



LUEN CHEONG TAI INTERNATIONAL HOLDINGS LIMITED

聯昌泰國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

FINAL RESULTS FOR THE YEAR ENDED 31ST MAY 2001

RESULTS

The board of directors (the "Board") of Luen Cheong Tai International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 May 2001 together with comparative figures for the previous corresponding year as follows:

	Note	2001 HK\$'000	2000 HK\$'000
Turnover		295,648	367,194
Cost of sales		(308,357)	(311,040)
Gross (loss)/profit		(12,709)	56,154
Other revenue		10,874	2,164
Administrative expenses		(28,090)	(24,103)
Other operating expenses		(113,110)	(14,655)
(Loss)/profit from operations		(143,035)	19,560
Finance costs		(16,797)	(12,696)
(Loss)/profit from ordinary activities before taxation		(159,832)	6,864
Taxation	2	5,749	(3,268)
(Loss)/profit attributable to shareholders		(154,083)	3,596
Dividends		–	(1,320)
(Loss)/earnings per share	3		
Basic		HK\$(0.418)	HK\$0.013
Diluted		N/A	N/A

Notes:

1. Segmental Information

Analysis of the principal activities and geographical locations of the operations of the group during the financial year are as follows:

	Group's turnover		Contribution to (loss)/profit from ordinary activities before taxation	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(a) Principal activities:				
Construction	231,828	339,057	(35,634)	7,866
Machinery, vessels and property rental	9,332	21,968	(44,293)	(411)
Websites development	–	–	(64,380)	–
Sales of machinery and parts	50,490	6,169	2,778	(591)
Sales of timber	3,998	–	(18,303)	–
	295,648	367,194	(159,832)	6,864
(b) Geographical locations of operations:				
Hong Kong	291,650	271,924	(141,529)	196
The People's Republic of China	2,867	78,270	(6,013)	1,816
The Republic of Suriname	1,131	–	(12,290)	–
Others	–	17,000	–	4,852
	295,648	367,194	(159,832)	6,864

2. Taxation

Taxation in the consolidated profit and loss account represents:

	2001 HK\$'000	2000 HK\$'000
Provision for Hong Kong Profits Tax for the year	46	614
Under/(over) provision in respect of prior years	26	(48)
	72	566
Overseas taxation	–	2,423
Deferred taxation	(5,821)	279
	(5,749)	3,268

The provision for Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for the year ended 31 May 2001.

No provision for overseas taxation has been made as the Group sustained a loss for overseas taxation purposes for the year ended 31 May 2001.

3. (Loss)/earnings per share

(a) *Basic (loss)/earnings per share*
The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders of HK\$154,083,000 (2000: profit of HK\$3,596,000) and the weighted average of 368,836,000 (2000: 267,800,000) ordinary shares in issue during the year.

(b) *Diluted earnings per share*
Diluted loss per share for each of the years ended 31 May 2001 and 2000 is not shown as the potential ordinary shares are anti-dilutive.

QUALIFIED OPINIONS EXTRACTED FROM AUDITORS' REPORT

1. Carrying amount of timber concession rights

Included in the consolidated balance sheet are timber concession rights in the Republic of Suriname, South America, with a carrying value of approximately HK\$105,256,000, held by Finestyle Investments (Suriname) N.V. ("Finestyle Suriname"), a wholly owned subsidiary, which was acquired on 1 September 2000, as set out in note 15 to the accounts. The concession rights are stated at cost of acquisition less amortisation.

We have not been able to obtain sufficient evidence concerning the economic value of these concession rights to satisfy ourselves that the carrying values of the concession rights are fairly stated.

