

Contents

Notice of 29th Annual General Meeting	2
Notice of Book Closure for Payment of Dividends	4
Statement Accompanying Notice of 29th Annual General Meeting	5
Corporate Information	6
Corporate Structure	7
Directors' Profile	8
Report on the Audit Committee	12
Statement on Corporate Governance	15
Statement of Directors' Responsibility	22
Statement on Internal Control	23
Chairman's Statement	24
Management Review	26
Group Financial Highlights	30
Financial Statements	31
Analysis of Shareholdings	76
List of Properties	81
Proxy Form	enclosed



Notice of 29th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-ninth Annual General Meeting of the Company will be held at Nilai Springs Golf & Country Club, Bandar Baru Nilai, 71800 Nilai, Negeri Sembilan Darul Khusus, on Thursday, 26 June 2003 at 11.30 a.m. for the following purposes:

AGENDA

- Resolution 1** To receive and adopt the Audited Accounts for the year ended 31 December 2002 and the Reports of the Directors and Auditors therein.
- Resolution 2** To approve payment of a first and final dividend of 3% per RM1.00 ordinary share less 28% tax in respect of the year ended 31 December 2002.
- Resolution 3** To re-elect Dato' Dr Gan Kong Seng who retire pursuant to Article 77 of the Company's Articles of Association.
- Resolution 4** To re-elect Encik Ahmad Bin Mohd Ali who retire pursuant to Article 77 of the Company's Articles of Association.
- Resolution 5** To re-elect Encik Mohamed Nizam Bin Tun Abdul Razak who retire pursuant to Article 77 of the Company's Articles of Association.
- Resolution 6** To approve an increase in non-executive Directors' fees. (See note 2)
- Resolution 7** To approve payment of Directors' fees.
- Resolution 8** To re-appoint Messrs. Ernst & Young as auditors and authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions:

- Resolution 9** Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 (See note 3.1)

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange and that authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

Resolution 10 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The text of the above resolution together with the details of the Proposed Renewal of Shareholders' Mandate are set out in the Circular to Shareholders of PK Resources Berhad dated 30 May 2003.

To consider and if thought fit, to pass the following resolution as a Special Resolution:

Resolution 11 Alteration of Articles of Association (See note 3.2)

"THAT the Articles of Association of the Company be altered by inserting Article 87A into the Company's Articles of Association and it shall be read as:

The Directors may, if they think fit, confer by radio, telephone, closed circuit television or other electronic means of audio or audio-visual communication. A resolution passed by such a conference shall, despite the fact that the Directors are not present together in one place at the time of the conference, be deemed to have been passed at a meeting of the Directors held on the day on which and at the time at which (using Malaysia time) the conference was held. The provisions of the Articles relating to proceedings of Directors apply to such conferences so far as they are capable of application and with any necessary changes."

To transact any other ordinary business for which due notice has been given.

Notice of Book Closure For Payment of Dividends

NOTICE IS ALSO HEREBY GIVEN THAT the First and Final Dividend of 3% per RM1.00 ordinary share less 28% tax for the financial year ended 31 December 2002, if approved by the shareholders in the Annual General Meeting, will be payable on 30 July 2003 to Depositors registered in the Records of Depositors at the close of business on 15 July 2003.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 15 July 2003 in respect of transfers; and
- (b) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

BY ORDER OF THE BOARD

PAUL YONG POW CHOY (MIA 9105)
MICHELLE SHO LAY HOON (MAICSA 7048049)
Company Secretaries

Nilai
Negeri Sembilan Darul Khusus
30 May 2003

Notes:

1. Appointment Of Proxy
 - (a) A Member of the Company entitled to attend and vote is entitled to appoint one or more proxies to vote in his stead. A proxy need not be a member of the Company and the provisions of Section 149 (1) of the Companies Act, 1965 shall not apply to the Company.
 - (b) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
 - (c) The instrument appointing a proxy shall be deposited at the Registered Office at Wisma BBN, PT 7454, Jalan BBN 1/1A, Putra Point Phase 1, Bandar Baru Nilai, 71800 Nilai, Negeri Sembilan Darul Khusus not less than 48 hours before the time appointed for holding the meeting and at any adjournment thereof.
2. Proposed increase in non-executive Directors' Fees
It is proposed that the fees payable to the non-executive Directors be increased from RM5,000 to RM25,000 per Director for the financial year ended 31 December 2002. Arising from the above, the total fees payable to non-executive Directors for the financial year ended 31 December 2002 were RM100,000.
3. Explanatory Note On Special Business:
 - 3.1. Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965
The proposed Resolution 9, if passed, will give the Directors authority to allot and issue new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.
 - 3.2. Alteration of Articles of Association
The Proposed Special Resolution, if passed, will allow the Directors' to convene Board Meeting and/or Board Committee's Meeting via tele-conferencing if required.

