

FINANCIAL STATEMENTS

26	Directors' Report
30	Income Statements
31	Balance Sheets
33	Consolidated Statement of Changes in Equity
34	Company Statement of Changes in Equity
35	Cash Flow Statements
38	Summary of Significant Accounting Policies
43	Notes to the Financial Statements
66	Statement by Directors
66	Statutory Declaration
67	Report of the Auditors

DIRECTORS' *Report*

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and civil constructions. The principal activities of the subsidiary companies are disclosed in Note 13 to the financial statements. There has been no significant change in the principal activities of the Company or its subsidiary companies during the financial year.

FINANCIAL RESULTS

	<i>Group RM</i>	<i>Company RM</i>
Profit from ordinary activities after taxation	14,666,180	3,522,698
Minority interests	323,723	-
Net profit attributable to shareholders	<u>14,989,903</u>	<u>3,522,698</u>

DIVIDENDS

The dividends paid by the Company since 31 December 2001 are as follows:

	<i>RM</i>
In respect of the financial year ended 31 December 2001, as shown in the Directors' report of that financial year, final gross dividend less income tax of 5 sen per share on 68,000,000 ordinary shares, paid on 23 July 2002	<u>2,448,000</u>

The Directors now recommend the payment of a final gross dividend of 8 sen per share on 68,000,000 ordinary shares, less income tax, amounting to RM 3,916,800.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

The Directors who have held office during the period since the date of the last report are:

Datuk Abdul Rashid bin Abdul Manaff
 Loh Kim Tai
 Loh Kim Kah
 Lee Hon Keong
 Danny Ng Siew L'Leong
 Hooi Kah Hung
 O Wai Tiong
 Yong Weng Fai
 Voon Tin Yow (appointed w.e.f. 17.12.2002)

In accordance with Article 118 of the Company's Articles of Association, Datuk Abdul Rashid bin Abdul Manaff and Lee Hon Keong retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election. In accordance with Article 123 of the Company's Articles of Association, Voon Tin Yow retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-election. In accordance with Section 129(2) of the Companies Act, 1965, the office of Mr. Hooi Kah Hung, who is over the age of seventy years old, shall become vacant at the conclusion of the forthcoming Annual General Meeting. The Directors recommend his appointment under Section 129(6) of the said Act.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the fees and other emoluments disclosed in Note 4 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest other than as disclosed in Note 27 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, the interests in shares of Directors in office at the end of the financial year in the Company were as follows:

	<i>Number of ordinary shares of RM1 each</i>			
	<i>At 1.1.2002</i>	<i>Bought</i>	<i>Sold</i>	<i>At 31.12.2002</i>
Direct interest				
Datuk Abdul Rashid bin Abdul Manaff	5,423,000	-	5,423,000	-
Lee Hon Keong	95,625	-	-	95,625
Indirect interest				
Datuk Abdul Rashid bin Abdul Manaff	1,613,744	-	1,613,744	-
Loh Kim Tai	30,250,931	15,000	-	30,265,931

By virtue of his interests in the Company, Loh Kim Tai is deemed to be interested in the shares of the subsidiary companies to the extent the Company has an interest.

DIRECTORS' REPORT (CONT'D)

NUMBER OF EMPLOYEES

The number of employees (excluding Directors) as at the end of financial year of the Group and Company was 256 (2001: 274) and Nil (2001: Nil) respectively.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets of the Group and the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Company to meet its obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT (CONT'D)

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

- (a) the results of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the Group and the Company for the year in which this report is made.

AUDITORS

Our auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 28 April 2003.

DATUK ABDUL RASHID BIN ABDUL MANAFF
DIRECTOR

LOH KIM TAI
DIRECTOR

Kuala Lumpur

INCOME *Statements*

for the financial year ended 31 December 2002

	Note	Group		Company	
		2002 RM	2001 RM	2002 RM	2001 RM
Revenue	3	145,237,523	178,695,189	9,952,636	9,435,055
Cost of sales		(112,491,816)	(140,381,247)	(3,702,331)	(4,367,559)
Gross profit		32,745,707	38,313,942	6,250,305	5,067,496
Other operating income		9,847,729	1,204,664	-	-
Administrative expenses		(20,719,949)	(12,034,100)	(1,034,707)	(793,304)
Profit from operations	4	21,873,487	27,484,506	5,215,598	4,274,192
Finance cost	5	(126,885)	(131,856)	-	-
Profit from operating activities		21,746,602	27,352,650	5,215,598	4,274,192
Share of results of an associated company		57,070	(275,948)	-	-
Profit from ordinary activities before taxation		21,803,672	27,076,702	5,215,598	4,274,192
Taxation	6	(7,137,492)	(7,600,673)	(1,692,900)	(792,941)
Profit from ordinary activities after taxation		14,666,180	19,476,029	3,522,698	3,481,251
Minority interest		323,723	(512,402)	-	-
Net profit attributable to shareholders		14,989,903	18,963,627	3,522,698	3,481,251
Earnings per share (sen)					
- basic	7	22	28		
Dividend per share (sen)					
- interim - paid	8	-	3		
- final dividend - proposed	8	8	5		

The accounting policies on pages 38 to 42 and the notes on pages 43 to 65 form an integral part of these financial statements.

BALANCE *Sheets*

as at 31 December 2002

	Note	Group		Company	
		2002 RM	2001 RM	2002 RM	2001 RM
PROPERTY, PLANT AND EQUIPMENT	10	26,493,759	28,169,962	-	-
INVESTMENT PROPERTY	11	23,487,295	22,370,976	-	-
OTHER LONG TERM INVESTMENTS	12	24,723,701	21,777,010	24,429,176	21,482,485
SUBSIDIARY COMPANIES	13	-	-	89,575,189	89,575,189
ASSOCIATED COMPANIES	14	795,520	1,233,840	-	-
GOODWILL		2,865,373	3,819,857	-	-
RESERVE ON CONSOLIDATION		(104,606)	(139,475)	-	-
CURRENT ASSETS					
Trade and other receivables	15	89,855,089	69,844,993	8,190,162	10,330,017
Inventories, at cost		1,555,185	954,412	-	-
Short term investments	17	5,987,221	5,504,568	5,981,821	5,504,568
Deposits, bank balances and cash	18	34,364,394	54,178,360	18,766,193	31,611,709
		131,761,889	130,482,333	32,938,176	47,446,294
CURRENT LIABILITIES					
Trade and other payables	19	64,514,551	75,175,578	54,132,054	66,505,528
Short term borrowing	20	3,310,031	-	-	-
Provision for taxation		1,227,794	3,891,413	442,085	704,736
		69,052,376	79,066,991	54,574,139	67,210,264
NET CURRENT ASSETS/ (LIABILITIES)		62,709,513	51,415,342	(21,635,963)	(19,763,970)
LESS: NON CURRENT LIABILITIES					
Hire purchase creditors	21	367,128	914,131	-	-
Deferred taxation	22	3,461,838	2,887,607	-	-
		3,828,966	3,801,738	-	-
		137,141,589	124,845,774	92,368,402	91,293,704

BALANCE SHEETS (CONT'D)

	<i>Note</i>	<i>Group</i>		<i>Company</i>	
		<i>2002 RM</i>	<i>2001 RM</i>	<i>2002 RM</i>	<i>2001 RM</i>
FINANCED BY:					
SHARE CAPITAL	23	68,000,000	68,000,000	68,000,000	68,000,000
RESERVES		68,791,418	56,171,871	24,368,402	23,293,704
SHAREHOLDERS' FUNDS		136,791,418	124,171,871	92,368,402	91,293,704
MINORITY INTERESTS		350,171	673,903	-	-
		137,141,589	124,845,774	92,368,402	91,293,704

The accounting policies on pages 38 to 42 and the notes on pages 43 to 65 form an integral part of these financial statements.

