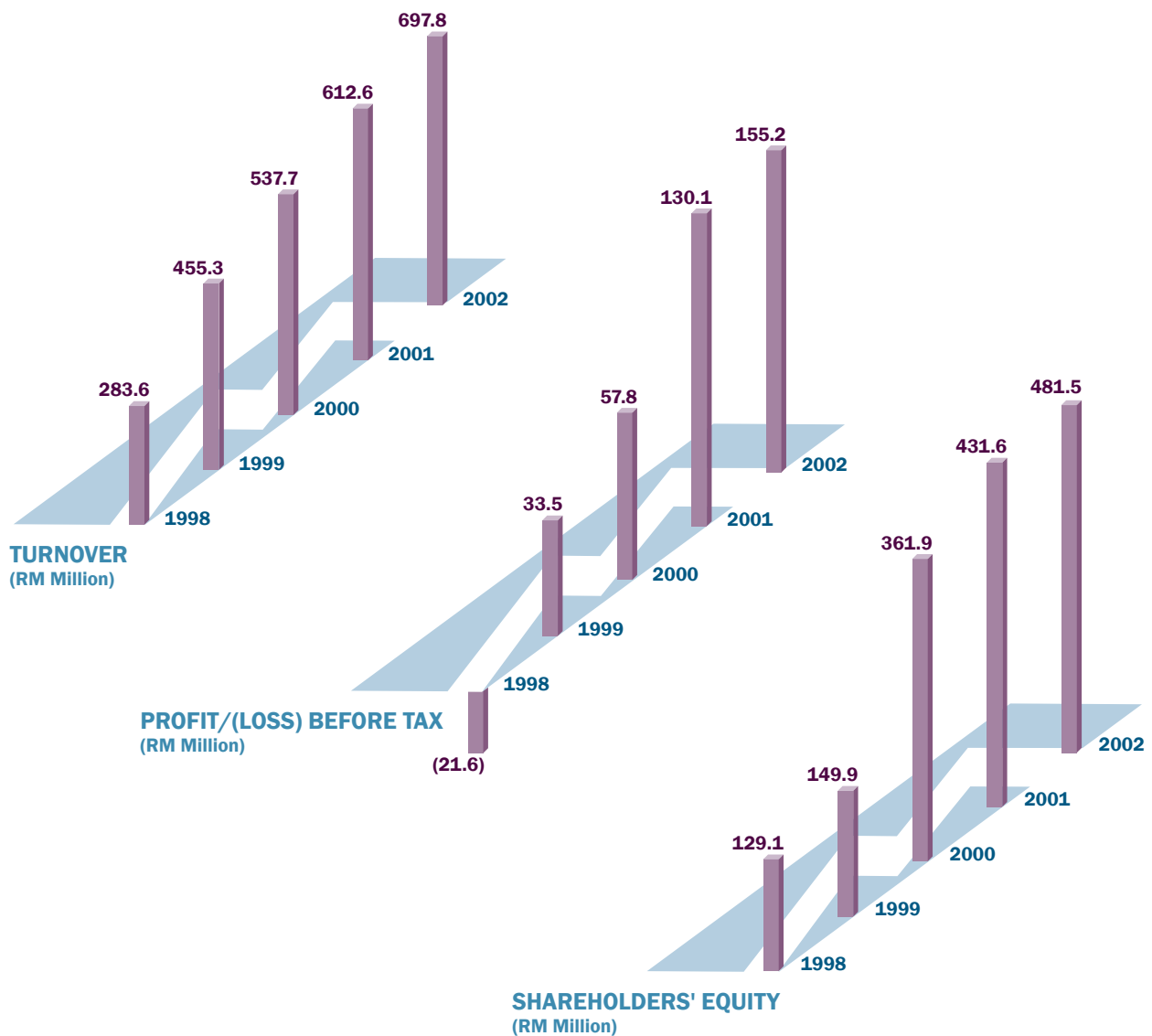
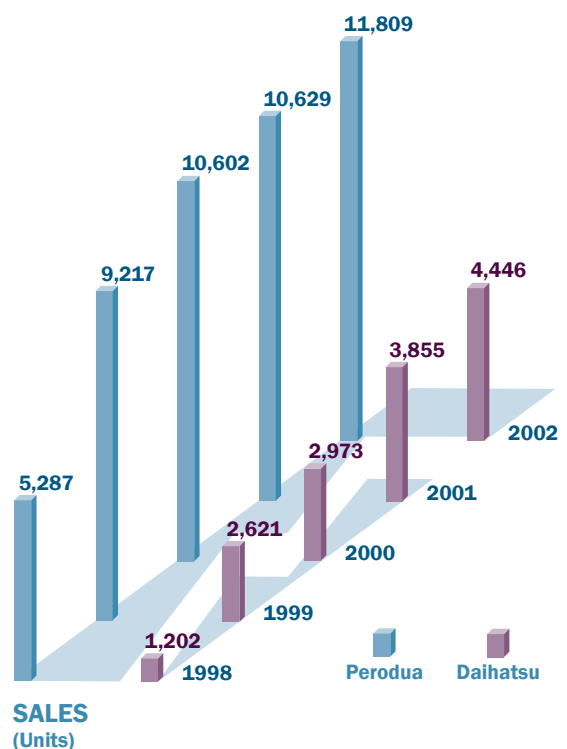