Statement Accompanying Notice of 29th Annual General Meeting

(Pursuant To Paragraph 8.28(2) Of The Listing Requirements Of The Kuala Lumpur Stock Exchange)

1. Directors who are standing for re-election

- a) Dato' Dr Gan Kong Seng
- b) Ahmad Bin Mohd Ali
- c) Mohamed Nizam Bin Tun Abdul Razak

2. Details of attendance of Directors at Board meetings

There were five (5) Board meetings held during the financial year ended 31 December 2002. Details of the attendance of the Directors are set out in the Directors' Profile on pages 8 to 11 of the Annual Report.

3. Date, Time and Venue of the 28th Annual General Meeting of PK Resources Berhad

Date	Time	Venue
24.06.2002 (Monday)	11.30 a.m.	Nilai Springs Golf & Country Club, Bandar Baru Nilai, 71800 Nilai, Negeri Sembilan Darul Khusus

4. Detail of Directors standing for re-election

Detail of Directors seeking re-election at the 29th Annual General Meeting are set out in the Directors' Profile on pages 8 to 11 of the Annual Report.

Corporate Information

Board Of Directors

Dato' Dr Gan Kong Seng	Executive Chairman
Dato' Gan Kong Hiok	Group Managing Director
Loke Keng Hung	Executive Director
Tengku Shamsul Bahrin	Executive Director
Datuk Alladin Hashim	Independent Non-Executive Director
Mohamad Nizam Bin Tun Abdul Razak	Independent Non-Executive Director
Ahmad Bin Mohd Ali	Non-Independent Non-Executive Director
Ooi Soon Kiam	Independent Non-Executive Director

Secretaries

Paul Yong Pow Choy
Michelle Sho Lay Hoon

Registered Office

Wisma BBN, PT 7454, Jalan BBN 1/1A
Putra Point Phase 1, Bandar Baru Nilai
71800 Nilai
Negeri Sembilan Darul Khusus
Tel : 06-850 1888
Fax : 06-850 1881
E-mail : pkrb@po.jaring.my

Auditors

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Registrar

Signet Share Registration Services Sdn Bhd
11th Floor, Tower Block
Kompleks Antarabangsa
Jalan Sultan Ismail
P O Box 12547
50782 Kuala Lumpur
Tel : 03 - 2142 1341
Fax : 03 - 2142 1353

Solicitors

Raja Eleena Siew Ang & Associates
8, Jalan Delima
Off Jalan Inai
55100 Kuala Lumpur

Lee Hishammuddin
Level 16, Menara Phileo
No. 189, Jalan Tun Razak
50400 Kuala Lumpur

