

Jerneh Asia Berhad (363984-X)

www.jerneh.com.my

annual
report
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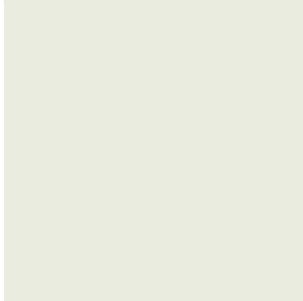
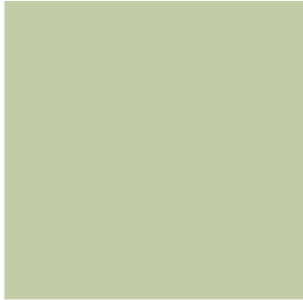
Listed on the Kuala Lumpur Stock Exchange

Cover Rationale:

The cover depicts Jerneh Asia Berhad Group's determination to forge ahead with its vision of being a preferred insurer. The concentric circles represent waves of changes in the innovative ways we would market our products and services.

Beyond the horizon, globalisation and liberalisation is imminent. Through strategic partnerships and a keen eye on opportunities, the Group will establish a strong regional presence in Asia.

(When the annual reports of Jerneh Asia Berhad and Jerneh Insurance Berhad are placed side by side, a unity in design appears and symbolises the synergy between the two companies. With the all-seeing eye in the center, Jerneh stands for clarity of vision and panoramic vision to see further than most.)



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Notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT THE 7TH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT 19TH FLOOR, WISMA JERNEH, 38 JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR ON THURSDAY, 22ND MAY 2003 AT 9.30 A.M. FOR THE FOLLOWING PURPOSES :-

1. To receive and adopt the Audited Accounts for the financial year ended 31st December 2002, and the Reports of the Directors' & Auditors' thereon. **RESOLUTION 1**
2. To declare a First and Final Dividend of 8 sen per share less 28% Income Tax for the financial year ended 31st December 2002. **RESOLUTION 2**
3. To approve the payment of Directors' Fees for the financial year ended 31st December 2002. **RESOLUTION 3**
4. To re-elect the following Directors who retire in accordance with Article 101 of the Articles of Association of the Company :
 - 4.1 Mr Tan Yew Jin **RESOLUTION 4**
 - 4.2 Encik Ahmad Riza bin Basir **RESOLUTION 5**
 - 4.3 Encik Anwarudin bin Hj Abdul Rahman **RESOLUTION 6**
5. To re-elect Mr Graham Hecmond Wong who retires in accordance with Article 108 of the Articles of Association of the Company. **RESOLUTION 7**
6. To re-appoint Moores Rowland as Auditors of the Company and authorise the Directors to fix their remuneration. **RESOLUTION 8**
7. **Special Business**

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

 - 7.1 *Authority to issue and allot shares*

“THAT pursuant to Section 132D of the Companies Act, 1965, approval be and is hereby given for the Directors to issue shares in the Company in accordance with the terms and conditions of the Jerneh Asia Berhad Employee Share Option Scheme 2001 (“ESOS 2001”) approved by the shareholders at the Extraordinary General Meeting of the Company held on 20th December 2001, provided that the total number of shares already issued and to be issued pursuant to the ESOS 2001 shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company for the time being and that such approval shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.” **RESOLUTION 9**
 - 7.2 *Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature*

“THAT the mandate given by the shareholders of the Company on 21st May 2002 pursuant to paragraph 10.09 of the Listing Requirements of the Kuala Lumpur Stock Exchange, authorising the Company and its subsidiaries (Jerneh Group) to enter into recurrent transactions of a revenue or trading nature as set out in paragraph 3 of the Circular to Shareholders dated 30th April 2003 with the related parties mentioned therein which are necessary for the Jerneh Group's day to day operations, be and is hereby renewed subject further to the following :-

7. **Special Business (cont'd)**

- (i) the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders; and
- (ii) disclosure is made in the annual report of the aggregate value of the transactions conducted pursuant to the shareholders' mandate during a financial year;

AND THAT the authority conferred by such renewed mandate shall, unless revoked or varied by the Company in a general meeting continue to be in force until the conclusion of the next Annual General Meeting (AGM) of the Company following the forthcoming AGM at which the Proposed Renewal of Shareholders' Mandate is approved;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

RESOLUTION 10

- 8. To transact any other business of which due notice has been given.

By Order of the Board

CHAN SWEE HONG
Company Secretary

Kuala Lumpur
30 April 2003

NOTES :

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote in his/her stead. A proxy may but need not be a member of the Company. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
2. The instrument appointing the proxy, in the case of an individual, shall be signed by the appointer, or his attorney duly authorised in writing and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing the proxy, must be deposited at the Registered Office of the Company at 18th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Explanatory Notes on Special Business
Authority to issue and allot shares
The proposed Ordinary Resolution is to empower the Directors to issue shares in the Company to eligible full time employees and Executive Director of Jerneh Asia Berhad Group pursuant to the exercise of options under ESOS 2001 up to an amount not exceeding in total ten (10) per cent of the issued share capital of the Company. This authority, unless revoked or varied at a general meeting, shall be valid until the conclusion of the next Annual General Meeting of the Company.

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

The Ordinary Resolution proposed under item 7.2 is to renew the shareholders' mandate granted by the shareholders of the Company at the 6th Annual General Meeting held on Tuesday, 21st May 2002. The proposed renewal of the shareholders' mandate will enable the Jerneh Group to enter into recurrent transactions of a revenue or trading nature with related parties, which are necessary for the Jerneh Group's day to day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Statement accompanying notice of annual general meeting

1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE SEVENTH ANNUAL GENERAL MEETING OF THE COMPANY ARE :-

- a. Mr Tan Yew Jin
- b. Encik Ahmad Riza bin Basir
- c. Encik Anwarudin bin Hj Abdul Rahman
- d. Mr Graham Hecmond Wong

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Six (6) Board Meetings were held during the financial year from 1st January 2002 to 31st December 2002.

Details of attendance of Directors at the Board Meetings are as follows :-

DIRECTORS	ATTENDED
Dato' Lim Chee Wah (<i>Chairman</i>)	5 of 6 meetings held
Tan Yew Jin (<i>Deputy Chairman</i>)	6 of 6 meetings held
Tam Chiew Lin (<i>Executive Director</i>)	6 of 6 meetings held
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	6 of 6 meetings held
Dato' Seri Ismail Farouk bin Abdullah	5 of 6 meetings held
Ahmad Riza bin Basir	6 of 6 meetings held
Anwarudin bin Hj Abdul Rahman	6 of 6 meetings held
Graham Hecmond Wong (<i>appointed on 02.09.2002</i>)	2 of 6 meetings held *

Note: * There were only 2 Board Meetings held since his appointment.

3. PLACE, DATE AND TIME OF THE SEVENTH ANNUAL GENERAL MEETING

The Seventh Annual General Meeting of the Company is scheduled to be held at 19th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 22nd May 2003 at 9.30 a.m.

4. DETAILS OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION

The details of the Directors who are standing for re-election are disclosed under the Profile of the Board of Directors on pages 6 to 9 of this Annual Report. The shareholdings of these Directors in the Company and its subsidiaries are disclosed under the shareholdings statistics on pages 81 to 82 of this Annual Report.

BOARD OF DIRECTORS

DATO' LIM CHEE WAH
Chairman

TAN YEW JIN
Deputy Chairman

TAM CHIEW LIN
Executive Director

YM RAJA DATO' SERI ABDUL AZIZ BIN RAJA SALIM
Independent Non-Executive Director

DATO' SERI ISMAIL FAROUK BIN ABDULLAH
Independent Non-Executive Director

AHMAD RIZA BIN BASIR
Non-Independent Non-Executive Director

ANWARUDIN BIN HJ ABDUL RAHMAN
Independent Non-Executive Director

GRAHAM HECDOND WONG
Non-Independent Non-Executive Director

AUDIT COMMITTEE

YM RAJA DATO' SERI ABDUL AZIZ BIN RAJA SALIM
Chairman

TAN YEW JIN

ANWARUDIN BIN HJ ABDUL RAHMAN

MANAGEMENT COMMITTEE

TAN YEW JIN
Chairman

TAM CHIEW LIN

AHMAD RIZA BIN BASIR

INVESTMENT COMMITTEE

DATO' LIM CHEE WAH
Chairman

TAN YEW JIN

TAM CHIEW LIN

AHMAD RIZA BIN BASIR

REMUNERATION COMMITTEE

DATO' SERI ISMAIL FAROUK BIN ABDULLAH
Chairman

TAN YEW JIN

TAM CHIEW LIN

OPTION COMMITTEE

TAN YEW JIN
Chairman

TAM CHIEW LIN

ANWARUDIN BIN HJ ABDUL RAHMAN

COMPANY SECRETARY

CHAN SWEE HONG
MAICSA : 0772189

REGISTERED OFFICE

18th Floor, Wisma Jerneh
38 Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel: 03-2141 4255 Fax: 03-2142 1677

PRINCIPAL BANKER

MALAYAN BANKING BERHAD
Bangunan Yayasan Selangor
Jalan Bukit Bintang, 55100 Kuala Lumpur

AUDITORS

MOORES ROWLAND
Chartered Accountants

7th Floor, South Block, Wisma Selangor Dredging
142-A, Jalan Ampang, 50450 Kuala Lumpur

SOLICITORS

LEE HISHAMUDDIN
Advocates & Solicitors

Level 16, Menara Asia Life
189, Jalan Tun Razak, 50400 Kuala Lumpur

REGISTRARS

PPB CORPORATE SERVICES SDN BHD

14th Floor, Wisma Jerneh
38 Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel: 03-2141 2077 Fax: 03-2141 8242

STOCK EXCHANGE LISTING

KUALA LUMPUR STOCK EXCHANGE
STOCK NUMBER : 6394

WEBSITE

www.jerneh.com.my

Profile of the board of directors

DATO' LIM CHEE WAH

(63 years of age - Malaysian)

Non-Executive Chairman/Non-Independent Non-Executive Director

Chairman of Investment Committee

Dato' Lim Chee Wah was appointed as a Director of Jerneh Asia Berhad on 27th June 1996 and assumed the position of Chairman on 2nd September 2002. He obtained his Bachelor of Arts (Honours) Degree in Economics from the University of Malaya in 1963.

He has been the Executive Director of PPB Group Berhad since 11th June 1993. He was the Managing Director of Malayan Sugar Manufacturing Co. Bhd from 1993 to 1999. Currently, he is the Executive Chairman of Malayan Sugar Manufacturing Co. Bhd. He also sits on the Board of Kuok Foundation Bhd, a charitable organisation, Kuok Brothers Sdn Bhd and Jerneh Insurance Berhad.

Dato' Lim does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended five out of the six Board Meetings held during the financial year ended 31st December 2002.

MR TAN YEW JIN

(61 years of age - Malaysian)

Non-Executive Deputy Chairman/Non-Independent Non-Executive Director

Chairman of Option Committee and Management Committee

Member of Audit Committee, Remuneration Committee and Investment Committee

Mr Tan Yew Jin was appointed as a Director of Jerneh Asia Berhad on 27th June 1996 and assumed the position of Executive Director on 1st January 1998, a position he held until 1st August 2000. He was appointed as Deputy Chairman of Jerneh Asia Berhad on 11th May 2001. He is an Accountant by profession and is a member of CPA Australia, Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Institute of Certified Public Accountants of Singapore.

Currently, Mr Tan is also the Executive Chairman of PPB Oil Palms Berhad and a Director of PPB Group Berhad, FFM Berhad, Tradewinds (M) Berhad, Kuok Brothers Sdn Bhd and Jerneh Insurance Berhad.

Mr Tan does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended all the Board Meetings held during the financial year ended 31st December 2002.

MS TAM CHIEW LIN

(52 years of age - Malaysian)

Executive Director

Member of Option Committee, Management Committee, Remuneration Committee and Investment Committee

Ms Tam Chiew Lin was appointed as a Director of Jerneh Asia Berhad on 27th June 1996. She assumed the position of Executive Director of Jerneh Asia Berhad on 1st August 2000. She is a Fellow member of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. In 1987, she received her Diploma in Applied International Management from the Swedish Institute of Management and in 1995, she received her Postgraduate Certificate in Banking and Finance from the University of Bangor, Wales.

Ms Tam was the Senior General Manager, Finance & Corporate Services of the Wawasan-IMC Group of companies in Malaysia for 8 years from 1992 to 2000. She also serves on the Board of Jerneh Insurance Berhad.

Ms Tam does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has had no conviction for any offences within the past 10 years. She attended all the Board Meetings held during the financial year ended 31st December 2002.

YM RAJA DATO' SERI ABDUL AZIZ BIN RAJA SALIM

(64 years of age - Malaysian)

Independent Non-Executive Director

Chairman of the Audit Committee

YM Raja Dato' Seri Abdul Aziz bin Raja Salim was appointed to the Board of Jerneh Asia Berhad on 27th June 1996. He is a Fellow member of the Chartered Institute of Management Accountants since 1986 and the Chartered Association of Certified Accountants, United Kingdom since 1983. He is also a member of the Malaysian Institute of Accountants since 1976 and a Fellow member of the Malaysian Institute of Taxation since 1992.

YM Raja Dato' Seri served as the Director-General of the Inland Revenue from 1980 to 1990 and as the Accountant-General Malaysia from 1990 to 1994. Currently, he sits on the Board of Amanah Saham Mara Berhad, K&N Kenanga Holdings Berhad Group, Camerlin Berhad, Tasek Corporation Berhad, PPB Oil Palms Berhad, Gamuda Berhad, Matsushita Electric Company (M) Berhad and GranAsia Corporation Berhad. He also serves on the Board of Jerneh Insurance Berhad and several other private limited companies in Malaysia.

YM Raja Dato' Seri does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended all the Board Meetings held during the financial year ended 31st December 2002.

DATO' SERI ISMAIL FAROUK BIN ABDULLAH

(57 years of age - Malaysian)

Independent Non-Executive Director

Chairman of Remuneration Committee

Dato' Seri Ismail Farouk bin Abdullah was appointed to the Board of Jerneh Asia Berhad on 27th June 1996. He holds a degree in Hotel Management from L'Ecole Hoteliere in Lausanne, Switzerland. His experience in the hospitality industry spans over twenty years both in Europe and Asia. He has held senior management positions in the Hilton chain of hotels as well as the Shangri-La Group of Hotels.

Since 1983, Dato' Seri has been actively involved in the development and management of hotels and resorts, travel and leisure, property development, manufacturing as well as education. He is currently the Chief Executive Officer of the KAB Group of companies. He also sits on the Board of Shangri-La Hotels (Malaysia) Berhad, Ophir Holdings Berhad, Jerneh Insurance Berhad and several other private limited companies in Malaysia.

Dato' Seri does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended five out of the six Board Meetings held during the financial year ended 31st December 2002.

ENCIK AHMAD RIZA BIN BASIR

(42 years of age - Malaysian)

Non-Independent Non-Executive Director

Member of Management Committee and Investment Committee

Encik Ahmad Riza bin Basir was appointed to the Board of Jerneh Asia Berhad on 27th June 1996. He is a lawyer by training. He graduated with a Bachelor of Law (Honours) degree from the University of Hertfordshire, Hertford, United Kingdom and Barrister at Law (Lincoln's Inn), London in 1984 and was called to the Malaysian Bar in 1986.

Encik Riza is currently the Chairman of Fima Corporation Berhad, the Group Managing Director of Kumpulan Fima Berhad and a director of Nationwide Express Courier Services Berhad, Ladang Perbadanan Fima Berhad, John Hancock Life Assurance (M) Berhad, KESM Industries Berhad, United Plantations Berhad and Jerneh Insurance Berhad. He also sits on the Board of several other private limited companies in Malaysia.

Encik Riza and persons connected with him are deemed major shareholders of the Company by virtue of their substantial shareholdings in BHR Enterprise Sdn Bhd. Except for certain recurrent related party transactions of revenue nature for which Encik Riza and persons connected with him are deemed interested as disclosed in the Circular to Shareholders dated 30th April 2003, there are no other business arrangements with the Company in which they have personal interest. He has had no conviction for any offences within the past 10 years. He attended all the Board Meetings held during the financial year ended 31st December 2002.

ENCIK ANWARUDIN BIN HJ ABDUL RAHMAN

(54 years of age - Malaysian)

Independent Non-Executive Director

Member of Audit Committee and Option Committee

Encik Anwarudin bin Hj Abdul Rahman was appointed as a Director of Jerneh Asia Berhad on 27th June 1996. He obtained his Bachelor of Economics (Hons) Degree in Rural Economics from the University of Malaya in 1971 as well as Masters Degree in Law and Diplomacy from Tufts University, USA in 1983.

Encik Anwarudin served the Malaysian Ministry of Foreign Affairs in various positions from January 1971 to January 1990 before joining PPB Group Berhad as Senior Manager on 1st March 1990. He also sits on the Board of Ophir Holdings Berhad, Jerneh Insurance Berhad and several other private limited companies in Malaysia.

Encik Anwarudin does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended all the Board Meetings held during the financial year ended 31st December 2002.

MR GRAHAM HECDOND WONG

(47 years of age - Australian)

Non-Independent Non-Executive Director

Mr Graham Hecmond Wong was appointed as a Director of Jerneh Asia Berhad on 2nd September 2002. He is a Chartered Accountant and is a member of The Institute of Chartered Accountants in Australia, and the Hong Kong Society of Accountants. He holds a Bachelor of Commerce Degree (Hons) from the University of New South Wales, Sydney, Australia.

Mr Wong is currently the Associate Director Treasury of Kerry Holdings Limited, Hong Kong and Treasurer of Kuok Brothers Sdn Bhd.

Mr Wong does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. Since his appointment, Mr Wong has attended the remaining two Board Meetings held for the financial year ended 31st December 2002.

