



LETTER FROM CHAIRMAN

Surat Dari Pengerusi

TOWARDS

A Better Future

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present this Annual Report and Audited Accounts of Pasdec Holdings Berhad ("PASDEC") for the financial year ended 31 December 2004.

The year under review has been one of the most challenging periods in PASDEC's corporate history. In the face of adversity which is reflected in our financial front, I am pleased to report that PASDEC continued to maintain quality standard in its product and has demonstrated resilience towards a better future.

Para Pemegang Saham Sekalian,

Bagi pihak Ahli Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Kumpulan PASDEC untuk tahun kewangan berakhir 31 Disember 2004.

Tahun yang ditinjau merupakan satu masa yang paling mencabar dalam sejarah korporat PASDEC. Dalam menghadapi kesulitan yang dicerminkan oleh penyata kewangan kami, saya sukacita melaporkan yang PASDEC telah mengekalkan piawaian kualiti dalam produk dan telah menunjukkan daya ketahanan dalam menuju masa depan yang lebih baik.





Persekitaran Operasi

PASDEC continued to operate in a challenging business environment. Though the Malaysian economy experienced its most rapid growth in four years expanding by 7.1% as a result of robust growth in both global trade and domestic demand, the construction sector contracted by 1.9% due to lower activity in the civil engineering sub-sector which was partly mitigated by expansion in both residential and non-residential sub-sectors.

During the year under review, the residential sub-sector continued to grow due to sustained demand for residential property, which was supported by higher incomes as well as attractive housing mortgage financing packages. Expansion in the non-residential sub-sector was due mainly to improved business and investment activity, which supported the demand in the office and retail space segments (*Source: Bank Negara Malaysia Annual Report 2004*).

The prices of houses increased during the year. The increase in house prices is reflective of the higher construction costs, arising from the increase in the price of building material experienced by the industry in 2004. The property market sentiment in Pahang remained generally stable in 2004. The residential sector remained as the most active sector. Kuantan and Temerloh were identified as the most active location in terms of property activity with new development and active property transactions (*Source: REHDA Report 2004*).

Despite the economic growth and the overall favourable operating environment, the year under review presented major challenges to the Group. The Group had to contend with the industry problems i.e. increase in the price of the building materials, shortage of steel bars as well as tight labour market which delayed our construction schedules.



PASDEC terus beroperasi di dalam persekitaran perniagaan yang mencabar. Walaupun ekonomi Malaysia mengalami pertumbuhan yang paling pesat dalam tempoh empat tahun, mengembang sebanyak 7.1% hasil dari pertumbuhan perdagangan global dan permintaan dalam negeri yang memberangsangkan, sektor pembinaan merosot sebanyak 1.9% disebabkan oleh aktiviti sub-sektor kejuruteraan awam yang rendah, yang sebahagiannya diimbangi oleh pengembangan dalam sub-sektor kediaman dan bukan kediaman.

Dalam tahun kewangan 2004, sub-sektor perumahan terus berkembang dengan permintaan yang mampan terhadap harta kediaman, yang disokong oleh pendapatan yang lebih tinggi serta pakej pembiayaan perumahan yang menarik. Perkembangan dalam sektor bukan-perumahan adalah didorong terutamanya oleh peningkatan dalam aktiviti perniagaan dan pelaburan yang menyokong permintaan terhadap ruang pejabat dan rumah kedai. (Sumber: Laporan Tahunan Bank Negara Malaysia 2004).

Tahun 2004 menyaksikan peningkatan dalam harga rumah kediaman. Kenaikan harga rumah adalah pantulan daripada kos pembinaan yang lebih tinggi, akibat dari kenaikan harga bahan binaan yang dialami oleh industri dalam tahun 2004. Sentimen pasaran hartanah kekal stabil secara keseluruhannya dalam tahun 2004 di Pahang dengan sektor perumahan kekal sebagai sektor yang paling aktif. Kuantan dan Temerloh telah dikenalpasti sebagai lokasi paling aktif dari segi aktiviti hartanah dengan pembangunan baru dan transaksi hartanah yang aktif. (Sumber: Laporan REHDA 2004)

Di sebalik pertumbuhan ekonomi dan persekitaran operasi keseluruhan yang memberangsangkan, tahun 2004 menyaksikan beberapa cabaran besar kepada Kumpulan di mana kita terpaksa menghadapi masalah dalam kenaikan kos bahan binaan, kekurangan bar keluli dan kekurangan tenaga buruh yang melambatkan skedul pembinaan projek.



