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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)

Northern Resources Limited

(Incorporated in the British Virgin Islands with limited liability)

**RESTRUCTURING OF
BAKER GROUP INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS LUEN CHEONG TAI INTERNATIONAL HOLDINGS
LIMITED)
(PROVISIONAL LIQUIDATORS APPOINTED)
INVOLVING, INTER ALIA, CAPITAL RESTRUCTURING, DEBT
RESTRUCTURING AND CREDITORS' SCHEMES OF ARRANGEMENT
IN ACCORDANCE WITH SECTION 86 OF THE CAYMAN COMPANIES LAW
AND SECTION 166 OF THE COMPANIES ORDINANCE,
SUBSCRIPTION FOR NEW SHARES AND WHITEWASH WAIVER**

**Financial adviser to Baker Group International Holdings Limited
(Formerly known as Luen Cheong Tai International Holdings Limited)
(Provisional Liquidators Appointed)**



ASIAN CAPITAL

(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

Financial adviser to Northern Resources Limited



DBS ASIA CAPITAL LIMITED

The Provisional Liquidators and the Investor are pleased to announce that the Restructuring Agreement regarding the Restructuring Proposal for the Company was signed on 27 May 2003. The key terms of the Restructuring Proposal are set out in this announcement.

The Restructuring Proposal, if successfully implemented, will, amongst other things, result in:

- a) a Capital Restructuring of the share capital of the Company whereby the par value of the existing Shares will be reduced from HK\$0.10 each to a par value of HK\$0.01 each through the Capital Reduction, the Share Subdivision and the Share Consolidation;
- b) except for the Debt, all the Creditors of the Company discharging and waiving their outstanding claims against the Company pursuant to the Schemes;
- c) the Investor holding a controlling interest of approximately 90.71% in the enlarged issued share capital of the Company immediately upon Completion; and
- d) the resumption of trading in the New Shares of the Company if and when sufficient public float is restored after the implementation of the Restructuring Proposal.

Completion of the Restructuring Proposal is conditional upon, inter alia, the approval of the Shareholders of the Capital Reduction and the approval of the Schemes by the Creditors.

After Completion, the Investor will inject additional working capital to the Company by subscribing for the Working Capital Convertible Bond of not less than a principal amount of HK\$5,000,000 and/or, if required, subscribe for the Concession Convertible Bond to provide adequate funding to the Company for the purposes of financing the Company's business, operations, the repayment of the Debt and capital investment(s) in any new and appropriate investment or business opportunities (as and when they arise).

An independent financial adviser will be appointed to advise the Independent Shareholders in relation to the Restructuring Proposal and the Whitewash Waiver.

A circular containing, among other things, details of the Restructuring Proposal, a letter from the Provisional Liquidators, a letter from the board of directors of the Investor, a letter from the independent financial adviser in relation to the Restructuring Proposal, financial statements of the Group for the year ended 31 May 2001, valuation report, pro forma net assets of the Group upon Completion, the Whitewash Waiver and a notice of the EGM will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Code and the Listing Rules.

The release of this announcement does not necessarily indicate that the Restructuring Proposal will be successfully implemented and completed as the conditions precedent to the Restructuring Proposal may or may not be fulfilled or otherwise waived. Trading in the Shares of the Company has been suspended since 9:30 a.m. on Monday, 26 August 2002 and will remain suspended on Completion until sufficient public float has been restored and the release of the financial results of the Company for the year ended 31 May 2002 and the six month period ended 30 November 2002.

1. THE RESTRUCTURING PROPOSAL

The Provisional Liquidators and the Investor are pleased to announce that the Restructuring Agreement regarding the Restructuring Proposal was signed on 27 May 2003. The Restructuring Proposal involves, amongst other things, the Capital Restructuring, the Debt Restructuring through the Schemes, as well as the Subscription.

(A) CAPITAL RESTRUCTURING

The existing authorised share capital of the Company is HK\$100,000,000 divided into 1,000,000,000 Shares, of which 532,554,501 Shares of par value of HK\$0.10 each have been issued and credited as fully paid up. Under the Restructuring Proposal, the Company's share capital will be reorganised in the following manner:

(a) Capital Reduction

The par value of the Shares of HK\$0.10 each will be reduced by HK\$0.096 per Share so that the par value of each of the 532,554,501 Shares in issue will be reduced to HK\$0.004 each.

(b) Unissued Share Subdivision

Each of the unissued Shares of HK\$0.10 each will be sub-divided into 25 Shares of HK\$0.004 each.

(c) Share Consolidation

Every five Shares of par value of HK\$0.004 each will be consolidated into two new Shares of par value of HK\$0.01 each. After the Share Consolidation, the issued share capital will comprise 213,021,800 New Shares.

(d) Authorised Share Capital Increase

Immediately after the Capital Reduction and the Share Consolidation becoming effective, the authorised share capital of the Company will be increased to HK\$200 million divided into 20,000 million New Shares, comprising 213,021,800 issued New Shares and 19,786,978,200 unissued New Shares.