financial highlights as at 31 December 2002



		1998	1999	2000	2001	2002
Turnover (RM Million)		283.6	455.3	537.7	612.6	697.8
Profit/(Loss) Before Tax (RM Million)		(21.6)	33.5	57.8	130.1	155.2
Shareholders' Equity (RM Million)		129.0	149.9	361.9	431.6	481.5
Gross Dividend (Sen)		1.6	2.8	4.8	24.0	18.0
Sales	Daihatsu (Units)	1,202	2,621	2,973	3,855	4,446
	Perodua (Units)	5,287	9,217	10,602	10,629	11,809

(Note : Some of the information above have been restated to take into account the enlarged share capital during the year and change in the accounting policy in compliance with MASB 19)



chairman's statement

*"On behalf of
the Board of Directors of
MBM Resources Berhad,
it is my pleasure to present
the Annual Report and audited
financial statements of
the Group and the Company
for the financial year ended
31 December 2002. "*

FINANCIAL PERFORMANCE

The Group performed commendably during the financial year ended 31 December 2002 as pre-tax profit rose by 19.3% to a record-breaking RM155.2 million (2001: RM130.1 million) on the back of higher turnover, which rose by 13.9% to RM697.8 million (2001: RM612.6 million).

DIVIDEND

The Company announced a first ordinary interim dividend of 6 sen per share on 6 September 2002 and a second ordinary interim dividend of 12 sen per share on 28 February 2003. The total ordinary dividends declared for the financial year ended 31 December 2002 amounted to 18 sen per share, a 50 percentage-point increase in total ordinary dividends declared for the financial year ended 31 December 2001 (2001 (adjusted): 12 sen total ordinary dividends; 12 sen special dividend). Taking this into consideration, the Board did not propose a final dividend for the financial year under review. Moving forward, the Company plans to continue this practice of declaring a first and second interim dividend, but not a final dividend, to enable investors to receive a steady stream of dividends at around the same time each year.

CORPORATE DEVELOPMENTS

During the year under review, the Company increased its paid up capital to RM231,666,667 from RM139,000,000 via a bonus issue of 92,666,667 new ordinary shares of RM1.00 each in order to further boost the liquidity of the Company's shares traded on the KLSE as well as to better reflect the aggregate assets employed by the Group. Concurrently, an Employee Share Option Scheme was introduced to instill a sense of ownership among the employees of the Group so as to increase their commitment to the Group as stakeholders and to motivate them to further improve their performance standards. I am confident that these two corporate developments will help to better reflect the Company's intrinsic value and hence improve its share value in the medium term.

REVIEW OF OPERATIONS

MOTOR VEHICLE DIVISION

The domestic motor vehicle industry registered an all-time high for new motor vehicle sales with a total of 434,954 units sold in 2002 (2001: 396,381 units), a 9.7% increase from the year before and 7.4% higher than the previous record of 404,837 units achieved in 1997, supported by the continued healthy demand for new motor vehicles along with the release of several new models and reasonable financing packages. Correspondingly, Daihatsu (M) Sdn Bhd's turnover grew by 13.9% to RM697.8 million (2001: RM612.6 million) and pre-tax profit expanded by 44.3% to RM85.7 million (2001: RM59.4 million).