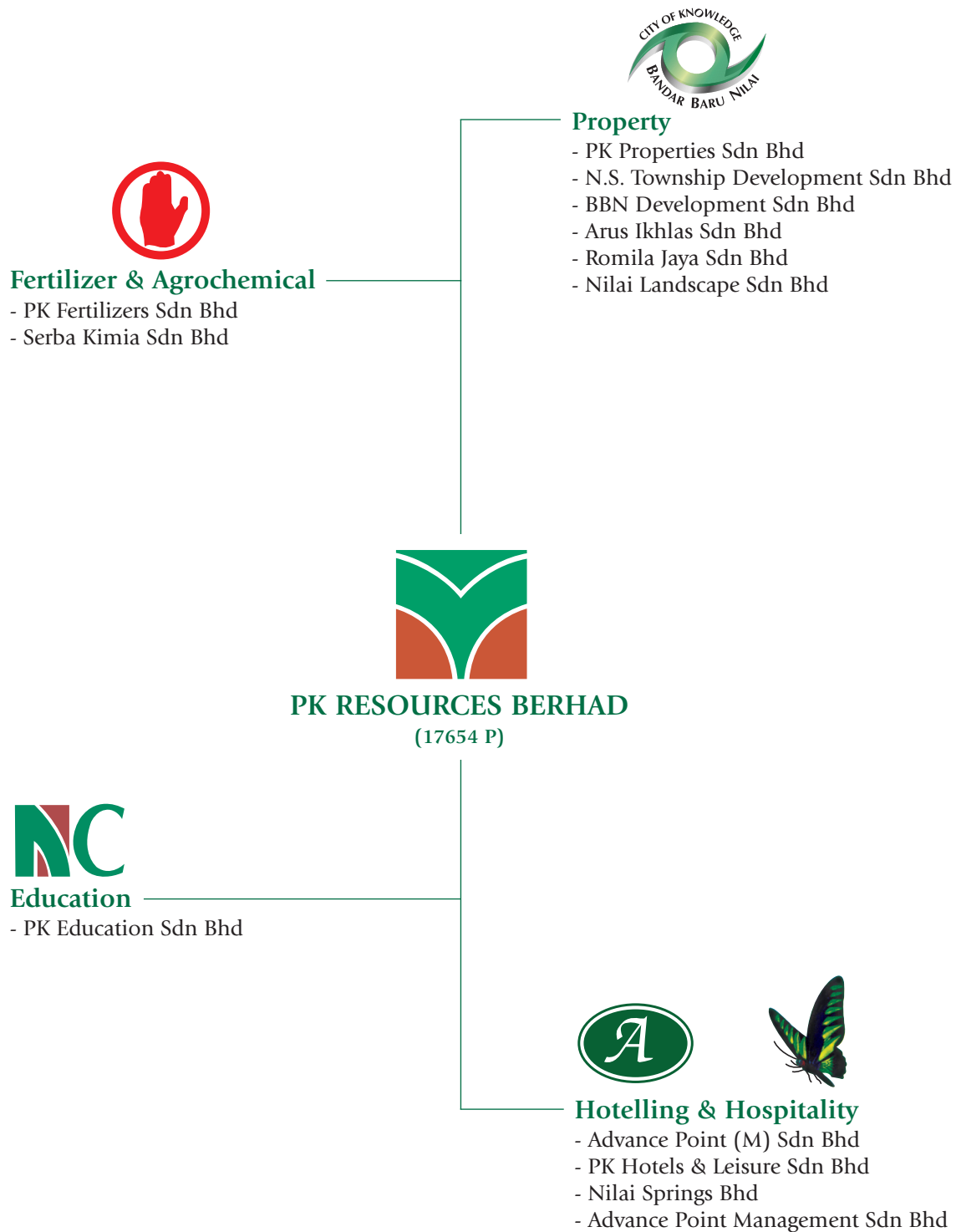
Bankers

Am Merchant Bank Berhad
Bumiputra-Commerce Bank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

Listing

Kuala Lumpur Stock Exchange
Main Board

Corporate Structure



Directors' Profile

Yg. Bhg. Dato' Dr Gan Kong Seng

Executive Chairman/Non-Independent Director

Dato' Dr Gan Kong Seng, aged 61, a Malaysian, was appointed to the Board of PK Resources Berhad (PKRB) on 3 June 1991 and has been the Executive Chairman of the Company since 26 February 1992. He holds a Bachelor of Medicine and Bachelor of Surgery degree from the University of Malaya. He was a medical doctor with the Ministry of Defence from 1970 to 1973. In 1973, he set up his own private practice before retiring in 1986 to embark on his own business in property development, construction and plantation.

Dato' Dr Gan is the brother of Dato' Gan Kong Hiok, the Group Managing Director of PKRB. He is deemed a major shareholder of PKRB and its subsidiaries by virtue of his interest in PKRB as disclosed on page 76 of the Annual Report.

Dato' Dr Gan attended all five Board Meetings of PKRB held during the financial year ended 31 December 2002.

Yg. Bhg. Datuk Alladin Hashim

Senior Independent Non-Executive Director

Datuk Alladin Hashim, aged 64, a Malaysian, was appointed as a Director of PKRB on 6 February 1980. He obtained his Bachelor of Agricultural Science degree from the University of Malaya in 1964 and a Master of Science (Agricultural Economics) from the University of Massachusetts, USA in 1967. Datuk Alladin began his career as an agricultural officer in FELDA in 1964 and served as its Director General from 1979 until 1989. He attended the Executive Development Program of the Harvard Business School in 1976. In 1999, he was conferred a Fellow of the Academy of Sciences, Malaysia.

Datuk Alladin is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of PKRB.

He is also the Chairman of the Malaysian Rubber Board and sit on the Boards of UAC Berhad, Timberwell Bhd and Kumpulan Guthrie Berhad.

Datuk Alladin has no family relationship with any of the other directors or major shareholders of PKRB. His securities holdings are disclosed on page 76 of the Annual Report.

Datuk Alladin attended all six Audit Committee Meetings and all five Board Meetings of PKRB held during the financial year ended 31 December 2002.

Yg. Bhg. Dato' Gan Kong Hiok

Group Managing Director/Non-Independent Director

Dato' Gan Kong Hiok, aged 53, a Malaysian, was appointed to the Board of PKRB on 3 June 1991. He was the Executive Director of the Company from the date of appointment until 27 April 2001 when he assumed the post of Group Managing Director. He holds a Bachelor's degree (Hons) in Chemical Engineering from the University of Aston and a Master of Philosophy from the University of Oxford, United Kingdom. He worked as an Investment Manager in the city of London for five years before joining Bumiputra Merchant Bankers Bhd. In 1982, he joined Multi-Purpose Holdings Bhd as their Corporate Planning Manager and in 1984, was appointed the Group General Manager and Director of Magnum Corporation Bhd.

Dato' Gan is a member of the Audit Committee and the Remuneration Committee.

Dato' Gan is the brother of Dato' Dr Gan Kong Seng, the Executive Chairman of PKRB. He is deemed a major shareholder of PKRB and its subsidiaries by virtue of his interest in PKRB as disclosed on page 76 of the Annual Report.

Dato' Gan attended five out of six Audit Committee Meetings and four out of five Board Meetings of PKRB held during the financial year ended 31 December 2002.