Details of the board lot size, trading arrangement and arrangement for any fractions and odd lots which may arise after the Capital Restructuring becoming effective will be explained in the circular of the Company to be despatched and announced by way of public announcement.

(B) DEBT RESTRUCTURING

The total claims of the Creditors are estimated to be approximately HK\$128 million as at the date of this announcement. Such claims will be subject to formal adjudication by the Scheme Administrators once the Schemes are implemented. As at the date of this announcement, the Provisional Liquidators are not aware of any Creditor that is also a Shareholder.

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:

- (a) 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;
- (b) 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 dispose of such New Shares for a period of one (1) year from the date of Completion; and
- (c) the novation of the obligation to repay the Debt from the Company to the Debtor pursuant to the Deed of Novation.

(C) SUBSCRIPTION

On the Closing Date, the Investor will subscribe or procure subscribers to subscribe for 4,500 million New Shares, representing approximately 90.71% of the enlarged share capital of the Company immediately upon Completion, at HK\$0.01 each, for HK\$45 million, to be satisfied in cash.

Out of the subscription proceeds of HK\$45 million, after deducting the costs and expenses for implementing the Restructuring Proposal, the remaining amount will be paid to the Scheme Administrators for distribution to the Creditors and to meet the costs of the Scheme. As at the date of this announcement, the estimated costs for implementing the Restructuring Proposal are at least HK\$10 million.

(D) WORKING CAPITAL

The Investor will undertake to the Company that subject to completion of the Subscription, for a period of 12 months after the Closing Date it will provide the necessary funding to the Company for the working capital requirements of the Group on such terms and conditions as the Investor and the Company may from time to time agree including, without limitation, by subscribing for the Working Capital Convertible Bond.

(E) WORKING CAPITAL CONVERTIBLE BOND

To obtain the necessary funding for the Company's capital requirements, the Company may issue the Working Capital Convertible Bond, which will give the Investor a right to convert the principal amount of not less than HK\$5,000,000 into New Shares at an initial conversion price of HK\$0.01 per New Share (subject to adjustments) within 24 months from the date of issue.

The Investor will undertake to the Company and the Stock Exchange that it will not exercise the conversion rights attaching to the Working Capital Convertible Bond if such conversion would result in the public float of issued share capital of the Company from time to time falling below 25%, which is the minimum public float requirement as stipulated under Rule 8.08 of the Listing Rules. The Company and any proposed new Directors will also undertake to the Stock Exchange that it will not issue New Shares to the extent that the 25% minimum public float requirement as stipulated under Rule 8.08 of the Listing Rules is not met.

The Company will undertake to the Stock Exchange, subject to Completion, to notify the Stock Exchange any dealings by connected persons (as defined under the Listing Rules) of the Company from time to time in the Working Capital Convertible Bond immediately upon the Company becoming aware of such dealings.

(F) THE DEBT AND THE CONCESSION CONVERTIBLE BOND

Repayment of the Debt will be secured by charges over the Debtor's 100% shareholdings in Finestyle and i. Solution (being the remaining major subsidiaries of the Group upon Completion), as well as a fixed and floating charge over the assets and undertakings from time to time of Finestyle and i. Solution. The Debt will accrue quarterly interest for the first 12 months at the Prime Lending Rate minus 2% per annum, and quarterly interest for the remaining 6 months at Prime Lending Rate per annum.

Pursuant to the Deed of Novation, the Scheme Administrators shall acknowledge and agree that, subject to certain limited exceptions, the Company, the Investor, the shareholders of the Investor, the controlling shareholders of the Company and their respective directors and associates (as defined under the Listing Rules) shall not have any liability with respect to the obligations of the Debtor, Finestyle or i. Solution under the Deed of Novation and the charges described above.

As a fallback plan and subject to Completion and upon written notice by the Company, the Investor may provide funding to the Company to enable the Company to provide finance to the Debtor to repay the Debt by entering into a subscription agreement in respect of the Concession Convertible Bond within three months after the Closing Date with the Company. Pursuant to the subscription agreement, the Investor shall subscribe for the Concession Convertible Bond to be issued by the Company with the right to convert the principal amount of HK\$25 million to further New Shares at the initial conversion price of HK\$0.01 per New Share (subject to adjustments). The maturity of the Concession Convertible Bond is 18 months from the date of issuance. The completion of the subscription for the Concession Convertible Bond shall, subject to the conditions precedent set out in the subscription agreement therefor, take place upon written notice having been served by the Company on the Investor. In the event that the subscription for the Concession Convertible Bond is completed, the Company shall apply the subscription proceeds to repay the Debt on or before the Repayment Date.

The Investor will undertake to the Company and the Stock Exchange that it will not exercise the conversion rights attaching to the Concession Convertible Bond if such conversion would result in the public float of the issued share capital of the Company from time to time falling below 25%, which is the minimum public float requirement as stipulated under Rule 8.08 of the Listing Rules. The Company and any proposed new Directors will also undertake to the Stock Exchange that it will not issue New Shares to the extent that the 25% minimum public float requirement as stipulated under Rule 8.08 of the Listing Rules is not met.

