CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Accounts for the financial year ended 31 December 1999.

FINANCIAL REVIEW

For the financial year just concluded, your Group recorded a loss of RM19.9 million as compared to RM17.7 million in the previous year. Interest expense amounting to RM30.9 million remains to be the biggest component of operating cost.

Exceptional items which comprise mainly of profits from the disposal of the John Fairfax Building in Sydney, Australia and various

Holiday Plaza, Johor Bahru

Kompleks Lien Hoe, Johor Bahru

commercial lots at Holiday Plaza, Johor Bahru amounted to RM7.9 million, hence reducing the Group's loss before tax to RM12.0 million. The John Fairfax Building was disposed for AUD$29 million and the proceeds were utilized to reduce the Group's borrowings. The Group will continue with its programme of disposing selected investment properties to raise funds to lower the high gearing position of the Group.

CORPORATE DEVELOPMENT

In my previous report to you, I have outlined the various proposals by the Board to strengthen the financial position of the Group. These include a restricted issue of new shares, a capital reduction and share consolidation. The proposals have since been revised and extended to a more comprehensive scheme which entails the following:-

Proposed Capital Reduction and Share Consolidation

The Proposed Capital Reduction involves a reduction of the Company's existing issued and paid-up share capital of RM270,149,543 comprising 270,149,543 ordinary shares of RM1 per share to RM202,612,157 comprising 270,149,543 ordinary shares of 75 sen each to be effected by the cancellation of 25 sen from every RM1 ordinary share. Upon completion of the said cancellation, the resultant 270,149,543 ordinary shares of 75 sen each shall then be consolidated into 202,612,157 ordinary shares of RM1 each in the proportion of 4 ordinary shares of 75 sen each into 3 ordinary shares of RM1 each. Upon completion of the Proposed Capital Reduction and Proposed Share Consolidation, the issued and paid-up capital of Lien Hoe would be reduced from RM270,149,543 comprising 270,149,543 ordinary shares of RM1 each to RM202,612,157 comprising 202,612,157 ordinary shares of RM1 each.

Proposed Acquisitions

Following the Proposed Capital Reduction and Share Consolidation, Lien Hoe proposes to acquire the following:-

(i) The entire issued and paid-up share capital of Billiontex Industries Sdn Bhd for a purchase consideration of RM72,760,000 to be satisfied by the issuance of RM72,760,000 5-year 2% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") at 100% of its nominal value.

(ii) The entire issued and paid-up share capital of Rusella Teguh Sdn Bhd for a purchase consideration of RM73,470,000 to be satisfied by the issuance of RM73,470,000 5-year 2% ICULS at 100% of its nominal value.

(iii) The entire issued and paid-up share capital of Atria Properties Sdn Bhd comprising 63,872,727 fully paid-up ordinary shares of RM1 each and 26,800,000 partly paid-up ordinary shares of which RM268,000 have been paid up, for a purchase consideration of RM51,640,000 to be satisfied by the issuance of 51,640,000 new ordinary shares of RM1 each in Lien Hoe Corporation Berhad at par.

Proposed Restricted Offer For Sale ("ROS")

(i) The vendors of Billiontex Industries Sdn Bhd and Rusella Teguh Sdn Bhd will undertake a ROS by way of rights to allotment of approximately RM101,369,000 5-year 2% ICULS to the shareholders of the Company, except Beta Holdings Sdn Bhd and Mr Chan Wah Long on the basis of RM3 nominal value of ICULS at 100% of its nominal value for every five (5) existing Lien Hoe shares held after the Proposed Capital Reduction and Share Consolidation.

(ii) The vendors of Atria Properties Sdn Bhd will undertake a ROS by way of rights to allotment of up to 33,789,623 new Lien Hoe shares to the shareholders of the Company, except Beta Holdings Sdn Bhd and Mr. Chan Wah Long at an offer price of RM1 per share on the basis of one (1) new Lien Hoe share for every five (5) existing Lien Hoe shares held after the Proposed Capital Reduction and Share Consolidation.

Proposed Debt Restructuring

The Proposed Debt Restructuring entails the restructuring of debts owed by Lien Hoe and one of its subsidiaries, Lien Hoe Resorts Sdn Bhd to the financial institutions amounting to approximately RM212,062,000. ("Restructure Debts")

Broadly, the Proposed Debt Restructuring would involve the implementation of the following :-

(i) Proposed restructuring of RM127,237,000 or approximately 60% of the Restructure Debts via extension of the tenure of existing credit facilities to a 7-year period at prevailing interest rates of the respective financial institutions; and

(ii) The balance of RM84,825,000 or approximately 40% of the Restructure Debts is proposed to be exchanged for a 5-year 5% redeemable secured bonds with a face value of RM84,825,000 and a cash payment of RM16,375,000 for a yield-to-maturity of 10%.

The other subsidiaries of Lien Hoe are excluded from the Proposed Debt Restructuring as they are able to meet their respective financial obligations in the normal course of business.

Proposed Rights Issue of Warrants

As part of the Proposed Capital Restructuring, the Company will undertake a rights issue of up to 127,126,079 warrants to the existing shareholders of Lien Hoe on the basis of one (1) warrant for every two (2) existing Lien Hoe shares held after the Proposed Capital Reduction and Share Consolidation, Proposed Acquisitions and Proposed Restricted Offer For Sale at a proposed issue price of 23 sen per warrant.

In view of the Proposed Debt Restructuring and the Proposed Rights Issue Of Warrants, the Board has decided to abort the proposed restricted issue of new shares announced earlier.

DIVIDEND

Because of the losses for the year in review, the Board has decided not to propose any dividend.

OUTLOOK

The recovery of the Malaysian economy augurs well for the Group's future. Significant improvement in the broad property sector and a lower interest rate regime offers a more favorable operating environment for the Group.

However, it is essential for the Group that the aforesaid proposals be implemented to strengthen its financial footing and to position itself to take full advantage of the economic recovery.

Pelita Indah Condominium, Johor Bahru

These proposals have been submitted to the relevant authorities for their sanction and I am hopeful that they will be fully implemented before the conclusion of the financial year 2000. Your approval for these proposals will be sought at a later date.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to thank our bankers, business associates, relevant authorities and our employees who have given their invaluable support.

TUN DATO' SERI ABDUL HAMID OMAR
(Chairman)
Petaling Jaya, Selangor Darul Ehsan
24 May 2000