

IN THE GRAND COURT OF THE CAYMAN ISLANDS

684
CAUSE NO: OF 2003

IN THE MATTER OF THE COMPANIES LAW (2003 REVISION)

AND IN THE MATTER OF BAKER GROUP INTERNATIONAL HOLDINGS LIMITED (IN PROVISIONAL LIQUIDATION)



PETITION

TO THE GRAND COURT OF THE CAYMAN ISLANDS



THE HUMBLE PETITION OF Baker Group International Holdings Limited (Provisional Liquidators Appointed) acting by its Joint and Several Provisional Liquidators, Stephen Liu Yiu Keung, Yeo Boon Ann and Don Wayne Ebanks ("**the Applicants**") SHOWS THAT:

1. The object of this Petition is to seek the sanction of the Court for the following:
 - (a) a Scheme of Arrangement pursuant to Section 86 of the Companies Law (2003 Revision) ("**the Law**") between Baker Group International Holdings Limited (In Provisional Liquidation) ("**the Company**") and its Scheme Creditors (as defined). Draft copies of the Scheme of Arrangement ("**the Scheme**") and its Explanatory Statement are attached to this Petition by way of a Schedule. Save where otherwise defined, capitalised terms in this Petition shall have the same meaning as in the Scheme and its Explanatory Statement; and
 - (b) a reduction of the share capital of the Company pursuant to Section 15 of the Law.

Scheme of Arrangement

2. The Company was incorporated in the Cayman Islands on 20 July 1998 as an exempted company limited by shares under the Law. The issued ordinary shares of the Company were listed and publicly traded on The Hong Kong Stock Exchange Limited ("**HKSE**").

Trading of the issued shares of the Company on the HKSE has been suspended since 26 August 2002.

3. The registered office of the Company is situate at Century Yard, Cricket Square, Hutchings Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands.
4. The objects for which the Company was established as set out in its Memorandum of Association are unrestricted and the Company has full power and authority to carry out any object not prohibited by any law. The Company is an ultimate investment holding company and its assets principally comprise shares in its subsidiaries. It has not carried on trading activities.
5. Pursuant to a Petition in Cause No 527 of 2003 presented to this Court on 7 August 2003 by Bank of China (Hong Kong) Limited seeking, inter alia, the Company's winding up, the Applicants were appointed as Joint and Several Provisional Liquidators of the Company on 13 August 2003. Pursuant to a Petition presented to the High Court of Hong Kong, Court of First Instance on 3 June 2002 by Showa Leasing Company Limited seeking, inter alia, the Company's winding up, Stephen Liu Yiu Keung and Yeo Boon Ann were appointed as Joint and Several Provisional Liquidators of the Company in Hong Kong by the High Court of Hong Kong on 5 September 2002.
6. The object of the proposed Scheme is that the Scheme Creditors' Claims will be compromised (other than the Preferential Claims which will be paid out in full) in consideration of the Company making available to Scheme Creditors the Cash Dividend and the Creditors Share allocation.
7. The Company has authorised share capital of HK\$1,000,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.10 each. The par value of the shares in issue is HK\$53,255,450.10.
8. The proposed Scheme has, inter alia, the following features:
 - (a) Persons with Preferential Claims will be paid in full to the extent of their respective Preferential Claim Amounts.
 - (b) The following will be distributed to Scheme Creditors in respect of their respective Admitted Claims on a pari passu basis:

- (i) The Cash Dividend (estimated to be approximately HK\$24.7 million) will be available for distribution to Scheme Creditors as soon as practicable after the Closing Date.
 - (ii) The Creditor Share Allocation, representing 248,053,000 New Shares in the Company, will be available for distribution to Scheme Creditors as soon as practicable after the first anniversary of the Closing Date.
 - (iii) The Assets will be transferred to TrustCo, a company whose issued shares shall be legally owned by the Scheme Administrators and beneficially owned by the Scheme Creditors, on or before the Closing Date. If for any reasons an Asset is not transferred to TrustCo on the Closing Date the Company will hold that Asset on trust for TrustCo until such time as that Asset (or any proceeds in relation to that Asset) is transferred to TrustCo.
 - (iv) Following the Closing Date any recoveries made in relation to the Assets will be available for distribution as Dividends to Scheme Creditors pursuant to the terms of the Scheme.
 - (v) LCT Engineering, a subsidiary of the Company, will sell its shareholdings in Finestyle and I.Solution to DebtorCo, a company to be incorporated by the Investor, for HK\$25,000,000 to be paid within 18 months of the Closing Date. This sum will be made available to LCT Engineering's creditors (which will include TrustCo) via a voluntary liquidation.
9. The Company intends to make an application herein for directions including orders that it be at liberty to convene a meeting of the Scheme Creditors (the “**Court Meeting**”) for the purpose of considering and, if thought fit, approving (with or without modification) the proposed Scheme, date of the Court Meeting, publication of notices of the Court Meeting, the appointment of a Chairman of the Court Meeting, and directions that the Chairman should report the result of the Court Meeting to the Court.

