



chairman's **Statement**

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Loh & Loh Corporation Berhad ('LLCB' or 'the Company') and its group of companies ("the LLCB Group") for the financial year ended 31 December 2001.

Financial Performance

Year 2001 continued to be a challenging year for the LLCB Group. The construction sector still faces a daunting task in view of the intense competition due to slower implementation and fewer number of construction contracts.

For the year under review, the LLCB Group registered a profit before taxation of RM27.08 million compared to RM23.68 million in year 2000 despite a difficult year for the construction sector. The increase in the profit before taxation for the financial year 2001 was achieved on a increase in revenue from RM154.51 million in year 2000 to RM178.70 million in year 2001.

The net earnings per share of the LLCB Group was 28 sen compared to 25 sen in year 2000. The net tangible assets backings per share increased to RM1.77 from RM1.57.

Dividend

In view of the commendable performance achieved by the LLCB Group, the Board of Directors is pleased to announce its recommendation for a proposed final dividend of 5 sen per ordinary share less taxation of 28% for the financial year ended 31 December 2001 subject to the approval of the shareholders at the Sixth Annual General Meeting.

An interim tax exempt dividend of 3 sen per ordinary share was declared and paid on 31 December 2001.

Chairman's Statement



Business Review

The LLCB Group continues to achieve steady earnings, despite the global slowdown and the soft market conditions. The LLCB Group's profitability was mainly attributable to its core activities of civil engineering and construction.

Some of the major construction projects undertaken by the LLCB Group during the year under review were :-

- the construction of the Main Dam for Phase 1B (Package LK3) at Putrajaya Federal Government Administrative Centre ("PFGAC")
 - the Impounding of the Main Dam was officiated by Dato Seri Dr Mahathir Mohamad, Prime Minister of Malaysia on 12 January 2002
- proposed construction of bulk earthworks and preliminary drainage (Package EW400A and

EW300) and the proposed construction of Putrajaya Core Island (Package EW200A) at PFGAC

- proposed construction and completion of civil and structural works and design, engineering, procurement, construction, installation, testing and commissioning of mechanical and electrical works and associated works for Rasa Water Treatment Works (Packages 2 and 4) for the Sungai Selangor Water Supply Scheme Phase 3
- construction and completion of Beris Dam, Roadworks, Bridges and Related Works

Although year 2001 was a tough year due to the intense competition, the LLCB Group managed to secure several new contracts inter-alia, as follows:-

- major earthworks and main infrastructure works for Precinct 18 Core Island at PFGAC

- electrified double track project between Rawang and Ipoh-infrastructure works
- proposed construction of Pasar Rakyat in Kuala Lumpur
- supply, install, test, commission and maintenance of mechanical, electrical services and instrumentation for Jus Dam, Malacca

Corporate Developments

On 2 July 2001, LLCB completed its acquisition of 100% of the equity in Bipes Fluid Engineering Sdn Bhd ("Bipes") comprising 3,000,000 ordinary shares of RM1.00 each for a total cash consideration of RM14,100,000.00. Bipes changed its name to Water Engineering Technology Sdn Bhd ("WET") on 5 July 2001.

WET is synergistic to the operations of the LLCB Group as WET is primarily involved in mechanical and electrical engineering focusing on water and wastewater sectors. WET also undertakes operational and maintenance contracts and is the local sales agent for various brands of water mechanical equipment such as Pumpex, Weir, Rocla, Taesung, Gorman Rupp and others manufactured from various countries such as the United States of America, Sweden, Britain, Australia and Germany.

The LLCB Group is now able to provide a wider and more complete range of services to its clients. The contract for the supply, installation, testing, commissioning and maintenance of mechanical, electrical services and instrumentation for Jus Dam in Malacca secured by the LLCB Group recently is a good example.





Prospects

The construction sector should benefit from the pump priming RM7.3 billion fiscal stimulus package and the Government's efforts to accelerate development spending. The occasional incidences of water shortages and rationing require urgent efforts and priority by the authorities to improve the country's water supply and distribution system. In anticipation of higher demand for water and quality treated water, there will be a need for infrastructure works such as building dams, reservoirs, water treatment plants, laying and replacement of underground pipes and sewerage system.

The Board of Directors is confident that the LLCB Group will stand to benefit from the implementation of these projects and will continue to improve and excel on its strength and competitiveness. On behalf of the Board, I am also pleased to announce that since the

beginning of year 2002, the LLCB Group has managed to secure competitive tendered projects in the construction and completion of Wastewater System (Package WWF2A) at PFGAC, the Proposed Upgrading of PS16 Pumping Station in Penang among others.

The LLCB Group will continue to seek opportunities for growth and to respond appropriately to challenges in the market place and uncertainties in the business environment. In this respect, the LLCB Group intends to explore and develop new business, enhancing existing business operations with strategic business partners to achieve greater economic gains and higher returns for the shareholders of LLCB.

Barring any unforeseen circumstances, the LLCB Group expects to achieve a satisfactory performance for year 2002.

Appreciation

I would like to take this opportunity to express my appreciation to my fellow Directors, the Management team and staff for their loyal and dedicated services and to our valued customers, business associates, shareholders, bankers and relevant authorities for their continued support and confidence in us.

Thank you.

Datuk Abdul Rashid bin Abdul Manaff

Chairman

30 May 2002