Mohamed Nizam Bin Tun Abdul Razak

Independent Non-Executive Director

Encik Mohamed Nizam Bin Tun Abdul Razak, aged 45, a Malaysian, was appointed to the Board of PKRB on 15 July 1997. He is a graduate in Politics, Philosophy and Economics from the University of Oxford, United Kingdom. He began his career in 1981 when he joined the Corporate Finance Department of Bumiputra Merchant Bankers Berhad. In 1984, he joined GP Securities (now known as PB Securities Sdn. Bhd.) as General Manager, and became its Chief Executive Officer in 1992 until his retirement in 1998. He currently sits on the Boards of Mamee-Double Decker (M) Bhd, Sunway Building Technology Bhd, Delloyd Ventures Bhd, Yeo Hiap Seng (Malaysia) Bhd and several private companies. He is also a Trustee of several charitable foundations such as the Noah Foundation, Hong Leong Foundation and National Children Welfare Foundation and also sits on the Board of Governors of Nilai College.

Encik Mohamed Nizam is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of PKRB.

Encik Mohamed Nizam has no family relationship with any of the other directors or major shareholders of PKRB and has no shareholdings in PKRB.

Encik Mohamed Nizam attended five out of six Audit Committee Meetings during his tenure as a member of Audit Committee in year 2002 and four out of five Board Meetings of PKRB held during the financial year ended 31 December 2002.

Loke Keng Hung

Executive Director/Non-Independent Director

Mr Loke Keng Hung, aged 57, a Malaysian, was appointed to the Board of PKRB on 2 February 1996. He joined the Company in October 1984 as the Finance and Administration Manager, was promoted to General Manager in January 1987 and to his current position of Executive Director in April 2001. Mr Loke holds a Master of Science (Agricultural Economics) and a Bachelor of Science degree (Tropical Agriculture) from the University of Hawaii, USA. He started work as an Agriculture Officer from 1967 to 1974 with the Ministry of Agriculture. From 1974 to 1976, he was the Assistant Director (Operation Division) of the Farmers Organisation Authority, Senior Manager of the National Farmers Association from 1976 to 1982 and Managing Director of Broker Produce (M) Sdn. Bhd. from 1982 to 1984.

Mr Loke has no family relationship with any of the other directors or major shareholders of PKRB. He is deemed a major shareholder of PKRB and its subsidiaries by virtue of his interest in PKRB as disclosed on page 76 of the Annual Report.

Mr Loke attended all five Board Meetings of PKRB held during the financial year ended 31 December 2002.

Tengku Shamsul Bahrin

Executive Director/Non-Independent Director

Tengku Shamsul Bahrin, aged 64, a Malaysian, was appointed to the Board of PKRB on 25 May 2001. He holds a Bachelor's degree in Geography from the University of Malaya and a Master's degree in Geography from the University of Sheffield, United Kingdom. He started work at the University of Malaya in 1964 and was the Professor in Southeast Asia Geography from 1976 to 1998. From 1978 to 1985, he held the position of Project Director, Land-use Studies, Institute of Advance Studies, University of Malaya. He was a visiting professor at the University of Guelph, Canada in 1984. In 1998, he was appointed as a Director of PK Education Sdn Bhd and President of Nilai College.

Tengku Shamsul is a member of the Audit Committee. He is also a director of Industronics Bhd.

Tengku Shamsul has no family relationship with any of the other directors or major shareholders of PKRB and has no shareholding in PKRB.

Tengku Shamsul attended five out of six Audit Committee Meetings and four out of five Board Meetings of PKRB held during the financial year ended 31 December 2002.

Ahmad Bin Mohd Ali

Non-Independent Non-Executive Director

Encik Ahmad Bin Mohd Ali, aged 53, a Malaysian, was appointed to the Board of PKRB on 25 August 2000. He holds a B.A. (Hons) degree from the University of Malaya. He is currently the General Manager of Perbadanan Kemajuan Negeri, Negeri Sembilan (PKNNS). He joined PKNNS in May 1973 as an Assistant Secretary and Project Officer after graduation. He was promoted to the position of Manager of the Housing Division in 1981, Deputy General Manager in 1993 and General Manager on 1 April 2001.

Encik Ahmad is a member of the Nomination Committee. He is also a director of Road Builder (M) Holdings Bhd.

Encik Ahmad has no family relationship with any of the other directors or major shareholders of PKRB. His securities holdings are disclosed on page 76 of the Annual Report.

Encik Ahmad attended all five Board Meetings of PKRB held during the financial year ended 31 December 2002.

Ooi Soon Kiam

Independent Non-Executive Director

Mr Ooi Soon Kiam, aged 59, a Malaysian, was appointed to the Board of PKRB on 22 January 2002. He holds a B.A. (Hons) degree in Economics from the University of Malaya and is a member of the Canadian Institute of Chartered Accountants. He is a Facilitator for the Research Institute of Investment Analyst Malaysia (RIIAM). He started work as an Auditor in Price Waterhouse, Vancouver in 1974. From 1976 to 1984, he was an Associate Professor at the University of Malaya before joining University Utara Malaysia in 1985. In 1989, he was appointed a Technical Director of the Malaysian Institute of Accountants (MIA) and from 1989 to 1994 was the Financial Controller cum Director of Asia Pacific Capital Corporation Sdn Bhd. He was the Finance Director of Information Resources Incorporated Sdn Bhd from 1991 to 1994. He was appointed as a Director of Business & Professional Studies, HELP Institute from 1995 to 1996 before joining Hong Leong Management School as its General Manager. He held the position of Technical Director of the Malaysian Accounting Standards Board (MASB) from 1998 until 1999.

