

Jerneh Asia Berhad (363984-X)

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Annual Report 2003



www.jerneh.com.my

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Annual Report 2003



JERNEH ASIA BERHAD IS THE WINNER OF THE KPMG
SHAREHOLDER VALUE AWARDS 2002 IN THE FINANCIAL
SERVICES SECTOR ON 7TH AUGUST 2003



contents



02	Notice of annual general meeting	18	Corporate governance
04	Statement accompanying notice of annual general meeting	24	Responsibility statement by the board of directors
05	Corporate information	25	Additional compliance information
06	Profile of the board of directors	28	Statement on internal control
10	Group financial highlights	29	Report of the audit committee
11	Five-year group performance charts	33	Financial statements
12	Chairman's statement	86	Shareholdings statistics
14	Business profile	90	List of properties
17	Corporate structure		Proxy form

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 8TH ANNUAL GENERAL MEETING of the Company will be held at 19th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 27th May 2004 at 9.30 a.m. for the following purposes:-

1. To receive and adopt the Audited Accounts for the financial year ended 31st December 2003, 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 2003. **Resolution 2**
3. To approve the payment of Directors' Fees for the financial year ended 31st December 2003. **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 YM Raja Dato' Seri Abdul Aziz bin Raja Salim **Resolution 4**
 - 4.2 Dato' Seri Ismail Farouk bin Abdullah **Resolution 5**
 - 4.3 Ms Tam Chiew Lin **Resolution 6**
5. To re-appoint Moores Rowland as Auditors of the Company and authorise the Directors to fix their remuneration. **Resolution 7**
6. **Special Business**

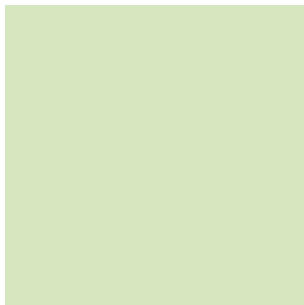
To consider, and if thought fit, pass the following Ordinary Resolutions :

 - 6.1 *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 8





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

6.2 *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 22nd May 2003 pursuant to paragraph 10.09 of the Listing Requirements of Bursa Malaysia, 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 2004 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:-

- (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 Recurrent Related Party 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.

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

By Order of the Board

CHAN SWEE HONG
Company Secretary

Kuala Lumpur
30th April 2004

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 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 6.2 is to renew the shareholders' mandate granted by the shareholders of the Company at the 7th Annual General Meeting held on Thursday, 22nd May 2003. The proposed renewal of the shareholders' mandate will enable Jerneh and its subsidiaries (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.

Resolution 9

Statement Accompanying Notice of Annual General Meeting

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

- a. YM Raja Dato' Seri Abdul Aziz bin Raja Salim
- b. Dato' Seri Ismail Farouk bin Abdullah
- c. Mdm Tam Chiew Lin

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Five (5) Board Meetings were held during the financial year from 1st January 2003 to 31st December 2003.

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

Directors	Attended
Dato' Lim Chee Wah - Chairman	5 of 5 meetings held
Tan Yew Jin - Deputy Chairman	5 of 5 meetings held
Tam Chiew Lin - Executive Director	5 of 5 meetings held
Dato' Seri Ismail Farouk bin Abdullah	5 of 5 meetings held
Anwarudin bin Hj Abdul Rahman	5 of 5 meetings held
Ahmad Riza Bin Basir	4 of 5 meetings held
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	5 of 5 meetings held
Graham Hecmond Wong	3 of 5 meetings held

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

The Eighth 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, 27th May 2004 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 86 to 89 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 Hecmond Wong - Non-Independent Non-Executive Director

The Way Ahead

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

Telephone : 03-2141 4255

Facsimile : 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 Hishammuddin

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

Telephone : 03-2141 2077

Facsimile : 03-2141 8242

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

STOCK NUMBER : 6394

WEBSITE

www.jerneh.com.my

Profile of the Board of Directors

DATO' LIM CHEE WAH

(64 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 an 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 Malaysian Bulk Carriers Berhad, Kuok Foundation Bhd (a charitable organisation), Jerneh Insurance Berhad and Kuok Brothers Sdn Bhd.

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 all the Board Meetings held during the financial year ended 31st December 2003.

MR TAN YEW JIN

(62 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 Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants, CPA Australia and the 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, Jerneh Insurance Berhad and Kuok Brothers Sdn Bhd.

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 2003.

MS TAM CHIEW LIN

(53 years of age – Malaysian)

Executive Director

Member of Management Committee, Remuneration Committee, Investment Committee and Option 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 of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Association 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 2003.

YM RAJA DATO' SERI ABDUL AZIZ BIN RAJA SALIM

(65 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 Group Berhad, Tasek Corporation Berhad, PPB Oil Palms Berhad, Gamuda Berhad, Matsushita Electric Company (M) Berhad and Southern Steel 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 2003.

DATO' SERI ISMAIL FAROUK BIN ABDULLAH

(58 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 all the Board Meetings held during the financial year ended 31st December 2003.

ENCIK AHMAD RIZA BIN BASIR

(43 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 and Syarikat Kayu Wangi Berhad, the Group Managing Director of Kumpulan Fima Berhad and a director of 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 which are deemed necessary for day-to-day operations of the Company and its subsidiary companies and for which Encik Riza and persons connected with him are deemed interested as disclosed in the Circular to Shareholders dated 30th April 2004, 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 four out of the five Board Meetings held during the financial year ended 31st December 2003.

ENCIK ANWARUDIN BIN HJ ABDUL RAHMAN

(55 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 1 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 2003.

MR GRAHAM HECMOND WONG

(48 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 Accountant 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. He attended three out of the five Board Meetings held during the financial year ended 31st December 2003.

