

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of PK Resources Berhad, I am pleased to present the Annual Report and Audited Accounts of the Group and the Company for the financial year ended 31 December 2002.

Financial Performance

During the year, the Group registered a lower turnover of RM273.0 million compared to RM376.3 million in year 2001. This resulted in a loss before tax of RM9.9 million. The Group's total assets and shareholders' funds as at 31 December 2002 stood at RM970.4 million and RM436.4 million respectively.

Group Performance

Turnover from the property development business amounted to RM63.9 million during the year. The Group's property business remain focused on affordable properties in Bandar Baru Nilai valued at below RM150,000. The labour shortage in the middle of the year arising from the repatriation of foreign construction workers resulted in delays in the completion of some housing projects. However the Group's property development business remained profitable and new projects consisting of single/double storey terrace houses were launched during the year with encouraging results. The siting of the Kolej Universiti Islam Malaysia campus in Bandar Baru Nilai which is expected to be operational by early 2004 will also contribute towards higher demand for residential properties. It is hoped that the Government's fiscal stimulus programme coupled with prevailing low interest rates and attractive home financing packages offered by financial institutions will continue to contribute towards sustaining demand for properties.

The fertilizer/agrochemical business registered a better performance during the year achieving a turnover of RM141.2 million due to higher demand resulting from improved palm oil prices. The streamlining of our fertilizer/agrochemical business also resulted in improved operating efficiencies. The Group has embarked on aggressive plans and strategies to further improve our sales and market share throughout the country.



Group Performance (cont'd)

Nilai College performed reasonably well during the year with turnover increasing to RM26.5 million due to the increasing number of student intake especially international students with corresponding increase in profitability. The college continues to introduce new programmes and courses both traditional and short-term to meet the diverse and growing demand for such courses from the public.



Despite the prevailing oversupply of hotel rooms in the country especially in Seremban, the Allson Klana Resort Seremban registered a higher turnover of RM14.3 million mainly from higher revenue from its outlets. However overall performance was adversely affected due to one time write-off of certain fixed assets. Allson Klana Bandar Baru Nilai also showed improved performance during the year with higher revenue due to better occupancy and room rates, whilst Nilai Springs Golf & Country Club's performance was affected by higher operating costs despite in marginal increase in turnover. Overall the hotelling and hospitality business registered a loss during the year.

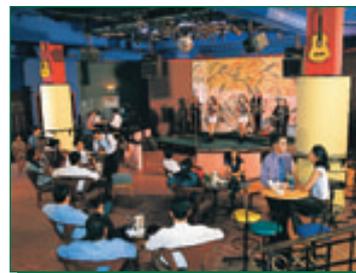


Dividend

Your Board of Directors has recommended a first and final dividend of 3% less 28% tax in respect of financial year ended 31 December 2002.

Outlook for Year 2003

The Malaysian economy is projected to show a GDP growth of about 3-4% in year 2003 barring adverse circumstances. The fiscal stimulus and pump priming measures introduced by the government will hopefully provide the necessary impetus for growth. The prevalent low interest rate and high palm oil price are expected to continue and help to stimulate demand for our products.



Directorate

During the year under review Mr. Siew Yew Tuck retired from the Board. On behalf of the Board, I wish to express my appreciation to him for his services to the Group.

Acknowledgement

I would like on behalf of the Board to express my appreciation to all our staff for their dedication and commitment. I would also like to say thank you to all our shareholders, valued customers, government authorities and business associates for their confidence, support and patronage for the Group.



Dato' Dr. Gan Kong Seng
Executive Chairman

May 2003