2. Interests in subsidiaries

(a) The consolidated accounts include the audited accounts of Finestyle Suriname for the period from the effective date of its acquisition to 31 May 2001. The auditors of Finestyle Suriname have issued a qualified opinion that they are unable to express an opinion on whether the accounts give

a true and fair view. An extraction of the auditors' qualified opinion is set out in note 14 to the accounts. The net assets as at 31 May 2001 and loss attributable to the Group from the date of acquisition to 31 May 2001 of this subsidiary derived from the audited accounts amounted to approximately HK\$92,485,000 and HK\$11,559,000 respectively. Accordingly we have also not been able to satisfy ourselves that the accounts give a true and fair view of the state of affairs of Finestyle Suriname as at 31 May 2001 and of its results and cash flows from the date of acquisition to 31 May 2001.

(b) Included in the Company's balance sheet are interests in subsidiaries of HK\$231,153,000. We have not been able to satisfy ourselves that no further provision for diminution in value or doubtful debts is required.

3. Provision for taxation

Included in the "Taxation" shown in the consolidated balance sheet of the Group as at 31 May 2001 is overseas tax payable totalling HK\$5,622,000 which was brought forward from the previous year. We have not been able to obtain sufficient evidence to satisfy ourselves as to the accuracy of this provision for overseas taxation.

4. Construction contracts

Included in "Trade and other receivables" and "Trade and other payables" shown in the consolidated balance sheet of the Group as at 31 May 2001 are the gross amounts due from customers for contract work of HK\$2,271,000 and the gross amounts due to customers for contract work of HK\$902,000 respectively. We have not been provided with sufficient documentation to determine whether the attributable profits or provision for losses included in contract work have been properly computed. Accordingly we are unable to ascertain whether the gross amounts due from/ to customers for contract work are fairly stated.

5. Going concern basis

We have considered the adequacy of the disclosure made in note 1(b) to the accounts concerning the basis of their preparation by the directors. The accounts have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the negotiation with the Group's bankers and other financial institutions to extend the Group's credit facilities or to reschedule the Group's indebtedness. The accounts do not include any adjustments that would result from a failure to obtain the support from the bankers and other financial institutions. We consider that appropriate disclosures have been made. However, we have not been able to determine whether the adoption of the going concern basis for the preparation of these accounts is appropriate.

Any adjustments on the above matters would have a consequential effect on the net assets of the Group and the Company as at 31 May 2001 and the results of the Group and the Company for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Disagreement of accounting treatment

Recoverability of loan receivable

Included in the "Trade and other receivables" shown in the consolidated balance sheet of the Group as at 31 May 2001 is a loan receivable totalling HK\$78,397,000. This amount comprises a principal amount of HK\$72,300,000 and related accrued interest of HK\$6,097,000. As described in note 19(a) the directors expect that the loan can be settled through the supply of timber. In our opinion there is sufficient doubt as to the recoverability of the loan and accrued interest that a provision should have been made as at 31 May 2001 and 31 May 2000. However, we are unable to quantify the amount of the provision required.

Qualified opinion: Disclaimer of opinion

Because of the significance of the possible effect of the limitation in evidence available to us as set out in the basis of opinion section of this report and the failure to make provision for the loan receivable, we are unable to form an opinion as to whether the accounts give a true and fair view of the state of affairs of the Group and of the Company as at 31 May 2001 or of the loss and cash flows of the Group for the year then ended and as to whether the accounts have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Extraction of Note 14 to the accounts – Interests in subsidiaries

The auditors' report of the accounts of Finestyle Investments (Suriname) N.V. for the period ended 31 May 2001 expressed the following qualified opinion:

Matters affecting opinion

The size of the company and the level of activities have been limited to date. The company has not yet installed an appropriate internal control system nor proper segregation of duties. We have been unable to perform sufficient audit procedures to obtain reasonable assurance on the completeness of sales revenues, expenses and related items as shown in the financial statements.

We have not been able to perform a stock take at balance sheet date because we received the audit instructions far beyond this date.

Opinion

For the reasons described in the preceding paragraph, we are unable to express an opinion about whether the financial statements taken as a whole give a true and fair view. However our audit has not revealed any adjustments that had to be made to these financial statements.

