management bonus was determined based on a number of factors, namely, remuneration of Mr. Kwan as a director of Supreme, the industry standard for someone with the level of Mr. Kwan's expertise, past experience and connection in the industry, etc.

- (3) The appointment of the Consultant is conditional upon, amongst other things, completion of the Supreme Sale and Purchase Agreement and the Seko Sale and Purchase Agreement having taken place.
- (4) The term of the Consultancy Agreement is for a period of 12 months commencing on 1 August 2006 to 31 July 2007.

The terms of the Consultancy Agreement were negotiated on an arm's length basis.

The Directors (including the independent non-executive Directors) consider that the terms of the Consultancy Agreement to be fair and reasonable. As far as the Company and the independent Shareholders are concerned, these terms are on normal commercial terms and are in the interests of the Company and the independent Shareholders as a whole.

REASONS FOR ENTERING INTO THE AGREEMENTS

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 warehouse services. Notwithstanding that, both Supreme and Seko are engaged in the provision of air and freight forwarding services, there are differences between the entities, in that each entity focuses on a different sector of the market and different client (that is, each entity targets different airline companies).

The Group's decision to enter into these agreements is motivated by its strategy to streamline its group structure by:

1. consolidating management and shareholder control over Supreme (as a subsidiary of the Group); and
2. disposing the shareholding in Seko (a non-core operation that the Group does not have control over and as such is an operation with no consequential synergy to the Group).

Mr. Kwan is a highly regarded and respected individual in the industry and has been a director of Supreme since 1 December 1994. Therefore, he has extensive knowledge and understanding of not only the industry but also the business of the Group. The Group's decision to retain Mr. Kwan (via the Consultant) for a period of 1 year is to facilitate smooth operational and management transition of Mr. Kwan's departure from Supreme.

GENERAL

The Acquisition and the Disposal constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios (other than profits ratio) for the Acquisition and the Disposal is being less than 2.5%, the Company is only subject to the requirements for reporting and announcement in accordance with Rule 14A.32 of the Listing Rules.

The services provided by the Consultant to Supreme under the Consultancy Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the annual consideration payable under the Consultancy Agreement represent less than 2.5% of the applicable percentage ratios of the Company, the Consultancy Agreement falls within Rule 14A.34 of the Listing Rules and is only subject to annual review requirements of Rule 14A.37 to 14A.40 of the Listing Rules and reporting and announcement requirements of Rules 14A.45 to 14A.47 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 BALtrans International of a 7.5% interest in the issued and fully paid share capital of Supreme from Mr. Kwan
“Air Cargo Partner”	means Cargo Partner AG and its subsidiaries and associated companies
“Airline Companies”	means Japan Airlines, Nippon Cargo Airlines, Qantas Airways and Malaysian Airline System
“BALtrans International”	BALtrans International (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly 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
“Consultancy Agreement”	the consultancy agreement dated 18 July 2006 entered into between Supreme and the Consultant in relation to the provision of consultancy services by Consultant to Supreme
“Consultant”	Top Fortune (H.K.) Limited, a company incorporated in Hong Kong with limited liability
“connected person”	as defined in the Listing Rules
“Directors”	the directors of the Company

“Disposal”	the disposal by Supreme of a 30% interest in the issued and fully paid share capital of Seko to Mr. Kwan
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Kwan”	Mr. Kwan Wan Tat, a director and shareholder of Supreme
“PRC”	The People’s Republic of China
“Seko”	Seko Worldwide Limited, a company incorporated in Hong Kong with limited liability
“Seko Sale and Purchase Agreement”	the agreement for sale and purchase of 30% interest in the issued and fully paid share capital of Seko dated 18 July 2006 made between Supreme and Mr. Kwan
“Shares”	shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supreme”	Supreme Airfreight Company Limited, a company incorporated in Hong Kong with limited liability and a 86.5% owned subsidiary of the Company
“Supreme Sale and Purchase Agreement”	the agreement for sale and purchase of 7.5% interest in the issued and fully paid share capital of Supreme dated 18 July 2006 made between BALtrans International and Mr. Kwan

By Order of the Board
Lau Siu Wing Anthony
Executive Chairman

Hong Kong, 24 July 2006

As at the date of this announcement, the executive directors of the Company are Mr. Lau Siu Wing Anthony, Mr. Henrik August von Sydow, Mr. Ng Hooi Chong and Mr. Tetsu Toyofuku, 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.

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