Group financial highlights

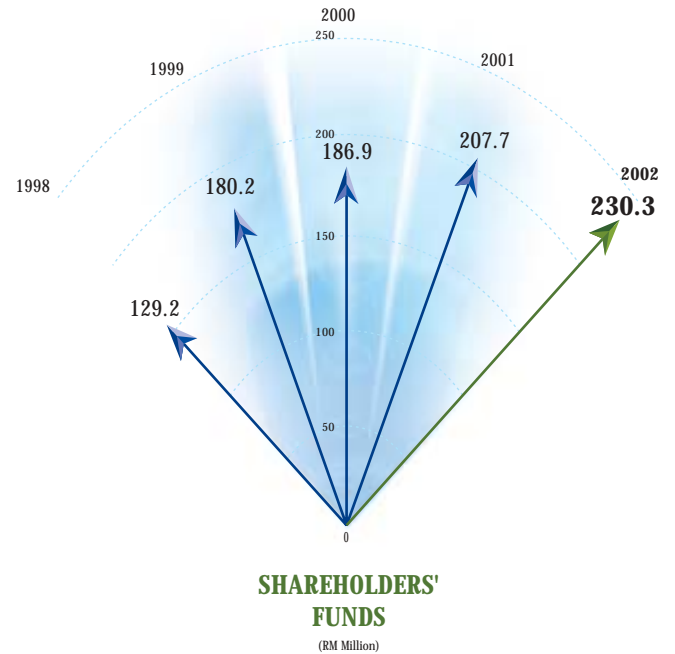
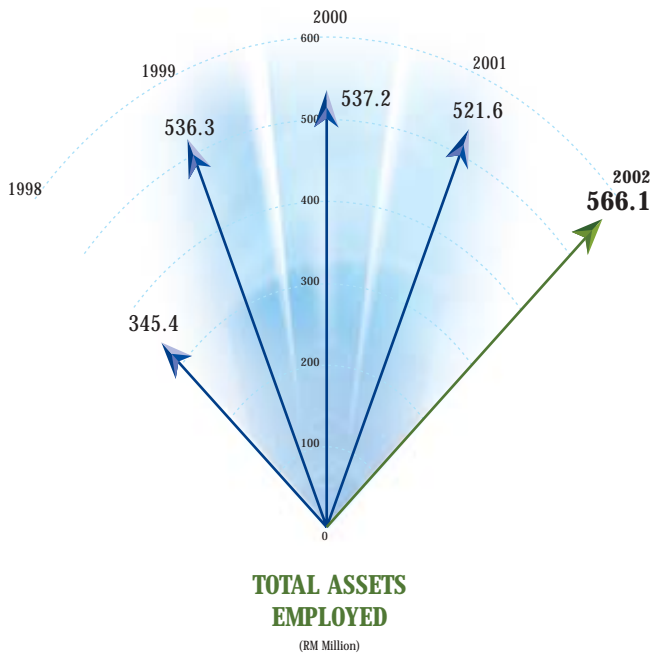
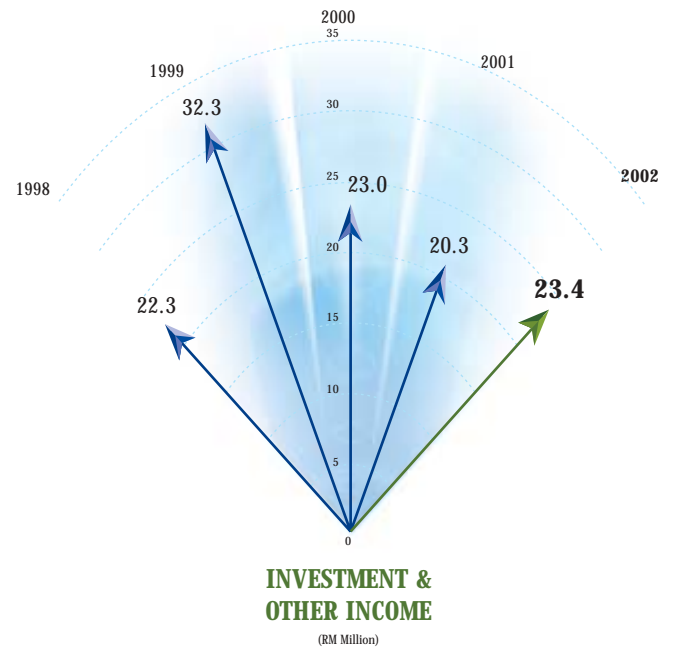
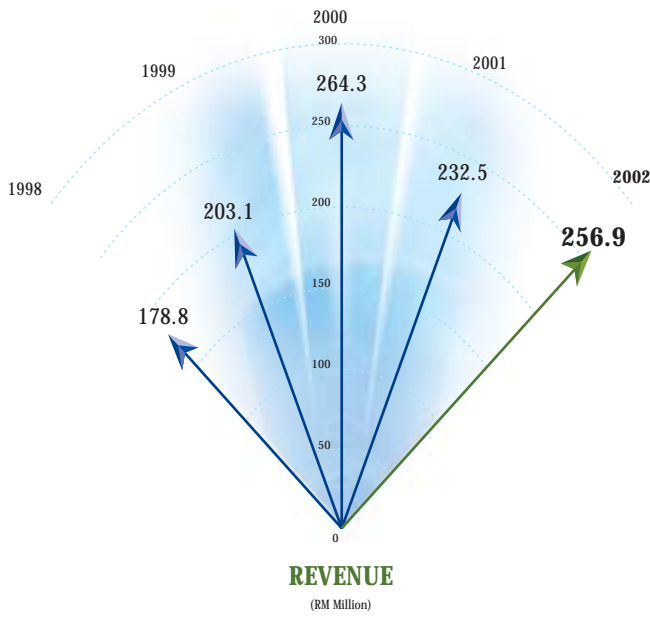
		2001	2002	%
		RM'000	RM'000	Change
INCOME STATEMENT				
Revenue		232,513	256,946	11%
Profit before taxation		35,166	37,159	6%
Profit after taxation and minority interest		20,937	25,376	21%
BALANCE SHEET				
Total assets		522,418	566,707	8%
Shareholders' funds		207,684	230,299	11%
RATIOS				
Net earnings per share	Sen	20.17	24.32	21%
Net dividends per share	Sen	5.76	5.76	0%
Net tangible assets per share	RM	2.00	2.20	10%

FIVE YEARS' GROUP STATISTICS

financial year ended 31st December

		1998	1999	2000	2001	2002
		RM'000	RM'000	RM'000	RM'000	RM'000
Revenue		178,799	203,085	264,273	232,513	256,945
Operating profit		27,488	47,455	16,617	36,032	39,312
Share of profit of associated companies		179	442	216	(866)	(2,153)
Profit before taxation		27,667	58,979	16,833	35,166	37,159
Profit after taxation and minority interest		14,818	58,241	8,328	20,937	25,376
Dividends – net		4,810	7,216	6,110	5,978	6,033
Issued share capital		66,800	66,811	103,777	103,777	104,730
Shareholders' funds		129,241	180,184	186,892	207,684	230,299
Total assets employed		345,434	536,260	537,198	522,418	566,707
Net earnings per share	Sen	22.18	87.18	8.09	20.17	24.32
KLSE Quotations						
High	RM	3.50	3.76	3.53	2.15	2.48
Low	RM	1.58	2.40	2.00	1.60	1.97

Five-year group performance charts



Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Jerneh Asia Berhad ("JAB") for the financial year ended 31st December 2002.

FINANCIAL HIGHLIGHTS

Results of the Group's performance

The Group registered a significant growth of 21% in net profit after minority interest of RM25.4 million during the financial year under review as compared to RM20.9 million achieved in the corresponding period in 2001. Net earnings per share increased to 24.3 sen from 20.2 sen. Consequently, the Group's net tangible assets have also increased to RM2.18 per share from RM2.00 per share.

The improved results were mainly due to better performance achieved by its principal subsidiary, Jerneh Insurance Berhad ("JIB"). Despite the demanding operating environment, JIB generated a net profit of RM22.9 million, a growth of 30.9% as compared to RM17.5 million in the corresponding period in 2001. This was achieved on the back of higher investment income, profit commission receivables and writeback on allowance for doubtful debts.

The gross premium volume for the year increased by 13% to RM204.3 million from RM181.4 million. During the year, Management undertook several proactive measures to expand market share on selective business classes, in particular the fire class business which grew by 32%. Marine, aviation and transit class business increased by 25%. Management had continued to impose stringent underwriting terms for the motor class business due to continuing high theft and burglary for this class of business. As a result of the strict underwriting terms, the motor class business dropped marginally by 8%.

Reinsurance capacity shrunk dramatically in 2002 and rates continued to be pressured. This affected JIB's underwriting surplus which declined to RM32.8 million as compared to last year's surplus of RM37.7 million. Group income from portfolio investments and other income for the year under review registered a growth of 15% to RM23.4 million against a backdrop of a low interest rate environment and weak equity markets.

Other subsidiaries and affiliates

The Group's operating subsidiaries maintained their profitabilities for the year. The major contributions were from Jerneh Insurance (HK) Limited and Jerneh Asia Reinsurance Limited. The improved performance for both the subsidiaries were mainly attributable to higher investment income.

Jerneh Insurance (HK) Limited achieved an underwriting profit of HK\$2.7 million during the year. This is commendable as other market participants in Hong Kong continue to operate amidst negative underwriting conditions and a volatile investment market.

During the year, the Group's associate, Generali Asia N.V. acquired Pornpat Insurance Co., Ltd and Pornpat Life Assurance Co., Ltd in Thailand. The new acquisitions were renamed Generali Insurance (Thailand) Co., Ltd and Generali Life Assurance (Thailand) Co., Ltd. The acquisitions were completed on 30th September 2002.

The joint venture companies in Philippines in partnership with Generali continue to register growth steadily during the year. Generali Pilipinas Life Assurance Company, Inc. has generated Peso 95.9 million of premiums, up 72% while Generali Pilipinas Insurance Company, Inc. has generated Peso 505 million of premiums, up 63% as compared to last year. Now in their third year of operation, both companies as anticipated registered a total net loss of Peso 117 million. The general insurance business is expected to breakeven in 2003 while the life insurance business will take another 3 to 5 years of operation to breakeven due to the nature of this business.

Going forward, the Group will continue to focus on its strategy of taking a long term approach to investments in insurance operations with Generali. Growth will be focused within the developing Asian markets.

PROSPECTS AND CHALLENGES FOR YEAR 2003

Many insurers are redefining the nature of their businesses and their marketplace. For the Group, changing distribution channels and more sophisticated demand from the customers are increasing the competitive pressure on our services and product mix. At the same time, adverse developments caused by the rating downgrades of reinsurance companies have significantly reduced reinsurance capacity, and this directly affects the bottom line.

Against this challenging operating environment, the Group will continue to be selective in underwriting quality business and controlling claims while seeking to increase our market share. The priority here is profitable organic growth. As products and services are becoming increasingly seen as commodities and taken for granted, the Group will need to leverage on differentiating ourselves, i.e. the level of service, the quality of advice given and above all maintaining and sustaining customer loyalty. Our customers must be able to access the range of products and services at any desired moment and through a variety of channels.

To this end, JIB will within the next five (5) years invest and upgrade our information technology system geared towards serving our customers, intermediaries and partners.

Cost control remains a major focus for the Group. Apart from inculcating a strong discipline in controlling expenses, the Group has embarked on a reorganisation of business processes which is currently on-going. The Group intends to build competitive advantage by reducing costs throughout every aspect of the enterprise.

In view of the difficult business environment, the Group would not be able to sustain the previous year's performance. Nevertheless, the Directors expect the Group to remain profitable for the year 2003.

DIVIDENDS

Your Board of Directors has recommended a First and Final Dividend of 8% less income tax of 28% per ordinary share for the financial year ended 31st December 2002.

CORPORATE GOVERNANCE

The Group will continue to implement the recommended Best Practices as contained in the Kuala Lumpur Stock Exchange's Malaysian Code on Corporate Governance as well as to ensure its subsidiary, Jerneh Insurance Berhad complies with the requirements of Bank Negara Malaysia's JPI/GPI 25, Prudential Framework of Corporate Governance for Insurers.

To-date, the Group has put into practice most of the recommended Best Practices.

ACKNOWLEDGEMENT

I would like to extend my sincere thanks and appreciation to the former Chairman, Datuk Khor Chin Poey who retired from the Board in August 2002 for his invaluable contributions to the Group.

On behalf of the Board of Directors, I would like to welcome a new Board member, Mr Graham Hecmond Wong who was appointed to the Board on 2nd September 2002.

I would also like to take this opportunity to thank our employees at all levels for their dedication, contributions, diligence and loyalty during the year.

Similarly, we are grateful to the regulatory authorities including Bank Negara Malaysia, our business partners, bankers, valued customers, agents, brokers and reinsurers for their continued confidence and support.

I also wish to express my gratitude to our shareholders, investors and strategic partners for their confidence and continuing support as well as to my fellow Board members for their wise counsel and guidance.

Dato' Lim Chee Wah
Chairman

Business profile



OVERVIEW

Jerneh Asia Berhad (“JAB”) is an investment holding company. The Group’s primary activity is the underwriting of general insurance business providing a complete range of general insurance products and services.

To complement the insurance operations, JAB has diversified into related insurance services covering general and life insurance, reinsurance, insurance and reinsurance broking, healthcare and credit leasing. The subsidiaries and affiliates operate in Malaysia, Hong Kong, Philippines and Thailand.

GENERAL INSURANCE

The General Insurance division offers a range of products and services and is recognised for its commercial insurance leadership. It caters for the insurance needs of small to large sized businesses and personal lines business. It comprises 2 core companies, namely Jerneh Insurance Berhad and Jerneh Insurance (HK) Limited.

Established in 1971, **Jerneh Insurance Berhad (“JIB”)** has developed into one of the leading non-bank backed general insurance company. JIB offers a comprehensive range of general insurance products and services including property and pecuniary insurance, liability insurance, marine insurance, personal accident insurance, medical insurance, motor insurance and construction and engineering insurance.

JIB has distinguished itself as a specialist/leader in the marine, industrial and engineering fields over the years by focusing on product development and services. JIB offers both private and corporate customers, tailor-made insurance solutions via traditional and alternative distribution channels and through strategic partnerships and alliances. In 2001, JIB secured a strategic partnership with iSynergy Sdn Bhd to expand its customer base. The strong partnership has resulted in JIB launching successfully, the Jerneh Insurance Privilege Card, a co-branded card with iSynergy Sdn Bhd and Mastercard International on 28th February 2002 and the Alfa Medi-Charge card on 24th February 2003. Various innovative products are being planned with other strategic partners later on in the year.



GENERAL INSURANCE (CONT'D)

In line with its effort to provide the motor policyholders with quality service, JIB has entered into a special arrangement with International SOS to provide service to “JERNEH CARELINE” 24-hour emergency auto assistance programme. The benefits include:

- * 24 hour Towing Service following an Accident; and
- * 24 hour Emergency Breakdown and Roadside Repair Services.

JIB has also organised defensive driving skills for its motor policyholders to create awareness of safe driving on a regular basis.

JIB's team of professionals are equipped with the technical knowledge and expertise to transform proven techniques into innovative solutions to assist our clients in achieving their insurance needs. It strives to maintain its flexibility and to invest in people and technology, thus meeting the needs of its clientele. As part of its information technology initiatives, JIB intends to over the next five (5) years, invest in e-business applications and infrastructure which are geared towards upgrading and replacing its software systems that would allow further enhancement in the provision of quality services to its policyholders, agents, brokers and business partners.

Currently, JIB has about 1,100 agents and 20 branches strategically located in major cities and towns in Peninsular Malaysia, Sabah and Sarawak. The distribution network provides a geographically diverse group of independent agents and brokers with a wide array of insurance products customised to serve our clients in all respective areas to fit their insured's needs.

Jerneh Insurance (HK) Limited (“JIHK”) is a “boutique” insurer operating in Hong Kong and has a representative office in Shanghai, China. JIHK provides a wide range of general insurance products and services in the competitive Hong Kong market.

INSURANCE AND REINSURANCE BROKING

Our broking subsidiaries provide insurance solutions for our corporate clients in Hong Kong, China and the Philippines by way of leveraging on our experiences in insurance and risk management services.

INSURANCE AND REINSURANCE BROKING (CONT'D)

Taishan Insurance Brokers Limited ("TIB (HK)") has become a significant captive insurance broker in the Hong Kong and China insurance market for the Kuok Group. The bulk of its business is from China where it provides insurance and risk management services. It has close working relationships with other large international brokers throughout Asia Pacific and insurers in the region to service Group business. TIB (HK) has become the insurance forerunner for the Group in China through its 10 years experience in the China market.

Taishan Insurance Brokers Philippines, Inc. ("TIBP") and KRM Reinsurance Brokers Phils., Inc. ("KRMP") are wholly-owned subsidiaries of the Group in the Philippines. In the Philippines, the broking divisions are separated into insurance (direct) and reinsurance broking to cater for the needs of the local market. TIBP obtains the bulk of its business from the Kuok Group while KRMP being a reinsurance broker is strongly supported by the Philippines insurers who are its clients.

Both companies especially KRMP are leaders in their respective markets. Being wholly-owned foreign insurance and reinsurance brokers, they are the largest capitalised companies within the broking industry in the Philippines.

AFFILIATED BUSINESSES

The following companies are established to complement the insurance services of the Group:-

Jerneh Asia Reinsurance Limited ("JAR"), an offshore composite reinsurer continues to support the Government's plans to promote Labuan as an offshore financial center. JAR operates as a captive insurer for JIB, JIHK and affiliated companies in the Philippines.

Jerneh Credit Leasing Sdn Bhd ("JCL") is primarily engaged in the provision of loans, leasing and hire-purchase facilities. It channels commercial and personal line business to JIB.

Jerneh Healthcare Services Sdn Bhd ("JHS"), a registered managed care organisation ("MCO") since 1998 was specially established to provide medical claims services to JIB and third parties. With the administration and monitoring of the out-patient clinical and in-patient hospitalisation claims, JHS helps its clients to minimise medical cost.

PARTNERSHIP WITH GENERALI

JAB's strategic partnership with Assicurazioni Generali S.p.A., ("Generali"), the largest composite insurer in Italy, to expand into the Asian region has led to the establishment of Generali Asia N.V., a joint venture investment holding company incorporated in the Netherlands between JAB and Generali in 1999. This partnership will continue to explore new business opportunities through investments in areas with high growth for the insurance sectors.