Persembahan Kewangan

For the financial year ended 31 December 2004, the Group recorded a turnover of RM32.9 million which is 18% lower compared to the preceding year's turnover of RM40.0 million.

The lower turnover is reflected generally by low performance of the Group's property, trading and manufacturing sectors due to industry problems.

Corresponding with the decrease in revenue coupled with the lower profit contribution from associate companies and provision for doubtful debts of RM 19.2 million, the Group registered a net loss for the year of RM22.6 million in the financial year 2004 as compared to net profit of 1.70 million achieved in 2003.

Overall, the Group's bottom-line was mainly affected by project delays and a proactive stance in setting aside provisions against long outstanding debts.

The Group's net tangible assets declined from RM338.3 million to RM317.6 million thus reducing the net tangible asset per ordinary share from RM1.64 in the preceding year to RM1.54.

Untuk tahun kewangan yang berakhir 31 Disember 2004, Kumpulan mencatatkan pulangan sebanyak RM32.9 juta, 18% lebih rendah berbanding RM40.0 juta pada tahun sebelumnya.

Perolehan yang rendah adalah ekoran daripada masalah dalam industri yang menyebabkan prestasi yang kurang memuaskan dalam sektor hartanah, perdagangan dan pembuatan.

Berikutan perolehan yang rendah dan sumbangan keuntungan yang berkurangan daripada syarikat-syarikat anak serta peruntukan untuk hutang ragu berjumlah RM 19.2 juta, Kumpulan telah merekodkan kerugian bersih sebanyak RM22.6 juta bagi tahun ini berbanding keuntungan bersih sebanyak RM 1.70 juta pada tahun 2003.

Secara keseluruhannya, kerugian yang dialami adalah disebabkan kelewatan pelaksanaan projek dan sikap proaktif syarikat dalam menyediakan peruntukan untuk hutang lapuk yang telah lama tertunggak.

Aset ketara bersih Kumpulan berkurangan daripada RM338.3 juta kepada RM317.63 juta menyebabkan aset ketara bersih bagi setiap unit saham menurun kepada RM1.54 berbanding RM1.64 tahun lalu.





P e m b a n g u n a n K o r p o r a t

During the year, the Group disposed its quarrying arm, Rock Plus Sdn. Bhd (“Rock Plus”) to a third party. Via a Sale and Purchase Agreement dated 9 March 2004, Pasdec Bina Sdn. Bhd. (“PBina”), disposed its entire shareholdings of 1,020,000 ordinary shares of RM1 each representing 51% equity interest in Rock Plus for a total cash consideration of RM100,000.

During the year, the Group completed the Sale and Purchase Agreement dated 12 September 2003 for the disposal of an associated company, Pahang Cement Sdn. Bhd. (“PCSB”) to YTL Cement Berhad (“YTLC”) for a total consideration of RM92.0 million.

Completed on 29 March 2004, the transaction was satisfied by issuance of 24,533,335 new ordinary shares of RM1.00 in YTLC at an issue price of RM3.75 per share to Pasdec Corporation Sdn. Bhd. (“Pasdec Corp”).

At present, Pasdec Corp owns 49,066,670 ordinary shares of RM0.50 cents each representing approximately 13.5 % interest in YTLC.

The disposal had enabled PASDEC to focus on its core activity of property development besides benefiting from the realization of gain in investment in PCSB.

The liquidity position of PASDEC has also improved with the attractive cash dividend received from YTLC. Recently in January 2005, YTLC paid a dividend of 20% less 28% Malaysia Tax to its shareholders for the financial year ended 30 June 2004 resulting in a dividend income of RM3.53 million to Pasdec Corp.

The Group expects to continue receiving dividends from this investment based on the strength of YTLC dividend track record.

The transaction relating to the proposed acquisition of 535.68 acres of land in Bandar Damansara Kuantan which was entered into on 6 May 2004 has yet to be completed. The Company is negotiating with the vendor, Damansara Realty (Pahang) Sdn. Bhd. on the settlement of the balance purchase consideration for the acquisition.

The year also saw Kuantan Bricks Sdn. Bhd. (“Kuantan Bricks”), a bricks manufacturing company, becoming a wholly-owned subsidiary of PASDEC. Through a Sale and Purchase Agreement dated 17 September 2004, the remaining 490,000 ordinary shares of RM1.00 each representing 49% in Kuantan Bricks not already owned by PBina was acquired for a total cash consideration of RM1.00. After gaining total control of Kuantan Bricks, PASDEC has implemented several measures and strategies to improve the production of its bricks manufacturing plant in Bukit Sagu, Kuantan.