CONSOLIDATED

Statement of
Changes in Equity

for the financial year ended 31 December 2002

	Issued and fully paid ordinary shares of RM1 each		Non-distributable			Distributable	Total RM
	Number of shares	Nominal value RM	Share premium RM	Merger deficit RM	Revaluation reserve RM	Retained earnings RM	
At 1 January 2002	68,000,000	68,000,000	-	(13,158,519)	8,260,936	61,069,454	124,171,871
Net profit for the financial year	-	-	-	-	-	14,989,903	14,989,903
Revaluation realised due to disposal of investment property	-	-	-	-	(66,534)	66,534	-
Revaluation adjustment due to waiver of cost of investment property	-	-	-	-	77,644	-	77,644
Dividend for the financial year ended - 31 December 2001 (final)	-	-	-	-	-	(2,448,000)	(2,448,000)
At 31 December 2002	68,000,000	68,000,000	-	(13,158,519)	8,272,046	73,677,891	136,791,418
At 1 January 2001							
- as previously reported	68,000,000	68,000,000	-	(13,158,519)	4,623,906	44,145,827	103,611,214
- prior year adjustment	-	-	-	-	-	2,937,600	2,937,600
- as restated	68,000,000	68,000,000	-	(13,158,519)	4,623,906	47,083,427	106,548,814
Net profit for the financial year	-	-	-	-	-	18,963,627	18,963,627
Revaluation surplus from property plant and equipment and investment properties	-	-	-	-	3,637,030	-	3,637,030
Dividend for the financial year ended - 31 December 2000	-	-	-	-	-	(2,937,600)	(2,937,600)
- 31 December 2001, interim - paid	-	-	-	-	-	(2,040,000)	(2,040,000)
At 31 December 2001	68,000,000	68,000,000	-	(13,158,519)	8,260,936	61,069,454	124,171,871

The accounting policies on pages 38 to 42 and the notes on pages 43 to 65 form an integral part of these financial statements.

COMPANY

Statement of Changes in Equity

for the financial year ended 31 December 2002

	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable	Total RM
	Number of shares	Nominal value RM	Share premium RM	Revaluation reserve RM	Retained earnings RM	
At 1 January 2002	68,000,000	68,000,000	-	21,145,500	2,148,204	91,293,704
Net profit for the financial year	-	-	-	-	3,522,698	3,522,698
Dividends for the financial year ended - 31 December 2001	-	-	-	-	(2,448,000)	(2,448,000)
At 31 December 2002	68,000,000	68,000,000	-	21,145,500	3,222,902	92,368,402
At 1 January 2001						
- as previously reported	68,000,000	68,000,000	-	21,145,500	706,953	89,852,453
- prior year adjustment	-	-	-	-	2,937,600	2,937,600
- as restated	68,000,000	68,000,000	-	21,145,500	3,644,553	92,790,05
Net profit for the financial year	-	-	-	-	3,481,251	3,481,251
Dividends for the financial year ended						
- 31 December 2000	-	-	-	-	(2,937,600)	(2,937,600)
- 31 December 2001, interim - paid	-	-	-	-	(2,040,000)	(2,040,000)
At 31 December 2001	68,000,000	68,000,000	-	21,145,500	2,148,204	91,293,704

The accounting policies on pages 38 to 42 and the notes on pages 43 to 65 form an integral part of these financial statements.

CASH *Flow Statements*

for the financial year ended 31 December 2002

	Note	Group		Company	
		2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Net profit attributable to shareholders		14,989,903	18,963,627	3,522,698	3,481,251
Adjustments for:					
Accretion of discount net of amortisation of premium on purchase of unquoted bonds		44,842	(46,558)	44,842	(46,558)
Amortisation of reserve on acquisition of an associated company		-	(1,374)	-	-
Dividend income from investment in quoted shares		(82,981)	(23,075)	(82,981)	(23,075)
Dividend from subsidiary company		-	-	(3,617,500)	(2,170,500)
Interest expenses		126,885	131,856	-	-
Interest income		(2,784,037)	(2,892,095)	(2,454,877)	(2,465,031)
Share of (profit)/loss in an associated company		(57,070)	275,948	-	-
Depreciation of property, plant and equipment		1,501,452	1,372,160	-	-
Gain on disposal of property, plant and equipment		(511,811)	(59,733)	-	-
Loss on disposal of investment property		28,012	-	-	-
Asset written off		9,333	-	-	-
Management cost paid to asset management company		80,717	-	80,717	-
Loss on sale of bonds		131,180	-	131,180	-
Loss on disposal of investment in quoted shares		158,672	1,434,427	158,672	1,434,429
Allowance for doubtful debt		6,727,014	906,567	-	-
Reversal of allowance for diminution in value of investment in quoted shares		(128,566)	(1,606,672)	(128,566)	(1,606,672)
Unrealised loss on foreign exchange		59,356	246,857	-	-
Waiver of amount owing to creditors		(6,810,454)	(670,429)	-	-
Amortisation of goodwill net of reserve on consolidation amounted to RM34,869		919,616	920,097	-	-
Utilities written off		-	16,746	-	-
Taxation		7,137,492	7,600,673	1,692,900	792,941
Minority interest		(323,732)	512,402	-	-
		21,215,823	27,081,424	(652,915)	(603,215)

CASH FLOW STATEMENTS (CONT'D)

	Note	Group		Company	
		2002 RM	2001 RM	2002 RM	2001 RM
Changes in construction contracts		(22,325,139)	8,312,284	-	-
(Increase)/decrease in receivables		(14,755,591)	9,123,901	139,856	197,613
Increase in inventory		(600,773)	(150,177)	-	-
Increase/(decrease) in payables		7,493,322	(11,677,853)	(1,157,337)	1,186,570
Changes in balance with an associated company		-	47,289	-	-
Changes in intercompany balances		-	(50)	(11,216,138)	5,221,240
Proceeds from disposal of investment property		819,978	-	-	-
Net cash (used in)/generated from operations		(8,152,380)	32,736,818	(12,886,534)	6,002,208
Taxation paid		(9,786,103)	(7,214,592)	(942,652)	(472,884)
Interest paid		(11,692)	-	-	-
Net cash inflow (used in)/from operating activities		(17,950,175)	25,522,226	(13,829,186)	5,529,324
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Net cash outflow from purchase of a new subsidiary company	9	-	(10,869,305)	-	-
Proceeds from disposal of property, plant and equipment		747,752	735,813	-	-
Proceeds from disposal of quoted investment		449,991	1,483,941	449,991	1,483,941
Dividend from associated company		495,390	165,375	-	-
Proceeds from bonds redemption		4,000,000	6,000,000	4,000,000	6,000,000
Purchase of property, plant and equipment		(1,926,914)	(5,804,695)	-	-
Investment in quoted shares		(5,400)	(184,421)	-	(184,421)
Investment in unquoted bonds		(8,380,600)	(10,912,138)	(8,380,600)	(10,912,138)
Investment by asset management Company		(3,000,000)	-	(3,000,000)	-
Proceed from disposal of bonds		5,374,555	-	5,374,555	-
Interest income received		2,719,902	2,892,095	2,380,320	2,465,031
Dividend received		2,804	23,075	2,607,404	2,193,575
Purchase of a new subsidiary company		-	-	-	(14,281,360)
Purchase of investment property		(1,900,000)	(3,350,000)	-	-
Increase in investment property related expenses		(64,309)	(160,364)	-	-
Purchase of additional stake in subsidiary company		-	(195,550)	-	-
Net cash from/(used in) from investing activities		(1,486,829)	(20,176,174)	3,431,670	(13,235,372)

CASH FLOW STATEMENTS (CONT'D)

	Note	Group		Company	
		2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Repayment of hire purchase creditors		(1,123,800)	(1,836,690)	-	-
Interest expense paid		(115,193)	(131,856)	-	-
Net drawdown/(payment) of short term borrowings		2,606,893	(1,876,371)	-	-
Dividends paid		(2,448,000)	(4,977,600)	(2,448,000)	(4,977,600)
Net cash used in financing activities		(1,080,100)	(8,822,517)	(2,448,000)	(4,977,600)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(20,517,104)	(3,476,465)	(12,845,516)	(12,683,648)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		54,178,360	57,654,825	31,611,709	44,295,357
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	18	33,661,256	54,178,360	18,766,193	31,611,709

The accounting policies on pages 38 to 42 and the notes on pages 43 to 65 form an integral part of these financial statements.

SUMMARY *of Significant Accounting Policies*

for the financial year ended 31 December 2002

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

A BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company are prepared under the historical cost convention, as modified by the revaluation of investment in subsidiary companies, investment properties and certain property, plant and equipment, in accordance with the applicable approved accounting standards in Malaysia and comply with the provisions of Companies Act, 1965.

The new applicable approved accounting standards adopted in these financial statements are as follows:

(a) Retrospective application

MASB Standard 20 "Provisions, Contingent Liabilities and Contingent Assets"

There are no changes in the accounting policy that affect net profit for the period as a result of the adoption of the above standards in these financial statements as the Group and the Company have already followed the recognition and measurement principles in that standard.