Daihatsu (M) Sdn Bhd (DMSB), the sole distributor of Daihatsu motor vehicles in Malaysia and owner of the largest Perodua dealership network in the country, sold 4,446 (2001: 3,855) and 11,809 (2001: 10,629) units of Daihatsu and Perodua vehicles respectively during the year under review. This represented a 15.3% and 11.1% upsurge in the number of Daihatsu and Perodua vehicles sold by DMSB during the year, accounting for 9.0% of all Perodua motor vehicles sold in 2002 and re-affirming DMSB's dominance in the light truck segment with a market share of 41.0% (2001: 41.0%).

Associate company Perusahaan Otomobil Kedua Sdn Bhd (Perodua) registered a higher turnover of RM4.2 billion (2001: RM3.5 billion), up by 20% from the year before, on the back of significantly higher unit sales, which stood at 131,557 units (2001: 114,641 units). Despite Perodua's 14.8% growth in unit sales and improved market share of 28.9% (2001: 27.9%), profit before tax eased by 18.3% to RM288.8 million (2001: RM353.4 million) due to the increase in marketing costs and dilution in earnings following Daihatsu Japan's increased equity participation in the manufacturing divisions. Perodua contributed only 46.5% (2001: 66.4%), or RM72.2 million (2001: RM86.4 million), towards MBM Resources Berhad's 2002 pre-tax profit of RM155.2 million (2001: RM130.1 million).

MBMR's investment in New Zealand, the Colonial Motor Company Limited (CMC), achieved a profit before tax of RM11.2 million (2001: RM8.9 million) for the six months ended 31 December 2002. Similarly, turnover rose to RM360.6 million as compared to the RM292.2 million registered for the equivalent previous period.

MANUFACTURING DIVISION

MBM Industries Sdn Bhd, which manufactures precision stamping parts for the electrical and electronics industries, performed commendably despite the general slowdown in the electrical and electronics industries. During the period under review, turnover climbed by 23.8% to RM41.1 million (2001: RM33.2 million) while profit before tax rose to RM795,500 (2001: RM500,000), up by 59.0%.

FUTURE PROSPECTS

The global uncertainty emanating from events in the Middle East as well as expectations of lower motor vehicle prices come AFTA in 2005 are expected to inhibit consumer spending during the coming financial year. Despite the increasingly challenging trading environment, I am confident that MBM Resources Berhad will perform satisfactorily in 2003 given the continued availability of competitive financing packages, the government's pro-active efforts to boost the domestic economy and the relative affordability of Perodua and Daihatsu vehicles.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to all employees for their contribution and commitment, and to the shareholders for their continued confidence in the Company.

DATO' MOHD RIDZUAN ABDUL HALIM
CHAIRMAN

statement on corporate governance

The Group's policy is to achieve best practice in its standards of business integrity in all its activities. This includes a commitment to follow the highest standards of corporate governance throughout the Group.

The Principles and Best Practices of the Malaysian Code on Corporate Governance (the "Code") published in October 2000, were incorporated into the revamped Listing Requirements of the Kuala Lumpur Stock Exchange. The principles of the Code are divided into four Sections:

Section 1: Directors
Section 2: Directors' Remuneration
Section 3: Shareholders
Section 4: Accountability and Audit

In preparing this report, the Board has considered the manner in which it has applied these Principles and Best Practices.

SECTION 1: DIRECTORS

Composition of the Board

The Board has nine members. Seven out of the nine members are non-executive directors, three of whom are independent. No individual or group of individuals dominates the Board's decision making and the number of directors fairly reflects the investment of the shareholders.

Dato' Mohd Ridzuan bin Abdul Halim is Chairman of the Board while Dato' Abdul Rahim bin Abdul Halim is the Managing Director. There is a clear division of responsibility between these two roles to ensure a balance of power and authority.

The Company considers that its complement of non-executive directors provide an effective Board with a mix of industry-specific knowledge and business and commercial experience. This balance enables the Board to provide clear and effective leadership to the Company and bring informed and independent judgement to many aspects of the Company's strategy and performance so as to ensure that the Company maintains the highest standards of conduct and integrity. The profile of the Board members are set out on pages 6 to 7.

One-third of the Board comprise independent directors since the Company recognises the contribution of independent directors as equal Board members to the development of the Company's strategy, the importance of representing the interest of public shareholders and providing a balanced and independent view to the Board. All independent directors are independent of management and free from any relationship that could interfere with their independent judgement.

Board Responsibilities

The Board retains full and effective control of the Company. This includes responsibility for determining the Company's overall strategic direction as well as, development and control of the Group. Key matters, such as approval of annual and interim results, acquisitions and disposals, as well as material agreements are reserved for the Board.