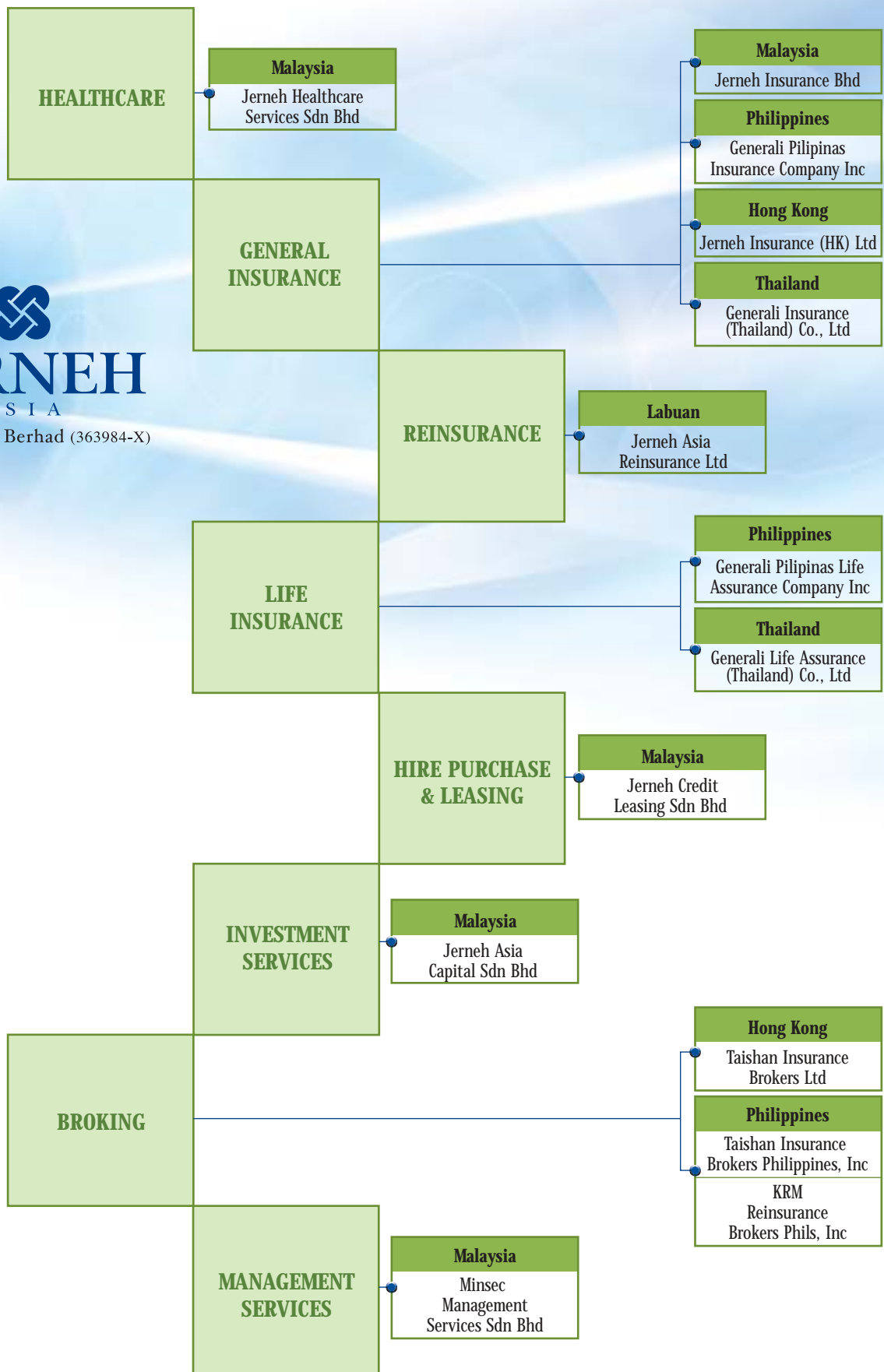
In the first year of operations, the Group through Generali Asia N.V. entered into a joint venture with the SM Group of the Philippines to establish Generali Pilipinas Holding Inc. for investment in wholly-owned Generali Pilipinas Life Assurance Company Inc. and Generali Pilipinas Insurance Company Inc.

As a second phase of the expansion strategy, the Group through Generali Asia N.V. acquired Pornpat Insurance Co. Ltd and Pornpat Life Assurance Co. Ltd. in Thailand during the year. They were renamed as Generali Insurance (Thailand) Co. Ltd. and Generali Life Assurance (Thailand) Co. Ltd.

Today, both the companies in Philippines and Thailand offer life, general, group and other insurance products.



Jerneh Asia Berhad (363984-X)



The Board of Directors of Jerneh Asia Berhad (“JAB”) is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging their fiduciary responsibilities to protect and enhance shareholders value and the financial performance of JAB Group.

COMPLIANCE STATEMENT

To this end, the Board adopted the recommendations of the Malaysian Code on Corporate Governance (the “Code”) and has taken steps to comply with all the Best Practices as outlined in the Code, with the exception of the establishment of a Nominating Committee. As JAB is mainly involved in the underwriting of general insurance business and in view of its size, the Board is of the view that there is currently no necessity for the establishment of a Nominating Committee. Rather, the Board has always assumed the role of reviewing the performance of its members as well as identifying new appointment of Directors to the Board whenever the need arises.

PRINCIPLES STATEMENT

The following statement sets out how the Company has applied the principles in Part 1 of the Code. The principles are dealt with under the following headings:-

- (A) Board of Directors;
- (B) Directors’ Remuneration;
- (C) Shareholders’ Relation and Communication; and
- (D) Accountability and Audit.

BOARD OF DIRECTORS

Board Responsibilities

The Board of Directors of JAB takes full responsibility for the performance of the Group. The Board provides the Company with the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholders value. In carrying out this responsibility, the Board is empowered to decide on all matters relating to the Company’s business and to delegate these powers accordingly. Where appropriate, it has set up Committees, all of which have terms of reference to govern their responsibilities. All Board Committees report to the Board.

Board Balance

At the date of this statement, the Board has eight (8) members comprising one (1) Executive Director, four (4) Non-Independent Non-Executive Directors (including the Chairman and Deputy Chairman) and three (3) Independent Non-Executive Directors. This composition of the Board of Directors has complied with the Listing Requirements of the Kuala Lumpur Stock Exchange (“KLSE”) which requires a minimum of one-third (1/3) of the total number of Directors to be Independent. A brief profile of each Director is presented on pages 6 to 9 of this Annual Report.

The roles of the Chairman and the Executive Director are segregated to ensure that there is a balance of power and authority. The Chairman heads and leads discussions on policy establishment and decision making whilst the Executive Director is responsible for the implementation of policies and decisions of the Board, overseeing as well as coordinating the development and implementation of business and corporate strategies. The Chief Operating Officer assists the Executive Director in the day-to-day running of the operations.

The Non-Executive Directors participates actively in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and control.

BOARD OF DIRECTORS (CONT'D)

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in Section 1.01 of the Listing Requirements of the KLSE. The presence of the Independent Non-Executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the Executive Director. They also ensure that major proposals by Management are fully deliberated and examined, with due regard to risk management, taking into account the overall interests of shareholders and other stakeholders including employees, customers, suppliers and the communities in which the Group conducts its business. The Independent Non-Executive Directors provide unbiased and independent views to safeguard the interests of the minority shareholders.

The Board has appointed YM Raja Dato' Seri Abdul Aziz bin Raja Salim as the Senior Independent Non-Executive Director of the Board to whom concerns of the Group may be conveyed.

Board Meetings

The Board of Directors holds at least five (5) regular scheduled meetings annually, with additional meetings convened when urgent and important decisions need to be considered between the scheduled meetings.

During the financial year ended 31st December 2002, the Board met on six (6) occasions; where it deliberated upon and considered a variety of matters including the Group's financial results, major investments and strategic decisions, business plan and future direction of the Group.

The Board members are supplied with all necessary information prior to and in advance of each Board Meeting to enable them to effectively discharge their responsibilities.

All proceedings of the Board Meetings are duly minuted and signed by the Chairman of the Meeting.

Record of Directors' attendance at Board Meetings held during the financial year ended 31st December 2002 is as follows:-

Directors	Attended
Dato' Lim Chee Wah (<i>Chairman</i>)	5 of 6 meetings held
Tan Yew Jin (<i>Deputy Chairman</i>)	6 of 6 meetings held
Tam Chiew Lin (<i>Executive Director</i>)	6 of 6 meetings held
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	6 of 6 meetings held
Dato' Seri Ismail Farouk bin Abdullah	5 of 6 meetings held
Ahmad Riza bin Basir	6 of 6 meetings held
Anwarudin bin Hj Abdul Rahman	6 of 6 meetings held
Graham Hecmond Wong (<i>appointed on 02.09.2002</i>)	2 of 6 meetings held *

* Note : There were only 2 Board Meetings held since his appointment.

Supply of Information

Board papers are issued prior to a Board Meeting to enable the Directors to review and consider the agenda items to be discussed at the Board Meeting and where necessary, to obtain further explanations in order to be fully briefed before the Meeting. The Board papers include reports relevant to the issues of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters.

In addition, there is a schedule of matters reserved specifically for the Board's decision, including the approval of annual business plan and budget, the overall Group strategy and direction, major acquisitions or disposals of business or assets of a substantial value, major investments and financial decisions and approval of all corporate announcements, including the announcement of the quarterly financial results, prior to releasing to the KLSE.

In exercising their duties, the Directors have access to all information within the Company and to the advice and services of the Company Secretary. If necessary, the Directors are entitled to seek independent professional advice from external consultants at the Company's expense.

Re-Election

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment. The Articles also provide that at least one-third or a number nearest to one-third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting provided always that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Directors' Training

All the Directors except for the newly appointed Director, Mr Graham Hecond Wong, have attended the Mandatory Accreditation Programme ("MAP") conducted by the Research Institute of Investment Analysts Malaysia ("RIIAM"), an affiliate company of the KLSE. Most of the Directors have also attended a technical lecture given by our reinsurance company on risk management in the context of general insurance business arranged by our subsidiary, Jerneh Insurance Berhad. Directors will receive further training that may be required from time to time in order to keep abreast with relevant changes in laws and regulations, and the business environment.

Appointments to the Board

The Board is constantly reviewing the performance of its existing Directors as well as identifying and appointing new Directors to the Board whenever the need arises. The Board itself functions as a Nominating Committee.

Board Committees

The Board of Directors delegates certain responsibilities to the following Board Committees, namely:-

- (a) Audit Committee
- (b) Management Committee
- (c) Investment Committee
- (d) Remuneration Committee
- (e) Option Committee

The duties and responsibilities of each committee are established and reviewed from time to time by the Board of Directors. All committees have written terms of reference and operating procedures, and the Board receives minutes or reports of their proceedings and deliberations.

Board Committees (cont'd)

The Chairmen of the various committees will report to the Board the outcome of the committee meetings and such reports form part of the proceedings of the Board Meeting. Where necessary, the Board's ratification is sought for pertinent decisions made by the above committees.

Audit Committee

For details on the Audit Committee, please refer to the Report of the Audit Committee set out on pages 29 to 32.

Management Committee

The current members of the Management Committee are:-

- * Mr Tan Yew Jin (*Chairman*)
- * Ms Tam Chiew Lin
- * Encik Ahmad Riza bin Basir

This Committee was established on 21st January 1998. Apart from Ms Tam Chiew Lin, all the other members of the Management Committee are Non-Executive Directors.

This Committee is responsible for interpreting the policies set by the Board of Directors and ensuring that such policies are being carried out by Management. It also reviews from time to time the effectiveness of existing policies and if need be, recommends new policy guidelines to the Board for approval.

During the financial year ended 31st December 2002, this Committee had 6 meetings which were attended by all members, the Chief Operating Officer as well as the Senior Management of the Group.

Besides obtaining updates on operational and financial reviews, the meetings also act as a forum for discussion on internal control issues and problems faced by the operating units. Critical issues are highlighted for timely resolution and where necessary, brought to the Board for further direction.

Investment Committee

The current members of the Investment Committee are:-

- * Dato' Lim Chee Wah (*Chairman*)
- * Mr Tan Yew Jin
- * Ms Tam Chiew Lin
- * Encik Ahmad Riza bin Basir

This Committee, which consists mainly of Non-Executive Directors, was established on 11th May 2001. The primary responsibility of this Committee is to provide the general direction for the management of the Group's investment funds to ensure that the following broad objectives are met:-

- (1) To preserve capital employed;
- (2) To generate a regular income stream;
- (3) To achieve consistent capital appreciation; and
- (4) Where appropriate, to develop reciprocal business support.

During the financial year ended 31st December 2002, this Committee had 8 meetings which were attended by all members as well as the Investment Manager of Jerneh Insurance Berhad.

Remuneration Committee

The members of the Remuneration Committee during the year were:-

- * Dato' Seri Ismail Farouk bin Abdullah (*Chairman*)
- * Ms Tam Chiew Lin
- * Mr Tan Yew Jin

This Committee comprising mainly of Non-Executive Directors was established on 11th May 2001.

This Committee is responsible for reviewing the personnel policies of the Group and recommending to the Board the remuneration framework for Executive Director as well as the Senior Management personnel of the Company and its major subsidiary companies.

Option Committee

The members of the Option Committee during the year were:-

- * Mr Tan Yew Jin (*Chairman*)
- * Ms Tam Chiew Lin
- * Encik Anwarudin bin Hj Abdul Rahman

This Committee which comprises mainly of Non-Executive Director was established on 19th November 1998 and is responsible for administering the JAB Employee Share Option Scheme in accordance with the Company's By-Laws.

DIRECTORS' REMUNERATION

Remuneration Policy

The remuneration of Directors is determined at levels that enable the Company to attract and retain Directors with the relevant experience and expertise needed to assist in managing the Group effectively. The level of remuneration of Non-Executive Directors reflects the experience and level of responsibility undertaken by them.

Remuneration Procedure

The Remuneration Committee reviews and recommends to the Board the terms of employment of and all elements of the remuneration of the Executive Director and Senior Management personnel of the Company and its major subsidiaries. The Remuneration Committee also recommends the annual bonus and salary increment of the Executive Director and Senior Management personnel. The Board, as a whole is responsible for the determination of the remuneration of the Executive Director. The Executive Director does not participate in decisions regarding her remuneration.

The determination of the remuneration of Non-Executive Directors is a matter for the Board as a whole, subject to approval of shareholders at the Annual General Meeting.

During the financial year ended 31st December 2002, the Remuneration Committee met twice and the meetings were attended by all members.

Details of the Remuneration Package

The aggregate Directors' remuneration paid or payable or otherwise made available to all Directors of the Company who served during the financial year are as follows :-

	Fees RM'000	Benefits-In-Kind RM'000	Other Emoluments RM'000	Total RM'000
Executive Director	-	12	380	392
Non-Executive Directors	196	68	380*	644

* Includes payment to the former Chairman, Datuk Khor Chin Poey, upon his retirement on 31st August 2002.

The number of Directors of the Company who served during the financial year and whose income from the Group falling within the following bands are:-

	Executive Director	Non-Executive Directors
Less than RM50,000	-	6
RM50,001 to RM500,000	1	1

SHAREHOLDERS' RELATION AND COMMUNICATION

The Board believes that shareholders should be kept informed of all material business developments of the Company. In addition to the various announcements made during the year, release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations. The Jerneh web-site www.jerneh.com.my provides up-to-date information on the Group's products and operations.

The Annual General Meeting is the principal forum for dialogue and interaction with shareholders wherein shareholders are given opportunities to raise questions pertaining to the business activities and direction of the Group. Members of the Board as well as the Auditors of the Company are present to answer questions raised at the meeting.

For re-election of Directors, the Board will ensure that the requisite information on Directors who are standing for re-election is disclosed in the statement accompanying the notice of meeting.

Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement on the effects of the proposed resolution.

Any queries, concerns and/or feedback regarding the Group may be conveyed to :-

1. **YM Raja Dato' Seri Abdul Aziz bin Raja Salim**

Senior Independent Non-Executive Director

Telephone Number : 03 - 2141 4255

Facsimile Number : 03 - 2142 1677

2. **Chan Swee Hong**

Company Secretary

Telephone Number : 03 - 2141 4255

Facsimile Number : 03 - 2142 1677

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements, quarterly and half-yearly announcement of results to shareholders, the Directors take responsibility to present a balanced and fair assessment of the Group's position and prospects. The Audit Committee assists in reviewing the information disclosed to ensure accuracy and adequacy.

A statement by the Directors of their responsibilities in preparing the financial statements is set out below.

Internal Control

The Statement on Internal Control of the Group is set out on page 28 of this Annual Report.

Relationship with the Auditors

The role of the Audit Committee in relation to the external Auditors is described on pages 29 to 32 of this Annual Report. The Company has always maintained a close and transparent relationship with its Auditors in seeking their professional advice towards ensuring compliance with the relevant accounting standards.

Responsibility statement by the board of directors

In preparing the annual financial statements of the Group and of the Company, the Directors are collectively responsible to ensure that these financial statements have been prepared to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results and cash flows of the Group and the Company in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of the Kuala Lumpur Stock Exchange.

In preparing the financial statements for the year ended 31st December 2002 set out on pages 34 to 79 of this Annual Report, the Directors have applied appropriate accounting policies on a consistent basis and made judgements and estimates that are reasonable and prudent.

The Directors have responsibility for ensuring that proper accounting records are kept which 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 overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 21st April 2003.

SHARE BUY-BACKS

During the financial year, there were no share buy-backs by the Company.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

Apart from a total of 953,000 options exercised by the employees of the Company, there were no other warrants or convertible securities exercised by the Company during the financial year ended 31st December 2002.

AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

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

IMPOSITION OF SANCTIONS AND/OR PENALTIES

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

NON-AUDIT FEES

During the year under review, the Company did not pay any non-audit fees to the Auditors of the Company.

VARIATION IN RESULTS

There were no material variations between the audited results for the financial year ended 31st December 2002 and the unaudited results for the quarter ended 31st December 2002 of the Group.