(b) Prospective application

MASB Standard 23 "Impairment of Assets"

MASB Standard 24 "Financial Instruments: Disclosure and Presentation"

The Group has taken advantage of the exemption provided to apply MASB Standard 24 prospectively. Accordingly the liability and equity classification of non-compound instruments has been applied as of 1 January 2002.

The preparation of financial statements in conformity with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results would differ from those estimates.

B BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Acquisitions of subsidiary companies which meet the criteria for merger accounting under Malaysian Accounting Standard 2, Accounting for Acquisitions ("MAS 2") are accounted for under that method. If the criteria of MAS 2 are not met, then the acquisitions are accounted for under the acquisition method of accounting.

Under the merger method of accounting, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying value of the investment in these subsidiary companies over the nominal value of the shares acquired is taken to merger reserve.

The acquisition of Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd. which meet the criteria for merger accounting under MAS 2 are accounted for under that method.

In accordance with the merger relief provisions of Section 60(4) of the Companies Act, 1965, Loh & Loh Corporation Berhad has recorded its investment in Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd. at the nominal value of the ordinary shares issued as consideration.

Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed off during the financial year are included from the date of acquisition or up to the date of disposal respectively.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B BASIS OF CONSOLIDATION (CONT'D)

Goodwill arising on consolidation represents the excess of the purchase price over the fair value of the net assets of the subsidiary companies at the date of acquisition. Reserve on consolidation represents the excess of the fair value of the net assets of the subsidiary company over the purchase price. Goodwill and reserve on consolidation are amortised over a period of 5 years.

Minority interest is measured at the minorities' share of post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

C INVESTMENTS

Investments in subsidiary companies, associated companies and other long term investments are stated at cost or valuation unless, in the opinion of the Directors there has been permanent diminution in value, in which case an allowance or write down is made. Short term investments are stated at the lower of cost and market value. Any write down of carrying value is charged to the income statement. Investment in unquoted bonds is stated at cost net of amortisation of premiums or accretion of discount over the period between acquisition and maturity of the bonds.

The Company has revalued the investment in subsidiary companies for a special corporate exercise for a bonus issuance of shares (Note 13).

Profit and loss arising on sale of investment are credited or charged to the income statement.

D ASSOCIATED COMPANIES

The Group considers an associated company as a company in which a long term equity interest of between 20% and 50% is held and it has participation in the management through representation on the board of Directors. Goodwill and reserve arising from acquisition of associated companies are amortised over a period of 5 years. As at the end of the financial year, the Group has equity accounted for its share of the results of its associated companies.

E REVENUE RECOGNITION

Revenue from long term construction contracts is recognised on the percentage of completion method. Stage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total costs of the contract.

Revenue from quarry operations is recognised based on invoiced value of goods delivered to customers.

Revenue from dividends is recognised in the financial statements when the Company's right to receive payment is established.

Revenue from sale of investment properties is recognised on the completion of the sales and purchase agreement.

Revenue from interest income is recognised based on the accrual basis.

F PROFIT RECOGNITION ON CONSTRUCTION CONTRACTS

Profit is recognised on the percentage of completion method. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recovered; contract cost is recognised only when incurred.

When it is probable that the total contract cost exceed total contract revenue, foreseeable losses on contracts are provided for in full.

No profit is recognised on a contract if the contract is in its initial stage or has not reached a stage of completion where it is possible to assess the financial outcome of the contract with reasonable accuracy.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

G AMOUNT DUE TO/(FROM) CUSTOMERS ON CONSTRUCTION CONTRACTS

Amount due to/(from) customers on construction contracts are stated at cost plus attributable profits, less provision for foreseeable losses and progress payments. Cost comprises all costs relating directly to the contracts and includes administrative expenses specifically attributable to the contracts.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the financial year end.

Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount due from customers on construction contracts under trade and other receivables. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on construction contracts under trade and other payables.

H PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Freehold land is stated at cost or Directors' valuation based on independent professional valuers' reports, with no depreciation charge. The carrying amount of property, plant and equipment will be written down if the Directors are of the opinion that the recoverable amount of the property, plant and equipment is lower than the carrying amount. The amount written down is charged to the income statement.

Buildings are amortised over 40 years.

Depreciation of other property, plant and equipment is provided on the reducing balance basis to write off the cost of the assets over their estimated useful lives at the following annual rates:

Plant and machinery	10% - 20%
Office equipment, furniture and fittings	7.5% - 33.3%
Motor vehicles	20%

I HIRE PURCHASE

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements and depreciated in accordance with the policy set out in H above. The corresponding outstanding obligations due under hire purchase after deducting finance expenses are included as liabilities in the financial statements. Finance charges are allocated to the income statement on a constant rate of interest over the period of the respective hire purchase.

J DEFERRED TAXATION

The tax expense is determined on the basis of tax effect accounting using the liability method. Deferred taxation is recognised for timing differences except when there is reasonable evidence that such timing differences will not reverse in the foreseeable future. The tax effect of timing differences that result in a debit balance or a debit to the deferred tax balance is not carried forward unless there is a reasonable expectation of its realisation.

The potential tax saving relating to a tax loss carry forward is only recognised if there is assurance beyond any reasonable doubt that future taxable income will be sufficient for the benefit of the loss to be realised.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

K FOREIGN CURRENCY

Transactions arising in foreign currencies have been converted into Ringgit Malaysia at rates of exchange approximating those ruling on transaction dates except for transactions uncompleted at the financial year end, which have been translated at rates of exchange approximating those ruling at that date. All exchange differences are taken up in the income statement.

The principal closing rate used in translation of foreign currency amounts are as follows:

	2002 RM	2001 RM
1 Singapore Dollar	2.1970	2.0770
1 Papua New Guinea Kina	0.8660	0.9820
1 USD	3.8000	3.8000
1 Euro	4.0010	3.3340
1 Swedish Kroner	-	0.3580
1 Sterling Pound	6.1520	-

L INVESTMENT PROPERTIES

Investment properties are held for long term rental yields and long term capital appreciation. Investment properties acquired are initially stated at cost and upon revaluation, the investment properties are stated at Directors' valuation based upon latest independent valuation by professional valuers. No depreciation is provided on investment properties. These properties are revalued at regular intervals of at least once in every five years by an independent professional valuer.

Any surplus or deficit arising on revaluation is taken to revaluation reserve unless the deficit arising exceeds the surplus previously recognised for that asset in the reserve, in which case the difference is charged to the income statement.

Revaluation surplus relating to an asset disposed off is transferred from revaluation reserve to retained earnings.

M CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, net of outstanding bank overdraft.

N RECEIVABLES

Receivables are carried at invoiced amount less allowance for doubtful debt made for debts which the Directors consider are doubtful of recovery.

O INVENTORIES

Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories. The cost of inventories consists of direct materials, direct labour, direct charges and variable production overheads, determined on a weighted average basis.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

P FINANCIAL INSTRUMENTS

Fair value estimation for disclosure purpose:

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

(ii) Financial instruments not recognised on the balance sheet

The Group is a party to financial instruments which comprise foreign currency forward contracts. These instruments are not recognised in the financial statements on inception.

Foreign currency forward contracts

The Company uses forward foreign exchange contracts to hedge its exposure to foreign exchange arising from operational activities.

The underlying foreign currency assets or liabilities from the foreign exchange contracts are translated at their respective hedged exchange rate and all exchange gains or losses are recognised as income or expenses in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction at which time they are included in the measurement of such transactions.

NOTES *to the* *Financial Statements*

- 31 December 2002

1 GENERAL INFORMATION

The principal activities of the Company consist of investment holding and civil constructions. The principal activities of the subsidiary companies are disclosed in Note 13 to the financial statements. There has been no significant change in the principal activities of the Company or its subsidiary companies during the financial year.

The Company is a public limited company, domiciled and incorporated in Malaysia, and listed on the Main Board of the Kuala Lumpur Stock Exchange.

The address of the registered office of the Company is as follows:

Level 13, Menara Millennium
8 Jalan Damanlela
Damansara Heights
50490 Kuala Lumpur

The address of the principal place of business of the Company is as follows:

19 & 21, Jalan Sri Hartamas 7
Taman Sri Hartamas
50480 Kuala Lumpur

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities are exposed to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign exchange, interest, credit and liquidity risks. The Group operates within clearly defined guidelines that are approved by the Board.

Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt and deposit. The Group regularly reviews its debt portfolio, taking into account the investment holding period and the nature of its assets.

