

Chairman's Statement



On behalf of the Board of Directors of Prestar Resources Berhad, it gives me great pleasure to present the Annual Report and the Audited Financial Statements of our Group for the year ended 31st December 2002.

During the year under review, the Group traded under pessimistic global business conditions and facing situations of tight supplies on major raw materials as well as continuous rising trends in its prices until the end of the financial year. Nevertheless, the Group was able to generate satisfactory results for the year as a consequence of prudent management strategies and improved scale of operations and efficiencies. The Group will continue to lay the path of consolidating its resources through focusing principally on our steel-based range of manufactured products. This will enable us to attain higher growth in the future and produce better financial bottom lines for the shareholders.

PERFORMANCE FOR THE YEAR 2002

For the year under review, the Prestar Group continued to set record sales with a turnover of RM315 million against RM287 million in the preceding year. Net profit for the year also increased from RM2.04 million from the previous year to RM11.8 million. In relation to this, basic earnings per share has also improved to 28.88 sen compared to only 5.12 sen in the preceding year. The improvement in net profits for the year reflected a 478% surge in bottom line performance when compared to the prior year's figure.

MAJOR EVENTS AND DEVELOPMENT OF THE GROUP

On the forefront of market development, our manufacturing divisions have adopted strategic plans to further explore and expose our range of Material Handling Products, Highway Guardrails and Accessories to Europe, North America and Middle Eastern countries and are now embarking on furthering inroads to other Asian markets like Japan, Taiwan, as well as other Asean countries. We have reaped fruitful results with our continuous overseas trips and exhibitions. These practices are ongoing and will enhance our future overall business performance.

Besides the above business endeavours, one of the major successes for the year under review was the teaming up of one of our steel-based subsidiaries with one of the world's largest steel company, POSCO* of Korea. The Group divested 30% of the equity of Posmmit Steel Centre Sdn. Bhd. (formerly known as Summit Steel Centre Sdn. Bhd.) to POSCO through a Share Sale Agreement and a Shareholders' Agreement thus forming a strategic alliance to forge ahead in the local steel industry.



The Signing Ceremony of Share Sale Agreement & Shareholders Agreement between Prestar and POSCO, Korea

PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The current financial year remains very challenging and competitive in view of various uncertainties such as the post-Iraq war scenario, SARS outbreaks and the downgrade of the current year GDP forecasts by various institutions and government agencies. Nevertheless, we shall continue to excel with perseverance and hard work. We are confident that the Prestar Group will continue to deliver encouraging results for year 2003, barring any unforeseen circumstances.

DIVIDENDS

For the financial year ended 31st December 2002, the Board of Directors is pleased to recommend the payment of a First and Final Dividend of 3.5% per share less 28% income tax as well as a Special Dividend of 5% per share, tax-exempted. The proposed dividends will be subjected to the approval of the shareholders at the forthcoming Annual General Meeting to be held on 26th June 2003.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, let me once again express our gratitude to the management team, and staff of the Group for their firm commitment, valuable co-operation and contributions. We look forward to their continuous initiatives and dedication as well as their professionalism enhancement. I would also like to take this opportunity to thank all our valuable customers, business partners, bankers and the relevant government authorities for their support and cooperation throughout year 2002.

Last but not least, I hereby extend my appreciation to all my fellow directors for their contributions as well as shareholders for having unfaltering confidence in us.

TOH YEW KEAT

Group Executive Chairman

* (POSCO is one of the world's largest and most competitive steel producer with crude-steel production capacity of approximately 28 million MT annually. It is listed on the Korean, New York and London Stock Exchanges).