PROFIT GUARANTEE

During the year, there were no profit guarantees given by the Company.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests which were still subsisting as at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

REVALUATION POLICY ON LANDED PROPERTIES

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

Additional compliance information
As at 31 December 2002 (cont'd)

RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of a revenue or trading nature entered into by the Group during the twelve (12) months from 1st January 2002 to 31st December 2002 pursuant to the Shareholders' Mandate granted at the Annual General Meeting of the Company held on 21st May 2002 were as follows:-

12 MONTHS FROM 01.01.2002 TO 31.12.2002			
NATURE OF TRANSACTION / NAME OF TRANSACTING COMPANY	SHAREHOLDERS' MANDATE RM'000	TRANSACTIONED VALUE RM'000	RELATIONSHIP WITH DIRECTOR / MAJOR SHAREHOLDER
Underwriting of General Insurance business by Jerneh Insurance Berhad ("JIB"), a 80%-subsidiary company of Jerneh Asia Berhad ("JAB") from:-			
1. KBSB Group	3,369	5,532	Kuok Brothers Sdn Bhd ("KBSB") is a major shareholder of JAB, the holding company of JIB.
2. PPB Group	5,472	4,423	PPB Group Berhad ("PPB") is a body corporate associated to KBSB, a major shareholder of JAB.
3. PPBOP Group	1,611	2,839	PPB Oil Palms Berhad ("PPBOP") is a body corporate associated to KBSB, a major shareholder of JAB.
4. FFM Group	8,374	8,245	FFM Berhad ("FFM") is a body corporate associated to KBSB, a major shareholder of JAB.
5. PB Group	902	1,212	Pelangi Berhad ("PB") is a body corporate associated to KBSB, a major shareholder of JAB.
6.1 Impiana Cherating Resort Sdn Bhd	131	98	Body corporates which are associated to Dato' Seri Ismail Farouk bin Abdullah, a Director of JAB.
6.2 KAB Corporation Services Sdn Bhd			
6.3 Semai Ria Sdn Bhd			
6.4 Hasu Industries Sdn Bhd			
6.5 Enggore Properties Sdn Bhd			
7.1 Europel Sdn Bhd	244	191	Body corporates which are associated to Encik Ahmad Riza bin Basir, a Director of JAB.
7.2 Fima Corporation Bhd			
7.3 Fima TLP Feedlot Sdn Bhd			
7.4 Pineapple Cannery of Malaysia Sdn Bhd			
7.5 Percetakan Keselamatan Nasional Sdn Bhd			
7.6 Kumpulan Fima Bhd			
7.7 Fima Securities Sdn Bhd			
7.8 Ladang Fima Sdn Bhd			
7.9 BHR Enterprise Sdn Bhd			
8. PCB Group	575	652	Paramount Corporation Berhad is a body corporate associated to Dr Teo Chiang Quan, a Director of JIB.

12 MONTHS FROM 01.01.2002 TO 31.12.2002			
NATURE OF TRANSACTION / NAME OF TRANSACTING COMPANY	SHAREHOLDERS' MANDATE RM'000	TRANSACTIONED VALUE RM'000	RELATIONSHIP WITH DIRECTOR / MAJOR SHAREHOLDER
Rental of Office Premises by JIB to:-			
1. KBSB Group	147	147	KBSB is a major shareholder of JAB, the holding company of JIB.
2. PPB Group	1,137	626	PPB is a body corporate associated to KBSB, a major shareholder of JAB.
3. PPBOP Group	275	275	PPBOP is a body corporate associated to KBSB, a major shareholder of JAB.
4. FFM Group	84	84	FFM is a body corporate associated to KBSB, a major shareholder of JAB.
Rental of Office Premises to JIB by:-			
5. PB Group	102	102	PB is a body corporate associated to KBSB, a major shareholder of JAB.
Provision of Secretarial and Share Registrar Services to JAB Group by:-			
1. KBSB Group	41	41	KBSB is a major shareholder of JAB, the holding company of JIB.
2. PPB Group	45	45	PPB is a body corporate associated to KBSB, a major shareholder of JAB.
Provision of Healthcare administration, claims processing and claims management consultancy services by Jerneh Healthcare Services Sdn Bhd to PPBOP Group	3	2	PPBOP is a body corporate associated to KBSB, a major shareholder of JAB.
Provision of Hire-Purchase and Leasing facilities by Jerneh Credit Leasing Sdn Bhd to KBSB Group	5,802	3,411	KBSB is a major shareholder of JAB, the holding company of JIB.
Provision of share brokering services by Fima Securities Sdn Bhd to JAB Group	60	-	Fima Securities Sdn Bhd is a body corporate which is deemed associated to Encik Ahmad Riza bin Basir, a Director of JAB.

Statement on internal control

(Pursuant to paragraph 15.27 (b) of The Listing Requirements of the Kuala Lumpur Stock Exchange)

Paragraph 15.27(b) of the Listing Requirements of the Kuala Lumpur Stock Exchange requires the Board of Directors of public listed companies to include in its annual report a “statement about the state of internal control of the listed issuer as a group”. The Board is committed to maintain a sound system of internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year under review.

BOARD RESPONSIBILITY

The Board is ultimately responsible for the Group’s system of internal control and its effectiveness to safeguard shareholders’ investment and the Group’s assets. Such a system includes the establishment of an appropriate control environment and framework as well as processes for reviewing its adequacy and integrity. The control environment means the overall attitude, awareness and actions of Directors and Management regarding the internal control system and its importance in the respective company.

In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives of the Group. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, risk management, financial, operational and compliance controls.

The Board confirms that there is an ongoing process, for identifying, evaluating and managing the significant risks faced by the Group, which is regularly reviewed by the Board and complies with the guidelines for Directors on internal control under the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

THE KEY ELEMENTS OF THE GROUP’S INTERNAL CONTROL ARE DESCRIBED BELOW :

- * The Board maintains an organisation structure with clearly defined authorities and responsibilities and appropriate reporting procedures of the Board, Committee and Management of the Group. The Group consists of several companies, each of which has its own management and internal control structures. Operating management of each business unit bears responsibility for the identification and mitigation of major business risks and each maintains controls and procedures appropriate to its own business environment.
- * During the year under review, controls and procedures were documented to facilitate the review by the Internal Audit.
- * Detailed budgeting process requiring all business units to prepare budgets annually which are reviewed by the Board. Monthly management reports are drawn up for the review of the Chief Operating Officer and Executive Director. Results are monitored against budget, with major variances being followed up.
- * The Board meets 5 times a year and has a formal agenda to discuss among other things, appropriate policies on internal control over strategic, financial, operational and compliance issues and to seek assurance that the system of internal control is functioning adequately and that its integrity is maintained. The Chairman together with the Executive Director and Chief Operating Officer, leads the presentation of the policies on internal control and provide comprehensive explanation of pertinent issues.
- * The Audit Committee, together with the Internal Audit and Senior Management, reviews the effectiveness of the internal financial and operating control environment of the Group. The Audit Committee holds regular meetings and review reports from internal and external auditors covering such matters. Where areas of improvement in the system are recommended, the Board considers the recommendations made by the Audit Committee and Management.

INTERNAL CONTROL THAT RESULTS IN MATERIAL LOSSES

There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

This statement is made in accordance with the resolution of the Board of Directors dated 21st April 2003.

COMPOSITION

The Audit Committee was appointed by the Board of Directors from amongst the Directors of the Company and comprises not less than three (3) members, the majority of whom are Independent Directors. The Chairman of the Committee is an Independent Director.

MEMBERS OF THE COMMITTEE

The Members of the Committee for the financial year ended 31st December 2002 comprises the following Directors :-

- * YM Raja Dato' Seri Abdul Aziz bin Raja Salim
~ *Chairman, Independent Non-Executive Director*
~ *A member of the Malaysian Institute of Accountants*

- * Mr Tan Yew Jin
~ *Non-Independent Non-Executive Director*
~ *A member of the Malaysian Institute of Accountants*

- * Encik Anwarudin bin Hj Abdul Rahman
~ *Independent Non-Executive Director*

SECRETARY

The Secretary to the Audit Committee is the Company Secretary of the Company.

TERMS OF REFERENCE

The Committee was established on 10th July 1996 and its terms of reference are set out below:-

Authority

The Audit Committee shall :-

1. have explicit authority to investigate any matter within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company/Group;
4. have direct communication channels with the external and internal auditors;
5. be able to obtain independent professional or other advice; and
6. be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, where deemed necessary.
7. refer any fraud or irregularities discovered by Management to the Internal Audit Department ("IAD") for investigation and all findings shall be reported to the Audit Committee.

Duties

The duties of the Audit Committee are to :-

1. approve the internal audit charter which defines its :-
 - (i) independent purpose
 - (ii) authority
 - (iii) scope and responsibility of the internal audit functions of the Company/Group.
2. ensure that the IAD has adequate and competent resources to cover their scope and other audit projects.
3. ensure that the goals and objectives of the IAD are in line with corporate goals.
4. approve the appointment or termination, review of performance, remuneration of Head and senior staff of IAD.
5. review with the IAD the annual audit plan. The plan should detail out the audit activities for the year and allocation of resources to the tasks. It will indicate the scope of work and prioritise audit assignments using Risk Management and System Audit approaches.
6. review the scope and results of internal audit procedures including :-
 - (i) compliance with internal auditing standards, company policies relating to compliance with laws and regulatory requirements ;
 - (ii) the effective operation of the system of internal controls, in particular financial controls, underwriting controls and claims controls ;
 - (iii) independent and reporting relationships ;
 - (iv) professionalism and capacity of the internal auditors ;
 - (v) restrictions placed on internal auditors by Management ;
 - (vi) the internal audit programme or processes; major findings of internal audit programme or processes; or investigations undertaken; and whether or not appropriate action (including Management's response) has been taken based on the recommendations of the IAD ; and
 - (vii) coordination between internal and external auditors.
7. be informed of resignation of internal audit staff and provide the resigning staff an opportunity to submit his reasons for resigning.
8. consider and recommend the appointment of external auditors after evaluating their performance, the remuneration and any questions of resignation or dismissal.
9. discuss audit report qualifications, problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss, in the absence of Management where necessary.
10. review the following and report the same to the Board of Directors of the Company :-
 - (i) with the external auditors, the annual audit plan, its Budget, scope and nature of audit of the Company/Group and the audit report.
 - (ii) with the external auditors on the evaluation of the system of internal controls.

Duties (cont'd)

- (iii) the Company's and Group's quarterly results and year end financial statements, focusing particularly on :-
 - * significant changes and adjustments in the presentation of financial statements ;
 - * changes in or implementation of major accounting policies and principles ;
 - * the going concern assumption ;
 - * compliance with accounting standards and other legal requirements ;
 - * significant adjustments resulting from the audit ;
 - * material fluctuations in the Statement of Balances ;
 - * significant and unusual events ;
 - * significant variations in audit scope ; and
 - * significant commitments and contingent liabilities.
 - (iv) Chairman's Statement, interim financial reports and preliminary announcements.
 - (v) any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of Management integrity which come to light in the course of internal audit or as reported by Management.
 - (vi) effectiveness of the internal control systems and in particular, to review the external auditor's Management letter and Management's response.
11. ensure prompt publication of annual accounts of the Company and the Board of Directors is duty bound to ensure that accounts are timely and accurate, with frequent reviews on adequacy of provisions against contingencies and bad and doubtful debts.

MEETINGS AND MINUTES

For the financial year ended 31st December 2002, the Committee convened four (4) meetings, which were attended by all members. The meetings were structured through the use of appropriate agendas and reports, which were distributed to members with sufficient notification.

The Executive Director, Chief Operating Officer, Internal Audit Manager and Senior Managers from the Finance and Operations Departments were present by invitation in all the meetings. Representatives of the Auditors, Messrs Moores Rowland also attended the meetings upon invitation.

In carrying out his duties, the Chairman of the Committee reported to and updated the Board on significant issues and concerns discussed during the Committee's Meetings and where appropriate made the necessary recommendations to the Board. Minutes of the Committee's Meetings were made available to all Board members.

ACTIVITIES OF AUDIT COMMITTEE

The Committee carried out its duties in accordance with its Terms of Reference during the financial year.

The main activities undertaken by the AC were as follows:-

1. Reviewed the Auditors' scope of work and audit plans for the financial year 2002.
2. Reviewed with the Auditors the results of the audit, the audit report and the Management letter, including Management's response.

ACTIVITIES OF AUDIT COMMITTEE (CONT'D)

3. Recommended the nomination of Messrs Moores Rowland for re-appointment as external auditors.
4. Reviewed the internal audit reports, which highlighted the audit issues, recommendations and Management's response.
5. Reviewed the quarterly and audited financial statements of the Company prior to submission to the Board for their consideration and approval.
6. Reviewed the related party transactions entered into by the Group.
7. Reviewed the inspection and examination reports issued by the regulatory authorities such as Bank Negara Malaysia and the appropriate remedial actions taken in respect of any findings.

INTERNAL AUDIT FUNCTION

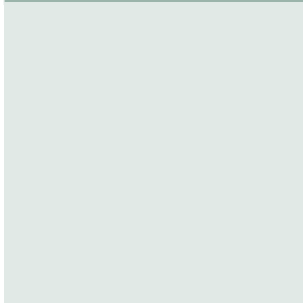
The Committee is assisted by the IAD of the Group in providing independent and objective reports on the state of internal controls of the various operating units within the Group and the extent of compliance of the operating units with established policies, procedures, regulations, guidelines and best practices from the various regulatory bodies.

During the financial year, audit assignments were carried out in line with the Audit Programme approved by the Committee on various operating units of the Group. Audit reports were issued incorporating findings and recommendations with regard to system and control weaknesses noted in the course of audit, the corresponding Management's responses and the remedial actions taken by Management. The IAD followed up on the implementation of all findings and recommendations in its review process.

YM Raja Dato' Seri Abdul Aziz bin Raja Salim

Chairman

Independent Non-Executive Director



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Directors' report

for the year ended 31 December 2002

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiary companies are indicated in explanatory note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit after taxation	29,948	12,770
Minority interest	(4,572)	-
Net profit for the year	25,376	12,770
Unappropriated profit brought forward	78,656	43,445
Profit available for appropriation	104,032	56,215
Dividends	(6,076)	(6,076)
Unappropriated profit carried forward	97,956	50,139

DIVIDENDS

Since the end of the previous financial year, the Company paid a First and Final Dividend of 8% less tax at 28%, amounting to RM6,021,000 in respect of the financial year ended 31 December 2001.

The Directors now recommend a First and Final Dividend of 8% less tax at 28% amounting to RM6,033,000 in respect of the financial year under review.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the statements of changes in equity as set out on pages 43 and 44.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM103,777,003 to RM104,730,003 by way of the issue of 953,000 new ordinary shares of RM1 each at an issue price of RM1.90 per share for cash pursuant to the Company's Employee Share Option Scheme ("ESOS").

The new ordinary shares rank pari passu in all respects with the existing ordinary shares.

The Company did not issue any debentures during the financial year under review.

Directors' report

for the year ended 31 December 2002 (cont'd)

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

Options granted and exercised under the ESOS, and those which lapsed during the financial year were as follows:

Date option granted	Exercise price RM	No. of unissued shares of RM1 each under option				
		At 1.1.2002	Granted	Lapsed	Exercised	At 31.12.2002
31.1.2002	1.90	-	6,944,000	417,000	953,000	5,574,000
1.7.2002	1.94	-	340,000	-	-	340,000
		-	7,284,000	417,000	953,000	5,914,000

The main features of the ESOS as set out in the Bye-Laws are as follows:

- (a) The Option Committee appointed by the Board of Directors to administer the ESOS may from time to time offer options to eligible employees of the Group, including the Executive Director, to subscribe for new ordinary shares of RM1 each in the Company.
- (b) In aggregate, the maximum number of new shares to be allotted pursuant to the exercise of options granted under the ESOS shall not exceed 10% of the issued and paid up share capital of the Company at any point of time during the existence of the ESOS, save and except in the subsequent event of a reduction in the issued and paid up share capital of the Company by virtue of the Company purchasing its own shares which may cause the aforesaid limit to be exceeded.
- (c) The price at which the option holder is entitled to subscribe for a new share under an option shall be the higher of:
 - (i) the weighted average market price of the shares as shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the five (5) market days immediately preceding the date of offer with a discount of 10% if deemed appropriate by the Option Committee; or
 - (ii) the par value of the shares.
- (d) No option shall be granted for less than 1,000 shares and more than 500,000 shares to any eligible employee and Director. The allocation to the eligible Executive Directors and senior management shall not exceed 50% of the new shares available under the scheme. In addition, not more than 10% of the new shares available under the scheme should be allocated to any individual Executive Director or employee who, either singly or collectively, through his associates (as defined in the Act), holds 20% or more of the issued and paid up capital of the Company.