Market risk

Market risk is in the risk that the value of the financial instrument will fluctuate as a result of changes in market prices of the financial instrument or security assets. For key product purchases, the Group establishes floating and fixed price levels that the Group considers acceptable and enters physical supply where necessary to achieve these levels.

Credit risk

Credit risk is controlled by the application of credit approvals, limit and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's association to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis via the Group management reporting procedures.

Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met.

As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Foreign exchange risk

The Group is exposed to various currencies, mainly United States Dollar, Euro Dollar and Sterling Pound. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functionally currencies of the operating entities are kept to an acceptable level. Material transaction foreign exchange exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

3 REVENUE

	<i>Group</i>		<i>Company</i>	
	<i>2002 RM</i>	<i>2001 RM</i>	<i>2002 RM</i>	<i>2001 RM</i>
Construction contracts	132,370,850	172,689,068	2,017,672	3,054,110
Quarry operations	1,950,552	1,753,676	-	-
Rental income	104,167	42,000	-	-
Sale of investments	1,570,075	1,483,941	1,570,075	1,483,941
Interest income	2,454,877	2,465,031	2,454,877	2,465,031
Dividends				
- unquoted investments in subsidiaries	-	-	3,617,500	2,170,500
- other investments, quoted in Malaysia	82,981	23,075	82,981	23,075
Accretion of discount on unquoted bonds	209,531	238,398	209,531	238,398
Sale of goods	6,494,490	-	-	-
	145,237,523	178,695,189	9,952,636	9,435,055

4 PROFIT FROM OPERATIONS

	<i>Group</i>		<i>Company</i>	
	<i>2002 RM</i>	<i>2001 RM</i>	<i>2002 RM</i>	<i>2001 RM</i>
Profit from operations arrived at after charging/(crediting):				
Rental on hiring of plant and machinery	32,026	188,488	-	-
Rental of site premises	18,000	34,000	-	-
Allowance for doubtful debts				
- creation	8,014,921	906,567	-	-
- writeback	(1,287,907)	-	-	-
Unrealised loss on foreign exchange	59,356	246,857	-	-
Auditors' remuneration				
- current	83,000	74,750	9,000	8,000
- under provision in previous year	11,000	8,250	1,000	-
Amortisation of unquoted bonds	254,372	191,840	254,372	191,840
Staff cost	5,299,959	3,311,691	-	-
Directors' remuneration paid:				
- fees	768,000	513,000	504,000	489,000
- other emoluments	956,480	1,149,200	-	-
Allowance for diminution in value of investments written back	(128,566)	(1,606,672)	(128,566)	(1,606,672)
Loss on disposal of investment property	28,012	-	-	-
Rental income of plant and machinery	(500,000)	(132,290)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4 PROFIT FROM OPERATIONS (CONT'D)

	<i>Group</i>		<i>Company</i>	
	<i>2002 RM</i>	<i>2001 RM</i>	<i>2002 RM</i>	<i>2001 RM</i>
Property, plant and equipment				
- depreciation	1,501,452	1,372,160	-	-
- gain on disposal	(511,811)	(59,733)	-	-
- writeoff	9,333	-	-	-
Waiver of amount due to creditors	(6,810,454)	(670,429)	-	-
Amortisation of reserve on acquisition of an associated company	-	(1,374)	-	-
Income from rental of office premises	(51,960)	(52,055)	-	-
Interest income	(329,161)	(427,064)	-	-

Contract cost of the Group recognised as an expense during the financial year amounted to RM104,815,853 (2001: RM138,219,760).

The estimated monetary value of benefits provided to Directors of the Company during the financial year by way of usage of the Group's assets, provision of accommodation and other similar benefits amounted to RM57,200 (2001: RM52,813).

Fees paid for professional services to firms of which a Director of the Company is a member amounted to RM65,864 (2001: RM130,506) and RM31,343 (2001: RM82,129) for the Group and Company respectively.

Fees paid to a Director of the Company for advisory services rendered by the Group amounted to RMNil (2001: RM180,000).

5 FINANCE COST

	<i>Group</i>		<i>Company</i>	
	<i>2002 RM</i>	<i>2001 RM</i>	<i>2002 RM</i>	<i>2001 RM</i>
Interest expenses				
- hire purchase	115,193	120,458	-	-
- short term loan interest	11,692	11,398	-	-
	126,885	131,856	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6 TAXATION

In Malaysia

	<i>Group</i>		<i>Company</i>	
	<i>2002 RM</i>	<i>2001 RM</i>	<i>2002 RM</i>	<i>2001 RM</i>
Income taxation - current				
- Company and subsidiary companies	6,510,550	8,505,910	1,692,900	790,000
- Associated company	-	24,533	-	-
Under/(over) provision of prior financial year	52,711	(1,017,587)	-	2,941
Deferred taxation (Note 22)	574,231	87,817	-	-
	7,137,492	7,600,673	1,692,900	792,941

The effective tax rate of the Group and the Company is higher than the statutory tax rate due to certain expenses is not tax deductible and the non-availability of group relief on losses suffered by certain subsidiaries.

7 EARNINGS PER SHARE

The earnings per share is calculated by dividing the Group earnings of RM14,989,903 (2001: RM18,963,627) by the weighted average number of shares amounting to RM68,000,000 (2001: RM68,000,000) in issue during the financial year.

8 DIVIDENDS

	<i>2002 RM</i>	<i>2001 RM</i>
2001		
Interim gross dividend of 3 sen per share (tax exempt) paid on 31 December 2001	-	2,040,000
Final gross dividend of 5 sen per share less tax at 28%	-	2,448,000
2002		
Proposed final gross dividend of 8 sen per share less tax at 28%	3,916,800	-
	3,916,800	4,488,000

The financial statements do not reflect the proposed final dividend which will only be accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31 December 2003 if and when approved by the shareholders in general meeting.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9 ACQUISITION OF WATER ENGINEERING TECHNOLOGY SDN BHD

On 2 July 2001, the Company acquired the entire equity interest in Bipes Fluid Engineering Sdn Bhd for a cash consideration of RM14,100,000. On 5 July 2001, Bipes Fluid Engineering Sdn Bhd changed its name to Water Engineering Technology Sdn Bhd.

The effect of this acquisition on the financial results of the Group during the financial year 2001 is as follows:

(a) Impact on the Income Statement

	<i>RM</i>
Revenue	17,721,508
Cost of sales	(13,653,594)
Gross profit	4,067,914
Other operating income	55,906
Administration expenses	(1,643,385)
Finance cost	2,480,435 (20,544)
Profit before taxation	2,459,891

(b) Impact on the Balance Sheet

	<i>RM</i>
Property, plant and equipment	820,000
Investment properties	567,990
Receivables	15,234,548
Inventories	860,662
Amount due from customers	(1,316,056)
Short term borrowings	(37,940)
Payables	(2,719,740)
Taxation	(968,427)
Hire purchase creditors	(76,989)
Deferred taxation	(63,000)
Cash and bank balances	3,317,987
Increase in the Group's net assets	15,619,035

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9 ACQUISITION OF WATER ENGINEERING TECHNOLOGY SDN BHD (CONT'D)

(c) Details of net assets acquired, goodwill and cash flows arising from the acquisition are as follows:

	<i>RM</i>
Property, plant and equipment	383,099
Investment properties	567,990
Receivables	9,206,757
Inventories	804,235
Amount due from customers	1,154,343
Intercompany balances	1,651
Short term borrowings	(1,876,370)
Payables	(4,122,825)
Deferred taxation	(22,000)
Cash and bank balances	3,412,052
	9,508,932
Add: Goodwill arising from purchase	4,772,425
	14,281,357
Purchase consideration	14,281,357
Less: Cash and bank balances	(3,412,052)
	10,869,305

10 PROPERTY, PLANT AND EQUIPMENT

	<i>Freehold land and buildings RM</i>	<i>Plant and machinery RM</i>	<i>Office equipment, furniture and fittings RM</i>	<i>Motor vehicles RM</i>	<i>Total RM</i>
Group					
2002					
COST/VALUATION					
At 1.1.2002					
- Cost	-	39,294,744	3,423,554	9,648,107	52,366,405
- Valuation	3,235,000	-	-	-	3,235,000
Additions	-	800,461	548,003	1,374,379	2,722,843
Disposals	-	(5,218,879)	(37,103)	(52,574)	(5,308,556)
Write off	-	(54,906)	(68,059)	(22,000)	(144,965)
At 31.12.2002	3,235,000	34,821,420	3,866,395	10,947,912	52,870,727