The Company will undertake to the Stock Exchange, subject to Completion, to notify the Stock Exchange of any dealings by connected persons (as defined under the Listing Rules) of the Company from time to time in the Concession Convertible Bond immediately upon the Company becoming aware of such dealings.

The Company shall undertake to the Scheme Administrators that it shall not, until the Debt (including any interest accrued thereon) has been repaid in full, transfer or otherwise dispose of or encumber any of its shares in the share capital of the Debtor or enter into or be party to any arrangement which may have the effect of its ceasing to own 100% of the beneficial interest of the shareholdings in the Debtor.

The Debtor shall undertake to the Scheme Administrators that it shall not, until the Debt (including any interest accrued thereon) has been repaid in full, issue any new shares in its share capital to any person which may result in the Company ceasing to own 100% of the beneficial interest of the shareholdings in the Debtor.

The Company shall procure that any payment, income and receivables which are received or become due and payable to Finestyle and i. Solution incidental to the operation of the Forestry Concession and the Sawmill during the period between the Closing Date and the Repayment Date shall be paid into the Scheme Administrators' Accounts to be applied for the operation of the Forestry Concession and/or the Sawmill.

The Company has undertaken to the Provisional Liquidators to procure that one of the Scheme Administrators or their nominee(s) are appointed to the respective board of directors of Finestyle and i. Solution at all times until the Debt (including any interest accrued thereon) is repaid in full.

In the event that actions are taken by the Scheme Administrators to enforce the charges as aforesaid due to the non-repayment of the Debt on the Repayment Date, and that the major operating subsidiaries of the Company at that time remain to be Finestyle and i. Solution, there may arise a possibility that the Company may experience difficulties in complying with paragraph 38 of the Listing Agreement.

(G) OTHER TERMS

On or before Completion, the Company shall transfer all of its assets (except for the Company's shareholdings in Finestyle, i. Solution and the Debtor) to a company to be incorporated in the British Virgin Islands or such other jurisdiction as the Provisional Liquidators think fit and all the issued shares of which shall be held by the Scheme Administrators for the benefit of the Creditors.

2. CONDITIONS PRECEDENT TO THE RESTRUCTURING PROPOSAL

Completion will be subject to, amongst others, the fulfillment of the following:

- (a) the sanction of the Capital Reduction and the Schemes by the Courts of the relevant jurisdictions;
- (b) all necessary steps having been taken to transfer all of the Company's subsidiaries and the Company's assets, other than the Company's shareholdings in Finestyle, i. Solution and the Debtor and any amounts owed to or claims by any member of the Group against Finestyle or i. Solution, to the Scheme Administrators to be held on trust for the benefit of the Creditors;
- (c) all necessary resolutions having been passed by the shareholders and creditors of the Company or, as the case may be, the Independent Shareholders approving the Restructuring Proposal and the transactions contemplated thereunder in accordance with the Cayman Companies Law, the Listing Rules and the Code;
- (d) the granting of the approval by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares (including those to be issued pursuant to the exercise of the conversion rights under the Concession Convertible Bond and the Working Capital Convertible Bond) to be issued under the Restructuring Proposal by no later than the date when the New Shares resume trading on the Stock Exchange;
- (e) a waiver granted by the Executive in respect of any obligations on the Investor and parties acting in concert with it to make a general offer for any of the securities of the Company after Completion as a result of the Subscription and the conversion of the Working Capital Convertible Bond;
- (f) all necessary waivers, consents, legal opinions, confirmations and approvals including but not limited to those from the Stock Exchange, the SFC and any other relevant regulatory authorities and relevant parties, which are required for the implementation of the Restructuring Proposal having been obtained; and
- (g) an order of the High Court of Hong Kong discharging and releasing the Provisional Liquidators on and from the Closing Date.

Save for conditions (c), (d) and (e) above which cannot be waived, the Investor and the Provisional Liquidators may agree to amend or waive any conditions precedent set out in the Restructuring Agreement. If any of the conditions precedent set out in the Restructuring Agreement have not been satisfied or waived on or prior to 31 December 2003, or such later date as extended pursuant to the terms of the Restructuring Agreement, the Restructuring Agreement may be terminated by written notice from any party thereto to the other parties.

3. CHANGES IN SHAREHOLDING AND MAINTENANCE OF THE LISTING OF THE COMPANY

The expected changes in the shareholding of the Company upon Completion will be as follows:

	Upon completion of the Restructuring Proposal									
	Existing (million Shares)	%	Before conversion of the Concession Convertible Bond and the Working Capital Convertible Bond (million New Shares)	%	Upon full conversion of the Working Capital Convertible Bond (million New Shares) (Note 1)	%	Upon full conversion of the Concession Convertible Bond (million New Shares) (Note 1)	%	Upon full conversion of the Concession Convertible Bond and the Working Capital Convertible Bond (million New Shares)	%
Investor and parties acting in concert with it	—	—	4,500.00	90.71	5,000.00 (Note 4)	91.56	7,000.00	93.82	7,500.00	94.21
Creditors	—	—	248.05	5.00	248.05	4.54	248.05	3.32	248.05	3.11
Existing Shareholders										
— Enson Group Limited (Note 2)	60.42	11.35	24.17	0.49	24.17	0.44	24.17	0.32	24.17	0.30
— Joyful Holdings Limited (Note 3)	60.42	11.35	24.17	0.49	24.17	0.44	24.17	0.32	24.17	0.30
— Other Shareholders	411.71	77.30	164.68	3.31	164.68	3.02	164.68	2.22	164.68	2.08
Total	<u>532.55</u>	<u>100.00</u>	<u>4,961.07</u>	<u>100.00</u>	<u>5,461.07</u>	<u>100.00</u>	<u>7,461.07</u>	<u>100.00</u>	<u>7,961.07</u>	<u>100.00</u>

Note 1 — The Investor will undertake to the Company and Stock Exchange that it will not exercise the conversion rights attaching to the Working Capital Convertible Bond and the Concession Convertible Bond if such conversions would result in the public float of the issued share capital of the Company from time to time falling below 25%, the minimum public float requirement as stipulated under Rule 8.08 of the Listing Rules. The Company and any proposed new Directors will also undertake to the Stock Exchange that it will not issue New Shares to the extent that the 25% minimum public float requirement as stipulated Rule 8.08 of the Listing Rules is not met.

Note 2 — Mr. Chan Man Chuen, a director of the Company and his family members, are the discretionary objects of a capital trust which beneficially owned all the class A shares (holders of class A shares are entitled to exercise all voting rights of Enson) of Enson Group Limited. (Source: circular of the Company dated 19 August 2002)

Note 3 — Mr. Vong Pak Cheong, a director of the Company and his family members, are the discretionary objects of a capital trust which beneficially owned all the class A shares (holders of class A shares are entitled to exercise all voting rights of Joyful) of Joyful Holdings Limited. (Source: circular of the Company dated 19 August 2002)

Note 4 — Assuming that the principal amount of the Working Capital Convertible Bond is HK\$5,000,000.

As shown from the above shareholding table, the Investor together with parties acting in concert with it will be interested in approximately 90.71% of the enlarged issued share capital of the Company immediately upon Completion. The Investor will apply to the SFC for a waiver from the obligations under Rule 26 of the Code to make a general offer for all the securities of the Company other than those already held by the Investor together with parties acting in concert with it.

As the Investor and parties acting in concert with it hold more than 50% of the voting rights of the Company upon Completion, the creeper provision of Rule 26 of the Code will not be applicable and they will be free to acquire further voting rights in the Company without triggering a general offer obligation as long as the aggregate percentage holding of New Shares of the Investor and parties acting in concert with it remains above 50% of the voting rights of the Company. The Company will put forward a resolution in relation to the Whitewash Waiver and the Subscription, to be taken by way of a poll, to the Independent Shareholders at the EGM.

The above shareholding table also shows that the Investor and parties acting in concert with it will hold in aggregate more than 75% of the enlarged issued share capital of the Company, thus the Company's public float will fall below 25% of its issued share capital immediately after Completion. The Investor will undertake to the Stock Exchange that it will as soon as practicable after Completion use its best endeavors to take appropriate steps to ensure that adequate number of New Shares will be sold, placed or otherwise disposed of to independent third parties to restore the public float of not less than 25% of the enlarged issued share capital of the Company as required under Rule 8.08 of the Listing Rules.

The Investor will also undertake to the Company and the Stock Exchange that it will not exercise the Working Capital Convertible Bond or the Concession Convertible Bond to the extent that following the exercise of such conversion rights, the 25% minimum public float requirement as stipulated under Rule 8.08 of the Listing Rules is not met. The Company and any proposed new Directors will also undertake to the Stock Exchange that it will not issue New Shares to the extent that the 25% minimum public float requirement as stipulated Rule 8.08 of the Listing Rules is not met.

The Investor will make arrangements for restoring the public float of the New Shares. No underwriting or irrevocable placing agreement has yet been entered into by the Investor as at the date of this announcement.

Trading in the New Shares will be resumed when sufficient public float is restored after the implementation of the Restructuring Proposal and the financial results of the Company for the year ended 31 May 2002 and the six month period ended 30 November 2002 have been released.

If the Stock Exchange believes that a false market exists or may exist in the New Shares or there are insufficient New Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the New Shares.

The Stock Exchange has further stated that, if the Company remains listed on the Stock Exchange, any asset dispositions or asset acquisitions by the Group will be subject to the provisions of the Listing Rules. The Stock Exchange has the discretion to require the Company to issue an announcement and/or a circular to its shareholders irrespective of the size of the proposed transactions. The Stock Exchange also has the power to aggregate a series of transactions and any such transactions may result in the Company being treated as if it were a new applicant for listing and subject to the requirements for new listing applicants as set out in the Listing Rules.