Reduction of Share Capital

10. The authorised share capital of the Company was increased pursuant to a special resolution passed at an Extraordinary General Meeting of the Company on 2 August

2001 from HK\$100,000,000, comprising 1,000,000,000 shares of HK\$0.10 each to HK\$1,000,000,000 comprising 10,000,000,000 shares of HK\$0.10 each by the creation of an additional 9,000,000,000 new shares of HK\$0.10 each that ranked pari passu in all respects with existing issued and un-issued shares of HK\$0.10 each. 532,554,501 shares of the Company with a par value of HK\$0.10 ("**the Shares**") each are issued and credited as fully paid up.

11. As at the date hereof the Company does not have any outstanding warrants or options to subscribe for shares of the Company, nor has it issued any securities convertible into shares of the Company.
12. Pursuant to a Restructuring Agreement dated 27 May 2003 between, inter alia, the Company and Northern Resources Limited ("**the Restructuring Agreement**"), the Company's share capital is proposed to be reorganised in the following manner:
 - (a) the par value of each Share in issue of HK\$0.10 each be reduced by HK\$0.096 per share so that the par value of each of the 532,554,501 Shares in issue as at the date of the Restructuring Agreement be reduced to HK\$0.004 each;
 - (b) each unissued Share of HK\$0.10 each be sub-divided into 25 shares with a new par value of HK\$0.004 each;
 - (c) every 5 shares of par value HK\$0.004 each be consolidated into two new shares of par value of HK\$0.01 each. After such share consolidation, the issued share capital shall comprise 213,021,800 New Shares; and
 - (d) immediately after the Capital Reduction and Share Consolidation become effective, the authorised share capital of the Company will be increased to HK\$200,000,000 divided into 20,000,000,000 New Shares comprising 213,021,800 issued New Shares and 19,786,978,200 unissued New Shares.
13. The Articles of Association of the Company provide (inter alia) as follows:

"Article 7 ...

The Company in general meeting may from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not

all the shares for the time being issued shall have been fully paid up, by Ordinary Resolution increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such class or classes and of such amounts in Hong Kong dollars or United States dollars or such other currency as the shareholders may think fit and as the resolution may prescribe.”

“Article 13(ii) ...

The Company may from time to time by Ordinary Resolution consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares...”

“Article 14 ...

The Company may by Special Resolution reduce its share capital or undistributable reserve in any manner authorised, and subject to any conditions prescribed, by law.”

14. It is intended to put the following Special Resolution to all shareholders of the Company at a forthcoming Extraordinary General Meeting of the Company:

- “(a) the par value of each issued share be reduced from HK\$0.10 to HK\$0.004 so that the Company’s issued share capital of HK\$53,255,450.10 will be reduced by HK\$51,125,232.10 to HK\$2,130,218.00;*
- (b) each unissued share of HK\$0.10 in the capital of the Company be subdivided into 25 shares with a new par value of HK\$0.004 each;*
- (c) every five reduced shares of par value HK\$0.004 each be consolidated into two new shares of par value HK\$0.01 each so that after such consolidation, the issued share capital of the company shall comprise 213,021,800 new shares of HK\$0.01 each (the “New Shares”);*
- (d) immediately after the aforesaid Capital Reduction and Share Consolidation becoming effective, the authorised share capital of the*

Company be increased to HK\$200,000,000.00 divided into 20,000,000,000 New Shares, comprising 213,021,800 issued New Shares and 19,786,978,200 unissued New Shares;

- (e) clause 8 of the Company's existing Memorandum of Association be amended by the deletion in its entirety and by its replacement with the following provision:

"8. The authorised share capital of the Company is HK\$200,000,000.00 divided into 20,000,000,000 shares of a nominal par value of HK\$0.01 each, with power for the Company insofar as is permitted by law to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law (Revised) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether stated to be preference or otherwise shall be subject to the powers hereinbefore contained.";

