



Dear valued shareholders,

On behalf of the Board of Directors,  
I am pleased to present the Annual Report and  
Accounts of LOH & LOH Corporation Berhad  
and its group of companies ("LLCB Group")  
for the financial year ended 31 December 2006.

*Tan Sri Abdul Rashid bin Abdul Manaff*





## Overview

The construction sector has gone through another challenging year amidst escalation material prices, particularly fuel, petroleum based products and increased related costs. Competition remained intensified and profit margins affected.

"The Malaysian economy registered a gross domestic product growth of 5.9% in 2006. The construction activity registered a mild contraction of 0.5% in 2006, led by a gradual recovery in civil engineering activity, as well as increased activity in non-residential segment. During the year, the Government announced several crucial policy decisions that would influence construction activity going forward. This includes the announcement of higher Federal Government spending on infrastructure projects under the Ninth Malaysia Plan ("9MP"). The 17.6% increase in spending is mainly for the construction of highways, bridges, schools and water-related projects.

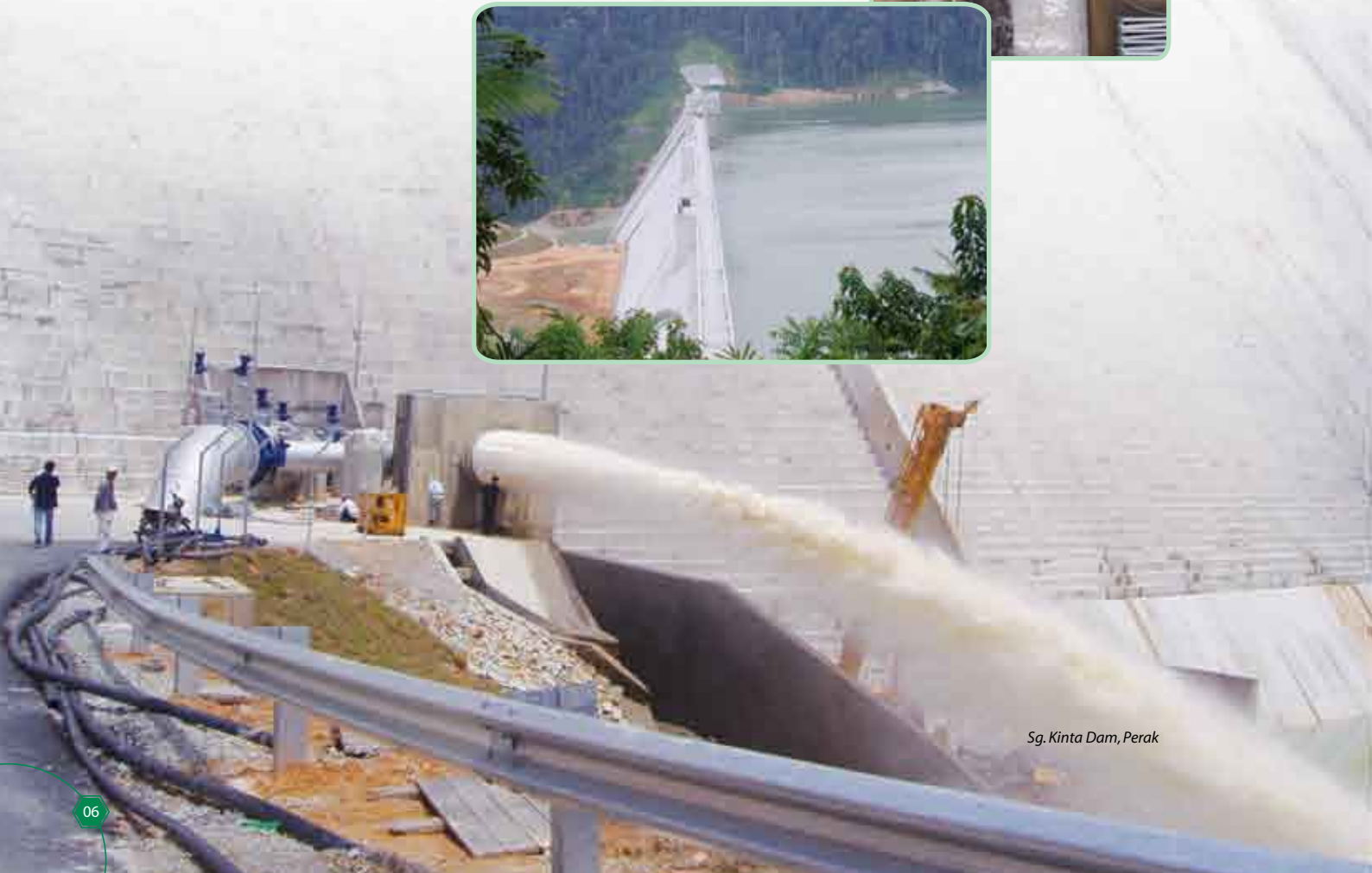
The civil engineering sub-sector began to show encouraging signs, as activity gradually recovered to register positive growth by the final quarter of the year. In addition to the ongoing projects, the Government announced 880 new projects totaling RM15 billion, with 425 of these projects to be financed through the Private Finance initiative."

(Source : Bank Negara Annual Report 2006)

Overall the civil engineering activities were lackluster while competition was intense due to the lack of construction jobs in the market. The water-related construction works were also affected pending the roll out of the various projects under the 9MP.