Group Financial Highlights

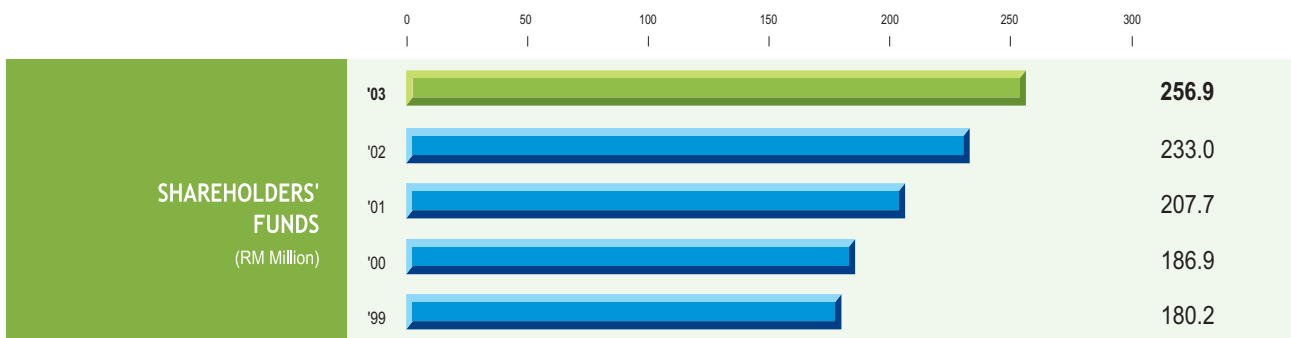
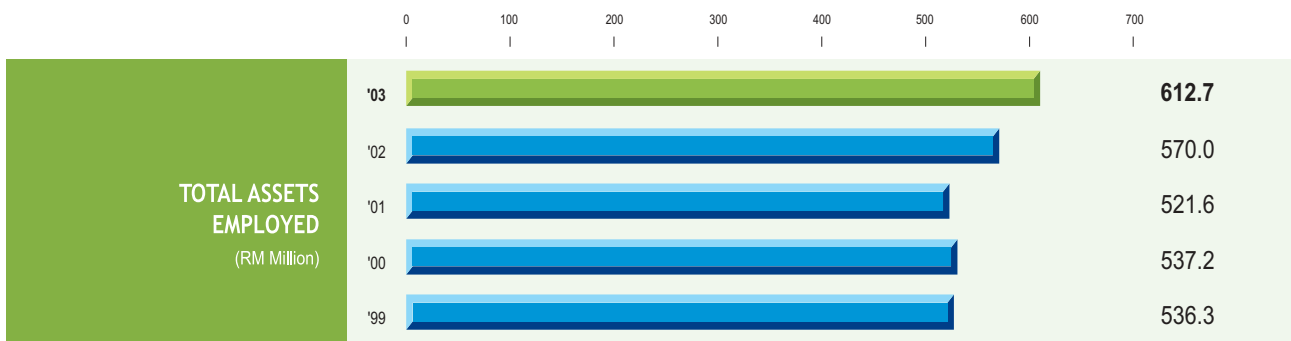
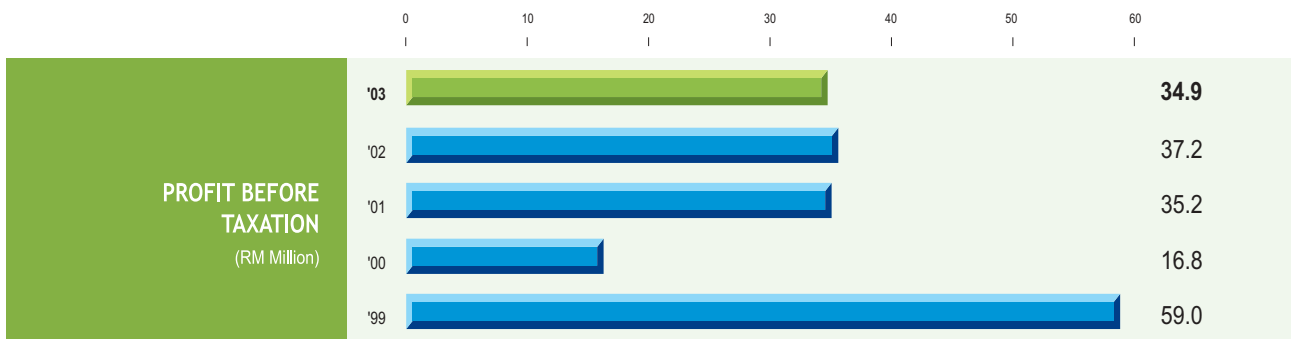
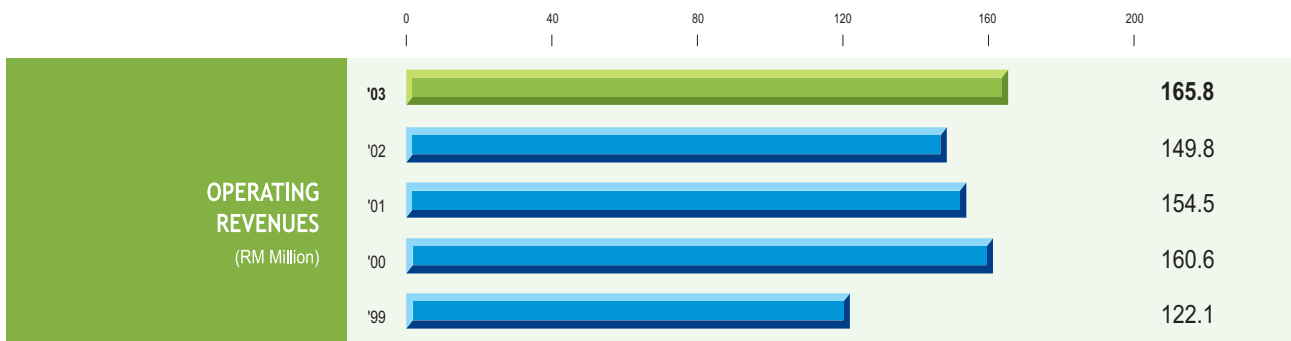
		2002 RM'000	2003 RM'000	% Change
INCOME STATEMENT				
Operating revenues		149,791	165,753	11%
Profit before taxation		37,159	34,940	(6%)
Profit after taxation and minority interest		24,959	23,411	(6%)
BALANCE SHEET				
Total assets		570,011	612,663	7%
Shareholders' funds		232,992	256,865	10%
RATIOS				
Net earnings per share	Sen	23.92	22.25	(7%)
Net dividends per share	Sen	5.76	5.76	0%
Net tangible assets per share	RM	2.22	2.40	7%

FIVE YEARS' GROUP STATISTICS

year ended 31st December

		1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Operating revenues		122,052	160,562	154,725	149,791	165,753
Operating profit		47,455	16,617	36,032	39,312	41,214
Share of profit/ (loss) of associated company		442	216	(866)	(2,153)	(6,149)
Profit before taxation		58,979	16,833	35,166	37,159	34,940
Profit after taxation and minority interest		58,241	8,328	20,937	24,959	23,411
Dividends – net		7,216	6,110	5,978	6,033	6,175
Issued share capital		66,811	103,777	103,777	104,730	107,202
Shareholders' funds		180,184	186,892	207,684	232,992	256,865
Total assets employed		536,260	537,198	521,592	570,011	612,663
Net earnings per share Sen		87.18	8.09	20.17	23.92	22.25
Bursa Malaysia Quotations						
High	RM	3.76	3.53	2.15	2.48	2.55
Low	RM	2.40	2.00	1.60	1.97	1.95

Five-year Group Performance Charts





Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report of Jerneh Asia Berhad for the financial year ended 31st December 2003.

FINANCIAL HIGHLIGHTS

Results of the Group's Performance

For the financial year ended 31st December 2003, the Group's net profit after minority interest declined by 6% to RM23.4 million during the year as compared to RM25.0 million achieved in the previous year. The Group's net tangible assets increased from RM2.22 per share to RM2.40 per share.

The decline in Group performance was due to lower results recorded by certain subsidiary companies and the higher than expected gestation losses from our investments in Thailand and Philippines. The Group's principal subsidiary, Jerneh Insurance Berhad ("JIB") achieved commendable results.