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	<i>Freehold land and buildings RM</i>	<i>Plant and machinery RM</i>	<i>Office equipment, furniture and fittings RM</i>	<i>Motor vehicles RM</i>	<i>Total RM</i>
ACCUMULATED DEPRECIATION					
At 1.1.2002	135,000	21,258,934	1,364,874	4,672,635	27,431,443
Charge for the financial year	19,375	2,769,505	248,505	1,116,109	4,153,494
Released on disposals/writeoff	-	(5,063,804)	(81,190)	(62,975)	(5,207,969)
At 31.12.2002	154,375	18,964,635	1,532,189	5,725,769	26,376,968
NET BOOK VALUE					
At 31.12.2002	3,080,625	15,856,785	2,334,206	5,222,143	26,493,759
Group					
2001					
	<i>Freehold land and buildings RM</i>	<i>Plant and machinery RM</i>	<i>Office equipment, furniture and fittings RM</i>	<i>Motor vehicles RM</i>	<i>Total RM</i>
COST/VALUATION					
At 1.1.2001					
- Cost	4,068,622	33,788,433	2,350,560	7,424,570	47,632,185
- Valuation	3,820,000	-	-	-	3,820,000
Transfer to investment property	(4,508,622)	-	-	-	(4,508,622)
Revaluation deficit	(145,000)	-	-	-	(145,000)
Acquisition of subsidiary company	-	466,801	474,168	732,073	1,673,042
Additions	-	5,111,913	827,791	2,639,924	8,579,628
Disposals	-	(72,403)	(228,965)	(1,148,460)	(1,449,828)
At 31.12.2001	3,235,000	39,294,744	3,423,554	9,648,107	55,601,405

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	<i>Freehold land and buildings RM</i>	<i>Plant and machinery RM</i>	<i>Office equipment, furniture and fittings RM</i>	<i>Motor vehicles RM</i>	<i>Total RM</i>
ACCUMULATED DEPRECIATION					
At 1.1.2001	128,750	18,186,963	1,002,842	3,685,453	23,004,008
Acquisition of subsidiary company	-	332,265	420,377	537,306	1,289,948
Transfer to investment property	(19,500)	-	-	-	(19,500)
Charge for the financial year	25,750	2,811,126	164,843	929,013	3,930,732
Released on disposals	-	(71,420)	(223,188)	(479,137)	(773,745)
At 31.12.2001	135,000	21,258,934	1,364,874	4,672,635	27,431,443
NET BOOK VALUE					
At 31.12.2001	3,100,000	18,035,810	2,058,680	4,975,472	28,169,962

The depreciation charges relating to the Group's property, plant and equipment used at construction sites were capitalised in contract work-in-progress forming part of construction contracts (Note 16) and amounted to RM2,652,042 (2001: RM2,558,572).

Freehold land and building were revalued in financial year 2001 by the following independent qualified valuers using the comparison method to reflect fair value:

- (i) Teoh Leong Seng, B.Sc, FRICS, FISM, IRRV
(Messrs Henry Butcher, Lim, Long & Teoh (South) Sdn Bhd)
- (ii) Long Tian Chek, B.Sc, MRICS, MIS(M)
(Messrs Henry Butcher, Lim, Long Sdn Bhd)

The book values were adjusted to reflect the revaluation and the resultant deficit was booked into the revaluation reserve account.

Included in the Group's property, plant and equipment are assets acquired under hire purchase agreements with net book values as follows:

	<i>2002 RM</i>	<i>2001 RM</i>
Motor vehicles	2,957,834	2,649,002
Plant and machinery	130,733	163,417
	3,088,567	2,812,419

Included in the Group's additions to property, plant and equipment are assets purchased under hire purchase agreements as follows:

	<i>2002 RM</i>	<i>2001 RM</i>
Motor vehicles	1,126,409	2,589,928
Plant and machinery	-	185,000
	1,126,409	2,774,928

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Had the property, plant and equipment been carried at historical cost less accumulated depreciation, the carrying amount of each class of property, plant and equipment that would have been included in the financial statements at the end of the financial year would be as follows:

	<i>Group</i>	
	<i>2002 RM</i>	<i>2001 RM</i>
Freehold land and buildings	869,683	884,259
Plant and machinery	15,856,785	18,096,041
Office equipment, furniture and fittings	2,334,206	2,010,836
Motor vehicles	5,222,143	4,828,549
	24,282,817	25,819,685

During the financial year, Quality Quarry Sdn Bhd, a subsidiary of Loh & Loh Constructions Sdn Bhd has changed the depreciation rate of one of its idle plant and machinery from 20% per annum to 10% per annum. The cost of the machine was RM1,452,000. The impact on the change of the depreciation is immaterial to the Group. The Directors of the Company do not foresee any impairment on the plant and machinery.

In determining the recoverable amount of property, plant and equipment, expected future cash flows have not been discounted to their present values.

11 INVESTMENT PROPERTIES

	<i>Group</i>		
	<i>Investment property Investment properties RM</i>	<i>related expenses RM</i>	<i>Total RM</i>
As at 1.1.2001	8,518,642	1,502,828	10,021,470
Reclassified from property, plant and equipment	4,489,122	-	4,489,122
Revaluation surplus	3,782,030	-	3,782,030
Purchase of investment property	3,350,000	-	3,350,000
Acquisition of subsidiary company	567,990	-	567,990
Investment property related expenditure	-	160,364	160,364
As at 31.12.2001	20,707,784	1,663,192	22,370,976
Purchase of investment property	1,900,000	64,309	1,964,309
Disposal during the year	(847,990)	-	(847,990)
As at 31.12.2002	21,759,794	1,727,501	23,487,295

In the financial year 2000, Loh & Loh Development Sdn Bhd, a wholly owned subsidiary company of Loh & Loh Corporation Bhd, sold certain parcels of freehold land under compulsory acquisition, for a total consideration of RM1,212,865 which included 2 units of double storey terrace factory lots valued at RM470,000. Loh & Loh Development Sdn Bhd has however yet to receive the ownership titles as at financial year end.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11 INVESTMENT PROPERTIES (CONT'D)

Investment properties were revalued at the financial year 2001 by the following independent qualified valuers using the comparison method to reflect fair value:

- (i) Teoh Leong Seng, B.Sc, FRICS, FISM, IRRV
(Messrs Henry Butcher, Lim, Long & Teoh (South) Sdn Bhd)
- (ii) Long Tian Chek, B.Sc, MRICS, MIS(M)
(Messrs Henry Butcher, Lim, Long Sdn Bhd)

The book values were adjusted to reflect the revaluation and the resultant surpluses were credited into the revaluation reserve account.

12 OTHER LONG TERM INVESTMENTS

	<i>Group</i>		<i>Company</i>	
	<i>2002 RM</i>	<i>2001 RM</i>	<i>2002 RM</i>	<i>2001 RM</i>
Investment in unquoted shares				
At cost	340,000	340,000	-	-
Allowance for diminution in value	(45,475)	(45,475)	-	-
	294,525	294,525	-	-
Investment in unquoted bonds				
At cost	24,741,000	21,645,900	24,741,000	21,645,900
Amortisation of discount net of amortisation of premium	(311,824)	(163,415)	(311,824)	(163,415)
	24,429,176	21,482,485	24,429,176	21,482,485
	24,723,701	21,777,010	24,429,176	21,482,485

13 SUBSIDIARY COMPANIES

	<i>Company</i>	
	<i>2002 RM</i>	<i>2001 RM</i>
Unquoted shares at valuation	89,575,189	89,575,189

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13 SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are:

Name	Principal activities	Country of incorporation	Percentage of equity held	
			2002 %	2001 %
Direct subsidiary companies:				
Loh & Loh Constructions Sdn. Bhd.	Building and civil construction and investment holding	Malaysia	100	100
Loh & Loh Development Sdn. Bhd.	Property investment	Malaysia	100	100
Water Engineering Technology Sdn. Bhd.	Trading, contracting and mechanical & electrical engineering related activities	Malaysia	100	100
Subsidiary companies of Loh & Loh Constructions Sdn. Bhd.:				
Jutakim Sdn. Bhd.	Civil engineering	Malaysia	100	100
Turf-Tech Sdn. Bhd.	Turfing and other construction related works	Malaysia	100	100
Loh & Loh Sato Kogyo JV Sdn. Bhd.	Civil engineering	Malaysia	51	51
Quality Quarry Sdn Bhd	Quarry operations	Malaysia	68	68
Loh & Loh Ikhmas Sdn. Bhd.	Civil engineering	Malaysia	70	70
Subsidiary company of Water Engineering Technology Sdn Bhd:				
WET Sales and Services Sdn Bhd	Trading and contracting in water related equipment	Malaysia	100	100

All the subsidiary companies are and audited by PricewaterhouseCoopers, Malaysia with exception of Water Engineering Technology Sdn. Bhd. and WET Sales and Services Sdn Bhd.

