

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 and

its group of companies ("LLCB Group")

for the financial year ended

31 December 2002.



Overview

The global economy in year 2002 remained fragile. The financial year under review has been a year of uncertainty characterised by hesitant recovery in the face of a prolonged worldwide economic slowdown. In light of the adverse effects on consumer's confidence, the Government implemented expansionary fiscal and monetary policies to achieve a sustained increase in private consumption. The Government also introduced 'pump-priming' measures to the construction and infrastructure sectors.

Financial Performance

Year 2002 remained a challenging year for the LLCB Group. The construction sector still faces a daunting task due to the intense competition and shortage of construction workers among others.

Under such business environment, the LLCB Group registered a profit before taxation of RM21.80 million for the financial year under review as compared to RM27.08 million in 2001. The profit before taxation for the financial year 2002 was achieved on lower revenue of RM145.24 million as compared to RM178.70 million in 2001.

The net earnings per share of the LLCB Group for the financial year is 22 sen compared to 28 sen in 2001. The net tangible assets backings per share increased to RM1.97 from RM1.78.

Dividend

In view of a satisfactory performance recorded by the LLCB Group, the Board of Directors is pleased to announce a proposed final gross dividend of 8 sen per ordinary share less taxation of 28% for financial year 2002 subject to the approval of the shareholders at the Seventh Annual General Meeting.

For the financial year ended 31 December 2001, an interim tax-exempt dividend (3 sen per ordinary share) and a final dividend (5 sen per ordinary share less taxation of 28%) were declared and paid.





Business Review

Despite the uncertainty in the global economy and the weak market sentiments, the LLCB Group has managed to achieve satisfactory results. The major contributor to the LLCB Group's profitability was from the LLCB Group's core business activity of civil engineering construction.

Civil Engineering Construction

Some of the major construction projects of the LLCB Group during the year under review were as follows:-

- the construction of the Main Dam for Phase 1B (Package LK3) at Putrajaya Federal Government Administrative Centre ("PFGAC")

- construction of bulk earthworks and preliminary drainage (Package EW300) and main infrastructure works for Precinct 18 Core Island at PFGAC
- 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, Roadwork, Bridges and Related Works
- electrified double track project between Rawang and Ipoh – infrastructure works

Although year 2002 was a tough year due to the intense competition, several new contracts were secured inter-alia, as follows: -

- construction and completion of wastewater system including Pump Station (PS12) in Precinct 18 at PFGAC (Package WWF2A)
- Indah Water Capital Works : Georgetown Priority Sewerage Scheme- Pulau Pinang Upgrading of PS16 Pumping Station
- construction and completion of Water Reservoirs WR4 and WR6, Suction Tank and Pump House including Water Pipeline in Precincts 5, 6, 15 and 19 for PFGAC (Package WS9)

- construction and completion of School Complex (Phase 2) and other ancillary works located at Precinct 11 of Putrajaya
- construction and completion of Taman Wetland Phase 2 located at Precinct 13 of Putrajaya

Some of the above projects were secured with the participation from our mechanical and electrical engineering construction arm.



Mechanical and Electrical Engineering Construction

The acquisition of Water Engineering Technology Sdn Bhd (“WET”) had demonstrated that there is indeed value and synergy created in the combination of resources between the civil arm and the mechanical and electrical engineering arm.

One such example is a new product called the Gross Pollutant Trap (“GPT”) which is designed to remove gross pollutants from the drainage system. During the year under review, Loh & Loh Constructions Sdn Bhd

secured a contract to inter-alia, supply a number of GPTs to Putrajaya. WET being in the environmental business, was able to secure an exclusive agreement with Rocla Limited, one of the largest concrete company in Australia, to manufacture the GPTs locally. WET has since successfully supplied and installed a sizeable number of GPTs in Putrajaya.

The synergy also enabled the LLCB Group to actively participate in tender of several local and overseas Turnkey and Infrastructure Projects. All these synergistic benefits would undoubtedly contribute positively to the results of the LLCB Group.





Corporate Highlights

During the year, several events of significance took place and I have the pleasure of highlighting some of them as follows: -

- On 12 January 2002, our Prime Minister Dato Seri Dr Mahathir bin Mohamad officiated the Impounding of the Main Dam for Phase 1B (Package LK3) at PFGAC
- On 20 August 2002, our Prime Minister officiated the Opening Ceremony of the Handling over of the lake ('the Lake'), created upon Impounding of the Main Dam for Phase 1B (Package LK3), to Perbadanan Putrajaya

- On 13 September 2002, Loh & Loh Constructions Sdn Bhd was awarded the Construction Industry Award 2002 – Builders Award (Landscape Works Category) by the Construction and Industry Development Board, Malaysia, in respect of the construction of the LK3 Dam in Putrajaya

The LLCB Group is indeed pleased to have successfully completed the aforesaid Package LK3 project and have the honour of our Prime Minister to officiate the Impounding and the Handling over of the

Lake. The award is a recognition and acknowledgement of the contributions and achievements of Loh & Loh Constructions Sdn Bhd in the industry. The project was undertaken using an alternative design of rock-filled dam instead of earth-filled dam proposed by the consultant. The award is a further testimony of our capabilities and excellence in dam works.



Prospects

The war in Iraq though ended, had created uncertainty to the world economy. The recent outbreak of Severe Acute Respiratory Syndrome (SARS) has compounded the already weak market conditions. SARS could further dampen the consumer and business sentiments in the economies of the region. The Government is taking measures to cushion the effects of the war and SARS on the local economy.

Nevertheless, the LLCB Group will continue to seek opportunities for growth and to respond appropriately to challenges and the uncertain environment with the view to enhance existing business operations with strategic business partners to achieve greater economic gains and higher returns for the shareholders of LLCB. The LLCB Group is also exploring for constructions projects outside Malaysia.

Barring any unforeseen circumstances, the LLCB Group expects to achieve a satisfactory performance for year 2003.]

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

4 June 2003