Review of Operations

JIB generated a total gross premium of RM217 million for the year achieving a 6% growth over 2002. All business classes with the exception of fire grew by about 9% during the year as a result of the implementation of several initiatives such as stepped-up direct marketing efforts, expansion of agency force and focus on selective market segments. The agency force is being strengthened and sustained through loyalty programs and intensive training. JIB will continue to actively seek strategic partnerships with its appropriate business partners in order to expand market share.

The reinsurance capacity in 2003 continued to be difficult. Although rate increases were less drastic than in 2002, the increases and terms and conditions of the reinsurance treaty renewals were still hard. Consequently, policy terms and conditions imposed by the company's underwriters were stringent and prudent.

Overall, JIB's underwriting surplus before management expenses increased by 25% to RM41 million as compared to last year's surplus of RM32.8 million. The combined ratio has improved to 86% from 88% last year while the industry's combined ratio is about 91% in 2003. Coupled with better investment income due to the improved stock market, the net profit for the year grew by 27% to RM28.4 million as compared to RM22.3 million in 2002.

The life company in Thailand achieved a growth of 102% whilst the life company in the Philippines achieved a commendable growth of 110% in gross premiums. In the general insurance sector, Thailand recorded a huge jump in gross premium of 195% and has made a small profit. Due to the uncertain Philippines economy, the general insurance company in Philippines was moderate in achieving an 8% growth.

Both Philippines and Thailand are in their 4th and 1st full year of operations respectively. Both companies are still incurring gestation losses due to reserve constraints and are on track to achieve critical mass in their respective portfolios.

PROSPECTS

As reported in last year's annual report, the insurance industry is being fundamentally transformed due to changing distribution channels and more sophisticated demands for services from discerning customers. Greater attention will be paid on the development of alternative distribution channels.

The insurance sector has witnessed a dramatic turnaround in rates being quoted in the first quarter in 2004. Premium rates are being quoted by as much as 30% lower on the large and specialized risk business. This already reflects a very soft market moving into the year 2004.

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 2003.

CORPORATE GOVERNANCE

The Company will continue to subscribe to and strive to achieve the recommended Best Practices as contained in the Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange) Code on Corporate Governance. In addition, it will 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

On behalf of the Board and shareholders, I wish to extend our appreciation and gratitude to the Management and staff of the Group for their hard work, commitment and loyalty that have contributed to the results for the year and our valued customers, business associates, agents, brokers and reinsurers for their continued support and assistance.

I am happy that the Group won the KPMG Shareholder Value Awards 2002 in the financial services category, an award which recognizes companies that generate economic profit to shareholders. I believe that the Group performed well taking into consideration the difficult market conditions

Lastly, I also wish to thank my fellow colleagues on the Board for their invaluable contributions and wise counsel and our shareholders for their unwavering support and confidence over the past year.

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 life insurance, reinsurance, insurance and reinsurance broking and credit leasing. The subsidiaries and affiliates operate in Malaysia, Hong Kong, Philippines and Thailand.

GENERAL INSURANCE

The General Insurance division offers a wide range of products and services and is recognized for its commercial insurance leadership. It caters to the insurance needs of small and large sized businesses and personal lines business.



Established in 1971, **Jerneh Insurance Berhad ("JIB")** has developed into one of the leading non-bank backed general insurance company. JIB has distinguished itself as a specialist/leader in the large scale risk business of marine, industrial and engineering risks. JIB continues to build upon this strength and capabilities and has invested into technology and capital that can deliver both business strategy and meet the needs of the various stakeholders. As part of its information technology initiatives, JIB had in 2003 commenced restructuring its IT infrastructure base and intends to over the next four (4) years, continue its investments 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.

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. Over the years JIB has focused on product development and services and offers both private and corporate customers, tailor-made insurance solutions.

GENERAL INSURANCE (CONT'D)

As part of its product development programme, JIB launched Lady's Club PA, a new insurance product, targeting the ladies market in Malaysia in 2003. The product provides coverage for cancer, personal accident cover, a free annual cancer marker screening and a comprehensive blood screening by BP Lab. In addition, JIB has also cooperated with Rockwills Corp Sdn Bhd as a strategic partner for its wealth distribution planning services, and collaborated with REDtone Telecommunications Sdn Bhd to offer a co-branded Jerneh-REDtone Voice Family Pack to Jerneh's customers.

JIB has entered into a special arrangement with International SOS (M) Sdn Bhd to provide "JERNEH CARELINE" 24-hour emergency auto assistance programme for its motor policyholders. The benefits include:

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



Currently, JIB has about 1,100 agents and 19 branches strategically located in major cities and towns in Peninsular Malaysia, Sabah and Sarawak. The distribution provides a geographically diversified group of independent agents and brokers with a wide spread of insurance products customized to serve our clients in all respective areas.

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.

With its 10 years broking experience in China, **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 where it provides insurance and risk management services. TIB (HK) collaborates with other large international brokers throughout Asia Pacific and insurers in the region to service group business.

INSURANCE AND REINSURANCE BROKING (CONT'D)

Taishan Insurance Brokers Phils., 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 in Philippines while KRMP being a reinsurance broker is strongly supported by the Philippines insurers who are their clients.

In 2003, KRMP retained their number one ranking in the reinsurance broking market. Being a wholly-owned foreign reinsurance broker, KRMP is the largest capitalized company 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 Ltd. ("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 reinsurer 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 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 hospitalization claims, JHS helps its clients to minimise medical cost. As part of the Group's rationalization plan, the operations of JHS will be merged into JIB in 2004.

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 in 2002. 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.

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.

Corporate Structure



Malaysia
Jerneh Healthcare Services Sdn Bhd



Malaysia
Jerneh Insurance Bhd

Philippines
Generali Pilipinas Insurance Company Inc

Hong Kong
Jerneh Insurance (HK) Ltd

Thailand
Generali Life Assurance (Thailand) Co., Ltd
(JV with Generali and Tantipatpong family)

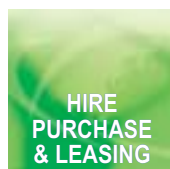


Labuan
Jerneh Asia Reinsurance Ltd



Philippines
Generali Pilipinas Life Assurance Company Inc
(JV with Generali and SM Group)

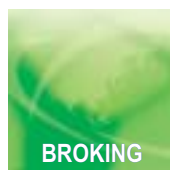
Thailand
Generali Life Assurance (Thailand) Co., Ltd
(JV with Generali and Tantipatpong family)



Malaysia
Jerneh Credit Leasing Sdn Bhd



Malaysia
Jerneh Asia Capital Sdn Bhd



Hong Kong
Taishan Insurance Brokers Ltd

Philippines
Taishan Insurance Brokers Phils, Inc

KRM
Reinsurance Brokers Phils, Inc



Malaysia
Minsec Management Services Sdn Bhd

Corporate Governance

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 Board of Directors has complied with the Listing Requirements of Bursa Malaysia 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 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)**Board Balance (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 Bursa Malaysia. 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.