For the offer of options under ESOS, the Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of the option holders who have been granted options of less than 100,000 shares. The names of option holders and the number of options granted which are 100,000 shares and above are set out below:

Name of Option Holders	Number of Share Options
Tam Chiew Lin (<i>Executive Director</i>)	175,000
Liew Seng Loong (<i>Chief Operating Officer</i>)	175,000

Directors' report

for the year ended 31 December 2002 (cont'd)

DIRECTORS

The Directors in office since the date of the last report are:

Dato' Lim Chee Wah	<i>(appointed as Non-Executive Chairman on 2.9.2002)</i>
Tan Yew Jin	<i>(Non-Executive Deputy Chairman)</i>
Tam Chiew Lin	<i>(Executive Director)</i>
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	
Dato' Seri Ismail Farouk bin Abdullah	
Ahmad Riza bin Basir	
Anwarudin bin Hj Abdul Rahman	
Graham Hecmond Wong	<i>(appointed on 2.9.2002)</i>
Datuk Khor Chin Poey	<i>(retired on 31.8.2002)</i>

In accordance with Article 101 of the Company's Articles of Association, Tan Yew Jin, Ahmad Riza bin Basir and Anwarudin bin Hj Abdul Rahman retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Article 108 of the Company's Articles of Association, Graham Hecmond Wong who was appointed to the Board subsequent to the date of the last Annual General Meeting, retires at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

According to the register required to be kept under Section 134 of the Companies Act 1965, the interests of Directors who held office at the end of the financial year in shares of the Company are as follows:

Name of Director	Ordinary shares of RM1 each			At 31.12.2002
	At 1.1.2002 or Date of Appointment	Bought	Sold	
Dato' Lim Chee Wah				
- direct	30,000	-	-	30,000
Tan Yew Jin				
- direct	120,000	-	-	120,000
- indirect	155,250	-	-	155,250
Tam Chiew Lin	-	-	-	-
YM Raja Dato' Seri Abdul Aziz bin Raja Salim				
- direct	60,000	-	-	60,000
Dato' Seri Ismail Farouk bin Abdullah				
- direct	3,791,445	-	-	3,791,445
Ahmad Riza bin Basir				
- direct	150,000	-	-	150,000
- indirect	16,637,407	-	-	16,637,407
Anwarudin bin Hj Abdul Rahman				
- direct	37,500	-	-	37,500
Graham Hecmond Wong	-	-	-	-

Directors' report

for the year ended 31 December 2002 (cont'd)

By virtue of his interest in the shares of the Company, Encik Ahmad Riza bin Basir is also deemed to be interested in the shares of all the subsidiaries to the extent that the Company has an interest. The Company's shareholdings in the subsidiaries during the financial year are as follows:

	Ordinary shares of RM1 each			As at 31.12.2002
	As at 1.1.2002	Bought	Sold	
Jerneh Insurance Berhad	80,000,000	-	-	80,000,000
Jerneh Credit Leasing Sdn Bhd	1,000,000	-	-	1,000,000
Jerneh Healthcare Services Sdn Bhd	250,000	-	-	250,000
Jerneh Asia Capital Sdn Bhd	2	-	-	2
Minsec Management Services Sdn Bhd	25,000	-	-	25,000

	Ordinary shares of HKD100 each			As at 31.12.2002
	As at 1.1.2002	Bought	Sold	
Jerneh Insurance (HK) Limited	500,000	-	-	500,000

	Ordinary shares of HKD1 each			As at 31.12.2002
	As at 1.1.2002	Bought	Sold	
Taishan Insurance Brokers Limited	1,000,000	-	-	1,000,000
Jerneh Healthcare Services (HK) Limited*	500,000	-	500,000	-
Jerneh Reinsurance Management Limited*	100,000	-	100,000	-

* These companies were deregistered on 2.8.2002

	Ordinary shares of PHP100 each			As at 31.12.2002
	As at 1.1.2002	Bought	Sold	
KRM Reinsurance Brokers Phils., Inc.	480,000	-	-	480,000
Taishan Insurance Brokers Philippines, Inc.	480,000	-	-	480,000

	Ordinary shares of USD1 each			As at 31.12.2002
	As at 1.1.2002	Bought	Sold	
Jerneh Asia Reinsurance Limited	3,200,000	-	-	3,200,000

Directors' report

for the year ended 31 December 2002 (cont'd)

The following Director who held office at the end of the financial year and had interest in share options under the ESOS during the financial year is as follows:

	Exercise price RM	No. of unissued shares of RM1 each under option				
		At 1.1.2002	Granted	Lapsed	Exercised	At 31.12.2002
Tam Chiew Lin	1.90	-	175,000	-	-	175,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent, or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading, or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Directors' report

for the year ended 31 December 2002 (cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Company or its subsidiary companies which has arisen since the end of the financial year which secures the liabilities of any other person, or
 - (ii) any contingent liability of the Company or its subsidiary companies which has arisen since the end of the financial year other than those arising from contracts of insurance underwritten in the ordinary course of business by the subsidiary companies, namely, Jerneh Insurance Berhad, Jerneh Asia Reinsurance Limited and Jerneh Insurance (HK) Limited.
- (d) No contingent or other liability of the Company or its subsidiary companies has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Moores Rowland, have expressed their willingness to continue in office.

On behalf of the Directors

DATO' LIM CHEE WAH

Director

TAM CHIEW LIN

Director

Kuala Lumpur
21 April 2003

Auditors' report

We have audited the financial statements of the Group and of the Company set out on pages 41 to 79. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards issued by the Malaysian Institute of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and the significant estimates made by the directors as well as an evaluation of the overall presentation of the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up:
 - (i) so as to give a true and fair view of the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;
 - (ii) in accordance with the provisions of the Act so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2002 and of their results and cash flows for the year ended on that date;
 - (iii) in accordance with applicable approved accounting standards.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, and which are indicated in explanatory note 5 to the financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification, and in respect of subsidiary companies incorporated in Malaysia, did not include any comment made under Section 174(3) of the Act.

MOORES ROWLAND

No. AF: 0539

Chartered Accountants

TANG KIN KHEONG

No. 1501/9/03 (J/PH)

Partner

Kuala Lumpur

21 April 2003

Balance sheets

as at 31 December 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
ASSETS					
Property, plant and equipment	3	8,866	7,656	460	650
Investment property	4	42,224	42,224	-	-
Investment in subsidiary companies	5	-	-	107,236	107,236
Investment in associated companies	6	32,561	7,629	40,189	14,762
Other investments	7	188,237	191,779	-	-
Trade and other receivables	8	77,609	86,767	90	163
Amounts owing by subsidiary companies	9	-	-	48,829	65,414
Current tax asset		5,444	4,460	256	-
Marketable securities	10	12,980	5,790	-	-
Deposits	11	172,871	158,134	5,517	7,460
Cash and bank balances	12	25,915	17,979	2,276	330
Total assets		566,707	522,418	204,853	196,015
LIABILITIES					
Provision for outstanding claims	13	149,643	145,843	-	-
Trade and other payables	14	74,806	64,595	884	714
Amounts owing to subsidiary companies	9	-	-	195	22
Amount owing to an associated company	15	-	34	-	34
Bank borrowings (unsecured)	16	20,000	20,807	20,000	20,000
Deferred tax liability	17	16	69	-	-
Current tax liability		651	826	-	31
		245,116	232,174	21,079	20,801
Unearned premium reserves		66,251	60,091	-	-
Total liabilities		311,367	292,265	21,079	20,801
SHAREHOLDERS' EQUITY					
Share capital	18	104,730	103,777	104,730	103,777
Share premium		22,872	22,014	22,872	22,014
Exchange fluctuation reserve		(1,292)	(2,741)	-	-
Unappropriated profit	19	97,956	78,656	50,139	43,445
Dividend		6,033	5,978	6,033	5,978
		230,299	207,684	183,774	175,214
MINORITY INTEREST		25,041	22,469	-	-
Total liabilities, shareholders' equity and minority interest		566,707	522,418	204,853	196,015

Accounting policies and explanatory notes are set out on pages 47 to 79

Income statements

for the year ended 31 December 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Operating revenues	20	135,679	154,725	-	-
Operating costs applicable to operating revenues	21	(83,088)	(100,402)	-	-
Gross profit		52,591	54,323	-	-
Other operating income	22	26,527	21,064	69	115
Other operating expenses	23	(41,287)	(42,907)	(3,238)	(2,503)
Profit/(Loss) from operations		37,831	32,480	(3,169)	(2,388)
Investment income (net)	24	2,311	4,527	17,104	18,193
Share of profits less losses of associated companies		(2,153)	(866)	-	-
Finance cost		(830)	(975)	(830)	(975)
Profit before taxation		37,159	35,166	13,105	14,830
Taxation					
- Group/Company	25	(6,962)	(10,342)	(335)	(501)
- Share of taxation of associated companies	25	(249)	(382)	-	-
Profit after taxation		29,948	24,442	12,770	14,329
Minority interests		(4,572)	(3,505)	-	-
Net profit for the year		25,376	20,937	12,770	14,329
Basic earnings per share (sen)	26	24.32	20.17		
Diluted earnings per share (sen)	26	24.17	20.17		
Dividend per share (net of tax) (sen)		5.8	5.8		

Accounting policies and explanatory notes are set out on pages 47 to 79

Statements of changes in equity

for the year ended 31 December 2002

Group	Note	Share capital RM'000	— (Non-distributable)—		(Distributable)		Total RM'000
			Share premium RM'000	Exchange fluctuation reserve RM'000	Unappropriated profit RM'000	Proposed dividend RM'000	
Balance at 1.1.2001		103,777	22,014	(2,596)	63,697	5,978	192,870
Net loss not recognised in the income statement:							
Currency translation differences		-	-	(145)	-	-	(145)
Net profit for the year		-	-	-	20,937	-	20,937
Dividend paid		-	-	-	-	(5,978)	(5,978)
Dividend proposed	27	-	-	-	(5,978)	5,978	-
Balance at 31.12.2001		103,777	22,014	(2,741)	78,656	5,978	207,684
Net loss not recognised in the income statement:							
Currency translation differences		-	-	1,449	-	-	1,449
Net profit for the year		-	-	-	25,376	-	25,376
Issue of shares pursuant to the ESOS		953	858	-	-	-	1,811
Dividend paid	27	-	-	-	(43)	(5,978)	(6,021)
Dividend proposed	27	-	-	-	(6,033)	6,033	-
Balance at 31.12.2002		104,730	22,872	(1,292)	97,956	6,033	230,299

Accounting policies and explanatory notes are set out on pages 47 to 79

Statements of changes in equity
for the year ended 31 December 2002 (cont'd)

Company	Note	Share capital RM'000	(Non-distributable) Share premium RM'000	(Distributable) Unappropriated profit RM'000	Proposed dividend RM'000	Total RM'000
Balance at 1.1.2001		103,777	22,014	35,094	5,978	166,863
Net profit for the year		-	-	14,329	-	14,329
Dividend paid		-	-	-	(5,978)	(5,978)
Dividend proposed	27	-	-	(5,978)	5,978	-
Balance at 31.12.2001		103,777	22,014	43,445	5,978	175,214
Net profit for the year		-	-	12,770	-	12,770
Issue of shares pursuant to the ESOS		953	858	-	-	1,811
Dividend paid	27	-	-	(43)	(5,978)	(6,021)
Dividend proposed	27	-	-	(6,033)	6,033	-
Balance at 31.12.2002		104,730	22,872	50,139	6,033	183,774

Accounting policies and explanatory notes are set out on pages 47 to 79

Cash flow statements

for the year ended 31 December 2002

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	37,159	35,166	13,105	14,830
Adjustments for:				
Accretion of discounts less amortisation of premiums	(368)	(1,477)	-	(142)
Allowance for diminution in value of other investments	1,135	(1,037)	-	-
Allowance for doubtful debts	(3,019)	(1,665)	-	-
Bad debts written off	427	54	-	-
Changes in unearned premium reserves	6,187	(9,957)	-	-
Depreciation	1,965	1,538	196	201
Dividend income	(4,075)	(2,135)	(15,013)	(14,868)
Gain arising from liquidation of associated company	-	(815)	-	-
Gain on sale of other investments	(5,166)	(456)	-	(559)
Goodwill on acquisition written off	-	663	-	-
Interest expense	830	975	830	975
Interest income	(12,385)	(14,506)	(2,091)	(2,624)
Loss/(Gain) on disposal of property, plant and equipment	42	(84)	70	(64)
Loss retained in associated companies	2,153	866	-	-
Property, plant and equipment written off	10	-	-	-
Write down of marketable securities to net realisable value	691	112	-	-
Operating profit/(loss) before changes in working capital	25,586	7,242	(2,903)	(2,251)
Purchase of investment property	-	(42,224)	-	-
Proceeds from sale of other investments	64,390	90,287	-	-
Purchase of other investments	(60,924)	(94,937)	-	-
Changes in trade receivables	6,305	8,277	-	-
Changes in other receivables	4,413	7,922	71	55
Changes in marketable securities	(7,895)	763	-	-
Changes in provision for outstanding claims	3,825	(1,856)	-	-
Changes in trade payables	9,632	2,747	-	-
Changes in other payables	863	2,086	170	269
Cash generated from/(used in) operations	46,195	(19,693)	(2,662)	(1,927)
Income tax paid	(7,310)	(8,851)	(231)	(445)
Interest received	10,734	13,854	-	-
Dividends received	2,571	1,829	-	-
Net cash generated from/(used in) operating activities	52,190	(12,861)	(2,893)	(2,372)

Accounting policies and explanatory notes are set out on pages 47 to 79

Cash flow statements

for the year ended 31 December 2002 (cont'd)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash and cash equivalents from				
subsidiary companies acquired (see note 28)	-	752	-	-
Consideration paid to acquire a subsidiary company	-	-	-	(25)
Consideration paid to acquire associated companies	(25,427)	-	(25,427)	-
Proceeds from sale of other investments	31,255	28,230	-	5,896
Proceeds from disposal of property, plant and equipment	427	104	370	70
Purchase of property, plant and equipment	(3,743)	(3,597)	(446)	(10)
Purchase of other investments	(26,866)	(32,974)	-	(5,094)
(Increase)/Decrease in fixed deposits	(19,994)	36,256	-	-
Interest received	2,493	897	2,093	2,592
Dividends received	645	2,344	14,622	14,812
Repayment from associated companies	-	93	-	93
Repayment from/(Advances to) subsidiary companies	-	-	16,585	(3,472)
Proceeds from liquidation of an associated company	-	7,985	-	-
Net cash (used in)/generated from investing activities	(41,210)	40,090	7,797	14,862
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	1,811	-	1,811	-
Repayment to an associated company	(34)	-	(34)	-
Advances from/(Repayment to) subsidiary companies	-	-	173	(53)
Repayment of bank loan	(771)	-	-	-
Interest paid	(830)	(975)	(830)	(975)
Dividend paid to shareholders of the Company	(6,021)	(5,978)	(6,021)	(5,978)
Dividend paid to a minority shareholder of a subsidiary company	(2,000)	(1,620)	-	-
Net cash used in financing activities	(7,845)	(8,573)	(4,901)	(7,006)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,135	18,656	3	5,484
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	37,096	18,415	7,790	2,306
EFFECT OF EXCHANGE RATE CHANGES	(398)	25	-	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD	39,833	37,096	7,793	7,790
Represented by:				
Cash and bank balances	25,915	17,979	2,276	330
Deposits	13,918	19,117	5,517	7,460
	39,833	37,096	7,793	7,790

Accounting policies and explanatory notes are set out on pages 47 to 79

Accounting policies and explanatory notes

for the year ended 31 December 2002

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements comply with applicable approved accounting standards issued by the Malaysian Accounting Standards Board and with the provisions of the Companies Act, 1965. Further, the financial statements of a subsidiary company, namely Jerneh Insurance Berhad which have been consolidated with the Company's financial statements also comply with the provisions of the Insurance Act, 1996 and guidelines issued by Bank Negara Malaysia.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiary companies made up to the end of the financial year. All inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. All subsidiary companies are consolidated on the acquisition method of accounting except for Jerneh Insurance Berhad which is consolidated on the merger method of accounting in accordance with the provisions of Malaysian Accounting Standard No. 2. The Group has chosen to adopt the provisions of MASB 21 - Business Combinations prospectively, as permitted under the transitional provisions of MASB 21. Accordingly, the effects of the merger method of accounting under *Malaysian Accounting Standard No. 2* have been retained.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements.

The difference, if any, between the acquisition cost and these fair values is reflected as goodwill or discount on acquisition as appropriate. However, if the amounts involved are immaterial, goodwill or discount on acquisition is taken to the income statement as and when they arise.

Where goodwill is considered to be capable of generating future economic benefits, it is capitalised in the financial statements and amortised on the straight line basis over its estimated useful life or 25 years, whichever is shorter, otherwise it is written off in the income statement in the year of acquisition.

Discount on acquisition is retained in the balance sheet and credited to the income statement over a suitable period decided in relation to the particular circumstances which gave rise to it.

Under the merger method of accounting, the results of subsidiary companies are accounted for on a full year basis irrespective of the date of merger. The difference between the nominal value of the shares issued plus any cash paid as consideration for the merger and the nominal value of the share capital of the subsidiary companies acquired is reflected as merger reserve.

Minority interest represents the interests of outside members in the operating results and net assets of subsidiary companies.

(c) Subsidiary companies

A subsidiary company is a company controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The Company's interests in subsidiary companies are stated at cost less impairment losses. Impairment losses are charged to the income statement.

On disposal, the difference between the net disposal proceeds and the carrying amount of the subsidiary disposed of is taken to the income statement.

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Associated companies

The Group treats as associated companies those companies in which the Group holds a long term equity interest, has representation on the board of directors and is in a position to exercise significant influence over financial and operating policies.

Investments in associated companies are stated at cost less impairment losses. Impairment losses are charged to the income statement.

On disposal, the difference between net disposal proceeds and the carrying amount of the associated company disposed of is taken to the income statement.

The Group's share of the operating results of associated companies is accounted for in the consolidated income statement in place of dividends received. The Group's share of post-acquisition reserves and retained profits less losses is added to the cost of investment in the consolidated balance sheet.

The results and reserves of associated companies are accounted for in the consolidated income statement based on audited financial statements made up to the end of the financial year.

(e) Investment properties

Investment properties are properties held for their investment potential and rental income.

Investment properties are initially stated at cost and subsequently at directors' valuations based on independent professional valuation reports. Investment properties are appraised by independent professional valuers at least once in every three years on the open market value basis. Revaluation surpluses, if considered by the directors to be permanent in nature, are incorporated in the financial statements through a revaluation reserve account. Any reduction in the value of investment properties below their respective original costs is charged against operating profit in the income statement.

(f) Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

(ii) Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment on the straight line basis over their expected useful lives. The principal annual rates used for this purpose are:

Buildings	2%
Computers	20% - 33 1/3%
Office equipment, furniture and fittings	10% - 15%
Motor vehicles	20%
Renovations	10%- 33 1/3%

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment of assets

An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are charged to the income statement.

Property, plant and equipment, investment properties, investments in subsidiary and associated companies and goodwill on acquisition are assessed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's estimated net selling price and its discounted future cash flows expected to be generated from the use of the asset.

Any reversal of an impairment loss as a result of a subsequent increase in recoverable amount should not exceed the carrying amount that would have been determined (net of amortisation or depreciation, if applicable) had no impairment loss been previously recognised for the asset.