Mr Ooi is a member of the Audit Committee. He is also a director of Industronics Bhd.

Mr Ooi has no family relationship with any of the other directors or major shareholders of PKRB and has no shareholdings in PKRB.

Mr Ooi attended all six Audit Committee Meetings and all five Board Meetings of PKRB held during the financial year ended 31 December 2002.

Notes:

Saved as disclosed above:

1. None of the Directors have any conflict of interest with the company.
2. None of the Directors have any conviction for offences (other than traffic offences) within the past 10 years.

Report On the Audit Committee

Members of the Audit Committee

Datuk Alladin Hashim	Chairman & Independent Non-Executive Director
Mohamed Nizam Bin Tun Abdul Razak	Independent Non-Executive Director
Ooi Soon Kiam	Independent Non-Executive Director (Appointed w.e.f 22.1.2002)
Dato' Gan Kong Hiok	Group Managing Director
Tengku Shamsul Bahrin	Executive Director
Siew Yew Tuck	Director/Secretary (Appointed w.e.f 25.5 2001, resigned w.e.f 30.6.2002)

Members and Meetings

During the financial year, the Committee held six (6) meetings. The membership status and attendance record of each of the members during the year or their tenure of appointments are as follows:

Name	Attendance
Datuk Alladin Hashim	6 of 6 meetings
Mohamed Nizam Bin Tun Abdul Razak	5 of 6 meetings
Ooi Soon Kiam	6 of 6 meetings
Tengku Shamsul Bahrin	5 of 6 meetings
Dato' Gan Kong Hiok	5 of 6 meetings
Siew Yew Tuck	3 of 3 meetings

Terms of Reference of the Audit Committee

Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall not be less than three (3) members, the majority of which shall be independent Directors.

The members of the Committee shall select a Chairman from among their members who is not an Executive Director or employee of the Company or any related corporation.

If the number of members is less than three (3), the Board shall within three months, appoint such number of new members as may be required to make up the minimum number of three (3) members.

The term of office of the Committee members should be reviewed by the Board at least once every three years.

The Audit Committee has no authority to act on behalf of the Board but shall have authority to examine all the issues at hand and report back to the Board with recommendations. The Audit Committee shall be governed by the following terms of reference which has been approved by the Board of Directors and which may be amended by the Board from time to time by resolution.

Attendance at Meetings

The Chief Accountant and the Head of Internal Audit shall attend all meetings of the Committee. The Chief Executive Officer (CEO) and other officers of the company shall attend by invitation. At least once a year the Committee shall meet with the External Auditors, without the presence of executive board members.

The Company Secretary shall be the Secretary of the Committee.

Frequency of Meetings

Meetings shall be held not less than three (3) times a year. The external auditors may request a meeting if they consider that one is necessary.

Authority

The Committee is authorised by the Board to investigate any activities within its terms of reference. It is authorised to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee.

The Committee will seek approval from the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience if it considers this necessary.

Duties

The duties of the Audit Committee shall be:

- a. to recommend to the Board the appointment of the external auditors, the audit fee, and any other matters of resignation or dismissal of external auditor;
- b. to discuss with the external auditors before the audit commences, the nature and scope of the audit;
- c. to discuss problems and reservations arising from the audit and any matters the external auditors may wish to discuss;
- d. to review the external auditors' letter to management and management's response;
- e. to review the quarterly results and year end financial statements, prior to the approval by the Board of Directors focusing particularly on:
 - i. any change in accounting policies and practices;
 - ii. significant adjustments arising from the audit;
 - iii. the going concern assumption; and
 - iv. compliance with accounting standards and other legal requirements.
- f. to review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;

Duties (cont'd)

- g. to review the internal audit programme, the results of the internal audit processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- h. to review any appraisal or assessment of the performance of the members of the internal audit function;
- i. to review any related party transaction and conflict of interest situation that may arise within the group including any transaction, procedure or course of conduct that raises questions of management integrity;
- j. to review the risk management framework; and
- k. to consider other topics, as defined by the Board.

Activities of the Committee during the year

For the financial year, the activities of the Committee are summarised as follows:

- i. reviewed the draft quarterly result announcements and made recommendations to the Board before release to the Stock Exchange. The statutory accounts for the previous year were similarly reviewed prior to presentation to the Board. These were discussed in the presence of the external auditors together with their report, comments and advice;
- ii. reviewed the external and internal audit plans for the financial year;
- iii. reviewed the related party transactions entered into by the Group;
- iv. reviewed and assessed the Group's risk management activities;
- v. reviewed and appraised the audit reports prepared by Internal Audit and the various internal controls in place; and
- vi. submit recommendations to the Board and Management of the Company on improvement of internal controls, procedures and systems and other matters noted by the Audit Committee.

