

ceo's review of operations

Dear Valued Shareholders,

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On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Loh & Loh Corporation Berhad ('LLCB' or 'the Group') for the financial year ended 31 December 2008.

In the first half of year 2008, the Malaysian economy recorded a steady increase in disposable income, a stable employment market, and strong commodity prices.

Gross domestic demand posted a growth of 7.1% during this time. Despite the strong showing in the first half of the year, the economy in the second half of the year was not spared the effects of the global economic downturn.

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1. Sandakan Water Supply Project in Sandakan, Sabah.
2. Rehabilitation and Strengthening of Track & Associated Works between Parit Buntar & Bukit Merah Railway Stations in Perak.
3. Construction & completion of CT5 Yard at Westports, Pulau Indah, Port Klang.
4. Kangar Sewage Treatment Plant in Kangar, Perlis.



IMPROVED FINANCIAL PERFORMANCE

Despite the challenging economic environment, I am pleased to report that the Group has recorded an excellent financial performance for year 2008; posting a Turnover of RM307.2 million, compared to RM292.9 in year 2007 and a Profit Before Tax of RM32.3 million, compared to RM23.4 million in year 2007. We also recorded net earnings per share of 35 sen, compared to 24 sen in year 2007.

On behalf of the Board of Directors, I am equally pleased to announce that we are declaring a final dividend of 10 sen per ordinary share of RM1.00 each less 25% income tax, up from the 8 sen per ordinary share of RM1.00 each less 26% income tax in year 2007, subject to the approval of the shareholders during the Annual General Meeting.

A NEW CHAPTER

Year 2008 was a busy year for the Group with two corporate exercises of takeovers during the year – an unprecedented event in Malaysia’s corporate history. The first conditional takeover undertaken by Binary Bestari Sdn Bhd was completed on 29 May 2008 and the second conditional takeover by UBG Berhad (‘UBG’) was completed on 3 September 2008.

The entry of UBG marks a new chapter for the Group and through UBG we can expect the Group to take a more aggressive path to growth.

With UBG on board, we hope to adopt and embrace new ideas, be more dynamic in our approach, allowing the Group to soar to greater heights. In order to ensure that we participate in global growth in future, we must not only progress along proven paths but also continue to seek new avenues.

To this end, we have already set up an office in Sarawak to exploit the opportunities in East Malaysia and are in the midst of establishing office in Abu Dhabi to take advantage of opportunities in the Middle East.

OPERATIONAL HIGHLIGHTS

The Group main contributions in financial performance came mainly from construction and property development divisions. The construction activities are undertaken by Loh & Loh Constructions Sdn Bhd and Water Engineering Technology Sdn Bhd ('WETSB').



Notable projects that contributed to the financial performance are:

- Sandakan Water Supply Project, Phase II as Design and Build.
- Rehabilitation and Strengthening of Track and Associated Works between Parit Buntar and Bukit Merah Railway Station.
- Sewage Treatment Plants, Phase 2; Package 2 – Kota Setar Centralised Sludge Treatment Facility, Alor Setar, Kedah and Kangar Sewage Treatment Plant, Kangar, Perlis.
- Construction and completion of CT5 Yard Zones M, N and P and other ancillary works at Westports, Pulau Indah, Port Klang.

Of particular mention the Sandakan Water Supply Project in Sabah, a design and build project was completed on schedule in spite of the incremental weather and shortage of building materials. What is especially noteworthy is the quality of the finished product that has in turn set a new benchmark in the Sandakan construction scene. Credit for the

Loh & Loh Constructions Sdn Bhd ('LLCSB')

successful completion of this project has to go to both the M&E and Civil Engineering teams; indeed it was the synergistic benefits of these two teams working in collaborative harmony that gave us the competitive advantage.

During the year, we also continued to build on our strengths in the railway construction business through the Rehabilitation and Strengthening of Track and Associated Works between Parit Buntar and Bukit Merah Railway Stations in Perak. This project was also completed on schedule. We believe our track record and reputation in our performance has enabled the Group to successfully secure the Electrified Double Tracking Project between Seremban and Gemas. The project encompasses the Construction, Commissioning and Maintenance of Infrastructure works comprising Civil & Structural works including site clearance, demolition and relocation works, relocation of utilities, earthwork, soil improvement works, drainage, bridge and structural works for the project for Package III (Km 535.500 – Km 563.496).