The Stock Exchange has also stated that, if the audited financial results for the year ended 31 May 2002 and the interim results for the 6 month period ended 30 November 2002 to be released prior to the resumption of trading in the New Shares of the Company are materially different from the comparable financial information set out in the circular to be despatched to the Shareholders in connection with the Restructuring Proposal, the Stock Exchange reserves its right to re-assess the Company's ability to comply with paragraph 38 of the Listing Agreement.

4. REASONS FOR THE RESTRUCTURING OF THE COMPANY

According to the annual report of the Company for the financial year ended 31 May 2001 and the consolidated unaudited interim results as at 30 November 2001, the financial position of the Group drastically deteriorated during the 18 month period from 31 May 2000 to 30 November 2001. On 3 June 2002, a winding up petition was presented against the Company by the Petitioner with a claim of approximately HK\$ 3.9 million. Prior to the first hearing of such petition, an application was made by Bank of China (Hong Kong) Limited, a creditor of the Company, for the appointment of provisional liquidators to the Company. The BOC Application was supported by seven other creditors of the Company, including the Petitioner, with total claims of approximately HK\$97.8 million as at 30 November 2001. Based on the audited financial statements of the Company for the year ended 31 May 2001, the total liability of the Group was approximately HK\$204.9 million. Upon hearing of the BOC Application on 5 September 2002, the Court made an Order for the appointment of Messrs Stephen Liu Yiu Keung and Yeo Boon Ann of Ernst & Young Transactions Limited as Provisional Liquidators of the Company. According to the terms of the Order appointing the Provisional Liquidators, the Provisional Liquidators have the power to, inter alia, formulate and carry out a restructuring of the business of the Company, or its subsidiaries, associated companies, joint ventures or other entities in which the Company holds an interest.

After taking into consideration the current financial position of the Group and other alternative restructuring proposals received by the Company, the Provisional Liquidators are of the view that the present Restructuring Proposal represents the best available option to the Company, its Creditors and Shareholders having regard to all factors including the potential returns to both the Creditors and Shareholders, the availability of alternatives for the Creditors to recover their debts and the time required to implement the Restructuring Proposal.

If the Restructuring Proposal is successfully implemented, except for the Debt novated by the Company to the Debtor, all of the Company's outstanding claims (which is estimated to be approximately HK\$128 million as at the date of this announcement) will be discharged and waived pursuant to the Schemes and the Petitioner will withdraw the petition to wind up the Company. The amount of the outstanding claims are for indicative purpose only and will be subject to formal adjudication by the Scheme Administrators once the Schemes are

implemented. If the Company is unable to restructure its indebtedness with its Creditors as set out in the Restructuring Proposal, the Provisional Liquidators believe that there is a strong likelihood that the Company would be wound up. Should the Company be wound up, the return to the Creditors would be minimal and there is unlikely to be any return to the Shareholders.

5. MANAGEMENT AND BUSINESS

The current Board comprises four Directors, Mr. Chan Man Chuen, Mr. Vong Pak Cheong, Mr. Chan Kai Yiu and Mr. Hung Yat Ming. However, the powers of the Directors have been suspended since the appointment of the Provisional Liquidators. A special resolution will be proposed at the EGM to remove all existing Directors and to appoint new Directors as nominated by the Investor. Further information in relation to the new Directors will be provided in the circular to be despatched to the Shareholders.

As per the Company's last audited account as at 31 May 2001, the Group was principally engaged in construction, forest exploitation and timber trading as well as online commerce business activities. The current principal operating business of the Company is timber logging and trading business in Suriname. The Investor considers the underlying business potential of the Company is its Forest Concession, and considers it is possible that with the Investor as the controlling shareholder of the Company upon Completion, the business performance of the Forest Concession could be enhanced by capitalizing on NACGC's expertise in the timber business and its relevant diversified sales and distribution network in the PRC.

In view of the above, in particular the Investor's relevant industry expertise in the timber business in the PRC, the Investor intends to focus on continuing and developing the Company's existing timber business and operations. The principal subsidiaries of the Group upon Completion will include the Debtors, Finestyle and i. Solution. In terms of the level of operations following Completion. Investor is not in a position to quantify such at this stage. The Investor and its shareholders envisage using their own timber expertise to revitalise the Company's existing Forestry Concession, and to improve the Company's overall financial performance and business prospects. Furthermore, the Investor also intends to assist the Company to explore new and appropriate investment and/or business opportunities by tapping into the resource base, network and business expertise of the Investor and its shareholders with an aim to enhance the overall business prospects of the Company, to broaden its income stream and to increase value to the Shareholders as a whole.

The Company will release its financial results for the year ended 31 May 2002 and the six month period ended 30 November 2002 prior to the resumption of trading in the New Shares of the Company.

Following Completion, which, if successfully implemented, will, amongst other things, result in all the Creditors discharging and waiving their outstanding claims against the Company pursuant to the Schemes and the Petitioner withdrawing the petition to wind up the Company, the Investor will conduct a detailed review of the business operations of the Group with a view to developing a corporate strategy to revitalize the Group's existing businesses and to enhance its asset base and broaden its income stream.