Internal Audit Functions

In the discharge of its duties, the Audit Committee is supported by the Internal Audit Department. The internal audit function is independent of operational activities.

During the financial year, the system of internal control of the Group was reviewed to obtain assurance on its compliance and effectiveness. In addition, follow up audits were carried out to ensure that corrective actions on internal audit reports are being implemented.

Reports/Minutes

Detailed audit reports by Internal Audit are circulated to all members of the Audit Committee and the relevant Directors. Minutes of the meeting of the Audit Committee are circulated to all members of the Board, and significant issues are discussed at Board Meetings.

Statement On Corporate Governance

The Board of PK Resources Berhad (PKRB) fully subscribes and supports the Malaysian Code on Corporate Governance (the Code) and the relevant provisions in the KLSE Listing Requirements. The Board is committed to ensuring that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Company.

The Board of Directors is pleased to report to the shareholders on how the Group has applied the principles of the Code and the extent of compliance with best practices of good governance pursuant to recommendations of the Code.

The Board of Directors

The Board of Directors has the overall responsibility for the performance of the Group by maintaining full effective control over strategic, financial, operational, compliance and governance issues. The following are specific areas of responsibilities of the Board:

- Strategic planning of the Group
- Overseeing the conduct and management of the Company's business
- Identification of risks and ensuring appropriate systems of risk management
- Internal control system
- Investor relations programme and shareholder communications policy
- Succession planning for senior management

Board Balance

The Board currently has eight (8) members, comprising four (4) Executive Directors and four (4) Non-Executive Directors. Three (3) of the Non-Executive Directors are Independent. The Board composition is in compliance with the KLSE Listing Requirements as well as the Code which requires a minimum of 1/3 of the Board to be Independent Directors.

The Board is currently made up of professionals with skills and experience in various fields including medicine, engineering, agriculture, education, business and finance. With their intimate knowledge of the Group's business, the Executive Directors take on the primary responsibilities for the conduct of the Group's business operations.

The profile of each Director is included in this Annual Report.

The roles of the Chairman and Group Chief Executive Officer are combined. He has overall responsibilities over the operating units, organizational effectiveness and implementation of Board policies and decisions.

The three Independent Directors who are individuals of caliber, credibility and having the necessary skills and experiences bring independent judgment to bear on the issues of strategy, performance, resources and standards of conduct.

The Board has identified Datuk Alladin Hashim as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.

The Board meets at least five (5) times a year, with additional meetings convened as and when necessary.

Board Balance (cont'd)

During the financial year ended 31 December 2002, five (5) Board Meetings were held. The attendance record of each Director during the financial year or from the date of appointment is as follows:

	Total number of meetings	Number of meetings attended
Executive Directors		
Dato' Dr Gan Kong Seng	5	5
Dato' Gan Kong Hiok	5	4
Loke Keng Hung	5	5
Tengku Shamsul Bahrin	5	4
Non-Executive Directors		
Datuk Alladin Hashim	5	5
Ahmad Bin Mohd Ali	5	5
Mohamed Nizam Bin Tun Abdul Razak	5	4
Ooi Soon Kiam (<i>Appointed on 22.1.2002</i>)	5	5

Supply of Information

All Directors are provided with an agenda and a set of Board papers one (1) week prior to Board Meetings to enable them to obtain further explanations, where necessary, and in order to be briefed properly before the meeting. The Board report includes, amongst others, the following details:

- Quarterly financial results
- Performance report of the Group
- Business plans and budgets
- Major operational and financial matters
- Risk assessment of the Group
- Updates on statutory regulations and requirements affecting the Company

In addition, there is a schedule of matter reserved specifically for the Board's decision, including the approval of business plans and budgets, material acquisitions and disposal of assets, financial results, dividend recommendations and board appointments.

A Board Policy Manual was duly adopted on 17 April 2002. The Board Policy Manual was structured with the aim to assist the Board Members in discharging their duties and responsibilities.

Directors have full access to all information within the Company whether as a board member or in their individual capacity. Where necessary the Directors may obtain independent professional advice in furtherance of their duties, at the Company's expense.

All Directors have access to the advice and services of the Company Secretaries in carrying out their duties.

Appointments to the Board

The Nomination Committee is responsible for making recommendations for appointments to the Board. Any new nomination received is put to the Board for assessment and endorsement.

Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed to the Board are subject to re-election by shareholders at the next Annual General Meeting after their appointment. The Articles also provides that at least one-third of the Board, including the Managing Director, be subject to re-election at regular intervals and at least once every three (3) years.

Board Committees

The following Board Committees have been established to assist the Board in the execution of its responsibilities:

(a) Executive Committee

The Executive Committee is responsible for implementing the decisions and policies of the Board as well as the coordination of activities necessary to ensure the successful implementation of the Group's business plan.

