

# chairman's statement



Tun Dato' Seri Abdul Hamid Omar

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and Company for the year ended 31 December 2000.

## FINANCIAL REVIEW

Your Group recorded an operating loss before taxation and exceptional items of RM9.9 million for the financial year 2000 as compared to RM19.9 million in the previous year amidst a more stable economic environment in 2000. Interest cost remained the biggest burden for the Group, accounting for RM29.1 million (1999: RM31.0 million) of the total operating cost.

## CORPORATE DEVELOPMENT

Operationally your Group has made significant progress. It has responded and adapted to the changes in the market conditions. However, for the Group to return to profitability, it is essential that the corporate proposals announced earlier be fully implemented. Details of the proposed corporate exercise are as follows :-

### I 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.

On completion of the Proposed Capital Reduction and Share Consolidation, the issued and paid-up share 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.

This proposal was completed on 15 February 2001.

### II Proposed Acquisitions

- (i) The entire issued and paid-up share capital of Billiontex Industries Sdn Bhd for a purchase consideration of RM53,607,381 to be satisfied



Holiday Plaza, Johor Bahru

by the issuance of RM53,607,381 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 RM53,882,703 to be satisfied by the issuance of RM53,882,703 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.

The acquisition of Atria Properties Sdn Bhd was completed on 27 April 2001.

### III 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 RM84,474,000 5-year 2% ICULS to the shareholders of the Company, except Beta Holdings Sdn Bhd and Mr Chan Wah Long on the basis of RM1 nominal value of ICULS at 100% of its nominal value for every two (2) existing Lien Hoe shares held after the Proposed Capital Reduction and Share Consolidation exercise.
- (ii) The vendors of Atria Properties Sdn Bhd will undertake a ROS by way of rights to allotment

of up to 33,789,556 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 exercise.

### IV 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").



Kompleks Lien Hoe, Johor Bahru

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 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%.

## V Proposed Rights Issue of Warrants

The Company will undertake a rights issue of up to 127,126,079 equity warrants at 23 sen each to the 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 exercise.

Given the current condition of the equity market, the implementation of the aforesaid proposal will have to be deferred.



Pelita Indah Condominium, Johor Bahru

## OUTLOOK

The completion of the acquisition of Atria Properties Sdn Bhd will enhance the profitability and cash flow of the Group in future years. Nevertheless, it is crucial that the other outstanding corporate proposals be completed for the Group to return to the path of profitability.

The fund raising exercise through the rights issue of equity warrants is critical to the Company's debt restructuring. However, as I have mentioned, the prospect of this exercise been implemented in the near future is unlikely due to the uncertain stock market conditions. It is therefore imperative that we look towards disposal of some of our commercial buildings to reduce the Group's borrowings. At the same time, we will look into housing development which is the only property sub-sector that offers fair prospects in the medium term.



The Atria Shopping Complex, Petaling Jaya

## DIVIDEND

To conserve the Group's liquidity, your Board has decided not to propose any dividend for the year under review.

## ACKNOWLEDGEMENT

Last but not least, I would like to thank our bankers, business associates, shareholders and employees for their support and patience during these challenging times.

**TUN DATO' SERI ABDUL HAMID OMAR**  
Chairman  
Petaling Jaya, Selangor Darul Ehsan  
18 May 2001