(h) Other investments

Investment in government securities, treasury bills, government guaranteed loans, bonds and loan stocks which are intended to be held to maturity are stated at cost adjusted for the amortisation of premiums or accretion of discounts calculated on a straight line basis over the period from acquisition to maturity.

Quoted investments are stated at the lower of cost and market value determined on an aggregate basis by category of investments except that if any decline in value of a particular investment is regarded as other than temporary, an allowance for diminution in value is made against the value of that investment. The allowance for diminution in value is charged to the income statement.

Unquoted investments are stated at cost less allowance for diminution in value.

(i) Marketable securities

Marketable securities comprising quoted securities are stated at the lower of cost and market value.

(j) Share capital

Ordinary shares are recorded at the nominal value and proceeds received in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Costs incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, otherwise it is charged to the income statement.

Dividends to shareholders are recognised in equity in the period in which they are declared.

(k) General insurance underwriting results

General insurance underwriting results are determined after taking into account reinsurances, commissions, unearned premium reserve and claims incurred.

(i) Premium income

Premium is recognised in a financial period in respect of risks assumed during that particular financial period.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) General insurance underwriting results (cont'd)

(ii) Unearned premium reserves ("UPR")

Premiums are considered earned after accounting for reinsurance outwards and UPR. UPR is computed based on the following methods:

	Jerneh Insurance Berhad	Jerneh Asia Reinsurance Limited	Other Subsidiaries
Direct and facultative marine, aviation cargo and transit business	25% method	40% method	1/24th method
All other direct business	1/24th method	40% method	1/24th method
Inward treaty business	1/24th method	40% method	1/8th or 1/4th method
Overseas inward facultative business	1/8th method	40% method	1/24th method

(iii) Provision for claims

Provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries in respect of claims notified but not settled at balance sheet date.

Provision is also made for the cost of claims together with related expenses incurred but not reported ("IBNR") at balance sheet date. For inward treaty business, the IBNR provision is based on submissions by treaty parties. For direct and facultative business, the provision is based on an actuarial valuation carried out by an independent actuarial firm.

(l) Recognition of revenue

- (i) Insurance premium income is recognised as disclosed under explanatory note 1(k).
- (ii) Interest income from government securities, bonds and loan stocks, fixed deposits and term loans receivable is recognised on an accrual basis.
- (iii) Interest income from hire purchase and leasing transactions is recognised on a time proportion basis after taking into account the effective yield of the assets.
- (iv) Dividend income is recognised when the right to receive has been established.
- (v) Revenue from property management and consultancy services is recognised upon services being rendered.
- (vi) Brokerage fee income is recognised when the insurance policy is accepted by the insurer.
- (vii) Rental income is recognised on a straight line basis over the specific periods of the respective leases.

(m) Foreign currencies

(i) Transaction in foreign currencies

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities which are stated at historical costs denominated in foreign currencies are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of transaction.

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Foreign currencies (cont'd)

(ii) Translation of foreign currency financial statements

For consolidation purposes, assets and liabilities of foreign subsidiary companies are translated at exchange rates ruling on the balance sheet date, whereas income statement items are translated at approximate rates of exchange ruling on transaction dates. All exchange differences arising from the translation of the financial statements of foreign subsidiary companies are dealt with through the exchange fluctuation reserve account. All the foreign subsidiaries fall within the classification of foreign entities under *MASB 6 - The Effects of Changes in Foreign Exchange Rates*.

(iii) Closing exchange rates

The closing exchange rates used for translation were as follows:

		2002 RM	2001 RM
1 Singapore Dollar ("SGD")	=	2.18	2.04
1 United States Dollar ("USD")	=	3.80	3.80
1 Hong Kong Dollar ("HKD")	=	0.49	0.49
1 Euro	=	3.96	3.35
100 Philippine Peso ("PESO")	=	7.01	7.34
100 Thai Baht ("Baht")	=	8.65	-
100 Japanese Yen ("JPY")	=	3.19	2.88

(n) Taxation

The tax expense in the income statement represents taxation at current tax rates based on results for the financial year adjusted for items which are non-assessable or non-deductible.

Deferred taxation is provided on the liability method for taxation deferred in respect of all material timing differences except where it is thought reasonably probable that the tax effects of such deferrals will continue in the foreseeable future. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

(o) Bad and doubtful debts

Known bad debts are written off and allowances are made for any debts considered to be doubtful of collection.

In addition to the above, all premium arising from policies underwritten by Jerneh Insurance Berhad outstanding for more than six months from inception date are fully provided for in accordance with Bank Negara Malaysia's guidelines on the determination of allowance for doubtful debts.

(p) Payables

Payables are stated at cost.

(q) Borrowing costs

All borrowing costs are taken to the income statement in the period in which they are incurred.

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(s) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Group's financial instruments which are recognised in the balance sheet comprise liquid funds, investment property, investments, receivables and payables. These financial instruments are recognised when a contractual relationship has been established. The accounting policies and methods adopted, including the basis of measurement applied, are disclosed in the respective notes.

There are no financial instruments not recognised in the balance sheet, other than the insurance contracts entered into by the Group in the ordinary course of business.

(t) Fair value of financial instruments

Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. This is best evidenced by a quoted market price, if one exists. Quoted market price may not be available for certain of the Group's financial instruments. Under these circumstances, fair value presented are estimates derived using present value or other valuation techniques. In addition, the calculation of estimated fair value is based on market conditions at the balance sheet date.

(u) Rounding of amounts

Unless otherwise indicated, the amounts in these financial statements have been rounded to the nearest thousand. The currency used is Ringgit Malaysia ("RM").

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The objective of risk management is to ensure that the Group's overall risk is managed at an acceptable level and that appropriate returns are earned for the level of risk assumed.

A risk management policy is in place to identify and measure significant areas of business risk and to effectively manage those risks by establishing internal controls, systems, policies and procedures. Systems are designed to provide reasonable assurance that the assets are safeguarded, insurance risk exposure is within desired limits, reinsurance protection is adequate and counterparties are subject to security assessment. The risk management framework is reviewed on a periodic basis.

The general insurance portfolios are reviewed by professional actuaries and the review takes into account the adequacy of reserves to meet liabilities.

Subsidiaries and affiliates engaged in the insurance business complies with their specific Insurance Acts and Regulations in their respective jurisdiction.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Underwriting risk

Although the Group has in place underwriting guidelines which ensure that underwriting risk undertaken adhere to proper control procedures, the Group may be exposed to potential financial liabilities resulting from incurring higher claims cost than expected. This is due to the random nature of claims and their unpredicted frequency and severity and the risk of change in legal or economic conditions affecting insurance pricing and conditions of insurance or reinsurance cover.

The underwriting and claims monitoring programme incorporates standards for underwriting procedures, policy retention limits, the use of reinsurance and the setting of claims reserves. Underwriting standards are established to manage the initial insurability of customers. Renewal underwriting standards are in place for business that renews on a periodic basis.

Reinsurance risk

In the normal course of business, the Group limits the amount of loss on any one policy/event by reinsuring certain levels of risk with other reinsurers/insurers. Reinsurance does not discharge the Group's liability as the primary insurer. Failure of reinsurers to honour their obligations could result in losses to the Group. In order to minimise losses from reinsurance insolvencies, the Group only deals with reputable and well capitalised counterparties.

Interest rate risk

The Group's earnings are affected by changes in market interest rates due to the impact such changes have on interest income from cash and cash equivalents and investments. Strict investment guidelines are in place and reviewed regularly to provide the general direction for the Group's investment funds and to monitor the risks undertaken.

In respect of the unsecured revolving loan, the Group has maintained the funding on floating rates that allows it to take advantage of cheaper funding in a low interest rate environment. To minimise exposure to future interest rate hikes, the Group has an option to switch the funding to fixed rate terms.

Credit risk

Other than the credit criteria observed in respect of the reinsurers and insurance companies, credit risk does arise in the ordinary course of business if customers, counterparties or intermediaries are unable or unwilling to fulfil their payment obligations.

The Group has a credit policy in place and the exposure to credit risk is monitored and controlled on an on-going basis within approved guidelines and procedures.

Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. As the transactions are not material in the context of each operating unit's risk profile, the Group will consider hedging only in limited circumstances.

The Group's foreign currency translation exposures are represented by the net asset value of the group's foreign currency equity in its subsidiaries and associated companies. These are mainly held as long-term investments and ostensibly carry long gestation periods. The Group's investments are in Thailand, Philippines, Hongkong and Labuan. Gains and losses on foreign currency exposure are taken to reserves.

Liquidity and cash flow risks

The Group manages its liquidity and cash flow profiles to ensure that business operations maintain optimum levels of liquidity at all times sufficient to meet contractual obligations as and when they fall due. All operating insurance units within the Group has met the margin of solvency minimum requirements.

Accounting policies and explanatory notes
for the year ended 31 December 2002 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM'000	Computers RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost						
At 1.1.2002	3,188	7,366	3,198	1,379	2,060	17,191
Additions	884	1,139	825	530	365	3,743
Disposals	-	(40)	(36)	(740)	-	(816)
Written off	-	(669)	(36)	-	-	(705)
Exchange adjustments	(49)	(5)	(20)	(8)	(15)	(97)
At 31.12.2002	4,023	7,791	3,931	1,161	2,410	19,316
Accumulated depreciation						
At 1.1.2002	104	6,167	1,742	813	709	9,535
Charge for the year	132	743	443	250	397	1,965
Disposals	-	(21)	(30)	(296)	-	(347)
Written off	-	(666)	(29)	-	-	(695)
Exchange adjustments	-	(4)	(2)	-	(2)	(8)
At 31.12.2002	236	6,219	2,124	767	1,104	10,450
Net book value						
At 31.12.2002	3,787	1,572	1,807	394	1,306	8,866
Net book value						
At 31.12.2001	3,084	1,199	1,456	566	1,351	7,656
Depreciation charged for the year ended 31.12.2001	49	698	270	200	321	1,538

Accounting policies and explanatory notes
for the year ended 31 December 2002 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Computers RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost					
At 1.1.2002	125	194	520	365	1,204
Additions	35	21	390	-	446
Disposals	-	(1)	(720)	-	(721)
At 31.12.2002	160	214	190	365	929
Accumulated depreciation					
At 1.1.2002	96	71	252	135	554
Charge for the year	19	21	120	36	196
Disposals	-	(1)	(280)	-	(281)
At 31.12.2002	115	91	92	171	469
Net book value					
At 31.12.2002	45	123	98	194	460
Net book value					
At 31.12.2001	29	123	268	230	650
Depreciation charged for the year ended 31.12.2001	26	19	120	36	201

4. INVESTMENT PROPERTY

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Freehold land and buildings, at cost	42,224	42,224	-	-

5. INVESTMENT IN SUBSIDIARY COMPANIES

	2002 RM'000	2001 RM'000
Unquoted shares, at cost	129,748	129,748
Pre-acquisition dividends received	(22,512)	(22,512)
	107,236	107,236

Accounting policies and explanatory notes
for the year ended 31 December 2002 (cont'd)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are:

	Country of incorporation	Principal activities	Equity interest	
			2002 %	2001 %
Jerneh Insurance Berhad ("JIB")	Malaysia	Underwriting of general insurance business	80	80
Jerneh Credit Leasing Sdn Bhd ("JCL")	Malaysia	Hire purchase and leasing business	100	100
Jerneh Asia Capital Sdn Bhd ("JAC")	Malaysia	Trading in marketable securities	100	100
Jerneh Healthcare Services Sdn Bhd ("JHS")	Malaysia	Healthcare administration and consultancy services	100	100
Minsec Management Services Sdn Bhd ("MMS")	Malaysia	Management services	100	100
* Jerneh Asia Reinsurance Limited ("JAR")	Labuan Malaysia	Offshore reinsurance	100	100
* Jerneh Insurance (HK) Limited ("JIHK")	Hong Kong	Underwriting of general insurance business	100	100
* Jerneh Healthcare Services (HK) Limited ⁽¹⁾	Hong Kong	Dormant	-	100
* Jerneh Reinsurance Management Limited ⁽¹⁾	Hong Kong	Dormant	-	100
* Taishan Insurance Brokers Limited ("TIBL")	Hong Kong	Insurance broker	100	100
* Taishan Insurance Brokers Philippines, Inc. ("TIBP")	Philippines	Insurance broker	100	100
* KRM Reinsurance Brokers Phils., Inc. ("KRMR")	Philippines	Reinsurance broker	100	100

⁽¹⁾ Held through JIHK and deregistered on 2.8.2002

* Not audited by Moores Rowland

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

6. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Unquoted shares, at cost	40,189	14,762	40,189	14,762
Share of post-acquisition reserve and retained profits less losses	(7,628)	(7,133)	-	-
	32,561	7,629	40,189	14,762

Represented by:

Share of net assets of associated companies	26,536	8,045
Goodwill/(Discount) on acquisition	6,025	(416)
	32,561	7,629

The associated companies are:

	Country of incorporation	Principal activities	Equity interest	
			2002 %	2001 %
Generali Asia N.V.	Netherlands	Investment holding	40	40

Details of the subsidiaries held by Generali Asia N.V. are as follows:

	Country of incorporation	Principal activities	Equity interest	
			2002 %	2001 %
Generali Pilipinas Insurance Company, Inc	Philippines	Underwriting of general insurance business	60	60
Generali Pilipinas Life Assurance Company, Inc	Philippines	Underwriting of life insurance business	60	60
Generali Insurance (Thailand) Co., Ltd (<i>formerly known as Pornpat Insurance Co., Ltd</i>)	Thailand	Underwriting of general insurance business	75	-
Generali Life Assurance (Thailand) Co., Ltd (<i>formerly known as Pornpat Life Assurance Co., Ltd</i>)	Thailand	Underwriting of life insurance business	75	-

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

7. OTHER INVESTMENTS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Quoted investments				
Malaysian government securities and treasury bills, at cost less amortisation of premiums	18,547	28,698	-	-
Shares quoted in Malaysia, at cost less allowance for diminution in value	58,342	38,236	-	-
Bonds and loan stocks, at cost plus accretion of discounts less allowance for diminution in value				
- quoted in Malaysia	386	124	-	-
- quoted outside Malaysia	14,027	-	-	-
Unit trust quoted in Malaysia, at cost less allowance for diminution in value	-	99	-	-
	91,302	67,157	-	-
Unquoted investments				
Bonds and loan stocks, at cost plus accretion of discounts	86,889	110,679	-	-
Malaysian government guaranteed loans, at cost plus accretion of discounts	9,446	13,385	-	-
Unquoted shares, at cost	600	558	-	-
	188,237	191,779	-	-
Market value of quoted investments				
Malaysian government securities and treasury bills	20,472	31,380	-	-
Malaysian government guaranteed loans	9,709	14,084	-	-
Shares quoted in Malaysia	59,789	41,541	-	-
Bonds and loan stocks				
- quoted in Malaysia	526	124	-	-
- quoted outside Malaysia	14,578	-	-	-
Unit trust quoted in Malaysia	-	108	-	-
	105,074	87,237	-	-

The unquoted bonds and loan stocks are traded in "over the counter" markets. The fair value of these unquoted bonds and loan stocks based on market prices quoted on these "over the counter" markets amounted to RM88,287,000 (2001 : RM113,528,000).

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

7. OTHER INVESTMENTS (CONT'D)

The effective interest rates of fixed interest-bearing investments are as follows:

	Group		Company	
	2002 %	2001 %	2002 %	2001 %
Malaysian government securities and treasury bills	6.1 to 7.0	5.2 to 7.6	-	-
Bonds and loan stocks	2.5 to 7.4	3.2 to 8.8	-	-

The maturity terms of the above fixed interest-bearing investments are as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Malaysian government securities and treasury bills				
- within 1 year	5,500	10,015	-	-
- within 2 to 5 years	12,747	11,070	-	-
- after 5 years	300	7,613	-	-
Bonds and loan stocks				
- within 1 year	8,760	8,990	-	-
- within 2 to 5 years	66,946	84,714	-	-
- after 5 years	25,596	17,099	-	-
Malaysian government guaranteed loans				
- within 1 year	9,446	-	-	-
- within 2 to 5 years	-	13,385	-	-
- after 5 years	-	-	-	-
	129,295	152,886	-	-

The currency exposure profile of other investments is as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
- RM	174,030	174,616	-	-
- USD	6,278	8,855	-	-
- HKD	7,749	8,170	-	-
- Peso	180	138	-	-
	188,237	191,779	-	-

Accounting policies and explanatory notes
for the year ended 31 December 2002 (cont'd)

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Outstanding premium including insureds, agents, brokers and co-insurer balances	29,726	27,138	-	-
Amount due from reinsurers and ceding companies	19,866	20,905	-	-
	49,592	48,043	-	-
Allowance for doubtful debts	(11,342)	(14,632)	-	-
	38,250	33,411	-	-
Loans and advances	23,831	31,580	-	-
Allowance for doubtful debts	(1,039)	(768)	-	-
	61,042	64,223	-	-
Brokerage fee receivable	4,349	5,022	-	-
	65,391	69,245	-	-
Other receivables	8,531	13,670	18	94
Utility deposits	735	739	66	61
Prepayments	683	4	-	-
Interest receivable	2,269	3,109	6	8
	77,609	86,767	90	163

The currency exposure profile of trade and other receivables is as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
- RM	67,629	82,786	90	98
- USD	9,348	7,091	-	-
- HKD	7,306	6,878	-	-
- Peso	4,906	4,381	-	65
- SGD	795	1,013	-	-
- JPY	6	18	-	-
	89,990	102,167	90	163

All direct and indirect insurance debtors are granted credit terms of up to 60 days from the inception date of insurance policies.

Loans and advances granted by the hire purchase and leasing businesses are for tenures of up to 5 years.

The effective interest rates of the loans and advances range from 4.0% to 12% (2001: 4.4% to 12%).

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

9. AMOUNTS OWING BY/(TO) SUBSIDIARY COMPANIES

The amounts owing by subsidiary companies are unsecured with no fixed repayment terms. Included in the amount owing by subsidiary companies are advances totalling RM38.1 million (2001 : RM50.2 million) which bear interest at 1% (2001 : 1%) above the cost of funds of a reference bank. The effective interest rate of the advances is 4% (2001 : 4%).

