

BAKER GROUP INTERNATIONAL HOLDINGS LIMITED

(formerly known as Luen Cheong Tai International Holdings Limited)

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2002

RESULTS

The joint and several provisional liquidators (“Provisional Liquidators”) of Baker Group International Holdings Limited (formerly known as Luen Cheong Tai International Holdings Limited) (Provisional Liquidators Appointed) (“Company”) announce that the interim consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30 November 2002 together with the comparative figures for last year were as follows:

		6 months ended 30.11.2002 (HK\$'000)	6 months ended 30.11.2001 (HK\$'000)
Turnover	2	1,401	107,202
Cost of sales		(1,060)	(104,602)
Gross profit		341	2,600
Other revenue		1	3,174
Administrative expenses		(3,628)	(15,057)
Selling expenses		*	(1,673)
Other operating expenses		*	(847)
Loss on disposal of fixed assets		*	(1,136)
Loss from operations	3	(3,286)	(12,939)
Gain on deconsolidation of a subsidiary	4	244,332	—
Debt restructuring costs	4	(52,322)	—
Finance costs		*	(7,688)
Profit/(loss) before taxation	2	188,724	(20,627)
Taxation	5	3,400	*
Profit/(loss) after taxation		192,124	(20,627)
Net profit/(loss) for the period		192,124	(20,627)
Earnings/(Loss) per share — Basic (cents)	6	36.1	(4.6)
Dividend per share	7	Nil	Nil

* The Provisional Liquidators have encountered difficulties in recovering the books and records of the Group and limited information has been made available to them. As a result, certain information in the financial statements of the Group for the six months ended 30 November 2002, this announcement and the notes below is not available.

Unless otherwise defined in this announcement, terms defined in the joint announcement date 12 June 2003 made by the Company (acting through the Provisional Liquidators) and Northern Resources Limited (“Investor”) shall have the same meaning when used herein.

Notes:

1. Basis of Preparation of Condensed Financial Statements

(a) *Going concern*

The condensed financial statements for the period ended 30 November 2002 have been prepared on a going concern basis, as modified by the write-down of assets and liabilities to their estimated recoverable/settlement amounts. In view of the matters discussed in the paragraph headed Prospects/Restructuring Proposal as set out in the Management Discussion and Analysis section of this announcement, in the opinion of the Provisional Liquidators, the Company and the Group will not be a going concern at the balance sheet date without a successful implementation of the Restructuring Proposal.

Fixed assets, concession rights and website development costs are stated at the Provisional Liquidators’ best estimate of net realizable value. For presentation purposes, they are shown as non-current assets.

Current assets are stated at the Provisional Liquidators’ best estimate of their respective net realizable values.

Liabilities have been adjusted to anticipated settlement amounts as the Provisional Liquidators consider that preparation of the condensed financial statements on the basis of inclusion of Group liabilities at estimated settlement amounts as set out in the Company’s proposed Debt Restructuring arrangement reflects the probable economic outflows of the Group.

There will also be continuing realization costs as the Provisional Liquidators progress their work.

In the event that the Restructuring Proposal is not successfully implemented, further adjustments may have to be made to reduce the carrying value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify fixed assets and concession rights as current assets.

The condensed consolidated financial statements do not contain the required statement of cash flows as information is not available.

No information is available to present the Group’s financial information by segment. This is not in accordance with the requirements of Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” and the Listing Rules.

The financial statements do not contain information pertaining to the Group’s credit risk and ageing of debtors and creditors. This is not in accordance with the requirements of the Listing Rules.

(b) *Qualified Representation by Provisional Liquidators*

The powers of the Directors have been suspended following the appointment of the Provisional Liquidators.

As the Provisional Liquidators did not exercise any control over the business, property and affairs of the Group prior to their appointment on 5 September 2002, they do not have the same level of knowledge of the financial affairs of the Company and the Group as the Company’s previous

directors. The accounting staff responsible for maintaining the books and records of the Company, and preparing its financial statements, had left the service of the Company prior to the appointment of the Provisional Liquidators. The Provisional Liquidators have encountered and continue to encounter tremendous difficulties in recovering the books and records of the Company and its subsidiaries. To date, information available to the Provisional Liquidators is limited and this has resulted in the Provisional Liquidators being unable to provide full disclosures for the period ended 30 November 2002 and the year ended 31 May 2002 as is required by the SSAP issued by the Hong Kong Society of Accountants and the Listing Rules.