To this end, 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 2003, the Board met on five (5) 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 in the financial year ended 31st December 2003 is as follows:-

Directors	Attended
Dato' Lim Chee Wah (Chairman)	5 of 5 meetings held
Tan Yew Jin (Deputy Chairman)	5 of 5 meetings held
Tam Chiew Lin (Executive Director)	5 of 5 meetings held
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	5 of 5 meetings held
Dato' Seri Ismail Farouk bin Abdullah	5 of 5 meetings held
Ahmad Riza bin Basir	4 of 5 meetings held
Anwarudin bin Hj Abdul Rahman	5 of 5 meetings held
Graham Hecond Wong	3 of 5 meetings held

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 budgets, 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 Bursa Malaysia.

BOARD OF DIRECTORS (CONT'D)

Supply of Information (cont'd)

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 election by shareholders at the first Annual General Meeting after their appointment. The Articles also provide that at least one-third or 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 have attended the Mandatory Accreditation Programme ("MAP") conducted by the Research Institute of Investment Analysts Malaysia ("RIIAM"), an affiliate company of the Bursa Malaysia. The Directors will undergo the "Continuing Education Programme" 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 controlled 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.

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 Audit Committee Report 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

BOARD OF DIRECTORS (CONT'D)

Management Committee (cont'd)

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 2003, this Committee had 4 meetings which were attended by all members together with 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 members of the Investment Committee during the year were:-

- | |
|---------------------------------|
| * 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 2003, this Committee had 11 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 the Executive Director as well as the Senior Management personnel of the Company and its major subsidiary companies.

BOARD OF DIRECTORS (CONT'D)**Option Committee**

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

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

This Committee which comprises mainly of Non-Executive Directors 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 2003, the Remuneration Committee met twice and the meetings were attended by all the 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	-	15	493	508
Non-Executive Directors	196	-	-	196

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	-	7
RM50,001 to RM600,000	1	-

SHAREHOLDERS' RELATION

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.

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 – 2145 0485

Facsimile Number : 03 – 2143 2817

2. Chan Swee Hong

Company Secretary

Telephone Number : 03 – 2141 4255

Facsimile Number : 03 – 2142 1677

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.

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 balance 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 on page 24 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 and 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 Bursa Malaysia.

In preparing the financial statements for the year ended 31st December 2003 set out on pages 34 to 83 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 28th April 2004.

Additional Compliance Information

as at 31st December 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 2,472,000 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 2003.

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 its subsidiaries, Directors or Management by the relevant 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 2003 and the unaudited results for the quarter ended 31st December 2003 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.

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 2003 to 31st December 2003 pursuant to the Shareholders' Mandate granted at the Annual General Meeting of the Company held on 22nd May 2003 were as follows:-

**12 MONTHS FROM
01.01.2003 TO 31.12.2003**

NATURE OF TRANSACTION / NAME OF TRANSACTING COMPANY	SHAREHOLDERS' TRANSACTED		RELATIONSHIP WITH DIRECTOR / MAJOR SHAREHOLDER
	MANDATE RM'000	VALUE RM'000	
Underwriting of General Insurance business by Jerneh Insurance Berhad ("JIB"), a 80%-subsidiary company of Jerneh Asia Berhad ("JAB") from:-			
1. KBSB Group	9,750	7,266	Kuok Brothers Sdn Bhd ("KBSB") is a major shareholder of JAB, the holding company of JIB.
2. PPB Group	4,200	4,215	PPB Group Berhad ("PPB") is a body corporate associated to KBSB, a major shareholder of JAB.
3. PPBOP Group	4,730	2,171	PPB Oil Palms Berhad ("PPBOP") is a body corporate associated to KBSB, a major shareholder of JAB.
4. FFM Group	8,700	8,242	FFM Berhad ("FFM") is a body corporate associated to KBSB, a major shareholder of JAB.
5. PB Group	1,300	1,102	Pelangi Berhad ("PB") is a body corporate associated to KBSB, a major shareholder of JAB.
6.1 Impiana Cherating Resort Sdn Bhd	98	104	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	295	190	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	729	772	Paramount Corporation Berhad is a body corporate associated to Dr Teo Chiang Quan, a Director of JIB.

**12 MONTHS FROM
01.01.2003 TO 31.12.2003**

NATURE OF TRANSACTION / NAME OF TRANSACTING COMPANY	SHAREHOLDERS' TRANSACTED		RELATIONSHIP WITH DIRECTOR / MAJOR SHAREHOLDER
	MANDATE RM'000	VALUE RM'000	
Rental of Office Premises by JIB to:-			
1. KBSB Group	164	164	KBSB is a major shareholder of JAB, the holding company of JIB.
2. PPB Group	700	695	PPB is a body corporate associated to KBSB, a major shareholder of JAB.
3. PPBOP Group	306	305	PPBOP is a body corporate associated to KBSB, a major shareholder of JAB.
4. FFM Group	93	93	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	70	45	KBSB is a major shareholder of JAB, the holding company of JIB.
2. PPB Group	40	30	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.	4	4	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 PPB Group.	3,450	1,344	PPB is a body corporate associated to KBSB, a major shareholder of JAB.

Statement of Internal Control

The Board is committed to maintain a sound system of internal control in the Group and is pleased to provide the following statement, which has been prepared in accordance with the Statement of Internal Control Guidance for Directors of Public Listed Companies issued by the Institute of Internal Auditors in Malaysia and adopted by Bursa Malaysia Securities Berhad.

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 and financial, organisational, 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 accords 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.
- * 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 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 amongst 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, 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 report from internal and external auditor covering such matters. Where areas of improvement in the system are recommended, the Board considers the recommendations made by the Audit Committee and the 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 28th April 2004.

Report of the Audit Committee

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 2003 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 Haji 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;
6. be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, where deemed necessary; and
7. refer any fraud or irregularities discovered by Management to the 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 Internal Audit Department ("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 response) is taken on the recommendations of the internal audit function
 - (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.

DUTIES (cont'd)

10. review the following and report the same to the Board of Directors of the Company:- (cont'd)
- (ii) with the external auditors on the evaluation of the system of internal controls
 - (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 Statement of Balances
 - * significant and unusual events
 - * significant variations in audit scope
 - * 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 2003, the Committee convened five (5) 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 representatives from the Finance and Technical 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 2003.
2. Reviewed with the Auditors the results of the audit, the audit report and the management letter, including management's response.
3. Consideration and recommendation to the Board for approval of the audit fees payable to the Auditors as disclosed in Note 24 to the financial statements.
4. Reviewed the independence and objectivity of the Auditors and services provided, including non-audit services.
5. Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's response.
6. Recommended to the Board improvement opportunities in internal control, procedures and risk management.
7. Reviewed the quarterly and audited financial statements of the Company prior to submission to the Board for their consideration and approval.
8. Reviewed the related party transactions entered into by the Group.
9. 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 Internal Audit Department ("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

financial statements

34	Directors' Report		
39	Auditors' Report	44	Cash Flow Statements
40	Balance Sheets	46	Accounting Policies and Explanatory Notes
41	Income Statements	84	Statement by Directors
42	Statements of Changes In Equity	85	Statutory Declaration

Directors' Report

for the year ended 31st December 2003

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 31st December 2003.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiary companies are indicated in explanatory note 6 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	29,088	11,391
Minority interest	(5,677)	-
Net profit for the year	23,411	11,391
Unappropriated profit brought forward		
As previously stated	97,956	50,139
Prior year adjustment	2,693	-
As restated	100,649	50,139
Profit available for appropriation	124,060	61,530
Dividend	(6,175)	(6,175)
Unappropriated profit carried forward	117,885	55,355

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 RM6,033,000 in respect of the financial year ended 31 December 2002.