The members of the Executive Committee are as follows:

Dato' Dr Gan Kong Seng (*Executive Chairman*)
Dato' Gan Kong Hiok (*Group Managing Director*)
Loke Keng Hung (*Executive Director*)

(b) Audit Committee

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling their responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. Further details on the terms and reference of the Audit Committee are set out in pages 12 to 14.

The composition of the Audit Committee meets the KLSE Listing Requirements of a majority of Independent Directors and a member of the Malaysian Institute of Accountants.

The members of the Audit Committee are as follows:

Datuk Alladin Hashim (*Chairman/Independent Director*)
Dato' Gan Kong Hiok (*Group Managing Director*)
Mohamed Nizam Bin Tun Abdul Razak (*Independent Director*)
Tengku Shamsul Bahrin (*Executive Director*)
Ooi Soon Kiam (*Independent Director*)

(c) Nomination Committee

The Nomination Committee, set up on 27 November 2001 comprises exclusively of non-executive directors, a majority of whom are independent, and with the responsibility for proposing new nominees to the Board as well as assessing Directors' performance on an on-going basis. The actual decision as to who shall be nominated is the responsibility of the full Board.

The Board has the services of the Company Secretaries who ensure that all appointments are properly made, all necessary information is obtained from the Directors, both for the Company's records and for the purposes of meeting statutory requirements as well as obligations arising from the Listing Requirements or other regulatory requirements.

Board Committees (cont'd)

(c) Nomination Committee (cont'd)

As an integral element of the process of appointing new Directors, the Nomination Committee ensures that there is an orientation and education programme for new Board members.

All Directors have attended the Mandatory Accreditation Programme organised by the Research Institute of Investment Analyst Malaysia.

The members of the Nomination Committee are as follows:

Datuk Alladin Hashim (*Chairman/Independent Director*)
Mohamed Nizam Bin Tun Abdul Razak (*Independent Director*)
Ahmad Bin Mohd Ali (*Non-Executive Director*)

(d) Remuneration Committee

The Remuneration Committee was set up on 27 November 2001, comprising of two (2) Non-Executive Directors and one (1) Executive Director. It is responsible for recommending to the Board the remuneration of the Executive Directors. Executive Directors play no part in decisions on their own remuneration.

The members of the Remuneration Committee are as follows:

Mohamed Nizam Bin Tun Abdul Razak (*Chairman/Independent Director*)
Datuk Alladin Hashim (*Independent Director*)
Dato' Gan Kong Hiok (*Group Managing Director*)

Directors' Remuneration

The remuneration for Executive Directors, based on recommendations of the Remuneration Committee, takes into account the individual responsibility, contribution and performance. The level of remuneration for the Non-executive Directors reflects the experience and level of responsibilities undertaken by the particular Non-executive Director concerned.

The fees of Directors, including non-executive directors, are endorsed by the Board for approval by the shareholders of the Company at the Annual General Meeting.

The details of the remuneration of Directors of the Company comprising of remuneration received from the Company and subsidiary companies during the financial year ended 31 December 2002 are as follows:

1. Aggregate remuneration of Directors categorised into appropriate components:

	Executive Directors RM	Non-Executive Directors RM
Fees	234,625	109,000
Salaries	1,408,320	0
Bonuses	315,450	0
Benefits-in-kind	45,250	0
Others	294,885	54,000
TOTAL	2,298,530	163,000

Directors' Remuneration (cont'd)

2. Number of Directors whose remuneration fall into the following bands:

Range of Remuneration (RM)	Number of Directors	
	Executive	Non-Executive
50,000 and below	-	3
50,001 - 100,000	-	1
100,001 - 500,000	3	-
500,001 - 1,000,000	2	-

Relationship with Shareholders and Investors

Investor Relations & Shareholder Communication

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company. In addition to various announcements made from time to time during the year, the timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations. Summaries of the financial results are advertised in a national newspaper.

At each Annual General Meeting, the Board presents the progress and performance of the business. The Annual General Meeting is the principal forum for dialogue with the shareholders and the Board encourages shareholders to participate in the question-and-answer session. It has always been the practice for the Chairman to provide ample time for the question-and-answer session at the Annual General Meeting.

Accountability and Audit

(a) Financial reporting

In its financial reporting to shareholders and other interested parties by means of annual financial statements and quarterly results announcements, the Board aims to present a balanced and understandable assessment of the Group's financial position and prospects.

(b) Internal Control

The information on the Group's internal controls is presented in the Statement on Internal Control.

(c) Relationship with Auditors

The Company, through the Audit Committee, has established a transparent relationship with the auditors in seeking professional advice and ensuring compliance with the accounting standards of Malaysia.

An Audit Committee Report and the terms of reference are set out on pages 12 to 14.

This statement is made in accordance with a resolution of the Board of Directors dated 24 April 2003.

Additional Compliance Information

To comply with the Kuala Lumpur Stock Exchange Listing Requirements, the following additional information is provided:

(i) **Share buybacks**

During the financial year, there were no share buybacks by the Company.

(ii) **Options, warrants or convertible securities**

The Company has obtained approval from the Securities Commission to implement an Employees Shares Option Scheme. As of to-date, no Options have been offered to the employees.