The acquisitions of Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd. in prior years which met the criteria for merger accounting under MAS 2 were accounted for under that method. In accordance with the merger relief provisions of Section 60(4) of the Companies Act, 1965, Loh & Loh Corporation Berhad recorded its investments in Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd. at the nominal value of the ordinary shares issued as consideration. On consolidation, the excess of the carrying values of the investments over the nominal value of the shares acquired were taken to merger reserve.

All the subsidiary companies of Loh & Loh Constructions Sdn. Bhd. and Water Engineering Technology Sdn. Bhd. are consolidated based on the acquisition method of accounting in the financial statements of Loh & Loh Corporation Berhad.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14 ASSOCIATED COMPANIES

	<i>Group</i>	
	<i>2002 RM</i>	<i>2001 RM</i>
Unquoted shares - at cost	367,550	367,550
Amortisation of reserve on acquisition	6,870	6,870
Share of post acquisition profits	421,100	859,420
	795,520	1,233,840
Group's share of net assets	795,520	1,233,840

The associated companies are:

<i>Name</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Percentage of equity held</i>	
			<i>2002 %</i>	<i>2001 %</i>
Gold Bridge - Loh & Loh Sdn. Bhd.	Dormant	Malaysia	50	50
Bukit Maju Construction 3 Sdn. Bhd.	Construction related works	Malaysia	49	49

15 TRADE AND OTHER RECEIVABLES

	<i>Group</i>		<i>Company</i>	
	<i>2002 RM</i>	<i>2001 RM</i>	<i>2002 RM</i>	<i>2001 RM</i>
Trade receivables	49,809,692	37,614,514	1,150,995	120,016
Retention sums	24,921,801	25,095,875	6,931,277	7,956,253
Total trade receivables	74,731,493	62,710,389	8,082,272	8,076,269
Allowance for doubtful debts	(13,964,771)	(9,315,480)	-	-
	60,766,722	53,394,909	8,082,272	8,076,269
Amount due from customers on contracts (Note 16)	26,477,837	13,055,539	-	-
Deposits	617,710	173,289	-	-
Prepayments	166,719	134,133	-	-
Other receivables	1,888,761	3,149,783	107,890	2,253,748
Allowance for doubtful debts	(62,660)	(62,660)	-	-
	89,855,089	69,844,993	8,190,162	10,330,017

All trade receivables are denominated in Ringgit Malaysia.

Amounts due from subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

The credit terms of trade receivables range from 90 days to 120 days. The Group is not exposed to any individual customer or counter party nor does it have any major concentration of credit risk related to trade receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16 CONSTRUCTION CONTRACTS

	<i>Group</i>		<i>Company</i>	
	<i>2002 RM</i>	<i>2001 RM</i>	<i>2002 RM</i>	<i>2001 RM</i>
Costs of contract work-in-progress incurred	732,572,633	896,727,981	266,208,467	239,232,325
Attributable profits	129,233,844	149,012,708	-	-
	861,806,477	1,045,740,689	266,208,467	239,232,325
Progress billings on uncompleted contracts	(850,752,351)	(1,059,818,836)	(266,208,467)	(239,232,325)
	11,054,126	(14,078,147)	-	-
Amount due to customers on contracts (Note 19)	(15,423,711)	(27,133,686)	-	-
Amount due from customers on contracts (Note 15)	26,477,837	13,055,539	-	-
	11,054,126	(14,078,147)	-	-
Advance received on contracts	1,631,316	3,900,000	-	-
Included in the costs of contract work-in-progress are charges incurred during the year:				
Depreciation of property, plant and equipment (Note 10)	2,652,042	2,558,572	-	-
Rental of site premises	158,605	139,175	-	-
Rental on hiring of plant and machinery	272,539	887,298	-	-

Also included in the costs of contract work-in-progress are:

Estimated monetary value of benefits provided to a Director of the Company during the financial year by way of usage of the Group's assets, provision of accommodation and other similar benefits amounted to RM24,550 (2001: RM19,095).

Fees paid for advisory services rendered by a Director of the Company to the Group amounted to RM54,000 (2001: RM54,000).

Remuneration paid to a Director of the Company for services rendered to the Group amounted to RM313,600 (2001: RM303,250).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17 SHORT TERM INVESTMENTS

	<i>Group</i>		<i>Company</i>	
	<i>2002 RM</i>	<i>2001 RM</i>	<i>2002 RM</i>	<i>2001 RM</i>
Investment in unquoted bonds				
At cost	-	4,358,191	-	4,358,191
Amortisation	-	(241,523)	-	(241,523)
	-	4,116,668	-	4,116,668
Investment by asset management companies				
At cost	4,219,541	-	4,219,541	-
Amortisation	(54,769)	-	(54,769)	-
	4,164,772	-	4,164,772	-
Investment in trust bond fund				
At cost	1,000,000	-	1,000,000	-
Allowance for diminution in value	-	-	-	-
	1,000,000	-	1,000,000	-
Market value of investment in trust bond fund	1,019,336	-	1,019,336	-
Investment in shares quoted in Malaysia				
At cost	2,495,018	3,243,805	2,489,618	3,243,805
Allowance for diminution in value	(1,672,569)	(1,855,905)	(1,672,569)	(1,855,905)
	822,449	1,387,900	817,049	1,387,900
	5,987,221	5,504,568	5,981,821	5,504,568
Market value of investments in quoted shares	822,449	1,387,900	817,049	1,387,900

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following balance sheet amounts:

	<i>Group</i>		<i>Company</i>	
	<i>2002 RM</i>	<i>2001 RM</i>	<i>2002 RM</i>	<i>2001 RM</i>
Short term deposits with licensed banks	22,809,531	49,041,428	18,010,652	29,852,024
Cash and bank balances	11,554,863	5,136,932	755,541	1,759,685
	34,364,394	54,178,360	18,766,193	31,611,709
Less: Bank overdrafts (Note 20)	(703,138)	-	-	-
	33,661,256	54,178,360	18,766,193	31,611,709

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18 CASH AND CASH EQUIVALENTS (CONT'D)

	<i>Group</i>		<i>Company</i>	
	<i>2002</i> %	<i>2001</i> %	<i>2002</i> %	<i>2001</i> %
Weighted average interest rates				
Deposits with licensed banks	3.11	3.11	3.11	3.22
Bank balances	-	-	-	-

19 TRADE AND OTHER PAYABLES

	<i>Group</i>		<i>Company</i>	
	<i>2002</i> %	<i>2001</i> %	<i>2002</i> %	<i>2001</i> %
Trade payables	43,491,501	40,916,359	-	-
Amount due to customers on contracts (Note 16)	15,423,711	27,133,686	-	-
Amount due to subsidiary companies	-	-	53,596,646	64,812,783
Amount due to an associated company	440,274	440,274	-	-
Amount due to a related party	1,068,269	999,950	-	-
Other payables	1,427,864	2,696,107	535,408	1,692,745
Accruals	1,878,303	2,588,941	-	-
Hire purchase creditors (Note 21)	784,629	400,261	-	-
	64,514,551	75,175,578	54,132,054	66,505,528

The currency exposure profile of trade and other payables are as follows:

- Ringgit Malaysia	63,039,609	54,132,054
- Euro Dollar	1,111,456	-
- United States Dollar	134,848	-
- Sterling Pound	228,638	-

	64,514,551	54,132,054
--	------------	------------

The credit terms of trade payables range from 30 days to 60 days.

Amount due to subsidiary companies is unsecured, interest free and has no fixed terms of repayment.