The Board has four regularly scheduled meetings annually. In 2002, the Board held five meetings on the following dates: 22 Feb, 11 April, 23 May, 15 Aug., and 15 Nov. At each regularly scheduled meeting, there is a full financial and business review and discussion, including trading performance to date against the same period the year before.

The Board has also delegated certain responsibilities to other Board committees, which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee (please refer to the Report on Audit Committee set out on pages 16 to 17), a Nomination Committee and a Remuneration Committee.

Supply of Information

Each Board member receives quarterly operating results, including a comprehensive review and analysis. Prior to each Board meeting, directors are sent an agenda and a full set of Board papers for each agenda item to be discussed at the meeting. This is issued in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

Directors have access to all information within the Company whether as full board or in their individual capacity, in furtherance of their duties. Directors also have direct access to the advice and the services of the Group's Company Secretary who is responsible for ensuring that Board procedures are followed.

Appointments of the Board and Re-election

The Board has a Nomination Committee comprising two independent directors. Members of the Nomination Committee are Dr. Nawawi Mat Awai, Tan Sri Dato' Lee Lam Thye and Dato' Mohd Ridzuan Abdul Halim. This Committee is empowered to bring to the Board recommendations as to the appointment of any new executive or non-executive director, provided that the Chairman of the Nomination Committee, Dr. Nawawi, in developing such recommendations, consults all directors and reflects that consultation in any recommendation of the Nomination Committee brought forward to the Board.

The Nomination Committee also ensures that the Board has an appropriate balance of expertise and ability. For this purpose, the Committee regularly reviews the profile of the required skills and attributes. This profile is used to assess the suitability as executive or non-executive directors of candidates put forward by the directors. In addition, the Committee also regularly assesses the effectiveness of the Board as a whole and the contribution of each individual director.

The directors have direct access to the advice and the services of the Group's Company Secretary who is responsible for ensuring that all appointments are properly made and all necessary information is obtained from directors, both for the Group's own records and for the purposes of meeting the requirements of the Companies Act, 1965, Listing Requirements of the KLSE and other regulatory requirements.

On appointment, directors take part in an induction programme where they receive the latest information about the Group. This is supplemented by visits to key locations and meetings with senior executives. Directors are also advised on appointment of their legal and other obligations as a director of a public-listed company.

In accordance with the Company's Articles of Association, all directors, except for the Managing Director who is on contract with the Company, shall retire from office once at least in each three years but shall be eligible for re-election.

SECTION 2: DIRECTORS' REMUNERATION

Remuneration Policy and Procedure

The Remuneration Committee comprises two independent directors and one executive director. The members of the Remuneration Committee are Tan Sri Dato' Abdul Aziz Abdul Rahman, Tan Sri Dato' Lee Lam Thye and Dato' Abdul Rahim Abdul Halim. The Remuneration Committee reviews and approves the annual salaries, incentive arrangements, service arrangements and other employment conditions for the executive directors.

The executive directors will not be present when matters affecting his own remuneration arrangements are considered. The determination of remuneration of non-executive directors is a matter for the Board as a whole. The non-executive directors abstain from discussion of their own remuneration.

The policy of the Remuneration Committee is in line with the Group's overall practice on compensation and benefits. This is to reward employees competitively, taking into account performance, market comparisons and competitive pressures in the industry. Whilst not seeking to maintain a strict market position, it takes into account comparable roles in similar organisations.

The remuneration package for the Chairman, Managing Director and other directors comprise some or all of the following elements:

- **Basic Salaries and Fees**

In setting the basic salary for each executive director, the Remuneration Committee takes into account the compensation practices of other companies and the performance of each individual director. Salaries are reviewed (although not necessarily increased) annually depending on the category of employment. Salaries are increased only where the Committee believes that adjustments are appropriate to reflect performance, increased responsibilities and/or market pressures.

The Board determines fees payable to all directors with the approval from shareholders at the Annual General Meeting.

- **Annual Incentive Plan (Bonus Scheme)**

The Group operates a bonus scheme for all employees, including the executive directors, and the criteria for this scheme is dependent on the financial performance of the Group. Bonus payable to the executive directors are reviewed by the Remuneration Committee and approved by the Board.

- **Retirement Plan**

Contributions are made to the Employees Provident Fund ("EPF"), the national mandatory defined contribution plan, in respect of all Malaysian-resident executive directors.

