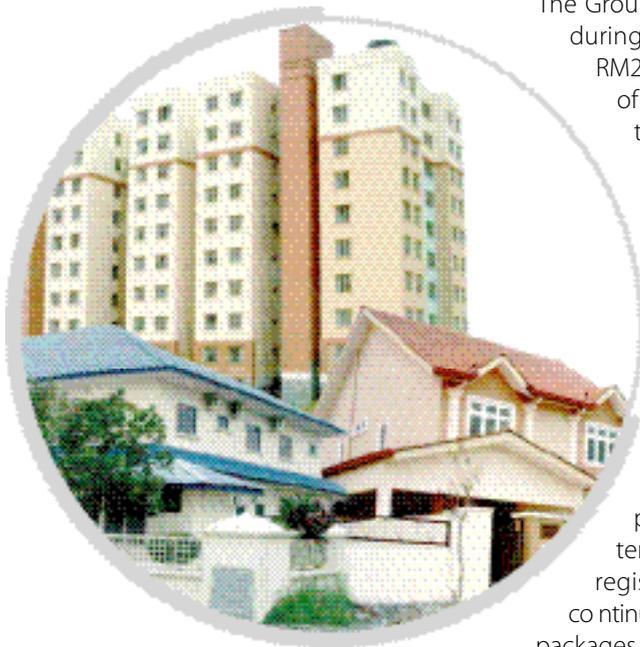




Dear Shareholders,

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 2003.

Financial Performance



The Group achieved a higher turnover of RM330.4 million during the year, an increase of 21.0% compared to RM273.0 million in year 2002. However a loss before tax of RM8.97 million was registered attributable mainly to interest cost on the term loan taken by the Company. The Group's total assets and shareholders' funds as at 31 December 2003 stood at RM975.8 million and RM424.6 million respectively.

Group Performance

Turnover from the property development business was slightly lower at RM55.7 million for the year compared to year 2002. Residential properties primarily single and double-storey terrace houses in Bandar Baru Nilai continued to register sustainable demand supported by the continuing low interest rates and attractive financing packages offered by financial institutions.

I am pleased to announce that in March 2004 the government has approved the change of Bandar Baru Nilai's name to 'Putra Nilai' to reflect its status as a unique, well-planned township with modern amenities and infrastructure.

The fertilizer and agrochemical business showed substantial improvement in performance with turnover achieving a record high of RM202.8 million during the year. Continued high palm oil prices resulted in strong demand for fertilizers. The Group upgraded and expanded its warehousing facilities in Sabah to gear for an anticipated higher throughput volume. The government's decision to ban the importation and usage of paraquat affected the Group's agrochemical sales but efforts have been made to aggressively promote alternatives currently available, and sourcing for substitutes.





Chairman's Statement (Contd.)



The Group's education business achieved another milestone when approval was obtained from the Ministry of Education to change our college's name to Nilai International College to better reflect our international status. Nilai International College performed up to expectations with turnover remaining relatively unchanged at RM26.3 million despite the change from a 3 semester to a 2 1/2-semester per year system, a requirement of the Ministry of Education. During the year several new partnerships were established with reputable universities in the UK and Australia offering twinning programmes mainly in engineering. The College also established its 'Centre for Leadership & Professional Development (LEAP)' which offers professional development programmes including leadership and management skills. I am also pleased to add that Nilai International College won the Malaysian External Trade Development Corporation's (MATRADE) Industry Excellence Award (Services) for year 2003 in the education sector. Nilai International College received this award in recognition of its excellent quality education and level of service for students, and its reputation in the international market.



The Group's hotel Allson Klana Resort Seremban registered a turnover of RM13.8 million and an overall improvement in performance, despite the SARS epidemic during the second quarter of the year. The average room rate was higher than last year whilst revenues from its food and beverage outlets remained stable. Allson Klana Bandar Baru Nilai performed creditably during the year with higher turnover of RM5.4 million, whilst Nilai Springs Golf & Country Club achieved better performance with turnover increasing to RM7.2 million mainly from higher golf patronage.

During the year the Group embarked into the healthcare business when it signed an exclusive distributorship agreement with Hamida Pharma, U.S.A. for the distribution of the latter's wide range of 'halal' herbal therapeutic enhancement products. This exclusive distributorship covers Malaysia and fifty (50) countries worldwide and will serve as a springboard for the Group to penetrate overseas markets with its own brand of similar 'halal' herbal products. These products are currently pending registration with the Ministry of Health and are expected to be on sale to the public by mid 2004.



Chairman's Statement (Contd.)



Dividend

Your Board of Directors has recommended a first and final dividend of 3% less 28% tax in respect of the financial year ended 31 December 2003.