Amount due to a related party (Saroma Engineering Sdn Bhd) is unsecured, interest free and with no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20 SHORT TERM BORROWINGS

	<i>Group</i>	
	<i>2002</i> <i>RM'000</i>	<i>2001</i> <i>RM'000</i>
Bankers' acceptance	454,000	-
Bank overdrafts (unsecured)	703,138	-
Trust receipts	2,152,893	-
	3,310,031	-

Weighted average effective interest rates

Banker's acceptance	4.25
Bank overdrafts	7.90
Trust receipts	7.4 – 7.9

The short term borrowings of a subsidiary company, Water Engineering Technology are secured by way of a corporate guarantee from Loh & Loh Corporation Berhad and a deposit with licensed bank amounting to RM2,211,685.

21 HIRE PURCHASE CREDITORS

	<i>Group</i>	
	<i>2002</i> <i>RM'000</i>	<i>2001</i> <i>RM'000</i>
Amount payable	1,275,934	1,457,707
Finance charges	(124,177)	(143,315)
	1,151,757	1,314,392
Amount due within 1 year classified as payables (Note 19)	784,629	400,261
Amount due between 1 to 2 years	367,128	914,131
	1,151,757	1,314,392

22 DEFERRED TAXATION

	<i>Group</i>	
	<i>2002</i> <i>RM'000</i>	<i>2001</i> <i>RM'000</i>
At 1 January	2,887,607	2,777,790
Net transfer to income statement (Note 6)	574,231	87,817
Acquisition of Water Engineering Technology Sdn Bhd	-	22,000
At 31 December	3,461,838	2,887,607

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22 DEFERRED TAXATION (CONT'D)

	<i>Group</i>	
	<i>2002</i> <i>RM'000</i>	<i>2001</i> <i>RM'000</i>
The balance comprises the tax effects of:		
- surplus on revaluation of investment properties	635,201	635,201
- excess of capital allowances over depreciation	4,055,024	3,564,024
- others	(1,228,387)	(1,311,618)
	3,461,838	2,887,607

The tax effects of surplus on revaluation arising from the revaluation of freehold land and buildings under property, plant and equipment have not been provided as there is no intention to dispose the assets in the foreseeable future.

23 SHARE CAPITAL

	<i>Group</i>		<i>Company</i>	
	<i>2002</i> <i>RM</i>	<i>2001</i> <i>RM</i>	<i>2002</i> <i>RM</i>	<i>2001</i> <i>RM</i>
Ordinary shares of RM1.00 each				
Authorised				
At 1 January and 31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
At 1 January and 31 December	68,000,000	68,000,000	68,000,000	68,000,000

24 MERGER DEFICIT

The difference between the nominal value of shares of the Company issued as consideration and the nominal value of Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd.'s shares transferred to the Company has been classified as a merger deficit and is set off against reserves in the consolidated financial statements.

The merger deficit is derived as follows:

	<i>RM</i>
Shares issued in conjunction with the acquisition of Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd.	25,393,519
Nominal value of shares acquired	(12,235,000)
	13,158,519

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25 RETAINED EARNINGS

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank RM7,585,000 of its retained profits as at 31 December 2002 if paid out as dividends.

Subject to agreement with the Inland Revenue Board, the tax exempt income account balance as at 31 December 2002 for the Company is RM1,379,802(2001: RM1,277,806).

26 CONTINGENT LIABILITIES (UNSECURED)

	<i>Group</i>		<i>Company</i>	
	<i>2002 RM</i>	<i>2001 RM</i>	<i>2002 RM</i>	<i>2001 RM</i>
Guarantees given to banks for performance/tender guarantees granted to third parties	43,315,597	45,720,573	3,885,539	21,745,490

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties and relationships

The related parties of the Company are as follows:

<i>Related parties</i>	<i>Relationships</i>
Loh & Loh Constructions Sdn Bhd	Wholly owned subsidiary company
Loh & Loh Development Sdn Bhd	Wholly owned subsidiary company
Water Engineering Technology Sdn Bhd	Wholly owned subsidiary company
WET Sales and Services	Subsidiary company of Water Engineering Technology Sdn Bhd
Jutakim Sdn Bhd	Subsidiary company of Loh & Loh Constructions Sdn Bhd
Turf-Tech Sdn Bhd	Subsidiary company of Loh & Loh Constructions Sdn Bhd
Loh & Loh Sato Kogyo JV Sdn Bhd	Subsidiary company of Loh & Loh Constructions Sdn Bhd
Quality Quarry Sdn Bhd	Subsidiary company of Loh & Loh Constructions Sdn Bhd
Loh & Loh Ikhmas Sdn Bhd	Subsidiary company of Loh & Loh Constructions Sdn Bhd
Gold Bridge-Loh & Loh Sdn Bhd	Associated company
Bukit Maju Construction 3 Sdn Bhd	Associated company
Ikhmas Jaya Sdn Bhd	Corporate shareholder of subsidiary company of Loh & Loh Constructions Sdn Bhd
Saroma Engineering Sdn Bhd	Corporate shareholder of subsidiary company of Loh & Loh Constructions Sdn Bhd
Sato Kogyo Co. Ltd	Corporate shareholder of subsidiary company of Loh & Loh Constructions Sdn Bhd
Sato Kogyo (M) Sdn Bhd	Associated company of Sato Kogyo Co. Ltd.
Rashid & Lee Management Services Sdn Bhd	Related company
Rashid & Lee	Related company
Asia Hall Sdn Bhd	A company in which a Director of the Group has interest

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Significant transactions with related parties

In the ordinary course of business, the Company undertakes transactions with its related companies which are as follows:

	2002 RM	2001 RM
Progress billings received/receivable from: Loh & Loh Sato Kogyo JV Sdn Bhd	657,732	-
Progress billings paid/payable to:		
Sato Kogyo (M) Sdn Bhd	5,513,886	5,255,197
Sato Kogyo Co. Ltd	598,924	-
Ikhmas Jaya Sdn Bhd	-	522,191
Saroma Engineering Sdn Bhd	687,517	4,268,044
Loh & Loh Constructions Sdn Bhd	2,017,672	3,054,110
Loh & Loh Ikhmas Sdn Bhd	2,310,090	11,503,206

Significant transactions with related parties (continued)

Hire of plant and machineries from: Jutakim Sdn Bhd	43,200	60,000
Hire of plant and machineries to: Saroma Engineering Sdn Bhd	504,000	504,000

Transactions with companies, firms in which the Directors of the Company have interest

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Secretarial fees paid to Rashid & Lee Management Services Sdn Bhd, a company in which Datuk Abdul Rashid Bin Abdul Manaff is a major shareholder and Director	33,229	27,592	15,293	23,829
Legal fees paid to Rashid & Lee, a firm which in which Datuk Abdul Rashid Bin Abdul Manaff is a partner	32,635	102,915	16,050	58,300
Progress billings received/receivable from Asiahall Sdn. Bhd., a company in which Datuk Abdul Rashid bin Abdul Manaff is a major shareholder	1,208,617	-	-	-

The related party transactions described above were entered into in the normal course of business and have been established under negotiated terms.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28 CAPITAL COMMITMENTS

	<i>Group</i>	
	<i>2002</i> <i>RM</i>	<i>2001</i> <i>RM</i>
Capital expenditure: Approved and contracted for	2,720,393	1,748,750

The above commitments are in relation to foreign exchange forward contracts taken out in Euro Dollars and Sterling Pound for purchase of equipment which is only due in the first half of financial year 2003.

29 SEGMENTAL INFORMATION

The Group is primarily engaged in construction and construction related activities within Malaysia.