2. Turnover and Segmental Information

The principal activities of the Group are construction, sale of timber from its timber concession, trading of machinery and parts, website development, leasing of machinery, vessels and property investment.

Turnover represents the aggregate of sales value of goods supplied to customers, rental income, revenue from sales of machinery and revenue from construction contracts. Revenue excludes sales taxes and is after deduction of any trade discounts. An analysis of the Group's turnover and contribution to operating profit/(loss) for the period by principal activities and markets is as follows:

	Turnover		Profit/(loss) from operations	
	6 months ended 30.11.2002 HK\$'000	6 months ended 30.11.2001 HK\$'000	6 months ended 30.11.2002 HK\$'000	6 months ended 30.11.2001 HK\$'000
(a) Principal activities:				
Construction	*	103,835	*	(6,039)
Machinery, vessels and property rental	*	950	*	(3,796)
Sale of machinery and building materials	*	—	*	—
Sales of timber	1,401	2,417	*	(10,792)
	<u>1,401</u>	<u>107,202</u>	<u>188,724</u>	<u>(20,627)</u>
(b) Geographical locations of markets:				
Hong Kong	*	104,785	*	(9,835)
The People's Republic of China	*	1,552	*	(1,760)
The Republic of Suriname	*	865	*	(9,032)
	<u>1,401</u>	<u>107,202</u>	<u>188,724</u>	<u>(20,627)</u>

3. Loss from Operations

	6 months ended 30.11.2002 (HK\$'000)	6 months ended 30.11.2001 (HK\$'000)
Loss from operations is arrived at after charging:		
Depreciation	3,298	6,045
Amortization of timber concession rights	—	2,550
	<u>3,298</u>	<u>8,595</u>

4. Gain on Deconsolidation of a Subsidiary and Debt Restructuring Costs

On 15 July 2002, the High Court of Hong Kong issued a winding up order against Luen Cheong Tai Construction Company Limited ("LCTC"), a wholly owned subsidiary of the Company. A winding-up petition had been presented by Hennabun Resources Limited against LCTC on 18 February 2002. As a

consequence of the loss of control of LCTC, the Company has deconsolidated LCTC as from 1 June 2002. As a result of the Restructuring Proposal, the Company has provided for additional liabilities which are expected to be settled under the proposed Debt Restructuring arrangement.

5. Taxation

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	6 months ended 30.11.2002 (HK\$'000)	6 months ended 30.11.2001 (HK\$'000)
Hong Kong	*	—
Overseas	*	—
	<u>(3,400)</u>	<u>—</u>
 (a) Taxation in the consolidated profit and loss account represents:		
Provision for Hong Kong Profits Tax for the year	*	—
Under/(over) provision in respect of prior years	*	—
Overseas taxation	*	—
Deferred taxation	*	—
	<u>(3,400)</u>	<u>—</u>
 (b) Taxation in the consolidated balance sheet represents:		
	30.11.2002	31.5.2002
	HK\$'000	HK\$'000
Provision for Hong Kong Profits Tax for the year	*	*
Balance of Hong Kong Profits Tax recoverable relating to prior years	*	*
	<u>—</u>	<u>—</u>
Tax recoverable — Hong Kong Profits Tax	*	*
Tax payable — overseas	*	*
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>5,536</u>
Representing:		
Tax payable	—	5,536
Tax recoverable	—	—
	<u>—</u>	<u>5,536</u>

6. Earnings/(Loss) Per Share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shares of HK\$192,124,000 (2001: loss of HK\$20,627,000) and the weighed average of 532,554,501 (2001: 445,054,501) ordinary shares in issue during the period.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for each period ended 30 November 2002 and 2001 is not shown as the potential ordinary shares are anti-dilutive.

7. Dividends

The Provisional Liquidators do not recommend the payment of an interim dividend for the six months ended 30 November 2002.

AUDIT

The interim results of the Group for the six months ended 30 November 2002 have not been audited.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company is incorporated in the Cayman Islands and its shares are listed on the Stock Exchange. However, trading in the Company's shares has been suspended since 26 August 2002.

The principal activities of the Group are construction work, forest exploitation and timber trading and online commerce. The current principal operating business of the Company is timber logging and trading in Suriname.