None of the 38,994,500 outstanding warrants 2000/2005 were exercised during the financial year.

The Company did not issue any convertible securities.

(iii) **American Depository Receipt (ADR) or Global Depository Receipt (GDR) programme**

During the financial year, the Company did not sponsor any ADR or GDR programme.

(iv) **Imposition of sanctions/penalties**

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

(v) **Non-audit fees**

Other than the following, there were no non-audit fees paid to the external auditors during the financial year:

Auditors	Services	Amount Paid (RM)
Ernst & Young	Professional services in connection with renewal of prospectus in a subsidiary company	10,765
	Professional services in corporate governance	16,050
	Tax Fees	123,702

(vi) **Profit guarantee**

No profit guarantee was given by the Company in respect of the financial year.

(vii) **Material contracts**

There were no material contracts entered into by the Company and its subsidiary companies which involved Directors' and major shareholders' interest either still subsisting at the end of the financial year ended 31 December 2002 or entered into since the end of the previous financial year.

(viii) Profit estimate, forecast, projection or unaudited results announced

The Company did not make or release any profit estimate, forecast or projections for the financial year.

The Group's audited loss after taxation and minority interest for the financial year ended 31 December 2002 was lower by RM2.093 million or 18.9% at RM8.946 million as against the unaudited results of RM11.039 million announced on 26 February 2003. The difference is mainly due to an overprovision of taxation and adjustment for impairment of land held for development at subsidiary level. Details of the adjustment are as follows:

	Audited RM'000 (i)	Announcement RM'000 (ii)	Deviation RM'000 (iii)=(i)-(ii)	Percentage Variance %
Loss after taxation and minority interest	(8,946)	(11,039)	2,093	18.9
Adjustments at subsidiary level:				RM'000
Impairment of land held for development				(3,193)
Overprovision of taxation				5,095
Inventories				147
Operating expenses				417
Allowance for doubtful debts				(273)
Goodwill				50
Minority interest				(150)
Total				(2,093)

(ix) Revaluation policy

The Company does not have a revaluation policy on landed properties.

(x) Recurrent related party transactions of a revenue nature

Recurrent related party transactions of a revenue nature of PK Resources Group for the financial year ended 31 December 2002 are disclosed in Note 28 of the audited financial statements.

Dato' Dr Gan Kong Seng
Executive Chairman

Statement Of Directors' Responsibility

In Relation to Preparation of the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the Company and the Group's state of affairs. Following discussions with the external auditors, the Directors consider that the Company uses appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that all accounting standards which they consider applicable have been followed during the preparation of the financial statements.

The Directors are responsible for ensuring that the Company keeps the accounting records and are disclosed with reasonable accuracy which enables them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have the general responsibility for taking such steps to safeguard the assets of the Group, and to detect and prevent fraud as well as other irregularities.

Statement On Internal Control

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal control to safeguard shareholder's investments and group assets. The Board of Directors recognizes the importance of sound internal control to good corporate governance and is taking appropriate initiatives to further strengthen the transparency, accountability and efficiency of operations.

Board Responsibility

The Board of Directors affirms its responsibility for the Group's approach to assessing risk and the systems of internal control, and for reviewing its effectiveness, adequacy and integrity. This includes reviewing financial, operational and compliance controls and risk management procedures. It should be noted, however, that such systems are designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, they can only provide reasonable but not absolute assurance against material misstatement or loss.

The systems of internal control

The Board maintains full control and direction over appropriate strategic, financial, organizational and compliance issues. It has delegated to executive management the implementation of the systems of internal control within an established framework.

The key features of this framework are:

- a) an organizational structure with formally defined lines of responsibility
- b) clearly defined authorization limits at appropriate levels
- c) yearly budgets approved at operating unit level and ultimately by the Board
- d) budget variances requiring appropriate management follow-up and action
- e) quarterly meetings for Audit Committee and Board of Directors held to discuss on internal audit reports, periodic financial statements
- f) independent internal audit function

The operating units are in the process of setting up formalised standard operating manuals which are to reflect the approved framework.

Risk Management

The Group has in place an ongoing process for identifying, evaluating and managing significant risks faced by the Group. As an integral part of planning and review, management from each business area identify their risks, the probability of those risks occurring, the impact if they do occur and the actions being taken to manage those risks to the desired level.

This process was undertaken by Management with the assistance of Group Internal Audit for the year under review up to the date of approval of the annual report and accounts and has been reviewed by the Audit Committee.

Assurance Mechanism

The Board, through the Audit Committee examines the adequacy and integrity of the Group's system of internal control. The activities undertaken by the Audit Committee in this respect include:

- 1) assessment of risk by reviewing evidence of risk assessment activity
- 2) agreeing the scope of the internal audit programme and reviewing its findings
- 3) reviews of the annual and interim financial statements
- 4) review of the scope of the external audit and the external auditors' plans and management letters

Associated Companies

The scope of this Statement does not extend to the associated companies, as their internal control is not within the Group's framework.