Under the 9MP, the construction sector has emerged as one of the beneficiaries with the approval for quite a number of large infrastructure projects. The 9MP has provided significantly larger allocations in areas such as sewerage, water supply, flood mitigation, public transport, and rural roads upgrades.

The Group is positive that with the allocation and implementation of the infrastructure projects in the 9MP would stimulate the construction sector especially in water and water-related works in which the Group has a niche.



Sg. Kinta Dam, Perak

## Financial Performance

Against such difficult business environment, the LLCB Group registered a profit before taxation of RM15.43 million for the financial year under review as compared to RM8.65 million in 2005. The profit before taxation for the financial year 2006 was achieved on a revenue of RM214.63 million as compared to RM138.39 million in 2005.

The net earning per share of LLCB Group for the financial year is 19 sen compared to 8 sen in 2005. The net assets per share increased to RM2.41 from RM2.24.



Gurun Treatment Plant

Sg. Muar Durian Tunggal Interbasin Pumping Scheme



## Dividend

The Board of Directors is pleased to announce a proposed final dividend of 8 sen (2005: 8 sen) per ordinary share less taxation of 27% subject to the approval of the shareholders during the Annual General Meeting.



MMU, Cyberjaya

## Business Review

The profit before taxation for the year under review was mainly derived from the ongoing construction projects. The Group's profits come from its core activities of civil, mechanical and electrical engineering constructions and writeback of allowance for diminution in value of investments.

The construction projects that contributed to the Group's profitability during year under review include:-

- Construction of Sg. Kinta Dam and Associated Works – Sub-contract Works of Raw Water Pipe Line, Earthworks & Placement of Reinforced Compact Concrete
- Several infrastructure works and packages at Putrajaya Federal Government Administrative Centre
- Project Pelaksanaan Bekalan Air Sandakan Fasa II secara Design and Build
- Rehabilitation and Strengthening of Track and Associated Works between Parit Buntar and Bukit Merah Railway Station
- Kudat Water Supply Project
- Project Pembinaan Loji/Kolam Takungan Dan Paip Utama Telibong dan Telipok Sabah

Despite the tough market environment due to the intense competition, the LLCB Group managed to secure several new contracts, inter-alia, as follows:-

- Rehabilitation and Strengthening of Track and Associated Works between Parit Buntar and Bukit Merah Railway Station
- Sewage Treatment Plants Project, Phase 2; Package 2 – Kota Setar Centralised Sludge Treatment Facility, Alor Setar, Kedah and Kangar Sewage Treatment Plant, Kangar, Perlis
- Mechanical works in the Erection of Sewage Treatment Plants at Kuala Sawah and Sg. Udang

The mechanical works in the Erection of Sewage Treatment Plants was secured by Water Engineering Technology Sdn Bhd, our mechanical and electrical engineering construction arm.



## Property Development Loh & Loh Development Sdn Bhd

The Group is moving into property development activities with emphasis on niche development via Loh & Loh Development Sdn. Bhd ("LLDSB"), a wholly owned subsidiary. LLDSB will be embarking on its maiden residential development on land which is strategically located in the vicinity of the developed Melawati commercial center as well as near to Kuala Lumpur city center with good accessibility.

In line with the Group's strategy to diversify its business into property development to reduce its exposure to the construction industry, LLDSB through its wholly owned subsidiary Turf-Tech Sdn Bhd had on 2 April 2007 entered into a conditional Sale and Purchase Agreement with Perbadanan Nasional Berhad for the acquisition of a piece of freehold agricultural land held under PT No 34728, HS(D) 27473 Mukim Batu, District of Gombak, Selangor, net land area of 32.42 acres for a total cash purchase consideration of RM35.3 million.

The Proposed Land Acquisition will expand the Group's geographical presence and increase the competitive strength of LLCB Group. The foray into property development will augur well for the Group as the revenue and profit contributions will further enhance the performance of the Group.



*Semi - D Type A2*



*Semi - D Type B*



*Semi - D Type C1*





## Prospects

The Board expects the construction sector to pick up during the second half of financial year 2007 in response to the various projects to be launched under the Ninth Malaysian Plan. The Government has also reminded the various authorities concerned to ensure that various projects under the 9MP are implemented and monitored.

The Board is optimistic that the prospects for the construction sector is good as the thrust of the 9MP will be the implementation of the various projects such as Transportation projects (Double Tracking Railway, bridges, highways), water projects (Penang Selangor Water Transfer, Langat 2 Water Treatment Plant, sewerage and pipe replacement, massive Iskandar Development Region (IDR) Johor, buildings projects (schools, hospitals) and numerous infrastructures projects.

LLCB Group is well poised to take advantage of the numerous projects to be implemented as the Group has the niche and expertise in these areas of work especially in water and water related works and railway and bridge construction / rehabilitation.

The proposed abolishment of the real property gain tax ("RPGT"), is expected to spur the growth of the property development sector. The Group diversification into property development is timely and will only boost the Group's prospects.

Going forward and with numerous projects under the 9MP on the pipeline, the Group expects contribution and growth from the core business activities of civil engineering, mechanical and electrical engineering and property division. 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 enhancing 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 construction projects outside Malaysia.

## 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.

**Tan Sri Abdul Rashid bin Abdul Manaff**  
Chairman

1 June 2007



*JB Sentral*

