



Chairman's Statement

On behalf of the Directors of Luen Cheong Tai International Holdings Limited, I am pleased to present to the shareholders the Group's results and operations for the year ended 31 May 2001.

RESULTS

The Group's turnover for the year ended 31 May 2001 was HK\$295,648,000, representing a decrease of 20% compared to last year. Loss for the year after tax amounted to HK\$154,083,000 (2000: profit HK\$3,596,000). The decrease in turnover is a reflection of the continual slow down of the local construction industry.

DIVIDENDS

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.

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 management 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 million 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 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 targetted 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 a real time on-line trading and information exchange for the forest products 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 management continues to re-shape its management team by recruiting new talents with business acumens 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 values 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 26 June 2002.

The Proposed Acquisition is now under serious negotiation and the Company will adopt the New Name as the name of 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.

APPRECIATION

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

Chan Man Chuen

Chairman

Hong Kong, 12 June 2002