Water Engineering Technology Sdn Bhd ('WETSB')

1. River Gates across Sungai Segaliud, Sandakan Water Supply Project.
2. Riverview Kemensah's Bungalow homes in Taman Melawati.
3. Main entrance of Riverview Kemensah.



It was an exciting yet challenging year for WETSB Group in Year 2008 with the rising of material price and global financial meltdown. Notwithstanding this, WET Group has prevailed and continued to perform well and contribute to the Group's profitability.

This achievement was mainly attributable to the close working relationship with LLCSSB Group that harnesses the synergies that deliver greater value to our clients in term of excellence quality and timely completion of projects.

In Year 2008, WETSB successfully completed 'Projek Pembinaan Loji/Kolam Takungan dan Paip Utama' at Telibong and Telipok in Sabah and Mechanical Works in the Erection of Sewage Treatment Plant at Sungai Udang in Melaka.

WETSB with over two decades of track record and experience has firmly established itself as one of the leading water and environmental engineering specialists in Malaysia. In recognition of its expertise and track record, in year 2008, WETSB was awarded 'Projek Pembinaan Loji Air Beaufort' in Sabah.

WETSB will continue to review and enhance its existing operations and business to fulfil its potential of growth and opportunities. WETSB is optimistic that with the close cooperation and collaboration with LLCSSB Group as was evidenced in the successful completion of the Sandakan Water Supply Project, the Group will be able to tap the synergies to strive competitively towards sustaining the Group's performance in Year 2009.

To promote WETSB Group's expertise and water engineering services, products and environmental engineering solutions to the Water and Wastewater Industry, WETSB participated in ASIAWATER 2008, which was held at the Kuala Lumpur Convention Centre from 1 April 2008 to 3 April 2008. Our booth was well set up and attracted many visitors.



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The Group's diversification into property development based on the synergistic relationship with its construction business and experience has yielded commendable results with its maiden project, RiverView Kemensah in Taman Melawati achieving 95% sales. The low-density freehold development comprising 87 units of tropical contemporary Semi-Detached and Bungalow homes is 72% completed and is on schedule for the handover in October 2009.

In addition, our upcoming development Idaman Hills in Selayang comprising 38 tropical modern Semi-Detached and 142 tropical Bungalow homes has already received over-whelming responses and enquiries from prospective buyers within just two months of its publicity.

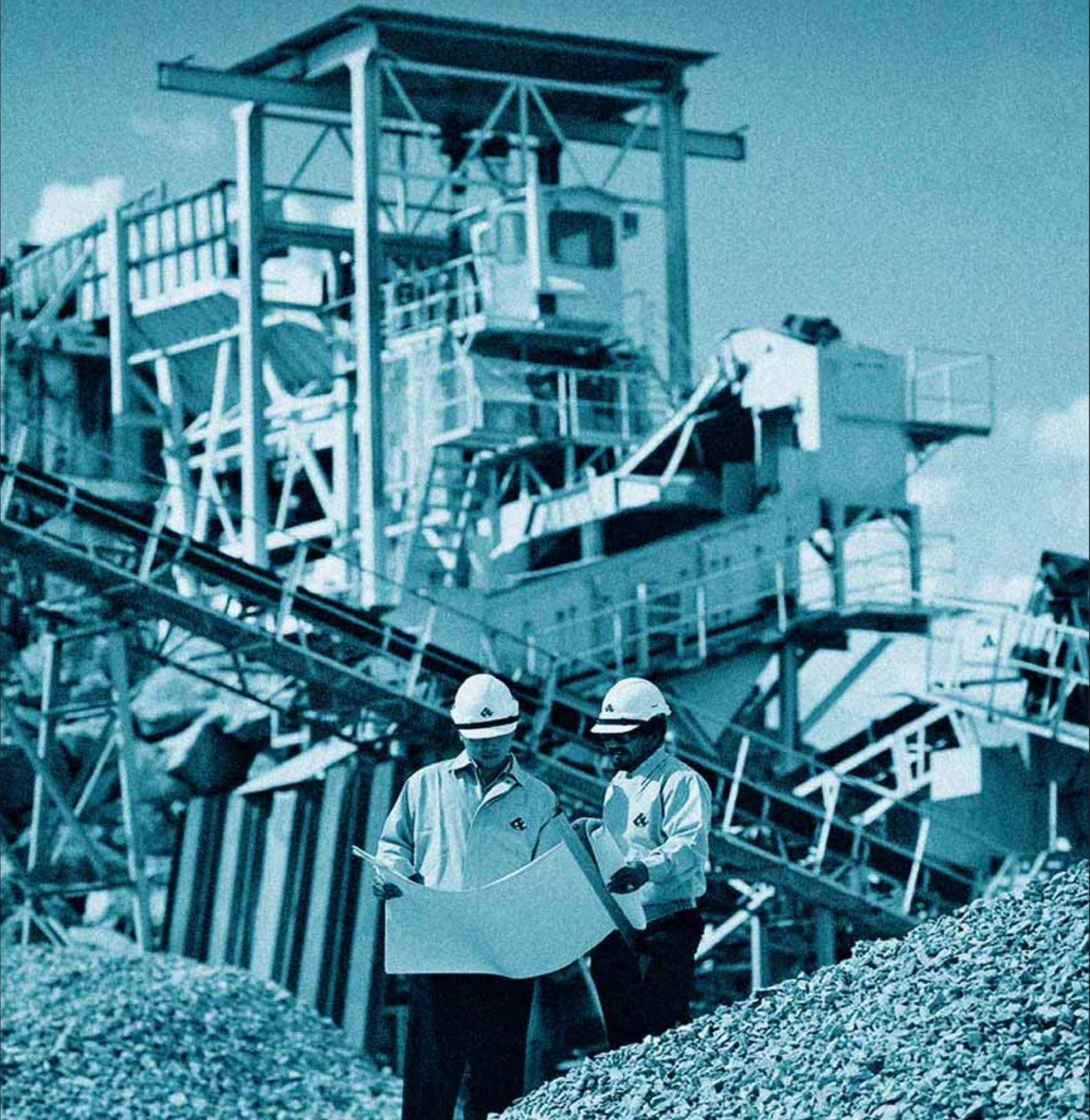
I am confident that our vast experience in construction and strong financial standing will continue to ensure that the development projects remain well within schedule despite the challenging economic environment. Besides, our property development has a good concept that blends naturally with the environment. Our ability to deliver on our promises, our proven track record as well as consistently offering products that meet the needs of our target market are our strengths and what set us apart from the rest. And I am confident that these strengths will set the stage for further growth in the future.