	<i>Constructions</i> <i>RM</i>	<i>Investments</i> <i>RM</i>	<i>Quarry</i> <i>and trading</i> <i>RM</i>	<i>Eliminations</i> <i>RM</i>	<i>Total</i> <i>RM</i>
2002					
REVENUE					
Revenue from external customers	132,370,850	4,421,631	8,445,042	-	145,237,523
Revenue from transactions with other business segments	2,675,405	4,121,500	2,832,243	(9,629,148)	-
	135,046,255	8,543,131	11,277,285	(9,629,148)	145,237,523
Segment result	28,320,255	6,829,345	1,703,663	(4,107,556)	32,745,707
Unallocated corporate expenses					(10,872,220)
Profit from operations					21,873,487
Finance cost					(126,885)
Share of net profit of associated companies					57,070
Taxation					(7,137,492)
Net profit attributable to shareholders					14,666,180

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29 SEGMENTAL INFORMATION (CONT'D)

	<i>Constructions RM</i>	<i>Investments RM</i>	<i>Quarry and trading RM</i>	<i>Eliminations RM</i>	<i>Total RM</i>
OTHER INFORMATION					
Segment assets	193,669,227	158,912,334	9,241,649	(159,143,784)	202,679,426
Unallocated corporate Assets	8,187,380	73,369	340,000	(1,257,244)	7,343,505
Consolidated assets	201,856,607	158,985,703	9,581,649	(160,401,028)	210,022,931
Segment liabilities	69,293,630	62,030,728	7,480,113	(71,393,255)	67,411,216
Unallocated corporate Liabilities	993,566	582,594	65,000	-	1,641,160
Consolidated liabilities	70,287,196	62,613,322	7,545,113	(71,393,255)	69,052,376
Capital expenditure	1,728,855	1,964,309	185,000	-	3,878,164
Depreciation	2,652,042	-	478,719	-	3,130,761
Non-cash transaction other than depreciation	4,537,228	2,927,372	-	-	7,464,600
2001					
REVENUE					
Revenue from external customers	172,689,066	4,252,447	1,753,676	-	178,695,189
Revenue from transactions with other business segments	3,054,110	2,578,000	1,829,449	(7,461,559)	-
	175,743,176	6,830,447	3,583,125	(7,461,559)	178,695,189
Segment results	32,408,897	5,276,387	1,164,425	(2,347,591)	36,502,118
Unallocated corporate expenses					(9,017,612)
Profit from operations					27,484,506
Finance cost					(131,856)
Share of net profit of associated companies					(275,948)
Taxation					(7,600,673)
Net profit attributable to shareholders					19,476,029

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29 SEGMENTAL INFORMATION (CONT'D)

	<i>Constructions RM</i>	<i>Investments RM</i>	<i>Quarry and trading RM</i>	<i>Eliminations RM</i>	<i>Total RM</i>
OTHER INFORMATION					
Segment assets	198,036,614	168,257,432	4,440,898	(173,242,412)	197,492,532
Unallocated corporate Assets	10,820,694	84,594	120,002	(819,339)	10,205,951
Consolidated assets	208,857,308	168,342,026	4,560,900	(174,061,751)	207,698,483
Segment liabilities	86,039,247	72,680,923	3,819,868	(87,434,076)	75,105,962
Unallocated corporate Liabilities	3,136,564	861,565	4,398	-	4,002,527
Consolidated liabilities	89,175,811	73,542,488	3,824,266	(87,434,076)	79,108,489
2001					
Capital expenditure	5,062,815	3,350,000	741,880	-	9,154,695
Depreciation	2,558,572	-	815,305	-	3,373,877
Non-cash transaction other than depreciation	8,036,988	1,492,863	-	-	9,528,951

30 MATERIAL LITIGATION

Loh & Loh Constructions Sdn Bhd ("LLCSB"), a wholly owned subsidiary of LLCB had filed a suit at the Kuala Lumpur High Court by way of a Writ of Summons No. D5-22-375-93 dated 13 May 1993 ("said suit") against Quota Innovations Sdn Bhd ("QISB") for breach of Contract Agreement and against all QISB's directors for breach of guarantee and against Kassim Chan Management Services Sdn Bhd ("KCMS") for breach of duty of care towards LLCSB. The claim is for a sum of approximately RM3,623,000 under the Contract Agreement including a sum of RM1,100,000 by way of loan granted to QISB. KCMS is sued jointly for this loan sum of RM1,100,000 as the loan monies was disbursed through the project account managed by KCMS. There is a counter-claim filed by QISB against LLCSB for wrongful termination of the Contract Agreement. In respect of QISB and its director, the claim and counter-claim have been remitted for arbitration.

The Learned Arbitrator made an Interim Award in favour of LLCSB but did not grant the full sum for Liquidated Ascertained Damages ("LAD") claimed by LLCSB. The Interim Award is for the sum of RM739,770.25 being payment under the Contract Agreement, RM1,100,000 being the loan sum and RM287,668 being LAD and interest at the rate of 8% per annum on the same beginning from 10 February 1993.

QISB and its directors have filed an application pursuant to Section 23 & 24 of the Arbitration Act, 1952 to set aside the Arbitrator's Interim Award and LLCSB had filed an application for security for costs against the Defendants. Both have been fixed for Mention on 28 April 2003 in Ipoh High Court.

LLCSB had issued a Statutory Demand under S218(2) of the Company Act 1965 against QISB and is now in the midst of filing the Winding-up Petition.

LLCSB has on 28 February 2003 filed afresh Bankruptcy Notice based on Court Judgement against the directors of QISB as the earlier Bankruptcy Notice was based on Interim Award.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

Forward foreign exchange contracts are entered into by the Group in currencies other than their functional currency to manage exposure to fluctuations in foreign currency exchange rates on specific transactions. In general, the Group's policy is to enter into forward foreign exchange contracts for up to 100% of anticipated payments except for USD payments.

As at 31 December 2002, the open forward contracts for the Group are as follows:

<i>Hedging Items</i>	<i>Currency to be received</i>	<i>Currency to be paid</i>	<i>Ringgit Malaysia equivalent</i>	<i>Contracted amounts</i>
Trade receivables	Nil	Nil	-	-
Trade payables	Ringgit Malaysia	Euro	873,801	236,046
	Ringgit Malaysia	Sterling Pound	151,013	25,700
Future purchase of raw materials over following 6 months:				
	Ringgit Malaysia	Euro	804,282	217,183
	Ringgit Malaysia	Sterling Pound	891,297	146,800

Fair values

The carrying amounts of financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values as disclosed in respective notes to the financial statements except the following

	<i>Group</i>		<i>Company</i>	
	<i>Carrying amount RM</i>	<i>Fair value RM</i>	<i>Carrying amount RM</i>	<i>Fair value RM</i>
Foreign currency forward contracts	1,024,814	1,102,526	-	-

32 SETTLEMENT AGREEMENT IN CONNECTION WITH THE DEVELOPMENT PROJECT OF PLAZA MERDEKA ("PROJECT-PM")

On 10 October 2002, Loh & Loh Ikhmas Sdn Bhd ("LLI"), a subsidiary of Loh & Loh Construction Sdn Bhd ("LLCSB"), which in turn is a wholly owned subsidiary of Loh & Loh Corporation Berhad, entered into a Settlement Agreement with the subcontractors of the Project-PM ("Subcontractors") whereby the Subcontractors agreed to accept a sum of RM1,500,000 as full settlement of debt owing to them via a waiver of the balance of RM6,810,454. The waiver of debt has been treated as Other Income in the Income Statement of the Group for the financial year 2002.

LLCSB which sub-contracted the whole of Project-PM to LLI, concurrently entered into a Settlement Agreement with LLI for a nominal sum of RM1.

The Project was sub-contracted by LLI to the respective subcontractors on a with recourse basis such that they will only be paid unless monies are received from LLCSB. The Project-PM was abandoned in 1998.

As the recovery of debts owing by the project owner to LLCSB is remote, LLCSB has made an allowance for doubtful debt of RM8,014,921 in the financial statements for the financial year 2002.

STATEMENT *by Directors*

Pursant to Section 169(15) of the Companies Act, 1965

We, Datuk Abdul Rashid bin Abdul Manaff and Loh Kim Tai, being two of the Directors of Loh & Loh Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 30 to 65 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2002 and of the results of the Group and the Company and the cash flows of the Group and the Company for the year ended on that date in accordance with the applicable approved accounting standards in Malaysia and comply with the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 28 April 2003.

DATUK ABDUL RASHID BIN ABDUL MANAFF
DIRECTOR

LOH KIM TAI
DIRECTOR

Kuala Lumpur

STATUTORY *Declaration*

Pursant to Section 169(16) of the Companies Act, 1965

I, Loh Kim Kah, the Director primarily responsible for the financial management of Loh & Loh Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 65 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

LOH KIM KAH

Subscribed and solemnly declared by the abovenamed Loh Kim Kah at Kuala Lumpur in Malaysia on 28 April 2003, before me.

TEE KIAN @ TEE SING (PPN)
COMMISSIONER FOR OATHS
(No. W 193)
Bilik 2, Tingkat 2, Wisma Ann Koai
Jalan Ampang, 50450 Kuala Lumpur

REPORT *to the Auditors*

to the Members of LOH & LOH Corporation Berhad (Company No. 389765 V)

We have audited the financial statements set out on pages 30 to 65. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2002 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on financial statements of the subsidiaries were not subject to any qualification and do not include any comments made under subsection 3 of Section 174 of the Act.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

ERIC OOI LIPAUN
(No. 1517/06/04 (J))
Partner of the firm

Kuala Lumpur
28 April 2003