MANAGEMENT DISCUSSIONS AND ANALYSIS – CONCERNING MATTERS NOTED IN THE AUDITORS' REPORT

Concession rights

In September 2000, the Group acquired 100% interest in Finestyle Investment (Suriname) N.V. ("Finestyle Suriname") in Suriname, which holds beneficially the land use right of a forest concession consisting of 8 parcels of land with a combined area of 27,975 hectares located in Brownsweeg, Suriname. The concessions have been valued professionally at US\$19,507,900 (equivalent to approximately HK\$152.1 million) by a renowned Forestry Valuation Bureau in Suriname based on the present value of net future cash flows from operations.

Subsequent to the acquisition of the Concession, the Group has established a saw mill in Suriname and commenced marketing activities in PRC according to plan. In view of its growing reliance on timber imports and increasing environmental concerns, the PRC market offers enormous timber trading opportunities. The Group is also exploring opportunities in other markets including Japan, Taiwan, Europe and North America. The management is of the view that in the long term, the forest exploitation and timber trading business will contribute a significant economic value in terms of revenue and profitability.

Recoverability of loan receivable

This is the loan receivable with original principal amount of HK\$72.3 million brought forward from the previous year ended 31 May 2000, which comprises two debts assigned by two of the Group's debtors to a third party (the "Assignee"). The Assignee is a company incorporated in the Republic of Suriname, Latin America, which own Forest Concessions in Suriname. According to the assignments, the Assignee will fully settle the loan through supply of timber over a period of five years and failing that, the Assignee will offer the Group an equivalent amount of land use rights of Forestry Concessions in lieu of cash settlements for the remaining indebtedness in accordance with a letter of comfort issued by the Assignee to the Group. To date, no settlement amounts have been made by the Assignee but the directors expect that the debt will be settled in full ultimately especially in view of the letter of comfort. The management has been investigating the possibility of early conversion of the loan into the requisite amount of land use rights of Forest Concessions, or alternatively the creation of a secured debenture over the Concession Rights.

FINAL DIVIDEND

In view of the loss for the year, the directors do not recommend the payment of any dividends for the year ended 31 May 2001.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from 25 July 2002 to 26 July 2002 (both dates inclusive) during which period no transfer of shares will be registered. All properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Abacus Share Registrars Limited, 5/F Wing On Centre, 111 Connaught Road Central, Hong Kong no later than 4:00 p.m. on 24 July 2002.

BUSINESS REVIEW

The financial year has been a difficult but challenging one for the Group, with many hardships and opportunities. The operating conditions of the construction industry continue to deteriorate, and the property market remains sluggish due to an over supply of private and public residential units with consumer confidence at a very low point.

Due to the loss in revenue and difficult business environment, the Group has been experiencing a tight cash flow and facing a number of litigations instituted by impatient creditors including financial creditors. The Group has been seeking continuing support from its creditors and negotiating deferred repayment schemes, and the developments have been positive. The management is determined to improve the Group's liquidity by better financial management and funding strategies, and to negotiate and secure possible fundings from financiers on appropriate terms.

The management is confident with the prospects of the Group especially in view of the many business opportunities ahead, and trusts that in the foreseeable future, a long term solution to alleviate the tight cash flow will be accomplished.

Construction

The Group continued its activities in a wide range of construction work in Hong Kong, including landslip preventive/remedial works, roads and drainage, building and demolition, and site formation.

Due to the industry downturn, there has been an overall shortage of projects available in the industry. With undue competition and rising costs, the profit margin of construction contracts has been driven down and as a result, after many years of profit trading, the Group registered a loss before tax of HK\$47.2 millions after excluding amortisation of concession rights, loss on disposal of fixed assets, revaluation deficits on investment properties, write-down of recoverable amount of fixed assets, write-off of website development costs and write-off of goodwill totaling HK\$112.7 million. Despite all the difficulties, the Group has managed to maintain satisfactory progress of all its existing contracts on hand without major disruptions.