The Investor will inject additional working capital after Completion to the Company in the form of the Working Capital Convertible Bond and/or, if required, subscribe for the Concession Convertible Bond to provide adequate funding to the Company for the purposes of financing the Company's business, operations, the repayment of the Debt and capital investment(s) in any new and appropriate investment or business opportunities (as and when they arise).

6. INFORMATION ON THE INVESTOR

The Investor is a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 88% by Goalmark and 12% by Modern East. Except for various agreements entered into with the Provisional Liquidators in relation to the Restructuring Proposal, the Investor has not engaged in any other investments and/or businesses since its incorporation. Neither the Investor nor its directors nor any of its shareholders is connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or associates as defined under the Listing Rules.

Goalmark is an overseas wholly owned subsidiary of NACGC, a PRC state-owned enterprise. NACGC is principally engaged in general trading of raw materials and metal products, including but not limited to, timber imports and trading, mining exploitation and refining, non-ferrous and ferrous metal trade and processing, construction installation and decoration and retailing commercial service. For the past years, shareholders of the Investor have accumulated valuable industrial experience and in the areas of exploitation and trading of timber products, research and development of new materials. It also enjoys high reputation in the timber industry by maintaining close cooperation with large market practitioners worldwide. NACGC imported various types of timber from African countries, South East Asia and New Zealand. According to market statistics in the PRC, NACGC was ranked one of the top ten largest timber importers in the PRC.

The minority shareholder of the Investor, Modern East, is a company incorporated in the British Virgin Islands with limited liability and is jointly owned as to 50% by Mr. Liu Xiang Mao (劉湘茂) and 50% by Mr. Liu Wei (劉偉). Mr. Liu Xiang Mao has been engaged in futures trading, particularly on non-ferrous metals and grain trading for over 16 years and possesses profound knowledge in this area. Mr. Liu Xiang Mao also has valuable experience in the area of management and operation of manufacturing companies and enterprises in the PRC and overseas. Mr. Liu Wei has had over six years of work experience in corporate banking in Hong Kong. Mr. Liu Wei also has work experience in asset management and project finance.

7. FUTURE PLANS AND PROSPECTS

Having considered the existing principal business and assets of the Company, together with the background and expertise of the Investor, its shareholders and their directors, it is envisaged by the Investor that the business of the Company upon Completion would continue to principally engage in tree logging, sale and distribution and trading of timber. At present, owing to policy constraints imposed on the exploitation of timber in the PRC, the demand for timber has always exceeded its supply in the PRC. NACGC currently imports, among other things, timber from African countries, South East Asia and New Zealand and is one of the top 10 largest timber importers in the PRC. The Investor considers that the existing forestry and timber operations of the Company and those of NACGC complement each other. The Forest Concession represents a secure timber resource base and given NACGC's timber distribution network in the PRC, NACGC (中工美) would be a potential distributor

for the Company in facilitating the Company to sell and distribute timber in the PRC. Furthermore, possible business synergies could also be created between the Company's timber business and NACGC's existing business network.

Based on the information obtained from the Provisional Liquidators on the Forest Concession, the Investor considers that most of those logs of timber underlying the Forest Concession are saleable in the PRC and the pricing would be competitive when compared with those purchased from other overseas markets as aforesaid. The Investor believes that the usage rate of each specie underlying the Forest Concession should be commercially acceptable. The Investor considers that based on the business potential underlying the business relating to the Forest Concession, it is possible that with the Investor as the controlling Shareholder of the Company upon Completion, business performance of the Forest Concession could be enhanced by capitalizing on NACGC's expertise in the timber business and its relevant diversified sales and distribution network in the PRC.

Given the above, particularly the Investor's relevant industry expertise in the timber business in the PRC, the Investor intends to focus on continuing and developing the Company's existing timber business and operations. The Investor and its shareholders envisage using their own timber expertise and distribution network to revitalise and develop the Company's existing Forest Concession business potential so as to improve the Company's overall financial performance and business prospects. Furthermore, the Investor also intends to assist the Company to explore new and appropriate investment and/or business opportunities by tapping into the resource base, network and business expertise of the Investor and its shareholders with an aim to enhance the overall business prospects of the Company, to broaden its, income stream and to increase value to the Company's shareholders as a whole.

Since one of the principal businesses of NACGC is the import of timber from overseas, the Investor and its shareholders will not rule out the possibility of conducting connected transactions with the Company. However, the Investor and its shareholders have no immediate plans for effecting any connected transactions with the Company or are there any concrete plan for asset injection or disposal with regard to the Company. Further, the Investor and its shareholders will not engage in competing business with those of the Group following Completion. Instead, as explained above, the existing business of the Company and those of NACGC complement each other. In any event, should there be any connected transactions between the Company and its connected persons, the Company will conduct all connected transactions in full compliance with the relevant Listing Rules.

