

ceo's review of operations



Dear Valued Shareholders,

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 2009.

Loh Kim Kah

Managing Director & Chief Executive Officer



1. Bellmouth Spillway, Betotan Dam
2. UT2 Medini rock breaking & excavation
3. Kangar Sewerage Treatment Plant

REVIEW OF FINANCIAL YEAR ENDED 31 DECEMBER 2009

The Malaysian economy still felt the effects of the global economic down turn that affected all parties from industry players to consumers. To pump prime the economy, the Government announced two Stimulus Packages of RM7 billion in November 2008 and a subsequent RM60 billion in March 2009. The Second Stimulus Package includes allocation to speed up the implementation of projects under the Ninth Malaysian Plan (9MP).

IMPROVED FINANCIAL PERFORMANCE

The Group persevere, despite the uncertainties and challenging economic environment, to weather the volatile operating environment. In this regard, I am pleased to report that the Group managed to record an excellent financial performance for year 2009; posting a Revenue of RM250.7 million, compared to RM307.2 in year 2008 and a Profit Before Tax of RM39.6 million, compared to RM32.3 million in year 2008. We also recorded net earnings per share of 41 sen, compared to 35 sen in year 2008.

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 (same as the previous year), subject to the approval of the shareholders during the Annual General Meeting.

“The Group persevere, despite the uncertainties and challenging economic environment, to weather the volatile operating environment.”

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. The property development activities are undertaken by Loh & Loh Development Sdn Bhd.



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Loh & Loh Constructions Sdn Bhd ('LLCSB')

LLCSB undertakes the civil and structural engineering activities for the Group.

For the financial year under review, projects that are major contributors to the financial performance are:

- Sandakan Water Supply Project, Phase II as Design and Build
- Sewage Treatment Plants, Phase 2; Package 2 – Kota Setar Centralised Sludge Treatment Facility, Alor Setar, Kedah and Kangar Sewage Treatment Plant, Kangar, Perlis
- Electrified Double Tracking Project between Seremban and Gemas.

Of the major project contributors, only the Electrified Double Tracking Project is on-going while the others were in the tail end of completion or finalisation of accounts stage.

During the year, LLCSB was awarded the contract for the Construction and Completion of Infrastructure Works for Medini Development, Iskandar Johor – Package Utility 2.

Throughout the year, LLCSB kept itself busy by participating in numerous tender exercises to speed up the implementation of projects under the 9MP and the stimulus packages. With LLCSB expertise in water and water related works and the roll out of the various water infrastructures projects in the pipelines as provided in the 9MP and stimulus packages, LLCSB is optimistic that these tender exercises will help to enhance our order book in the near future.

1. Monitoring Treated Water Pumpset in operation at Loji Rawatan Air Segaliud, Sandakan
2. Riverview Kemensah at Melawati
3. Artist Impression of Idaman Hills, Selayang



Water Engineering Technology Sdn Bhd ('WETSB')

WETSB Group basically undertakes mechanical and electrical engineering and related activities for the Group.

WETSB Group also reported improved performance and continued to contribute to the Group's profitability in Year 2009.

In Year 2009, WETSB Group successfully completed the following major contracts:-

- Putrajaya Wastewater Development (Package WW20) in Putrajaya
- Mechanical Works in the Erection of Sewage Treatment Plant at Kuala Sawah in Negeri Sembilan.

In addition, WETSB Group managed to replenish its order book through the award of the following projects:

- Construction & Completion of Infrastructure Works for Medini Development, Iskandar Johor – Package Utility 2 in collaboration with LLCSB

- Upgrading of Module 4, Lambir Water Treatment Plant in Miri, Sarawak; and
- Package EM2: Electro-Mechanical Works for Bakun Hydroelectric Project in Sarawak
- Operation & Maintenance Contract for Segaliud River Intake, Dam & Treatment Works, Sandakan

On 15 October 2009, WET O&M was incorporated as a wholly owned subsidiary of WETSB to undertake the award of the operation and maintenance contract.

WETSB will continue to review and enhance its existing operations and business to fulfill its potential of growth and opportunities.

WETSB is optimistic that with the close cooperation and collaboration with LLCSB Group, the Group will be able to tap the synergies to strive competitively towards sustaining the Group's performance in Year 2010.

“LLDSB has continued to contribute significantly to the Group's profits in 2009 and has grown to become a significant core subsidiary.”



LLDSB has continued to contribute significantly to the Group's profits in 2009 and has grown to become a significant core subsidiary. The first maiden development has been delivered with full Certificate of Completion and Compliance (CCC) on schedule in October 2009 and prices have appreciated substantially providing value to all owners.

Two new projects have obtained approval and the first project, Idaman Hills, located in Selayang is expected to launch in the 1st half of 2010 and the second project, The Peak, Sri Damansara, is expected to launch in the later half of 2010. The year 2010 should prove to be another exciting year for the property development subsidiary.

The Group is constantly sourcing for suitable land to increase its landbank based on a strategy of developing land with exceptional value. Discussions are ongoing with several landowners on outright purchase as well as Joint Venture basis.

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’)



1. Launch of 8 Core Values by Y.A.M Tengku Dato' Rahimah Binti Almarhum Sultan Mahmud during the Company's Annual Dinner
2. Segaliud Water Treatment Plant
3. Survery work on site topography

HUMAN CAPITAL DEVELOPMENT AND VALUES

The Group attribute the success and achievement of the Group improved financial performance as a result of teamwork and cooperation among management and staff. The Group involve team members into making decisions and adopts the Human Resource management system that rewards and incentivizes based on performance and results.

During the annual dinner held in November, the Group launched the Practice of 8 Core Values which was an extension of the Core Values introduced by the Group in 2004. The Practice of 8 Core Values encompasses Passion, Results Oriented, Accountability, Change Responsiveness, Teamwork, Integrity & Loyalty, Creativity and Innovativeness and Equity under the acronym of 'PRACTICE' as part of the Group Core Values.



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CHALLENGING TIMES AHEAD

The Group is bracing and prepare to face the challenges ahead. While Malaysia is not insulated from the effects of the global downturn, the construction sector has a lot going for it. 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.

The Group is encouraged by the announcement of new water and other major infrastructure projects such as the Pahang-Selangor Water Supply Scheme, Sarawak Hydro Dams and the Integration of the Light Rail Transit systems. Our proven track record will place us in a prime position to bid for these projects.

Over the years, the Group has built 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.

With the world economy slowly recovering from the doldrums and the various infra-structures projects to be implemented, I am cautiously optimistic of the road ahead. I am confident that the Group will continue to improve.



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IN APPRECIATION

On behalf of the Group, my sincere appreciation goes to our shareholders, the Board of Directors, the Management and our employees for your dedication and effort, and to our valued customers, business associates, suppliers, subcontractors, 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

11 May 2010