Forest Exploitation and Timber Trading

The Group has diversified into a potentially lucrative forest exploitation and timber trading business. In early September 2000, the Group acquired a wholly owned subsidiary, Finestyle Investments (Suriname) N.V., which was incorporated in Suriname and beneficially holds the transferable land use rights of a forest concession located in the Forest Belt at Brownsweg, Suriname, Latin America, with a total area of 27,975 hectares. The Group has further established a Saw Mill in Suriname with two production lines installed, and logging and sawing operations commenced according to plan.

PRC has been the primary market targeted by the Group, which offers an enormous opportunity for timber trading. The Suriname timber operation is still at a preliminary stage, and total sales for the year amounted to only HK\$4 million. However, provided that effective marketing strategies and resources are in place, this new venture is expected to take off in the reasonably near future.

Online Commerce and Related Services

In addition to the self developed website Glo-mat.com for construction related materials and services, the Group acquired three websites during the year, namely Woodmarket.com, SuperTender.com and Nicefuel.com. These three websites are to facilitate on-line trading and information exchange respectively for the forest product industry, the construction industry and the energy industry. In view of the financial meltdown of the internet sector, the management considers that the websites will be unlikely to offer any significant economic benefits in the foreseeable future. Accordingly, the management has adopted a prudent accounting policy to immediately write off the development costs and the goodwill arising from the acquisition of these websites to the profit and loss account of the Group.

FUTURE PLANS AND PROSPECTS

The immediate rebound of the slow economy of Hong Kong in the near term is remote, and the property market is expected to remain weak for quite some times despite favourable mortgage rates. There is general sense of anxiety in the community, which continues to face many hardships including negative wealth, wages cuts and loss of jobs, and public sentiment has been very negative.

The Construction industry, in particular, is undergoing a depression. To survive this difficult operating environment, the Group will continue its prudent pricing and tendering strategies to avoid irreversible losses and damages. While maintaining its firm commitments to high quality of work, the Group will aim to improve its competitiveness through efficient use of resources. The Group continues to re-shape its management team by recruiting new talents with business acumen and visions, which will place the Group in a much stronger position to secure contracts and attain profitability.

The management will continue to seek long term investment or business opportunities, which will provide growth, stable revenues and profits to the Group.

Proposed Acquisition of Shenzhen Baker and Proposed Change of Name

The Group has the vision to capitalize on the PRC's recent entry into the World Trade Organisation, and is determined to achieve a stronger presence in PRC and capture a larger share of the enormous PRC market. In April 2002, the Group has entered into a letter of intent with certain independent third party, which sets out in broad terms a proposed acquisition (the "Proposed Acquisition") by the Company of 100% interests in a private company incorporated in PRC, Shenzhen Baker Deal Industrial Company Limited ("Shenzhen Baker"). Shenzhen Baker is mainly engaged in property holding, construction and product developments. In particular, it owns the operational and development rights of a major infrastructure project of natural gas pipelines of over 400 kilometers in distance to be constructed in Nei Mongol, PRC, which will offer immense economic benefits to all participants concerned. The amount of consideration required for the Proposed Acquisition has to be further negotiated and would involve the issuance of new shares in the Company.

Pursuant to the aforesaid letter of intent, the Company has proposed to change its name from "Luen Cheong Tai International Holdings Limited" to "Baker Group International Holdings Limited" (the "New Name"). The proposed name change will be subject to the passing of a special resolution by shareholders of the Company at the coming Extraordinary General Meeting to be held on 26th June 2002.

The Proposed Acquisition is now under serious negotiation and the Company will adopt the New Name as the name of the Company. The management considers that the New Name will pave the way for further co-operation with the relevant parties of Shenzhen Baker in further and significant construction and development projects, both inside and outside Mainland China, and will open up many opportunities for the furtherance of the business of the Group in PRC.