The Group's financial position began to deteriorate following the Asian financial crisis and the weakness of Hong Kong's property market. This caused a substantial deterioration in the Group's available working capital. The Group's operations have been adversely constrained for some time and the Group is currently principally engaged in managing its forest concession rights in Suriname, South America.

On 5 September 2002, the High Court of Hong Kong appointed Mr. Yeo Boon Ann and Mr. Stephen Liu Yiu Keung both of Messrs. Ernst & Young Transactions Limited as the Provisional Liquidators of the Company.

On 15 July 2002, the High Court of Hong Kong issued a winding up order against LCTC, a wholly owned subsidiary of the Company. As a consequence of the loss of control of LCTC, the Company has deconsolidated LCTC as from 1 June 2002. As a result, the Group recorded a consolidated net profit of HK\$192.1 million for the six months ended 30 November 2002, which represents an improvement of HK\$212.7 million from the consolidated net loss of HK\$20.6 million for the six months ended 30 November 2001. For details, please refer to note 4 to this announcement.

Prospects/Restructuring Proposal

On 27 May 2003, a Restructuring Agreement was signed between the Company (acting through the Provisional Liquidators), the Provisional Liquidators and the Investor. The Restructuring Agreement sets out the framework for implementation of the Restructuring Proposal. If completed, the Restructuring Proposal will result in the restructuring of both the indebtedness of the Company and certain of its subsidiaries and the Company's share capital, and also result in a change in the identity of the Company's controlling shareholder. Details of the Restructuring Proposal are set out in a joint announcement dated 12 June 2003 made by the Company (acting through the Provisional Liquidators) and the Investor. Terms defined in that announcement shall have the same meaning when used herein.

The Restructuring Proposal is subject to the approval of all parties, including the relevant regulatory authorities, creditors and shareholders. The implementation of the Restructuring Proposal is also subject to the grant of a whitewash waiver from the Executive under the terms of the Code from the obligation to make a general offer for all the shares in the Company not already owned by the Investor and parties acting in concert with it.

Under the terms of the Restructuring Proposal, the Company's share capital will be restructured, *inter alia*, by way of a capital reduction of the existing issued share capital of the Company from HK\$ 0.1 each to a par value of HK\$0.01, a share consolidation and increase in authorised share capital.

The Restructuring Proposal also sets out the compromise of indebtedness owing by the Company to all of its creditors. The Debt Restructuring will be effected as part of the Schemes. It is proposed that all outstanding debts of the Company will be repaid and compromised as full and final settlement in the following manner:

- (i) cash payment of HK\$45 million upon Completion, subject to the payment therefrom of the restructuring costs, will be applied towards repaying the outstanding debts of the Company;
- (ii) issue of 248,053,000 New Shares, representing approximately 5% of the enlarged issued share capital of the Company immediately upon Completion, by the Company at par value of HK\$0.01 per New Share to the Scheme Administrators (or their nominees) on trust for the unsecured creditors and the secured creditors (in respect of the unsecured portion of their debts) of the Company on a pro rata basis. The Scheme Administrators shall undertake that they shall (or shall procure their nominees) not to dispose of such New Shares for a period of one (1) year from the date of Completion;
- (iii) the undertaking to repay the Debt by the Debtor pursuant to a deed of undertaking to be entered into by the Debtor, the Company and the Scheme Administrators; and
- (iv) cash payment of the proceeds (if any) from the realization of the Company's assets (other than Finestyle, i.Solution and the Debtor) which will be transferred to a newly incorporated company controlled by the Scheme Administrators.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Provisional Liquidators were appointed to the Company on 5 September 2002. Consequently, the Provisional Liquidators are not aware of whether the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during six month period ended 30 November 2002. Trading in the shares of the Company has been suspended since 9:30a.m. on Monday, 26 August 2002.

CODE OF BEST PRACTICE

The Provisional Liquidators were appointed to the Company on 5 September 2002. Consequently, the Provisional Liquidators have no knowledge as to whether the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the reporting period.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information of the interim results of the Group for the six months ended 30 November 2002 required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

For and on behalf of
Baker Group International Holdings Limited
(formerly known as Luen Cheong Tai International Holdings Limited)
(Provisional Liquidators Appointed)
Yeo Boon Ann
Stephen Liu Yiu Keung
Joint and Several Provisional Liquidators

Hong Kong, 14 October 2003

Please also refer to the published version of this announcement in The Standard.