Outlook for Year 2004

The continued strong recovery of the Malaysian economy with GDP growth projected at 6.0-6.5% for year 2004 augurs well for the Group. Interest rates are not expected to vary significantly and this will help to generate demand for properties. Palm oil prices are projected to remain strong thus encouraging more usage of fertilizers. The projected land sales delayed from 2003 are expected to materialise in 2004 and this will help to improve the Group's overall performance.

Directorate

During the year under review, Mr. Gan Eng Hong joined the Board. On behalf of the Board, I wish to extend a warm welcome to him.

Acknowledgement

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

Tan Sri Dato' Dr. Gan Kong Seng
Executive Chairman

May 2004



Management Review



Property

a) Property Development

The Group's property development business is focussed in Putra Nilai (the new name for Bandar Baru Nilai) which continues to attract demand particularly for its affordable single storey and double storey terrace houses, which are all priced at around RM150,000 and below. Putra Nilai is tagged as the 'City of Knowledge' in view of the presence of many established tertiary educational institutions both public and private in the township.

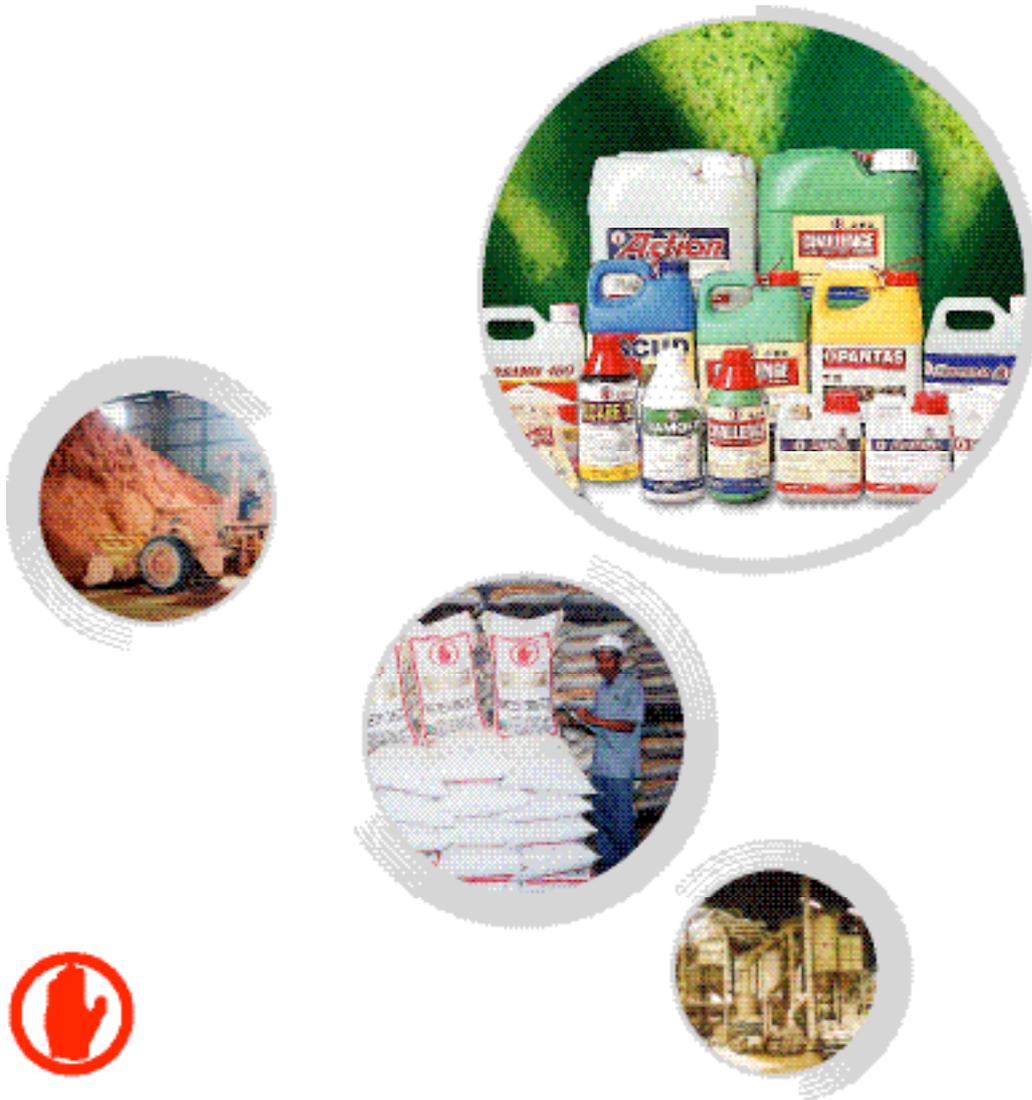


b) Quarrying

Turnover from the Group's quarry operations increased to RM11.8 million, and coupled with improved margins resulted in significantly higher profits for the year.

c) Landscaping

The Group's landscaping's business recorded a substantially higher turnover of RM7.8 million for the year with corresponding increase in profitability. This was due to the completion of some major planting projects, which was carried forward from last year. Nilai Landscape continued with its award winning record when it secured 1st place in the Negeri Sembilan Landscape Competition 2003 (Education & Training Institute Category) in respect of its landscaping work at Nilai International College.