PURCHASE, SALE AND REDEMPTION OF SHARES

The Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

The Company has complied, throughout the year ended 31st May 2001, with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

APPRECIATION

I would like to extend my heartfelt appreciation to my fellow directors and staff for their dedication and contribution during this year.

By order of the Board
Luen Cheong Tai International Holdings Limited
Chan Man Chuen
Chairman

Hong Kong, 12 June 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Luen Cheong Tai International Holdings Limited (the "Company") will be held at 10:30 a.m. on 26 July 2002 at Miramar Hotel, Kowloon, to transact the following ordinary business:

1. to receive and consider the audited accounts and reports of the directors and auditors for the year ended 31 May 2001;
2. to re-elect directors and to authorise the board of directors to fix the directors' remuneration;
3. to appoint auditors and to authorise the board of directors to fix their remuneration;

and, as special business, to consider and, if through fit, passing the following Resolutions as ordinary resolutions:

4. **"THAT:**

(A) subject to paragraph (C) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(B) the directors of the Company be and are authorised during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which might require the exercise of such powers during or after the end of the Relevant Period (as hereinafter defined);

(C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (A) and (B), otherwise than pursuant to a Rights Issue (as hereinafter defined) or pursuant to the exercise of any options granted under the share option scheme adopted by the Company or an issue of shares of the Company upon the exercise of subscription rights attached to the warrants issued by the Company or an issue of shares of the Company in lieu of the whole or part of a dividend on shares or any scrip dividend scheme or similar arrangement in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the time of passing this resolution;

(D) for the purposes of this resolution:

"Relevant Period" means the period from the time of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company, or any applicable law of Cayman Islands to be held; and
- (iii) the revocation or variation of the authority given under this resolution by any ordinary resolution of the shareholders of the Company in general meeting.

"Right Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange)."

5. **"THAT:**

(A) subject to paragraph (C) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the securities of the Company may be listed and recognised by

the Securities and Futures Commission and the Stock Exchange for this purpose, and that the exercise by the directors of the Company of all powers of the Company to purchase such securities, subject to and in accordance with all applicable laws, be and is hereby, generally and unconditionally approved;

(B) the approval in paragraph (A) shall be in addition to any other authorization given to the directors of the Company and shall authorise the directors of the Company on behalf of the Company during the Relevant Period (as hereinafter defined) to procure the Company to purchase its shares at a price determined by the directors of the Company;

(C) the aggregate nominal amount of share capital of the Company purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph (A) during the Relevant Period (as hereinafter defined) shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the time of passing this resolution;

(D) for the purposes of the resolution:-

"Relevant Period" means the period from the time of the passing of this resolution until whichever is the earliest of:-

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any applicable law of Cayman Islands to be held; and
- (iii) the revocation or variation of the authority given under this resolution by any ordinary resolution of the shareholders of the Company in general meeting."

6. **"THAT** conditional upon the passing of the ordinary resolutions numbered 4 and 5 in the notice of this meeting, the aggregate nominal amount of the shares in the capital of the Company which are purchased by the Company pursuant to and in accordance with the said resolution numbered 5 shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with the resolution numbered 4 set out in the notice of this meeting."

By order of the Board
Luen Cheong Tai International Holdings Limited
Chan Man Chuen
Chairman

Hong Kong, 12 June 2002

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, at the Company's principal office, Suites 2109-11 21/F, CMG Asia Tower, The Gateway, 15 Canton Road, Kowloon, Hong Kong not later than 48 hours before the time for holding the meeting or adjourned meeting.
3. The Register of Members of the Company will be closed from 25 July 2002 to 26 July 2002 (both dates inclusive) during which period no transfer of shares will be registered. All properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Abacus Share Registrars Ltd, 5/F Wing On Centre, 111 Connaught Road, Central, Hong Kong not later than 4:00 p.m. on 24 July 2002.
4. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed Resolution No. 5 as required by the Listing Rules is set out in a separate document to be despatched to the shareholders with the annual report for the year ended 31 May 2001.