The currency exposure profile of the amounts owing by subsidiary companies is as follows:

	2002 RM'000	2001 RM'000
- RM	46,788	62,503
- USD	11	-
- HKD	12	2,744
- Peso	2,018	167
	48,829	65,414

The amounts owing to subsidiary companies are unsecured and interest free with no fixed repayment terms.

The currency exposure profile of the amounts owing to subsidiary companies is as follows:

	2002 RM'000	2001 RM'000
- RM	5	2
- USD	-	20
- Peso	190	-
	195	22

10. MARKETABLE SECURITIES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Securities quoted in Malaysia				
- at cost	4,652	1,600	-	-
- at market value	4,640	1,356	-	-
Securities quoted outside Malaysia, at cost	3,688	2,834	-	-
	12,980	5,790	-	-
Market value:				
Securities quoted				
- in Malaysia	9,396	3,086	-	-
- outside Malaysia	3,690	2,900	-	-

Accounting policies and explanatory notes
for the year ended 31 December 2002 (cont'd)

10. MARKETABLE SECURITIES (CONT'D)

The currency exposure profile of marketable securities is as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
- RM	9,292	2,956	-	-
- HKD	3,688	2,834	-	-
	12,980	5,790	-	-

11. DEPOSITS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Fixed deposits				
- with licensed financial institutions in Malaysia	135,246	121,201	5,517	7,460
- banks outside Malaysia	37,625	36,933	-	-
	172,871	158,134	5,517	7,460

The effective interest rates of deposits are as follows:

	Group		Company	
	2002 %	2001 %	2002 %	2001 %
Fixed deposits				
- with licensed financial institutions in Malaysia	1.1 to 5.0	1.5 to 6.8	2.7 to 3.2	2.9 to 3.2
- banks outside Malaysia	0.15 to 1.65	0.6 to 5.5	-	-

All the deposits have maturities of one year or less.

The currency exposure profile of deposits is as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
- RM	115,366	103,461	5,517	7,460
- USD	25,413	25,724	-	-
- HKD	26,870	23,186	-	-
- Peso	-	540	-	-
- SGD	5,222	5,223	-	-
	172,871	158,134	5,517	7,460

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

12. CASH AND BANK BALANCES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
The currency exposure profile of cash and bank balances is as follows:				
- RM	14,834	4,549	2,276	330
- USD	5,465	4,838	-	-
- HKD	4,059	7,009	-	-
- Peso	1,187	953	-	-
- SGD	188	430	-	-
- JPY	182	200	-	-
	25,915	17,979	2,276	330

13. PROVISION FOR OUTSTANDING CLAIMS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Gross outstanding claims	284,919	299,630	-	-
Recoverable from reinsurers thereon	(135,276)	(153,787)	-	-
Net outstanding claims	149,643	145,843	-	-

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Amount due to insureds, agents, brokers and co-insurers	16,599	14,669	-	-
Amount due to reinsurers and ceding companies	37,186	29,725	-	-
Other payables	16,668	15,624	368	277
Accruals	4,353	4,577	516	437
	74,806	64,595	884	714

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

14. TRADE AND OTHER PAYABLES (CONT'D)

The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
- RM	61,579	51,144	884	714
- USD	1,918	2,595	-	-
- HKD	6,316	6,562	-	-
- Peso	4,845	4,203	-	-
- SGD	148	91	-	-
	74,806	64,595	884	714

The credit period granted by reinsurance creditors is 60 days from the inception date of insurance policies.

15. AMOUNT OWING TO AN ASSOCIATED COMPANY

The amount owing to an associated company is unsecured and interest free with no fixed repayment term.

The entire amount owing to an associated company is denominated in Euro.

16. BANK BORROWINGS (unsecured)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revolving credit	20,000	20,000	20,000	20,000
Bank loan	-	807	-	-
	20,000	20,807	20,000	20,000

The revolving credit, which is denominated in RM, bears interest at 0.75% (2001 : 1%) above the cost of funds of a reference bank. The effective interest rate of the revolving credit is 4% (2001 : 4%).

The bank loan, which is denominated in Peso, represents a short term loan which bears interest at 11.75% payable quarterly.

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

17. DEFERRED TAX LIABILITY

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
At beginning of the year	69	36	-	-
Transfer (to)/from income statement	(53)	33	-	-
At end of the year	16	69	-	-

Timing differences existing at year end were as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Timing differences arising from computation of unearned premium reserves	1,672	293	-	-
Timing differences between depreciation and capital allowances on property, plant and equipment	(1,002)	(1,025)	-	-
Unabsorbed capital allowances	1,027	1,055	270	234
Unabsorbed tax losses	4,639	4,749	690	-
Allowance for doubtful debts	11,816	14,421	-	-
Other timing differences	1,118	(1,062)	-	-
	19,270	18,431	960	234

The deferred tax benefit arising from the above timing differences existing at year end has not been recognised in the financial statements.

18. SHARE CAPITAL

	2002 RM'000	2001 RM'000
Authorised:		
Ordinary shares of RM1 each	500,000	500,000
Issued and fully paid:		
Ordinary shares of RM1 each		
At beginning of the year	103,777	103,777
Shares issued pursuant to the ESOS	953	-
At end of the year	104,730	103,777

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

19. UNAPPROPRIATED PROFIT

Subject to agreement with the Inland Revenue Board and based on estimated tax credits available, the prevailing tax rate applicable to dividends and the balance on the tax exempt account, the entire unappropriated profit of the Company is available for distribution by way of dividends without incurring additional tax liability.

20. OPERATING REVENUES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Gross written premium less returns	240,556	213,603	-	-
Reinsurance outwards	(115,079)	(87,745)	-	-
Changes in unearned premium reserves	(6,187)	9,957	-	-
	119,290	135,815	-	-
Brokerage fee income	7,564	4,620	-	-
Proceeds from sale of marketable securities held for trading	5,023	9,839	-	-
Gross dividends from marketable securities quoted in Malaysia held for trading	289	210	-	-
Interest income from loans and advances	3,381	4,164	-	-
Management fee income	40	52	-	-
Building management fee	92	25	-	-
	135,679	154,725	-	-

21. OPERATING COSTS APPLICABLE TO OPERATING REVENUES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Insurance claims incurred	72,240	80,225	-	-
Net commission expense	5,173	10,578	-	-
Cost of marketable securities sold	4,184	9,133	-	-
Write down of marketable securities to net realisable value	691	112	-	-
Building management expenses	800	354	-	-
	83,088	100,402	-	-

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

22. OTHER OPERATING INCOME

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Gain on sale of other investments held under the general insurance business	4,998	-	-	-
Allowance for diminution in value on other investments written back	55	1,094	-	-
Accretion of discounts on other investments held under the general insurance business	590	1,274	-	-
Interest income from other investments held under the general insurance business				
- Malaysian government securities	1,827	2,108	-	-
- bonds and loan stocks				
- quoted in Malaysia	-	53	-	-
- unquoted in Malaysia	3,968	3,058	-	-
- unquoted outside Malaysia	-	2,826	-	-
- fixed deposits	4,061	4,795	-	-
Gross dividends from other investments held under the general insurance business				
- shares quoted in Malaysia	3,103	1,525	-	-
- unit trusts quoted in Malaysia	6	15	-	-
- shares quoted outside Malaysia	140	79	-	-
Rental income from investment property	2,486	1,060	-	-
Service fee income	746	690	-	-
Management fee income	-	-	69	51
Allowance for doubtful debts written back	3,290	1,689	-	-
Bad debts recovered	329	114	-	-
Gain on disposal of property, plant and equipment	28	84	-	64
Unrealised gain in foreign exchange	16	25	-	-
Others	884	575	-	-
	26,527	21,064	69	115

23. OTHER OPERATING EXPENSES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Marketing costs	10,523	11,098	-	-
Administrative and general expenses	30,270	29,517	3,238	2,503
Loss on sale of other investments held under the general insurance business	34	838	-	-
Allowance on diminution in value on other investments held under the general insurance business	-	55	-	-
Amortisation of premiums on other investments held under the general insurance business	455	245	-	-
Goodwill on acquisition written off	-	663	-	-
Loss on foreign exchange				
- realised	5	315	-	-
- unrealised	-	176	-	-
	41,287	42,907	3,238	2,503

Accounting policies and explanatory notes
for the year ended 31 December 2002 (cont'd)

23. OTHER OPERATING EXPENSES (CONT'D)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Other operating expenses include:				
Staff costs	23,784	23,527	1,770	1,058
Auditors' remuneration				
- current year	296	365	30	25
- (over)/underprovision in prior year	(4)	3	5	-
Depreciation	1,965	1,538	196	201
Directors' remuneration *				
- fees				
- current year	371	371	196	196
- overprovision in prior year	-	(37)	-	(31)
- other emoluments	1,666	922	760	525
Property, plant and equipment written off	10	-	-	-
Hire of equipment	412	429	-	-
Loss on disposal of property, plant and equipment	70	-	70	-
Allowance for doubtful debts	271	24	-	-
Bad debts written off	427	54	-	-
Rental of premises	2,018	2,058	182	137
The number of employees (including executive directors) as at the end of the financial year	465	450	17	17

* The Directors' remuneration does not include the estimated monetary value of benefits-in-kind received and receivable by the Directors otherwise than in cash from the Group and the Company totalling RM80,000 (2001 : RM33,000).

24. INVESTMENT INCOME (net)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Gross dividends from				
- subsidiary companies	-	-	15,013	14,868
- associated companies	-	-	-	-
- shares quoted in Malaysia	484	280	-	-
- unquoted shares	53	26	-	-
Interest income from				
- advances to subsidiary companies	-	-	1,670	2,327
- fixed deposits	2,026	1,178	421	123
- bonds and loan stocks quoted in Malaysia	503	488	-	174
Accretion of discounts received on other investments	233	448	-	142
Gain on sale of other investments	202	1,294	-	559
Allowance for diminution in value on other investments	(1,190)	(2)	-	-
Gain arising from liquidation of associated company	-	815	-	-
	2,311	4,527	17,104	18,193

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

25. TAXATION

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Malaysian taxation based on the results for the year				
- current	7,571	8,415	335	501
- deferred	(53)	33	-	-
Foreign taxation	832	374	-	-
	8,350	8,822	335	501
(Over)/Underprovision in prior years	(1,388)	1,520	-	-
	6,962	10,342	335	501
Group's share of taxation of associated companies	249	382	-	-

The Group's effective tax rate for the year is low compared to the statutory rate mainly due to the effect of lower rates of income tax applicable to profits of certain overseas subsidiary companies.

The Company's effective tax rate for the year is low compared to the statutory rate mainly because of tax exempt dividends received from subsidiary companies.

26. EARNINGS PER SHARE

(i) Basic earnings per share

The basic earnings per share has been calculated by dividing on the Group's net profit for the year of RM25,376,000 (2001 : RM20,937,000) by the weighted average number of shares in issue of 104,325,423 (2001 : 103,777,003) during the year.

(ii) Diluted earnings per share

The diluted earnings per share has been calculated by dividing the Group's net profit for the year of RM25,376,000 (2001 : RM20,937,000) by the weighted average number of ordinary shares that would have been in issue upon full exercise of the remaining options under the ESOS and adjusted for the shares that would have been issued at fair value calculated as follows:

	2002 '000	2001 '000
Weighted average number of ordinary shares as in (i) above	104,325	103,777
Number of unissued shares under the ESOS		
- based on exercise price	5,914	*
- based on average fair value	(5,233)	*
Weighted average number of ordinary shares that would have been in issue	105,006	103,777

* *Anti-dilutive*

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

27. DIVIDENDS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
First and Final dividend of 8% (2001 : 8%) less tax at 28%	6,033	5,978	6,033	5,978
Additional dividend paid in respect of the year ended 31 December 2001 following the issue of additional shares pursuant to the ESOS	43	-	43	-
	<u>6,076</u>	<u>5,978</u>	<u>6,076</u>	<u>5,978</u>

28. ACQUISITION OF SUBSIDIARY COMPANIES

The Company did not acquire any new subsidiary companies in 2002. In 2001, the Company acquired new subsidiary companies, namely, MMS, TIBP and KRMR. The net assets acquired were as follows:

ASSETS	RM'000
Property, plant and equipment	1,770
Other investments	140
Trade receivables	2,833
Other receivables, deposits and prepayments	882
Interest receivable	14
Deposits	8,398
Cash and bank balances	730
Total assets	<u>14,767</u>
LIABILITIES	
Trade payables	4,262
Other payables and accruals	669
Bank borrowing (unsecured)	818
Taxation	95
Total liabilities	<u>5,844</u>
Fair value of attributable net assets acquired	8,923
Goodwill on acquisition	663
Equity interest previously equity accounted for	(1,210)
Purchase consideration paid	<u>8,376</u>
Cash and cash equivalents acquired	9,128
Less: Purchase consideration paid	(8,376)
Net cash and cash equivalents acquired	<u>752</u>

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

28. ACQUISITION OF SUBSIDIARY COMPANIES (CONT'D)

The effects of the newly acquired subsidiary companies on the consolidation financial results for 2001 and on the consolidated financial position as at 31 December 2001 were as follows:

	RM'000
Income statement	
Operating revenues	1,314
Operating costs applicable to operating revenues	<u>(354)</u>
Gross profit	960
Other operating expenses	<u>(667)</u>
Profit from operations	293
Investment income	<u>148</u>
Profit before taxation	441
Taxation	<u>(102)</u>
Increase in Group's net profit	<u>339</u>
Loss not recognised in the income statement	
Currency translation differences	<u>(117)</u>
Balance sheet	
Total assets	14,438
Total liabilities	<u>(5,293)</u>
Group's share of net assets	<u>9,145</u>

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

29. RELATED PARTIES

The Company has a relationship with its subsidiaries.

Significant related party transactions during the financial year were as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Gross premium receivable from a substantial shareholder, namely, Kuok Brothers Sdn Bhd ("KBSB") and KBSB's subsidiary, associated and major investee companies	22,386	18,228	-	-
Purchase of investment property from an associated company, Kian Min Realty Sdn Berhad ("KMR") (since liquidated)	-	41,000	-	-
Purchase of freehold land and building from Malaysia Food Agencies Sdn Bhd, an associated company of KBSB	-	1,500	-	-
Loan interest receivable from				
- JCL	-	-	886	1,491
- JAC	-	-	784	836
Internal audit fee receivable from JIB	-	-	385	210
Medical claims processing fee payable to JHS	-	-	-	1
Management fee income receivable from				
- JIHK	-	-	39	39
- TIBL	-	-	12	11
- JAR	-	-	12	-
- JHS	-	-	6	-
Office rental payable to KMR	-	477	-	58
Office rental payable to JIB	-	-	182	79
Secretarial fee payable to KBSB	45	46	18	21
Marketable securities transferred to JAC	-	-	-	9,162
Sale of a motor vehicle to Datuk Khor Chin Poey, a director who retired during the financial year	200	-	200	-

The above transactions were entered into in the normal course of business and were established under negotiated terms.

Non-trade balances with related parties as at 31 December were as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Advances owing by JCL	-	-	20,000	27,700
Advances owing by JAC	-	-	18,100	22,500
Internal audit fee owing by JIB	-	-	385	23

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

30. CAPITAL COMMITMENTS

Capital expenditure approved by directors but not provided for in the financial statements amounted to approximately:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Authorised and contracted	2,511	-	-	-

31. FINANCIAL INSTRUMENTS

(a) Credit risk

The Group and the Company do not have any significant concentration of credit risk that may arise from exposure to a single customer or to a single group of customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Fair value

The carrying amounts of the financial assets and liabilities of the Group at the balance sheet date approximated their fair values due to their short maturities except for the following:

	2002		2001	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Unquoted shares	600	*	558	*

* It is not practical to estimate the fair value of the unquoted shares due to the lack of information on market value and inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount fairly represents the recoverable values.