As stated above, the Investor will, after Completion, inject additional working capital to the Company by subscribing for the Working Capital Convertible Bond of not less than a principal amount of HK\$5,000,000 and/or, if required, subscribe for the Concession Convertible Bond to provide adequate funding to the Company for the purposes of financing the Company's business, operations, the repayment of the Debt and capital investment(s) in any new and appropriate investment or business opportunities (as and when they arise).

With regard to management, it is the intention of the Investor that, upon Completion, all the existing Directors will be removed from the board of Directors and at least six Directors (including two independent non-executive Directors) are expected to be appointed to the new board of Directors following Completion. As at the date of this announcement, the new Directors have not yet been identified and such information will be provided in the circular to be dispatched to the Shareholders.

Based on the above, the Investor regards that the operations of the Forest Concession and the Sawmill, together with the relevant market expertise, sales and distribution network and financial support to be provided by the Investor to the Company following Completion shall be sufficient to warrant the continuing listing of the Shares on the Stock Exchange.

8. DEALINGS

The Investor, Goalmark, Modern East, NACGC, Mr. Liu Xiang Mao, Mr. Liu Wei and parties acting in concert with any one of them confirm that they have not dealt in the securities of the Company during the six month period immediately prior to the date of the Restructuring Agreement. They have also agreed to undertake not to deal in the securities of the Company before the EGM to be convened to consider the Restructuring Proposal.

9. GENERAL INFORMATION

The Investor will submit an application to the Executive for the Whitewash Waiver which, if granted, would normally be subject to the approval of the Independent Shareholders to be conducted by way of a poll at the EGM.

The Company will submit an application to the Stock Exchange for the listing of, and permission to deal in, the New Shares in issue and to be issued pursuant to the Restructuring Proposal.

An independent financial adviser will be appointed to advise the Shareholders in relation to the Restructuring Proposal and the Independent Shareholders in relation to the Whitewash Waiver.

A circular containing, among others, details of the Restructuring Proposal, a letter from the Provisional Liquidators, a letter from the board of directors of the Investor, a letter from the independent financial adviser in relation to the Restructuring Proposal and the Whitewash Waiver, financial information on the Group, valuation report, pro forma net assets of the Group upon Completion and a notice convening the EGM will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Code and the Listing Rules.

Asian Capital (Corporate Finance) Limited has been appointed as the financial adviser to the Provisional Liquidators. DBS Asia Capital Limited has been appointed as the financial adviser to the Investor.

The release of this announcement does not necessarily indicate that the Restructuring Proposal will be successfully implemented and completed as the conditions precedent to the Restructuring Proposal may or may not be fulfilled or otherwise waived. Trading in the Shares of the Company has been suspended since 9:30 a.m. on Monday, 26 August 2002 and will continue to be suspended on Completion until sufficient public float has been restored and the release of the financial results of the Company for the year ended 31 May 2002 and the six month period ended 30 November 2002. Further announcement will be made if material developments take place as and when appropriate.

DEFINITIONS:

“Authorised Share Capital Increase”	the proposed increase of the authorised share capital of the Company (after the Capital Reduction, the Share Subdivision and the Share Consolidation) to HK\$200 million divided into 20,000 million Shares of HK\$0.01 each
“Board”	the board of Directors of the Company
“BOC Application”	the application made by Bank of China (Hong Kong) Limited for the appointment of the Provisional Liquidators to the Company
“Capital Reduction”	the proposed reduction of the share capital of the Company whereby the par value of the existing Shares is reduced from HK\$0.10 each to a par value of HK\$0.004 each
“Capital Restructuring”	the proposed Capital Reduction, the Share Subdivision, the Share Consolidation and the Authorised Share Capital Increase
“Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Closing Date”	the date of completion of the Restructuring Proposal
“Code”	the Hong Kong Code on Takeovers and Mergers
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of The Laws of Hong Kong)
“Company”	Baker Group International Holdings Limited (formerly known as Luen Cheong Tai International Holdings Limited) (Provisional Liquidators Appointed), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	the completion of the Restructuring Proposal
“Concession Convertible Bond”	the zero coupon convertible note to be issued by the Company to the Investor with the right to convert the principal amount of HK\$25 million to further New Shares at the initial conversion price of HK\$0.01 per New Share (subject to adjustments)
“Courts”	the Grand Court of the Cayman Islands and the High Court of Hong Kong

