



# chairman's

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# statement

On behalf of the Board of Directors, I am pleased to present TH Group Berhad's annual report and audited financial statements for the financial year ended December 31, 2004.

The Malaysian economy registered a sterling growth performance of 8 per cent in the first half of 2004 and with a 6.8 per cent growth in the third quarter, the economy is expected to be on track to achieve 7 per cent growth in 2004. This was despite a more challenging external environment with the surge in oil prices in the third quarter of

2004. The favourable performance was on the back of robust exports and continued expansion in domestic demand.

The impact of the tsunami calamity on the domestic economy is expected to be marginal. In 2005, the Malaysian economy is expected to remain resilient despite moderation in the world economy due to the high oil prices, inflationary pressures and potential interest rate hikes. Malaysia's advantage is its sturdy domestic demand and broad-based economic activities, which will continue to support GDP growth,

forecasted at 6 per cent in 2005. This bodes well for businesses in general and the TH Group will strive to accelerate our growth, especially with the conducive domestic business environment.

Prospects for the agriculture sector appear positive in 2005. The sector is expected to make greater attempt to use technology and automation to increase productivity, improve output quality and lower the costs of production. For the palm oil industry, 2004 was a bumper year in crop production. However, we do not expect to see the same in 2005.

## chairman's statement

The Group's construction order book increased significantly in 2004. Among the projects completed last year were the Pitas hospital in Sabah, staff quarters, community amenities and infrastructure works for the new Kluang prison in Johor, low cost housing in Sabah, residential bungalows and condovilla units in Kuala Lumpur and residential units in Selangor.

During the financial year under review, the Group's technology division performed well with its eFLEX Plantware. We expect our service in eFlex Plantware to be expanded to Indonesia and Africa. We made head start in e-business solution as well with

the first project procured in the last quarter of 2004. Revenue contribution from this division increased by 10 fold compared to the previous year.

We foresee that the Government's focus on effective use of technology to increase efficiency in the agriculture and other sectors augur well for this division in 2005.

The Group will continue to play key focus on the healthcare sector. We believe the healthcare sector offers vast potential for growth with booming medical tourism and the importance placed in quality healthcare services. The expansion of NCI Cancer Hospital

will be completed in 3rd quarter of 2005. We will start our pharmaceutical distribution unit and will continue to identify and invest into companies that could in turn create synergy to Asiaprise Biotech Sdn Bhd. It could be like procuring marketing and licensing rights on pharmaceutical or diagnostic products.

The expansion of NCI will result in a cancer hospital that will house the state of art equipment for treatment and screening. Our vision for NCI Cancer Hospital is to become one of the leaders in cancer treatment and clinical research in the South East Asia region.

We believe the healthcare sector offers vast potential for growth with increasing health tourism and the importance placed on quality healthcare services.

## chairman's statement

In the coming financial year, the emphasis will be on consolidation of existing businesses and investments, coupled with ongoing planning for the future. In addition to the established plantation and construction divisions, the Group's niche businesses in technology and healthcare will be the key engine of growth in the next few years.

### **DIVIDEND**

For the financial year ended 30 December 2004, the Board of Directors has proposed a first and final dividend of 3 sen per share less tax. The dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting.

### **APPRECIATION**

On behalf of the Board of Directors, I would like to thank the management team and all employees for their strong commitment and contribution towards the continued success of our Group. We also wish to thank our customers, business partners, financiers, media and the financial community for their continued support of the Group.

**Abu Bakar Bin Abdul Karim**

Chairman

Dear Valued Shareholders,

It has been a good year for the TH Group as we continued to register improvements in both revenue and profits. Group revenue rose 6% to RM302.1 million while pre-tax profit increased 77% to RM40.2 million. This resulted in higher EBITDA (Earnings before interest, tax, depreciation and amortisation) and EPS, RM63.0 million and 4.83 sen respectively. The improvements were largely due to strong contributions from the plantation and construction divisions.

During the year reviewed, the Group continued to operate under sound financial principles, recording a low debt-to-equity ratio of 0.53, compared to 0.64 in 2003.

Our plantation division benefited from the higher crude palm oil prices which averaged RM1,607 a tonne in 2004 compared to RM1,476 a tonne in 2003. The higher price was due largely to the tight supply in the global edible oil market. As a result, the plantation division was able to turn in higher revenue and pre-tax profit contribution of RM159.0 million and RM68.3 million respectively.

The construction division also turned in better results in the year under review. Pre-tax profit improved by 103% to RM9.9 million, while revenue was 6% lower at RM135.0 million.

During the year, an internal exercise was carried out to restructure the Group's construction division. In the restructuring exercise, construction companies within the Group, namely Tung Hup (Contracting) Sdn Bhd, THG Construction Sdn Bhd, Sunshine Paradigm Sdn Bhd were reorganized. After the restructuring, TH Group has clearly segregated divisions on Oil Palm, Construction, IT and Healthcare. This will enhance accountability, improve tax efficiency and clear reporting line.

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## group managing director's message

Projects totalling RM171.2 million were secured during the year, bringing the Group's order book to RM553 million with an outstanding value of RM263 million as at end-December 2004. These projects were largely in the infrastructure works for army staff quarters, water works, schools, residential apartments, installation of signboards and billboards and extension of hospital and research centre.

We expect prospects in the construction sector to remain challenging in the current year. We will place greater emphasis on securing projects from the private sector, particularly the residential sub-sector, in view of the expected reduction in public sector projects.

The Group's technology division performed well in the year reviewed. The Group managed to secure several contracts in the third quarter of 2004 which will see our plantation management software, eFlex Plantware and Millware being implemented in Indonesia and Africa in 2005. Our e-business arm has also shown progress, having obtained its first job with a telco. With the rapid growth expected in the ICT sector, the Group is confident that the technology division will grow in tandem with increasing market demand.

Healthcare remains a major business activity for the Group. We are optimistic that the industry will continue to register strong growth in 2005. Our investment in NCI Cancer Hospital is expected to spearhead our involvement in the fast growing healthcare industry.

Finally, I would like to assure you that TH Group has always believed in good corporate governance and, over the years, we have made every effort to be open and transparent with all our stakeholders, namely our business partners, suppliers, vendors, shareholders and the general public. To further enhance transparency and measurement, TH Group has decided to introduce the Economic Value Added (EVA) model for performance measurement and incentive system in 2005. With this, the organization is aimed to be aggressively driven towards shareholders' value creation.

I would also like to take this opportunity to thank you, our shareholders, for your continuous support and faith in the company. Rest assured that your trust is well placed and that the Group is committed to provide value to you always. I would also like to thank our business partners and our employees for your commitment and support during the year.

**Lei Lin Thai**

Group Managing Director