- **Other Benefits**

Other benefits include car and driver as well as medical insurance policy. The Group also has a directors' and officers' liability insurance to provide cover for the directors and officers.

- **Service Contracts**

The Managing Director has a service contract with the Company, which expires on 8 February 2004.

Directors' Remuneration

The number of directors of the Company whose total remuneration during the year fall within the following bands is as follows:

	Number of Directors 2002	Number of Directors 2001
Executive directors:		
RM150,001 - RM200,000	-	1
RM200,001 - RM250,000	1	1
RM250,001 - RM300,000	-	1
RM350,001 - RM400,000	1	-
Non-Executive directors:		
Below RM50,000	6	6
RM 50,001 - RM100,000	1	1

The number of Remuneration Committee meetings held during the financial year 2002 and the number of meetings attended by each director are as follows:

Members of the Remuneration Committee	Number of meetings held in 2002	Number of meetings attended by each member
Tan Sri Dato' Abdul Aziz bin Abdul Rahman (<i>Chairman</i>)	1	1
Tan Sri Dato' Lee Lam Thye	1	1
Dato' Abdul Rahim bin Abdul Halim	1	1

SECTION 3: SHAREHOLDERS

Dialogue Between the Company and Investors

As part of the Board's responsibility in developing and implementing an investor relations programme, regular formal and informal dialogues were held between senior management and analysts/fund managers throughout the year. Permissible disclosures are made to explain the Group's performance and major development programmes. Price-sensitive information about the Group is, however, not disclosed in these exchanges until after the prescribed announcement to the KLSE has been made. During the year 2002, the Company held 2 formal analysts/fund managers briefing on 12 March and 20 August.

Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. Notice of the Annual General Meeting and annual reports are sent out to shareholders at least 21 days before the date of meeting.

Besides the usual agenda for the Annual General Meeting, the Board provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. All directors are available to provide responses to questions from the shareholders during these meetings.

For re-election of directors, the Board ensures that full information is disclosed through the notice of meeting regarding directors who are retiring and who are willing to serve if re-elected.

An explanatory statement to facilitate full understanding and evaluation of the issues involved will accompany items of special business included in the notice of the meeting.

SECTION 4: ACCOUNTABILITY AND AUDIT

Financial reporting

For financial reporting through quarterly reports to KLSE and the annual report to shareholders, the directors have a responsibility to present a fair assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 24 of this annual report.

Relationship with Auditors

The role of the Audit Committee in relation to the auditors may be found in the report on Audit Committee set out on pages 16 to 17. The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

Statement of Compliance with the Best Practice of the Code

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied throughout the financial year with the Best Practices as set in the Code.

Statement made in accordance with the resolution of the Board of Directors dated 16 April 2003..

Dato' Mohd Ridzuan bin Abdul Halim
Chairman

statement of directors' responsibility

in relation to the financial statements

This statement is prepared as required by the Listing Requirements of the KLSE

The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of their results and their cash flows for that year then ended.

The directors consider that in preparing the financial statements,

- the Group and the company have used appropriate accounting policies and are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

report on audit committee

COMPOSITION

Chairman

Y. Bhg. Dr. Nawawi bin Mat Awin *Independent Non-Executive Director*

Members

Y. Bhg. Tan Sri Dato' Abdul Aziz Abdul Rahman *Independent Non-Executive Director (Appointed on 22 Feb 2002)*

Y. Bhg. Dato' Abdul Rahim Abdul Halim *Executive Director (Appointed on 22 Feb 2002)*

Y. Bhg. Tan Sri Dato' Lee Lam Thye *Independent Non-Executive Director (Resigned on 22 Feb 2002)*

Encik Shamshir bin Ghazali *Executive Director (Resigned on 22 Feb 2002)*

All members of the Committee have a working familiarity with basic finance and accounting practices, and one of its members i.e Y. Bhg. Dr. Nawawi bin Mat Awin is a member of the Malaysian Institute of Accountants.

MEETINGS

The Audit Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three (3) members of whom the majority shall be from the Independent Non-Executive Directors. A quorum should be 2 independent members, one of whom shall be the Chairman of the Audit Committee.

Meetings shall be held not less than 4 times a year. One meeting shall be held prior to the annual financial statements being presented to the Board for approval. Additional meetings may be held at the discretion of the Committee or at the request of the external auditor. The external auditor has the right to appear and be heard at any meetings of the Audit Committee and shall appear before the Committee when required to do so by the Audit Committee.