Fertilizer and Agrochemical

The fertilizers business had an excellent year and achieved a record high turnover of RM183.9 million, although overall gross margins were slightly eroded due to increasing costs of nitrogenous fertilizers.

During the year our warehouse facilities in Sabah were upgraded and expanded to cater for an anticipated higher volume throughput. This move is to enable us to meet projected demand for fertilizers as a result of the major oil palm plantation companies' expansion into Sabah.

Turnover of agrochemicals remained unchanged at RM18.9 million mainly due to the non-renewal of registration of paraquat and the eventual ban on its importation and use by the government. Measures have been taken to alleviate this situation through aggressive marketing of alternatives and sourcing for cost-effective substitutes. New products including organic fertilizers and two new labels of agrochemicals were introduced during the year to widen the company's range of products.



Management Review (Contd.)



Education

During the year approval was obtained from the Ministry of Education to change our college's name to Nilai International College to better reflect our international status in terms of our student profile and partnerships with reputable foreign universities.

Nilai International College's performance was up to expectations with revenue of RM26.3 million despite the change from a 3 semester to a 2 1/2-semester per year system as required by the Ministry of Education. During the year, the College established the 'Centre for Leadership & Professional Development (LEAP)' which offers professional development programmes tailored towards leadership, management skills and teambuilding. New partnership collaboration in 2 + 2 degree programmes mainly in engineering were concluded with James Cook University, Australia; University of Dundee, UK; University of Aberdeen, UK and University of Leeds, UK. The College's existing 3+0 degree programmes with Oxford Brookes University, UK and La Trobe University, Australia continues to achieve growing enrolment from students worldwide. Substantial expenditure to further improve and upgrade its existing facilities are being continuously carried out for the benefit of its students.

Nilai International College also won the MATRADE's Industry Excellence Award (Services) for year 2003 in the education sector. Nilai International College received this award in recognition of its excellent quality education and level of service for students, and its reputation in the international market.



Hotelling & Hospitality



a) Hotelling

Allson Klana Resort Seremban achieved a turnover of RM13.8 million coupled with improvement in overall performance despite the SARS epidemic during the second quarter of the year. The average room rate increased from last year whilst revenues from its food and beverage outlets remained stable. During the year the hotel's pub outlet was renamed 'La Fiesta' as part of the hotel's refurbishment programme.



Allson Klana Bandar Baru Nilai reported a slightly higher turnover of RM5.4 million due to higher average room rate and improved patronage of its food & beverage outlets.



b) Hospitality

Nilai Springs Golf & Country Club showed a substantial improvement in turnover to RM6.9 million mainly due to better golf patronage. The club continues to improve its facilities through its ongoing course improvement programme and purchase of buggies and an expanded golf pro-shop.



Group Financial Highlights

	1999	2000	2001	(Restated) 2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000
PERFORMANCE					
Turnover	408,681	292,669	376,308	273,004	330,430
Profit/(Loss) Before Taxation	31,821	1,954	9,203	(9,934)	(8,970)
Profit/(Loss) Attributable To Shareholders	18,162	403	2,294	(8,951)	(12,078)
ASSETS EMPLOYED					
Fixed Assets	292,738	288,250	279,992	267,458	273,569
Goodwill	1,260	1,190	1,121	1,051	982
Land Held For Development	198,281	180,594	160,531	157,500	164,161
Current Assets	616,561	635,659	562,227	537,681	527,753
Deferred Expenditure	1,982	-	-	-	-
Deferred Tax Assets	-	-	-	3,272	3,133
Associated Company	1,000	47	7,313	6,735	6,179
Total Assets Employed	1,111,822	1,105,740	1,011,184	973,697	975,777
FUNDS EMPLOYED					
Shareholders' Fund	442,721	442,428	444,416	439,003	424,586
Minority Interest	97,263	124,678	125,656	124,068	124,536
Deferred Taxation	37,793	36,965	37,038	36,518	36,984
Current Liabilities	384,749	472,418	296,467	268,415	308,144
Long Term Loan	149,296	29,251	107,607	105,693	81,527
Total Funds Employed	1,111,822	1,105,740	1,011,184	973,697	975,777
PER ORDINARY SHARE ON RM1.00 EACH					
Gross Dividend (%)	7	3	3	3	3
Net Earnings (sen)	15.9	0.35	2.01	(7.85)	(10.59)
Net Tangible Assets (sen)	385	387	389	384	371

Group Financial Highlights (Contd.)