“Creditors”	the Company’s creditors with claims as at the date of the Schemes becoming effective
“Debt”	HK\$25 million of all outstanding claims owed by the Company to the Creditors as at the effective date of the Schemes, which shall be repaid by the Debtor pursuant to the Deed of Novation on the Repayment Date
“Debt Restructuring”	the proposed restructuring of the indebtedness and liabilities of the Company pursuant to the Restructuring Proposal
“Debtor”	a newly incorporated company, to be registered in the British Virgin Islands or such other jurisdiction as the Company, the Investors and the Provisional Liquidators shall agree, whose shares shall be 100% directly owned and controlled by the Company
“Deed of Novation”	a debt novation deed, subject to the approval of the Creditors under the Schemes, to be entered into among the Company, the Debtor and the Scheme Administrators pursuant to which the Company shall novate its obligation to repay the Debt and the Debtor shall assume such liability
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of passing the relevant resolutions to implement the Restructuring Proposal
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Finestyle”	Finestyle Investments (Suriname) N.V., a company incorporated in Suriname and a subsidiary of the Company that holds the Forest Concession
“Forest Concession”	the right to the forestry concession in Suriname, Latin America held by Finestyle
“Goalmark”	Goalmark International Company Limited, a company incorporated in Hong Kong and is an overseas wholly owned subsidiary of NACGC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“i. Solution”	i. Solution Inc., a company incorporated in the British Virgin Islands and a subsidiary of the Company that operates the Sawmill in Suriname, Latin America
“Independent Shareholders”	Shareholders who are not involved or interested in the Restructuring Proposal other than their interest as a Shareholder
“Investor”	Northern Resources Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 88% by Goalmark and 12% by Modern East respectively
“Listing Agreement”	The listing agreement entered into between the Company and the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Modern East”	Modern East Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 50% by Mr. Liu Xiang Mao and 50% by Mr. Liu Wei
“NACGC”	China National Arts & Crafts (Group) Corporation (中國工藝美術(集團)公司), a PRC state-owned enterprise under the supervision of State owned Assets Supervision and Administration Commission (國有資產監督管理委員會)
“New Share(s)”	shares of par value HK\$0.01 each in the share capital of the Company upon the Capital Restructuring becoming effective
“Petitioner”	Showa Leasing (Hong Kong) Limited
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prime Lending Rate”	the HK\$ prime lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited from time to time
“Provisional Liquidators”	collectively Messrs. Stephen Liu Yiu Keung and Yeo Boon Ann of Ernst & Young Transactions Limited, the joint and several provisional liquidators of the Company
“Repayment Date”	the date for repayment of the Debt, which shall be the date which is 18 months from the Closing Date (subject to early repayment pursuant to the Deed of Novation)

“Restructuring Agreement”	the conditional agreement dated 27 May 2003 entered into among the Company, the Provisional Liquidators and the Investor in relation to the Restructuring Proposal
“Restructuring Proposal”	the proposed restructuring of the Company through the Capital Restructuring, the Debt Restructuring involving the Schemes and the Subscription contemplated under the Restructuring Agreement and the Subscription Agreement
“Sawmill”	the sawmill in Suriname, Latin America, which is operated by i. Solution and which, for the avoidance of doubt, shall not include the land on which the Sawmill is situated
“Scheme Administrators”	such persons appointed as scheme administrators pursuant to the terms of the Schemes
“Scheme Administrators’ Accounts”	the designated bank accounts of Finestyle and i. Solution to be opened by Finestyle and i. Solution respectively with the Scheme Administrators (or their nominees) as one of the co-signatories
“Schemes”	the schemes of arrangement pursuant to section 86 of the Cayman Companies Law and section 166 of the Companies Ordinance respectively between the Company and the Creditors, with or subject to any modification thereof or addition thereto or condition as may be approved or imposed by the Courts
“SFC”	the Securities and Futures Commission in Hong Kong
“Share Consolidation”	the consolidation of every five Shares of par value of HK\$0.004 each into two new Shares of par value of HK\$0.01 each (each a “New Share”) immediately upon the Capital Reduction and the Share Subdivision becoming effective
“Share Subdivision”	the subdivision of every unissued Share into 25 Shares of HK\$0.004 each
“Shareholders”	the shareholders of the Company
“Share(s)”	ordinary share(s) in the share capital of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for 45,000,000 New Shares pursuant to the Subscription Agreement

“Subscription Agreement”	the conditional agreement dated 27 May 2003 entered into between the Company and the Investor setting out the terms and conditions upon which the Investor shall subscribe, and the Company shall issue and allot, 4,500,000,000 New Shares representing approximately 90.71% of the issued share capital of the Company immediately upon completion of the Restructuring Proposal for cash of HK\$45,000,000
“Whitewash Waiver”	a waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Code from the obligation of the Investor and parties acting in concert with it to make a general offer for all the New Shares of the Company not already owned or agreed to be acquired by them upon Completion and the exercise of the conversion rights under the Working Capital Convertible Bond
“Working Capital Convertible Bond”	the zero coupon convertible note to be issued by the Company to the Investor with the right to convert the principal amount of the working capital of not less than HK\$5 million provided by the Investor to the Company into New Shares at the initial conversion price of HK\$0.01 per New Share (subject to adjustments)
“HK\$” and “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong

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

By Order of the Board
Northern Resources Limited
Mr. Liu Wei
Director

Hong Kong, 12 June 2003

The Provisional Liquidators, as agents of the Company, jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to the Group and themselves and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions expressed in this announcement concerning the Group and themselves have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement concerning the Group and themselves misleading.

The directors of the Investor accept full responsibility for the accuracy of the information contained in this announcement other than that relating to the Group and the Provisional Liquidators and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, the opinions expressed in this announcement other than those concerning the Group and the Provisional Liquidators have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement other than those concerning the Group and the Provisional Liquidators misleading.

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