The Directors now recommend a First and Final Dividend of 8% less tax at 28% amounting to RM6,175,000 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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM104,730,003 to RM107,202,003 by the issue of 2,472,000 new ordinary shares of RM1 each for cash under the Company's Employee Share Option Scheme ("ESOS").

Directors' Report
for the year ended 31st December 2003 (cont'd)

ISSUE OF SHARES AND DEBENTURES (cont'd)

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.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

Details of the ESOS of the Company are set out in explanatory note 19 to the financial statements.

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 50,000 shares during the financial year ended 31st December 2003. The names of option holders and the number of options granted which are 50,000 shares and above are set out below:

Name of Option Holders	Number of Share Options
Ho Wai Kee	50,000
Lee San Yuen	75,000

DIRECTORS

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

Dato' Lim Chee Wah	(Non-Executive Chairman)
Tan Yew Jin	(Non-Executive Deputy Chairman)
Tam Chiew Lin	(Executive Director)
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	

In accordance with Article 101 of the Company's Articles of Association, Tam Chiew Lin, YM Raja Dato' Seri Abdul Aziz bin Raja Salim and Dato' Seri Ismail Farouk bin Abdullah retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves 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 1.1.2003	Bought	Sold	At 31.12.2003
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				
- direct	-	10,000#	-	10,000
YM Raja Dato' Seri Abdul Aziz bin Raja Salim				
- direct	60,000	-	-	60,000

Directors' Report

for the year ended 31st December 2003 (cont'd)

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (cont'd)

Name of Director	Ordinary shares of RM1 each			At 31.12.2003
	At 1.1.2003	Bought	Sold	
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

Bought through exercise of options under ESOS.

By virtue of his interest in shares in the Company, Encik Ahmad Riza bin Basir is also deemed to be interested in the shares in 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			At 31.12.2003
	At 1.1.2003	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			At 31.12.2003
	At 1.1.2003	Bought	Sold	
Jerneh Insurance (HK) Limited	500,000	-	-	500,000

	Ordinary shares of HKD1 each			At 31.12.2003
	At 1.1.2003	Bought	Sold	
Taishan Insurance Brokers Limited	1,000,000	-	-	1,000,000

	Ordinary shares of PHP100 each			At 31.12.2003
	At 1.1.2003	Bought	Sold	
KRM Reinsurance Brokers Phils., Inc.	480,000	-	-	480,000
Taishan Insurance Brokers Philippines, Inc.	480,000	-	-	480,000

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (cont'd)

	Ordinary shares of USD1 each			As at 31.12.2003
	As at 1.1.2003	Bought	Sold	
Jerneh Asia Reinsurance Limited	3,200,000	-	-	3,200,000

The following Director who held office at the end of the financial year and had an 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 31.12.2003
		At 1.1.2003	Granted	Lapsed	Exercised	
Tam Chiew Lin	1.90	175,000	-	-	10,000	165,000

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

OTHER STATUTORY INFORMATION (cont'd)

- (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.
- (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 other than as disclosed in the explanatory note 29 to the financial statements; 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 in accordance with their resolution dated 28th April 2004.

DATO' LIM CHEE WAH
Director

TAM CHIEW LIN
Director

Kuala Lumpur

Auditors' Report

We have audited the financial statements of the Group and of the Company set out on pages 40 to 83. 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 31st December 2003 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 6 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. 1501/9/05 (J/PH)
Partner

Kuala Lumpur
28 April 2004

Balance Sheets

as at 31st December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
ASSETS					
Property, plant and equipment	3	11,022	8,866	358	460
Deferred tax asset	4	4,140	3,329	-	-
Investment property	5	42,224	42,224	-	-
Investment in subsidiary companies	6	-	-	107,236	107,236
Investment in associated company	7	34,206	32,561	46,470	40,189
Other investments	8	187,203	188,237	4,001	-
Trade and other receivables	9	85,217	77,584	192	90
Amounts owing by subsidiary companies	10	-	-	46,421	48,829
Amount owing by associated company	11	53	-	53	-
Current tax asset		6,478	5,444	443	256
Marketable securities	12	6,029	12,980	-	-
Deposits	13	201,054	172,871	8,853	5,517
Cash and bank balances	14	35,037	25,915	3,578	2,276
Total assets		612,663	570,011	217,605	204,853
LIABILITIES					
Provision for outstanding claims	15	159,371	149,643	-	-
Trade and other payables	16	74,660	74,806	791	884
Unearned premium reserves	17	69,292	66,251	-	-
Amounts owing to subsidiary companies	10	-	-	4	195
Bank borrowings (unsecured)	18	23,000	20,000	23,000	20,000
Deferred tax liabilities	4	8	16	-	-
Current tax liability		138	651	-	-
Total liabilities		326,469	311,367	23,795	21,079
SHAREHOLDERS' EQUITY					
Share capital	19	107,202	104,730	107,202	104,730
Share premium		25,078	22,872	25,078	22,872
Exchange fluctuation reserve		525	(1,292)	-	-
Retained profits	20	117,885	100,649	55,355	50,139
Dividend		6,175	6,033	6,175	6,033
		256,865	232,992	193,810	183,774
MINORITY INTEREST		29,329	25,652	-	-
Total liabilities, shareholders' equity and minority interest		612,663	570,011	217,605	204,853

Accounting policies and explanatory notes are set out on pages 46 to 83

Income Statements

for the year ended 31st December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Operating revenues	21	165,753	149,791	-	-
Operating costs applicable to operating revenues	22	(92,780)	(83,543)	-	-
Gross profit		72,973	66,248	-	-
Other operating income	23	11,275	12,415	77	69
Other operating expenses	24	(45,884)	(40,832)	(2,243)	(3,238)
Profit/(Loss) from operations		38,364	37,831	(2,166)	(3,169)
Investment income (net)	26	3,450	2,311	12,712	17,104
Share of results of associated company		(6,149)	(2,153)	-	-
Finance cost		(725)	(830)	(725)	(830)
Profit before taxation		34,940	37,159	9,821	13,105
Taxation					
- Group/Company		(5,653)	(7,487)	1,570	(335)
- Share of taxation of associated company		(199)	(249)	-	-
	27	(5,852)	(7,736)	1,570	(335)
Profit after taxation		29,088	29,423	11,391	12,770
Minority interests		(5,677)	(4,464)	-	-
Net profit for the year		23,411	24,959	11,391	12,770
Basic earnings per share (sen)	28	22.25	23.92		
Diluted earnings per share (sen)	28	22.48	23.73		
Dividend per share (net of tax) (sen)		5.8	5.8		