Loh & Loh Development Sdn Bhd ('LLDSB')



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“The Group has a strong premium brand, which stands for quality, reliability, safety, expertise and innovation. We have a highly qualified team, whose enthusiasm and experience play a vital role in the success of our businesses.”



CHALLENGING TIMES AHEAD

While Malaysia is not insulated from the effects of the global downturn, the construction sector has a lot going for it. Cost of building materials has dropped significantly resulting in lower, more stable operating costs. At the same time, the Malaysian Government's efforts to stem the tide of the global downturn spells good news for us in the construction business — pump priming initiatives and economic stimulus packages offer opportunities that will allow us to ride out the difficult times.

What is equally encouraging is the government's announcement of new water and other major infrastructure projects such as the Pahang-Selangor Water Supply Scheme and the Integration of the Light Rail Transit systems. Given our proven track record we are in a prime position to bid for these projects.

Undoubtedly, the Group has a strong premium brand, which stands for quality, reliability, safety, expertise and innovation. We have a highly qualified team, whose enthusiasm and experience play a vital role in the success of our businesses.

We also have a healthy balance sheet that will allow us to take advantage of new opportunities as they arise. At the same time, we will also maintain the prudent financial management that has stood us in good stead over the years.

When I look to the future, I am encouraged by the presence of our new shareholders. With UBG behind us, I am ever more optimistic of the road ahead. I am confident that UBG will steer us towards greater heights as we embark on this new chapter of our development.

IN APPRECIATION

On behalf of the Group, I would also like to welcome the new Board of Directors led by Y.A.M. Tengku Dato' Rahimah binti Almarhum Sultan Mahmud and look forward to a happy and healthy relationship with the new Board. At the same time, I would also like to extend my appreciation to the previous Board of Directors led by the Chairman Tan Sri Abdul Rashid bin Abdul Manaf for their service and contribution over the years.

On behalf of the Group, my sincere appreciation goes to our shareholders, the Board of Directors, the Management and our employees for their dedication and effort, and to our valued customers, business associates, suppliers, sub-contractors, bankers and regulatory authorities for their continued support and confidence in us. I trust that you will all continue to give us your support. On our part, we remain committed to pursuing all opportunities with a view to maintaining our growth and profitability as well as enhancing shareholders' value.

Mr Loh Kim Kah

Managing Director & Chief Executive Officer

23 April 2009