The Company secretary shall be Secretary of the Audit Committee.

The Committee met four times during the year for the following purposes:

- To review the financial statements before the quarterly announcements to KLSE.
- To review year-end financial statements together with external auditors' management letter and management's response.
- To discuss with external auditors the audit plan and scope for the year as well as the audit procedures to be utilised.
- To discuss with internal auditors on its scope of work, adequacy of resources and co-ordination with external auditors.
- Review the reports prepared by the internal auditors on the state of internal control of the Group.

The number of Audit Committee meetings held during the members' tenure in office in the current financial year and the number of meetings attended by each member are as follows:

Committee Members	Number of Audit Committee meetings held during members' tenure in office	Number of meetings attended by members
Y. Bhg. Dr. Nawawi Mat Awin	4	4
Y. Bhg. Tan Sri Dato' Abdul Aziz Abdul Rahman	3	3
Y. Bhg. Dato' Abdul Rahim Abdul Halim	3	3
Y. Bhg. Tan Sri Dato' Lee Lam Thye	1	1
Encik Shamshir bin Ghazali	1	1

RESPONSIBILITIES AND DUTIES

The duties of the Committee shall be:

- To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;
- To discuss with external auditors before the audit commences, the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Group and the Company, focusing particularly on any changes in or implementation of major accounting policies and procedures, significant adjustments arising from the audit, the going concern assumption and compliance with applicable approved accounting standards and other legal and regulatory requirements;
- To discuss problems and reservation arising from the interim and final audit, and any matter the auditors may wish to discuss (in absence of management where necessary);
- To review external auditors' management letters and management's response;
- To do the following in respect of the internal audit function:
 - * 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;
 - * review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendation of the internal audit function;
 - * review any appraisal or assessment of the performance of members of the internal audit function; and
 - * approve any appointment or termination of senior staff members of the internal audit function and to provide the opportunity for the resigning staff member to submit his reasons for resigning;
- To consider any related party transactions 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;
- To consider the major findings of internal investigation and the management's response;
- To have explicit authority to investigate certain matters, the resources which it needs to do so e.g. professional advice and full access to information; and
- To promptly report to the Kuala Lumpur Stock Exchange on matters reported by it to the Board that have not been satisfactorily resolved resulting in a breach of the Listing Requirements of Kuala Lumpur Stock Exchange.
- To consider other topics as defined by the Board.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported in its functions by the respective internal audit function of the main subsidiary, two main associates' audit committees and the external auditors.

The main role of the internal audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

statement of internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement the Board's policies on risk and control. Due to limitations that are inherent in any system of internal control, the system is designed to manage, rather than eliminate, the risk of failure in achieving the Group's business objectives. Internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the financial year under review and up to date of approval of the annual report and financial statements.

The process is regularly reviewed by the Board and is in accordance with the guidance as contained in the publication - Statement of Internal Control: Guidance for Directors of Public Listed Companies.

The key processes that the directors have established in reviewing the adequacy and integrity of the system of internal control are as follows:

1. The Group's risk management principles and procedures are clearly documented. The Group's management operates a risk management process that identifies the key risks by line of business and key functional activities.
2. The Board receives and reviews regular reports from the management on key operating statistics, legal, environmental and regulatory matters. The Board approves appropriate responses or amendments to the Group's policy.
3. There is a comprehensive budgeting and forecasting system that is governed by policies and guidelines of the Group. The financial results of the lines of business are reported monthly in the management financial reports where variances are analysed against budget and acted on in a timely manner. Forecasts are revised on a quarterly basis, taking into account significant business risks.
4. The Group's internal audit department, reporting to the Audit Committee, performs regular reviews of business processes to assess the effectiveness of internal controls and highlight significant risks facing the Group. The Audit Committee conducts annual reviews on the adequacy of the internal audit department's scope of work and resources.
5. The Audit Committee, on behalf of the Board, regularly reviews and holds discussions with management on the action taken on internal control issues identified in reports prepared by the internal audit department, the external auditors and the management.
6. There is a clearly defined framework for investment appraisal covering the acquisition or disposal of any business, acceptance of projects, application of capital expenditure and approval of borrowings. Post implementation reviews are conducted and reported to the Board.
7. Policies and standard operating procedures manuals are sent to all employees setting out the Group's reporting hierarchy and procedures.

Statement made in accordance with the resolution of the Board of Directors dated 16 April 2003 .