Accounting policies and explanatory notes are set out on pages 46 to 83

Statements of Changes In Equity

for the year ended 31st December 2003

Group	Note	Share capital RM'000	— Non-distributable —		— Distributable —		Total RM'000
			Share premium RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Dividend RM'000	
Balance at 1.1.2002							
As previously stated		103,777	22,014	(2,741)	78,656	5,978	207,684
Prior year adjustment	29	-	-	-	3,110	-	3,110
As restated		103,777	22,014	(2,741)	81,766	5,978	210,794
Currency translation							
difference		-	-	1,449	-	-	1,449
Gain not recognised in							
income statement		-	-	1,449	-	-	1,449
Net profit for the year		-	-	-	24,959	-	24,959
Issue of shares pursuant							
to ESOS	19	953	858	-	-	-	1,811
Dividend paid		-	-	-	(43)	(5,978)	(6,021)
Dividend proposed	30	-	-	-	(6,033)	6,033	-
Balance at 31.12.2002		104,730	22,872	(1,292)	100,649	6,033	232,992
Balance at 1.1.2003							
As previously stated		104,730	22,872	(1,292)	97,956	6,033	230,299
Prior year adjustment	29	-	-	-	2,693	-	2,693
As restated		104,730	22,872	(1,292)	100,649	6,033	232,992
Currency translation							
difference		-	-	1,817	-	-	1,817
Gain not recognised in							
income statement		-	-	1,817	-	-	1,817
Net profit for the year		-	-	-	23,411	-	23,411
Issue of shares pursuant							
to ESOS	19	2,472	2,206	-	-	-	4,678
Dividend paid		-	-	-	-	(6,033)	(6,033)
Dividend proposed	30	-	-	-	(6,175)	6,175	-
Balance at 31.12.2003		107,202	25,078	525	117,885	6,175	256,865

Accounting policies and explanatory notes are set out on pages 46 to 83

Statements of Changes In Equity
for the year ended 31st December 2003 (cont'd)

Company	Note	Share capital RM'000	Non- distributable Share premium RM'000	— Distributable —		Total RM'000
				Retained profit RM'000	Dividend RM'000	
Balance at 1.1.2002		103,777	22,014	43,445	5,978	175,214
Net profit for the year		-	-	12,770	-	12,770
Issue of shares pursuant to ESOS	19	953	858	-	-	1,811
Dividend paid		-	-	(43)	(5,978)	(6,021)
Dividend proposed	30	-	-	(6,033)	6,033	-
Balance at 31.12.2002		104,730	22,872	50,139	6,033	183,774
Net profit for the year		-	-	11,391	-	11,391
Issue of shares pursuant to ESOS	19	2,472	2,206	-	-	4,678
Dividend paid		-	-	-	(6,033)	(6,033)
Dividend proposed	30	-	-	(6,175)	6,175	-
Balance at 31.12.2003		107,202	25,078	55,355	6,175	193,810

Accounting policies and explanatory notes are set out on pages 46 to 83

Cash Flow Statements

for the year ended 31st December 2003

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	34,940	37,159	9,821	13,105
Adjustments for:				
Accretion of discounts less amortisation of premiums	(296)	(368)	5	-
Allowance for impairment in value of other investments	(1,027)	1,135	-	-
Allowance for doubtful debts (net)	2,193	(3,019)	-	-
Bad debts written off	12	427	-	-
Change in unearned premium reserves	2,951	6,187	-	-
Depreciation	2,172	1,965	116	196
Dividend income	(3,561)	(4,075)	(11,040)	(15,013)
Net gain on sale of other investments	(7,039)	(5,166)	-	-
Interest expense	725	830	725	830
Interest income	(14,783)	(15,766)	(1,677)	(2,091)
Loss on disposal of property, plant and equipment	1	42	-	70
Loss retained in associated company	6,149	2,153	-	-
Property, plant and equipment written off	-	10	-	-
Write down of marketable securities to net realisable value	80	691	-	-
Operating profit/(loss) before changes in working capital	22,517	22,205	(2,050)	(2,903)
Proceeds from sale of other investments	105,477	64,390	-	-
Purchase of other investments	(91,622)	(60,924)	-	-
Change in trade receivables	(12,865)	6,305	-	-
Change in other receivables	3,641	4,413	(23)	71
Change in marketable securities	6,909	(7,895)	-	-
Change in provision for outstanding claims	9,628	3,825	-	-
Change in trade payables	(1,445)	9,632	-	-
Change in other payables	1,342	863	(93)	170
Cash generated from/(used in) operations	43,582	42,814	(2,166)	(2,662)
Income tax (paid)/refund	(8,823)	(7,310)	1,459	(231)
Interest received	9,285	10,734	-	-
Dividends received	2,317	2,571	-	-
Net cash generated from/(used in) operating activities	46,361	48,809	(707)	(2,893)

Accounting policies and explanatory notes are set out on pages 46 to 83

Cash Flow Statements
for the year ended 31st December 2003 (cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of additional shares in associated company	(6,281)	(25,427)	(6,281)	(25,427)
Proceeds from sale of other investments	10,936	31,255	-	-
Proceeds from disposal of property, plant and equipment	10	427	-	370
Purchase of property, plant and equipment	(4,409)	(3,743)	(14)	(446)
Purchase of other investments	(15,254)	(26,866)	(4,039)	-
Increase in fixed deposits	(26,649)	(19,994)	-	-
Interest received	6,133	5,874	1,631	2,093
Dividends received	521	645	10,964	14,622
Advances to an associated company	(53)	-	(53)	-
Repayment from subsidiary companies	-	-	2,408	16,585
Net cash (used in)/generated from investing activities	(35,046)	(37,829)	4,616	7,797
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	4,678	1,811	4,678	1,811
Repayment to an associated company	-	(34)	-	(34)
(Repayment to)/Advances from subsidiary companies	-	-	(191)	173
Drawdown/(Repayment) of bank loan	3,000	(771)	3,000	-
Interest paid	(725)	(830)	(725)	(830)
Dividend paid to shareholders of the Company	(6,033)	(6,021)	(6,033)	(6,021)
Dividend paid to a minority shareholder of a subsidiary company	(2,000)	(2,000)	-	-
Net cash (used in)/generated from financing activities	(1,080)	(7,845)	729	(4,901)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,235	3,135	4,638	3
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	39,833	37,096	7,793	7,790
EFFECT OF EXCHANGE RATE CHANGES	144	(398)	-	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD	50,212	39,833	12,431	7,793
Represented by:				
Cash and bank balances	35,037	25,915	3,578	2,276
Deposits	15,175	13,918	8,853	5,517
	50,212	39,833	12,431	7,793

Accounting policies and explanatory notes are set out on pages 46 to 83

Accounting Policies and Explanatory Notes

for the year ended 31st December 2003

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and of the Company comply with applicable approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB") 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.