Accounting policies and explanatory notes
for the year ended 31 December 2002 (cont'd)

32. SEGMENTAL REPORTING

	Underwriting general insurance business RM000	Insurance brokerage RM000	Credit and leasing RM000	Trading in marketable securities RM000	Administration and management services RM000	Investment holding RM000	Elimination RM000	Consolidated RM000
(a) By business segment								
2002								
REVENUE								
External sales	119,290	7,564	3,381	5,312	132	-	-	135,679
Inter-segment sales	-	-	-	-	1,186	-	(1,186)	-
Total revenue	<u>119,290</u>	<u>7,564</u>	<u>3,381</u>	<u>5,312</u>	<u>1,318</u>	<u>-</u>	<u>(1,186)</u>	<u>135,679</u>
RESULT								
Segment result	<u>35,049</u>	<u>3,048</u>	<u>2,415</u>	<u>401</u>	<u>113</u>	<u>(3,195)</u>	<u>-</u>	<u>37,831</u>
Interest income	1,582	228	37	255	6	421	-	2,529
Dividend income	537	-	-	-	-	-	-	537
Gain on sale of other investments	139	-	-	63	-	-	-	202
Allowance for diminution in value	(1,190)	-	-	-	-	-	-	(1,190)
Accretion of discounts	106	-	-	127	-	-	-	233
Share of associated companies' losses	(2,153)	-	-	-	-	-	-	(2,153)
Finance cost	-	-	-	-	-	(830)	-	<u>(830)</u>
Profit before taxation								37,159
Taxation								<u>(7,211)</u>
Profit after taxation								29,948
Minority interest								<u>(4,572)</u>
Net profit for the year								<u>25,376</u>

Accounting policies and explanatory notes
for the year ended 31 December 2002 (cont'd)

32. SEGMENTAL REPORTING (CONT'D)

	Underwriting general insurance business RM'000	Insurance brokerage RM'000	Credit and leasing RM'000	Trading in marketable securities RM'000	Administration and management services RM'000	Investment holding RM'000	Consolidated RM'000
2002							
OTHER INFORMATION							
Segment assets	77,145	12,649	23,670	14,102	166	3,082	130,814
Investing assets	74,785	-	-	-	-	-	74,785
Other investments	185,519	180	-	2,538	-	-	188,237
Deposits	158,953	5,533	1,303	1,275	290	5,517	<u>172,871</u>
Consolidated total assets							<u>566,707</u>
Segment liabilities	282,584	5,097	694	11	158	2,823	291,367
Bank borrowings	-	-	-	-	-	20,000	<u>20,000</u>
Consolidated total liabilities							<u>311,367</u>
Capital expenditure	1,447	1,824	7	-	19	446	<u>3,743</u>
Depreciation	1,231	477	36	-	25	196	<u>1,965</u>

Accounting policies and explanatory notes
for the year ended 31 December 2002 (cont'd)

32. SEGMENTAL REPORTING (CONT'D)

	Underwriting general insurance business RM000	Insurance brokerage RM000	Credit and leasing RM000	Trading in marketable securities RM000	Administration and management services RM000	Investment holding RM000	Elimination RM000	Consolidated RM000
(a) By business segment								
2001								
REVENUE								
External sales	135,815	4,620	4,164	10,049	77	-	-	154,725
Inter-segment sales	-	-	-	-	684	-	(684)	-
Total revenue	135,815	4,620	4,164	10,049	761	-	(684)	154,725
RESULT								
Segment result	28,190	2,128	3,556	752	33	(2,179)	-	32,480
Interest income	851	266	19	225	8	297	-	1,666
Dividend income	306	-	-	-	-	-	-	306
Gain arising from liquidation of associated company	815	-	-	-	-	-	-	815
Gain on sale of other investments	735	-	-	-	-	559	-	1,294
Allowance for diminution in value	(2)	-	-	-	-	-	-	(2)
Accretion of discounts	192	-	-	114	-	142	-	448
Share of associated companies' losses	(866)	-	-	-	-	-	-	(866)
Finance cost	-	-	-	-	-	-	(975)	(975)
Profit before taxation								35,166
Taxation								(10,724)
Profit after taxation								24,442
Minority interest								(3,505)
Net profit for the year								20,937

Accounting policies and explanatory notes
for the year ended 31 December 2002 (cont'd)

32. SEGMENTAL REPORTING (CONT'D)

	Underwriting general insurance business RM'000	Insurance brokerage RM'000	Credit and leasing RM'000	Trading in marketable securities RM'000	Administration and management services RM'000	Investment holding RM'000	Consolidated RM'000
2001							
OTHER INFORMATION							
Segment assets	71,000	10,719	31,121	8,482	188	1,142	122,652
Investing assets	49,853	-	-	-	-	-	49,853
Other investments	182,364	138	-	9,277	-	-	191,779
Deposits	135,387	10,731	860	3,458	238	7,460	<u>158,134</u>
Consolidated total assets							<u>522,418</u>
Segment liabilities	264,995	4,678	890	43	108	744	271,458
Bank borrowings	-	807	-	-	-	20,000	<u>20,807</u>
Consolidated total liabilities							<u>292,265</u>
Capital expenditure	3,276	276	19	-	14	12	<u>3,597</u>
Depreciation	1,155	100	59	-	23	201	<u>1,538</u>

Accounting policies and explanatory notes

for the year ended 31 December 2002 (cont'd)

32. SEGMENTAL REPORTING (CONT'D)

	Revenue RM'000	Carrying amount of segment assets RM'000	Capital expenditure RM'000
(b) By geographical segment			
2002			
Malaysia	110,455	104,672	1,882
Hong Kong	21,201	16,674	42
Philippines	4,023	9,468	1,819
	<hr/>	<hr/>	<hr/>
	135,679	130,814	3,743
2001			
Malaysia	135,758	97,262	3,126
Hong Kong	18,065	18,255	237
Philippines	902	7,135	234
	<hr/>	<hr/>	<hr/>
	154,725	122,652	3,597

All inter-segment transactions have been carried out in the normal course of business and have been established under negotiated terms.

33. COMPARATIVE FIGURES

In order to comply with *MASB 22 - Segment Reporting, with effect from 2002*, the presentation and classification of items in the segment information referred to in explanatory note 32 have been changed.

Dividends proposed or declared after balance sheet date

The Group has applied *MASB 19 - Events After the Balance Sheet Date* in respect of dividends proposed or declared after balance sheet date with effect from the current financial year.

In previous years, dividends proposed or declared after the balance sheet date were recognised as a liability at the balance sheet date. In compliance with *MASB 19*, such dividends are no longer recognised as a liability at the balance sheet date but are disclosed on the face of the balance sheet as a separate component of equity.

MASB 19 has been applied retrospectively and accordingly, the comparative figures have been restated.

Accounting policies and explanatory notes
for the year ended 31 December 2002 (cont'd)

33. COMPARATIVE FIGURES (CONT'D)

Additionally, the following comparative figures of the Group have been reclassified to conform with the current year's presentation:

	As restated RM'000	As previously stated RM'000
Provision for outstanding claims	145,843	177,064
Amount due from reinsurers and ceding companies	20,905	52,126
Current tax liability	826	-
Other receivables	14,413	17,217
Current tax asset	4,460	3,634
Deposits	158,134	155,421
Cash and bank balances	17,979	17,888

The above reclassifications were made to effect a fairer presentation of the Group's balance sheet.

34. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on 21 April 2003 by the Board of Directors.

Statement by directors

pursuant to section 169(15) of the companies act, 1965

In the opinion of the Directors, the financial statements set out on pages 41 to 79 are drawn up:

- (a) so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2002 and of their results and cash flows for the year then ended;
- (b) in accordance with applicable approved accounting standards.

On behalf of the Directors

DATO' LIM CHEE WAH

Director

TAM CHIEW LIN

Director

Kuala Lumpur

21 April 2003

Statutory declaration

pursuant to section 169(16) of the companies act, 1965

I, Tam Chiew Lin, being the Director primarily responsible for the financial management of Jerneh Asia Berhad do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 41 to 79 are correct.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at)

Kuala Lumpur in the Federal Territory)

this 21st day of April 2003)

TAM CHIEW LIN

Before me:

ROBERT LIM HOCK KEE

Commissioner for Oaths

Kuala Lumpur

Shareholdings statistics

as at 31 March 2003

Authorised Share Capital	-	RM500,000,000
Issued and Fully Paid up Capital	-	RM104,730,003
Class of Shares	-	Ordinary Shares of RM1.00 each fully paid
Voting Rights	-	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital
Less than 1,000	73	2.56	30,173	0.03
1,000 - 10,000	2,388	83.67	6,727,201	6.42
10,001 - 100,000	354	12.40	8,420,373	8.04
100,001 to less than 5% of issued shares	36	1.26	32,356,424	30.90
5% and above of issued shares	3	0.11	57,195,832	54.61
	2,854	100.00	104,730,003	100.00

DIRECTORS' INTERESTS IN SHARES

In the Company	Direct Interest		Deemed Interest	
	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
Dato' Lim Chee Wah	30,000	0.03	-	-
Tan Yew Jin	120,000	0.11	155,250	0.15
Tam Chiew Lin	-	-	-	-
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	60,000	0.06	-	-
Dato' Seri Ismail Farouk bin Abdullah	3,791,445	3.62	-	-
Ahmad Riza bin Basir	150,000	0.14	16,637,407	15.89
Anwarudin bin Hj Abdul Rahman	37,500	0.04	-	-
Graham Hecmond Wong	-	-	-	-

Share Option	No. of Option over Ordinary Shares
Tam Chiew Lin	175,000

Shareholdings statistics

as at 31 March 2003 (cont'd)

In Subsidiary Companies

Ahmad Riza bin Basir is deemed to be interested in the shares of the following subsidiary companies :-

	No. of Ordinary Shares of RM1.00 each	% of Issued Capital
Jerneh Insurance Berhad	80,000,000	80
Jerneh Credit Leasing Sdn Bhd	1,000,000	100
Jerneh Healthcare Services Sdn Bhd	250,000	100
Jerneh Asia Capital Sdn Bhd	2	100
Minsec Management Services Sdn Bhd	25,000	100
	No. of Ordinary Shares of HKD100 each	% of Issued Capital
Jerneh Insurance (HK) Limited	500,000	100
	No. of Ordinary Shares of HKD1.00 each	% of Issued Capital
Taishan Insurance Brokers Limited	1,000,000	100
	No. of Ordinary Shares of PHP100 each	% of Issued Capital
KRM Reinsurance Brokers Phils., Inc	480,000	100
Taishan Insurance Brokers Philippines, Inc	480,000	100
	No. of Ordinary Shares of USD1.00 each	% of Issued Capital
Jerneh Asia Reinsurance Limited	3,200,000	100

Shareholdings statistics

as at 31 March 2003 (cont'd)

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	No. of Shares Held			% of Issued Capital
	Direct Interest	Deemed Interest	Total	
Kuok Brothers Sdn Berhad	41,766,030	60,000	41,826,030	39.94
BHR Enterprise Sdn Bhd	16,637,407	-	16,637,407	15.89
Sable Investment Corporation	8,076,360	-	8,076,360	7.71
Ahmad Riza bin Basir	150,000	16,637,407	16,787,407	16.03
Tan Sri Dato' Haji Basir bin Ismail	26,000	16,637,407	16,663,407	15.91
Puan Sri Hamidah bt Abdul Rahman	-	16,637,407	16,637,407	15.89
Roshayati bt Basir	-	16,637,407	16,637,407	15.89
Rosilawati bt Basir	-	16,637,407	16,637,407	15.89
Rozanazetti bt Basir	-	16,637,407	16,637,407	15.89
Frank Tsao Wen King	-	8,076,360	8,076,360	7.71

THE THIRTY LARGEST SHAREHOLDERS *(As per Record of Depositors)*

Name of Shareholders	No. of Shares	% of Issued Capital
1. Kuok Brothers Sdn Berhad	24,335,055	23.24
2. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for BHR Enterprise Sdn Bhd</i>	16,637,407	15.89
3. Kuok Brothers Sdn Berhad	16,223,370	15.49
4. Malaysia Nominees (Asing) Sendirian Berhad <i>For Sable Investment Corporation</i>	4,891,500	4.67
5. Citicorp Nominees (Asing) Sdn Bhd <i>CB LDN For The Miller Insurance Group Limited</i>	4,075,680	3.89
6. Ophir Holdings Berhad	3,484,125	3.33
7. Amsec Nominees (Asing) Sdn Bhd <i>OCBC Securities (Hong Kong) Ltd for Sable Investment Corporation</i>	3,150,000	3.01
8. AMMB Nominees (Tempatan) Sdn Bhd <i>Amtrustee Berhad for Pacific Pearl Fund</i>	2,314,500	2.21
9. RC Nominees (Tempatan) Sdn Bhd <i>For Dato' Seri Ismail Farouk bin Abdullah</i>	1,975,000	1.89
10. Southern Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Dato' Seri Ismail Farouk bin Abdullah</i>	1,815,000	1.73

Shareholdings statistics

as at 31 March 2003 (cont'd)

THE THIRTY LARGEST SHAREHOLDERS (As per Record of Depositors) (cont'd)

Name of Shareholders	No. of Shares	% of Issued Capital
11. Kuok Brothers Sdn Berhad	1,207,605	1.15
12. Employees Provident Fund Board	1,110,000	1.06
13. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>PHEIM Asset Management Sdn Bhd for Employees Provident Fund For Employees Provident Fund</i>	1,010,000	0.96
14. Quarry Lane Sdn Bhd	700,000	0.67
15. Adora Holdings Sdn Bhd	697,230	0.67
16. HSBC Nominees (Asing) Sdn Bhd <i>for Dalex Investments Limited</i>	554,000	0.53
17. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kamaruddin bin Taib</i>	543,420	0.52
18. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (Malaysia) Trustee Bhd for Amanah Saham Sarawak</i>	525,000	0.50
19. Gan Teng Siew Realty Sdn Berhad	449,000	0.43
20. Asia Life (M) Berhad	376,000	0.36
21. Chinchoo Investment Sdn Berhad	350,000	0.33
22. Cosmic Insurance Corporation Limited	300,000	0.29
23. Mikdavid Sdn Bhd	289,000	0.28
24. Neoh Choo Ee & Company Sdn Berhad	245,000	0.23
25. Key Development Sdn Berhad	244,000	0.23
26. Yong Ah Keon	207,640	0.20
27. Yong Kiow Ying	204,577	0.20
28. Lee Eng Hock & Co Sendirian Berhad	195,000	0.19
29. TYJ Sdn Bhd	155,250	0.15
30. Wong Ah Kow	150,952	0.14
	88,415,311	84.42

List of properties

as at 31 March 2003

Registered Owner	Description/ Location	Tenure	Approximate Building Age (Years)	Approximate Land Area (Sq. Metres)	Net Book Value at 31 December 2002 (RM)	Date of Acquisition
Jerneh Insurance Bhd	2 storey shophouse located at 1 & 1A, Jalan SG 10/4, Sri Gombak, 68100 Batu Caves, Selangor Darul Ehsan. Held under H.S.(D) No. 12096, P.T. No. 9370, Pekan of Batu, District of Gombak, Selangor Darul Ehsan.	Freehold	16	184.69	336,000	01.07.1995
Jerneh Insurance Bhd	2 storey shophouse located at No. S-135, Taman Intan 3, Jalan Kuantan, 27000 Jerantut, Pahang Darul Makmur. Held under H.S.(M) 2071, P.T. No. 366/16, Mukim of Pedah, District of Jerantut, Pahang Darul Makmur.	Freehold	13	153.29	179,400	11.02.1999
Jerneh Insurance Bhd	18 storey office building located at 38 Jalan Sultan Ismail, 50250 Kuala Lumpur. Held under H.S.(D) 83191, P.T. No. 30, Section 57, Town and District of Kuala Lumpur, Federal Territory.	Freehold	15	1,632	41,000,000	01.07.2001
Jerneh Insurance Bhd	2 units of 3 storey office building located at No. 266 & 268, Victoria Street, 10300 Penang. Held under H.S.(D) Nos. 42, 44, 45 & 47, Lot Nos. 000675, 000677, 000678 and 000680 Section 23, Town of Georgetown North East District, Penang.	Freehold	30	522.50	1,440,000	25.05.2001

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Proxy form



I/We (full name in block letters)

of (address)

being a member(s) of Jerneh Asia Berhad, hereby appoint (full name and IC No)

of (address)

or failing him/her, (full name)

of (address)

and/or failing him/her *THE CHAIRMAN OF THE MEETING as my/our proxy/proxies to vote for me/us on my/our behalf, at the 7th Annual General Meeting of the Company, to be held on Thursday, 22nd May 2003 at 9.30 a.m. and at any adjournment thereof, as indicated below:

RESOLUTION	FOR	AGAINST
1. To adopt the Directors' Report and Audited Accounts		
2. To approve the payment of a First and Final Dividend		
3. To approve the payment of Directors' Fees		
4. To re-elect Mr Tan Yew Jin as Director		
5. To re-elect Encik Ahmad Riza bin Basir as Director		
6. To re-elect Encik Anwarudin bin Hj Abdul Rahman as Director		
7. To re-elect Mr Graham Hecmond Wong as Director		
8. To re-appoint Moores Rowland as Auditors		
9. To authorise the Directors to allot and issue shares		
10. To approve the renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

** Delete the words "THE CHAIRMAN OF THE MEETING" if you wish to appoint another person to be your proxy.*

Dated this day of 2003

No. of ordinary shares held	
------------------------------------	--

Signature _____

NOTES :

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote in his/her stead. A proxy may but need not be a member of the Company. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
2. The instrument appointing the proxy, in the case of an individual, shall be signed by the appointer, or his attorney duly authorised in writing and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing the proxy, must be deposited at the Registered Office of the Company at 18th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

fold

*affix
stamp*

The Company Secretary

Jerneh Asia Berhad (363984-X)

18th Floor, Wisma Jerneh

38 Jalan Sultan Ismail

50250 Kuala Lumpur

fold

Corporate directory

JERNEH ASIA BERHAD

16th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail
50250 Kuala Lumpur
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Tam Chiew Lin (*ctam@jerneh.com.my*) Executive Director

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Tel : (603) 2142 7066 Fax : (603) 2142 6540

Ralph Liew (*ralphliew@jerneh.com.my*) Chief Executive Officer

Lim Sun (*slim@jerneh.com.my*) Assistant General Manager

Irene Yong (*kyyong@jerneh.com.my*)
Senior Manager - Finance and Administration

Wan Mohd. Fauzi (*fauzi@jerneh.com.my*)
Senior Manager - Marketing

JERNEH CREDIT LEASING SDN. BHD.

JERNEH HEALTHCARE SERVICES SDN. BHD.
MINSEC MANAGEMENT SERVICES SDN. BHD.
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50250 Kuala Lumpur
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Andy Au (*yyau@jerneh.com.my*)
Senior Manager (Jerneh Credit Leasing Sdn. Bhd.)

Yvonne Chek (*wcchek@jerneh.com.my*)
Manager (Jerneh Healthcare Services Sdn. Bhd.)

Hajah Rohayah (*rohayah@jerneh.com.my*)
Director (Minsec Management Services Sdn. Bhd.)

KRM REINSURANCE BROKERS PHILS., INC.

TAISHAN INSURANCE BROKERS PHILIPPINES., INC.

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(KRM Reinsurance Brokers Phils., Inc)

Pat M. Obsuna (*tibpmo@skyinet.net*) General Manager
(Taishan Insurance Brokers Philippines, Inc)

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Walter Martinez (*wmartinez@jerneh.com.my*) Resident Director

JERNEH INSURANCE (HK) LIMITED

TAISHAN INSURANCE BROKERS LIMITED

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(Jerneh Insurance (HK) Limited)
Tel : (852) 2877 0893 Fax : (852) 2802 3158
(Taishan Insurance Brokers Limited)

Colly Lam (*collylam@jerneh.com.hk*)

Deputy General Manager (Jerneh Insurance (HK) Limited)

Peters Shum (*petersshum@taishanhk.com*)

General Manager (Taishan Insurance Brokers Limited)

GENERALI PILIPINAS INSURANCE COMPANY, INC

GENERALI PILIPINAS LIFE ASSURANCE COMPANY, INC

The Enterprise Center, Tower 1, 11th Floor
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Legaspi Village, Makati City, Philippines
Tel : (632) 886 5258 Fax : (632) 886 5238

GENERALI INSURANCE (THAILAND) CO., LTD

16th Floor, Unit 1601-2, CRC Tower, All Seasons Place
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