- (f) article 6 of the existing Articles of Association of the Company be amended by the deletion in its entirety and by its replacement with the following provision:

"6. The authorised share capital of the Company shall be HK\$200,000,000 divided into 20,000,000,000 shares of a par value of HK\$0.01 each";

- (g) any fractions of New Shares arising on the share consolidation pursuant to paragraph (c) of this resolution shall not be allocated to the holders of the existing shares of the Company otherwise entitled thereto but such fractions shall be aggregated and sold for the benefit of the Company;

- (h) *all of the New Shares in the capital of the Company after completion of the capital restructuring pursuant to paragraphs (a) to (d) inclusive of this resolution shall rank pari passu in all respects with each other and have the same rights and privileges and be subject to the restrictions contained in the Memorandum and Articles of Association of the Company as amended pursuant to paragraphs (e) and (f) of this resolution (the "Amended Memorandum and Articles");*
- (i) *the credit which will arise as a result of the Capital Reduction pursuant to paragraph (a) of this resolution be applied to set off the same amount of the Company's accumulated loss on a dollar-for dollar basis and the directors of the Company be and are hereby authorised to apply such credit in such manner as may be permitted by the Amended Memorandum and Articles; and*
- (j) *the provisional liquidators of the Company (the "Provisional Liquidators") and the directors of the Company be and are hereby authorised generally to take all necessary steps and to do all other things and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which may be necessary or desirable for the purpose of giving effect to or implementing any of the foregoing."*

- 15. The proposed Capital Reduction does not involve an alteration or variation to the rights attached to any shares of the Company.
- 16. The proposed Capital Reduction does not involve either the diminution of any liability in respect of issued but unpaid share capital or the payment to any shareholder of any paid up share capital.
- 17. The form of minute proposed to be registered is as follows:

"The capital of Baker Group International Holdings Limited was by virtue of a Special Resolution of the Company and with the sanction of an Order of the Grand Court dated the day of 2003 reorganised in the following manner:

- (a) *the par value of each Share of HK\$0.10 each in issue be reduced by HK\$0.096 per share so that the par value of each of the 532,554,501 Shares in issue as at the date of the Restructuring Agreement be reduced to HK\$0.004 each;*
- (b) *each unissued Share of HK\$0.10 each be sub-divided into 25 shares with a new par value of HK\$0.004 each;*
- (c) *every 5 shares of par value HK\$0.004 each be consolidated into two new shares of par value of HK\$0.01 each. After such share consolidation, the issued share capital shall comprise 213,021,800 New Shares; and*
- (d) *immediately after the Capital Reduction and Share Consolidation become effective, the authorised share capital of the Company will be increased to HK\$200,000,000 divided into 20,000,000,000 New Shares comprising 213,021,800 issued New Shares and 19,786,978,200 unissued New Shares.*

The authorised capital of the Company is accordingly on the registration of this minute HK\$200,000,000,000 divided into 20,000,000,000 New Shares of HK\$0.01 each of which 213,021,800 have been issued and are deemed to be fully paid up and the remainder are unissued.”

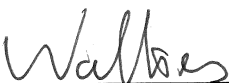
Subject to the approval of the requisite statutory majorities required pursuant to Section 86 of the Law and subject to the Special Resolution being passed by the Shareholders of the Company at the forthcoming Extraordinary General Meeting of the Company pursuant to Section 15 of the Law:

YOUR PETITIONER THEREFORE HUMBL Y PRAYS as follows:

1. That the Scheme of Arrangement which is the subject of this Petition be sanctioned by this Court so as to be binding upon the Company and its Scheme Creditors;
2. That the Capital Reduction of the Company proposed to be effected by the Special Resolution set out in paragraph 8 of this Petition be confirmed and that the Minute set out in paragraph 14 of this Petition be approved by this Court;

3. That all necessary enquiries and directions may be made and given; and
4. That such other Order may be made in the premises as this Court shall deem fit.

DATED the 22 day of October 2003



WALKERS
Attorneys-at-Law for the Petitioner

NOTE: It is intended to serve this Petition on the Registrar of Companies.

ENDORSEMENT

This Petition, having been presented to the Grand Court of the Cayman Islands on the day of
2003, will be heard at the Grand Court of the Cayman Islands on:

DATE:

TIME:

(or as soon thereafter as the Petition can be heard).

This Petition is presented by Walkers, Attorneys-at-Law of Walker House, Mary Street, P.O. Box 265 GT, George Town, Grand Cayman, for the Petitioner whose address for service is care of its said Attorneys-at-Law.