The measurement bases applied in the preparation of the financial statements include cost, lower of cost and market value, recoverable value and revalued amount as disclosed in the relevant notes. Estimates are used in measuring these values.

During the financial year, 3 new applicable accounting standards issued by the MASB were adopted in the preparation of these financial statements as follows:

<i>MASB 25</i>	<i>Income Taxes</i>
<i>MASB 27</i>	<i>Borrowing Costs</i>
<i>MASB 29</i>	<i>Employee Benefits</i>

There are no changes in accounting policy following the adoption of the new standards except for MASB 25. The effects of adopting MASB 25 are disclosed in explanatory note 29.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation (cont'd)

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.

(d) Associated company

An associated company is a company 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.

Investment in associated company is 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 company 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 company 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, which are not subject to depreciation, 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 an investment property that reduces the previous revaluation surplus of the same asset is charged against the revaluation reserve and any decrease below its original cost is charged against operating profit in the income statement.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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

No depreciation is provided on work in progress.

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%

(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 company 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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. The amortisation of premiums and accretion of discounts are recognised in the income statement.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Marketable securities

Marketable securities comprising quoted securities are stated at the lower of cost and market value, determined on an aggregate basis by category of investment. Changes in the carrying amount of the securities are recognised in the income statement. On disposal, the difference between the net sales proceeds and the carrying amounts is taken to the income statement.

(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 proposed on ordinary shares are included as a component of equity. Upon declaration, the dividends are recognised as an appropriation of retained profits in the financial year in which they are declared.

(k) General insurance underwriting results

General insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premium reserves and claims incurred.

(i) Premium income

Premium is recognised in the 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.

(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

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(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 IBNR 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. When an account becomes non-performing, the recognition of interest income is suspended until it is realised on a cash basis. An account is deemed to be non-performing when repayment is in arrears for more than three months.
- (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) Transactions in foreign currencies

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the dates of transactions. 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 items which are stated at historical costs denominated in foreign currencies are translated to Ringgit Malaysia at the foreign exchange rates ruling at the dates of transactions.

(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*.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Foreign currencies (cont'd)

(iii) Closing exchange rates

The closing exchange rates used for translation were as follows:

	2003 RM	2002 RM
1 Singapore Dollar ("SGD")	2.23	2.18
1 United States Dollar ("USD")	3.80	3.80
1 Hong Kong Dollar ("HKD")	0.49	0.49
1 Euro	4.77	3.96
100 Philippine Peso ("Peso")	6.85	7.01
100 Thai Baht ("Baht")	9.59	8.65
100 Japanese Yen ("JPY")	3.55	3.19

(n) Employee benefits

(i) Short term benefits

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as expenses in the period in which the associated services are rendered by employees of the Group and the Company.

(ii) Post-employment benefits

The Company and its Malaysian subsidiaries pay fixed contributions to the Employees Provident Fund Board ("EPF") which is a defined contribution plan.

The legal or constructive obligations of the Company and its Malaysian subsidiaries are limited to the amount that they agree to contribute to the EPF. Contributions to the EPF are charged to the income statement in the period to which they relate.

Some of the Company's foreign subsidiary companies make contributions to their respective countries' statutory pension schemes which are recognised as an expense in the income statement as incurred.

(o) Taxation

The tax expense in the income statement represents the aggregate amount of current tax and deferred tax included in the determination of net profit or loss for the year.

On the balance sheet, a deferred tax liability is recognised for taxable temporary differences while a deferred tax asset is only recognised for deductible temporary differences, unutilised tax losses and unutilised tax credits to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences, tax losses and tax credits can be utilised. Deferred tax is not recognised if the temporary differences arise from goodwill or the initial recognition of an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured based on tax consequences that would follow from the manner in which the asset or liability is expected to be recovered or settled, and based on the tax rates enacted or substantially enacted by the balance sheet date that are expected to apply to the period when the asset is realised or when the liability is settled.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Taxation (cont'd)

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, whether in the same or a different period, directly to equity.

(p) 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.

(q) Payables

Payables are stated at cost.

(r) Borrowing costs

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

(s) 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.

(t) 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 cash and cash equivalents, investments, receivables, payables and ordinary shares. 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.

(u) 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 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.

(v) 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 return is 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 actuary and the review takes into account the adequacy of reserves to meet liabilities.

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

Underwriting risk

Although the Group has in place underwriting guidelines which ensure that underwriting risks undertaken adhere to proper control procedures, the Group may be exposed to potential financial liabilities resulting from incurring higher claim costs than expected. This is due to the random nature of claims and their unpredictable frequency and severity and the risk of changes 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 claim 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 also result in losses to the Group. In order to minimise losses from reinsurance insolvencies, the Group only deals with the most creditworthy 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 risk 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.

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Foreign currency risk

The Group is exposed to 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 subsidiary and associated company. 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 risk

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 have met the margin of solvency minimum requirements.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings	Computers	Office equipment, furniture and fittings	Motor vehicles	Renovations	Work in progress	Total
Cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1.1.2003	4,023	7,791	3,931	1,161	2,410	-	19,316
Additions	-	3,078	292	231	231	577	4,409
Disposals	-	(598)	(38)	-	(2)	-	(638)
Effect of exchange rate changes	(48)	11	(15)	(5)	(4)	-	(61)
At 31.12.2003	3,975	10,282	4,170	1,387	2,635	577	23,026
Accumulated depreciation							
At 1.1.2003	236	6,219	2,124	767	1,104	-	10,450
Charge for the year	93	1,195	348	167	369	-	2,172
Disposals	-	(595)	(31)	-	(1)	-	(627)
Effect of exchange rate changes	(2)	10	-	(2)	3	-	9
At 31.12.2003	327	6,829	2,441	932	1,475	-	12,004
Net book value							
At 31.12.2003	3,648	3,453	1,729	455	1,160	577	11,022
Net book value							
At 31.12.2002	3,787	1,572	1,807	394	1,306	-	8,866
Depreciation charged for the year ended							
31.12.2002	132	743	443	250	397	-	1,965

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (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 1.1.2003	160	214	190	365	929
Additions	14	-	-	-	14
At 31.12.2003	174	214	190	365	943
Accumulated depreciation					
At 1.1.2003	115	91	92	171	469
Charge for the year	19	22	38	37	116
At 31.12.2003	134	113	130	208	585
Net book value					
At 31.12.2003	40	101	60	157	358
Net book value					
At 31.12.2002	45	123	98	194	460
Depreciation charged for the year ended 31.12.2002	19	21	120	36	196

4. DEFERRED TAX

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At beginning of the year	3,313	3,760	-	-
Recognised in the income statement (note 27)	819	(447)	-	-
At end of the year	4,132	3,313	-	-

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

4. DEFERRED TAX (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off tax assets against tax liabilities and when deferred taxes relate to the same tax authority. The net deferred tax assets and liabilities shown in the balance sheet have been determined after appropriate offsetting:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deferred tax assets (net)	4,140	3,329	-	-
Deferred tax liabilities (net)	(8)	(16)	-	-
	4,132	3,313	-	-

The deferred tax assets and liabilities recognised in the financial statements prior to offsetting are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deferred tax assets				
Accrued retirement expenses	20	13	-	-
Allowance for doubtful debts	4,018	3,317	-	-
Unabsorbed capital allowances	188	238	-	-
Accruals for bonus	772	672	-	-
Impairment in value of investment	19	333	-	-
Accumulated accretion of discounts	400	-	-	-
Other temporary differences	48	44	-	-
	5,465	4,617	-	-
Deferred tax liabilities				
Excess of capital allowance over accumulated depreciation on property, plant and equipment	1,014	812	-	-
Accumulated amortisation of premium	-	174	-	-
Unrealised foreign exchange gain	45	51	-	-
Lease rental receivable	259	249	-	-
Other temporary differences	15	18	-	-
	1,333	1,304	-	-

The Group has recognised deferred tax assets arising from deductible temporary differences of certain subsidiary companies as it is probable that their existing businesses would generate sufficient taxable profits in the future against which the deferred tax assets can be utilised.

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

4. DEFERRED TAX (cont'd)

The deductible temporary differences and tax losses for which deferred tax assets have not been recognised in the financial statements as at 31st December are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Tax losses	1,826	1,210	1,627	683
Unabsorbed capital allowances	332	811	332	284
Excess of capital allowances claimed on property, plant and equipment over accumulated depreciation	(260)	(312)	(260)	(290)
Provision for bonus	362	340	362	340
Others	4	-	4	-
	2,264	2,049	2,065	1,017

The tax losses and unabsorbed capital allowances are available for offset against future taxable profit of the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group. They have arisen in companies that have past losses.

5. INVESTMENT PROPERTY

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Freehold land and building known as <i>Wisma Jerneh</i> , at cost	42,224	42,224	-	-

6. INVESTMENT IN SUBSIDIARY COMPANIES

	2003 RM'000	2002 RM'000
Unquoted shares, at cost	107,236	107,236

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

The subsidiary companies are:

	Country of incorporation	Principal activities	Equity interest	
			2003 %	2002 %
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
* 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

* Not audited by Moores Rowland

7. INVESTMENT IN ASSOCIATED COMPANY

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unquoted shares, at cost	46,470	40,189	46,470	40,189
Effect of exchange rate changes	(779)	(2,491)	-	-
Share of post-acquisition reserve	(11,485)	(5,137)	-	-
	34,206	32,561	46,470	40,189
Represented by:				
Share of net assets	28,449	26,536		
Goodwill on acquisition	5,757	6,025		
	34,206	32,561		

The associated company is:

	Country of incorporation	Principal activities	Equity interest	
			2003 %	2002 %
Generali Asia N.V.	Netherlands	Investment holding	40	40

Details of subsidiary companies held by Generali Asia N.V. are as follows:

	Country of incorporation	Principal activities	Equity interest	
			2003 %	2002 %
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	Thailand	Underwriting of general insurance business	75	75
Generali Life Assurance (Thailand) Co., Ltd	Thailand	Underwriting of life insurance business	75	75

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

8. OTHER INVESTMENTS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Quoted investments				
Malaysian government securities and treasury bills	26,120	19,558	-	-
Amortisation of premiums	(1,456)	(1,011)	-	-
	24,664	18,547	-	-
Shares quoted in Malaysia, at cost	50,987	59,512	-	-
Allowance for impairment in value of investment	-	(1,170)	-	-
	50,987	58,342	-	-
Bonds and loan stocks, at cost				
- Quoted in Malaysia	3,689	408	-	-
- Quoted outside Malaysia	10,495	15,658	-	-
Effect of exchange rate changes	108	(62)	-	-
Allowance for impairment in value of investment	-	(22)	-	-
(Amortisation of premiums)/Accretion of discounts	(401)	213	-	-
	13,891	16,195	-	-
Unquoted investments				
Bonds and loan stocks, at cost				
- In Malaysia	95,108	81,667	4,006	-
- Outside Malaysia	2,024	3,736	-	-
Effect of exchange rate changes	3	(4)	-	-
Accretion of discounts/(Amortisation of premiums)	26	(292)	(5)	-
	97,161	85,107	4,001	-
Malaysian government guaranteed loans, at cost	-	7,514	-	-
Accretion of discounts	-	1,932	-	-
	-	9,446	-	-

8. OTHER INVESTMENTS (cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unquoted shares, at cost	555	610	-	-
Effect of exchange rate changes	(3)	(10)	-	-
Allowance for impairment in value of investment	(52)	-	-	-
	500	600	-	-
	187,203	188,237	4,001	-
Market value of quoted investments				
Malaysian government securities and treasury bills	25,339	20,472	-	-
Shares quoted in Malaysia	62,940	59,789	-	-
Bonds and loan stocks				
- quoted in Malaysia	1,129	526	-	-
- quoted outside Malaysia	12,352	14,578	-	-
	101,760	95,365	-	-

The Malaysian government guaranteed loans, unquoted bonds and loan stocks are traded in "over the counter" markets. The fair values of these unquoted investments based on market prices quoted on the "over the counter" markets for the Group and Company are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Malaysian government guaranteed loans	-	9,709	-	-
Unquoted bonds and loan stocks				
- in Malaysia	93,724	88,287	4,001	-
- outside Malaysia	2,024	3,736	-	-

No allowance for impairment in value has been made for the unquoted bonds and loan stocks as these investments are intended to be held to maturity and the redemption value is approximately RM99,229,000 (2002 : RM86,656,000).

The effective interest rates of fixed interest-bearing investments at the balance sheet date are as follows:

	Group		Company	
	2003 %	2002 %	2003 %	2002 %
Malaysian government securities and treasury bills	3.1 to 6.9	6.1 to 7.0	-	-
Bonds and loan stocks	3.0 to 11.8	3.2 to 7.4	3.9	-

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

8. OTHER INVESTMENTS (cont'd)

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Malaysian government securities and treasury bills				
- within 1 year	251	5,500	-	-
- within 2 to 5 years	24,413	12,747	-	-
- after 5 years	-	300	-	-
Bonds and loan stocks				
- within 1 year	28,773	8,760	4,001	-
- within 2 to 5 years	51,354	66,946	-	-
- after 5 years	30,925	25,596	-	-
Malaysian government guaranteed loans				
- within 1 year	-	9,446	-	-
	135,716	129,295	4,001	-

The currency exposure profile of the above investments is as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
- RM	174,807	174,030	4,001	-
- USD	7,060	6,278	-	-
- HKD	5,256	7,749	-	-
- Peso	80	180	-	-
	187,203	188,237	4,001	-

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Outstanding premium including insureds, agents, brokers and co-insurer balances	35,337	29,726	-	-
Amount due from reinsurers and ceding companies	27,142	19,866	-	-
	62,479	49,592	-	-
Allowance for doubtful debts	(12,653)	(11,342)	-	-
	49,826	38,250	-	-

9. TRADE AND OTHER RECEIVABLES (cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Loans and advances	27,659	23,831	-	-
Allowance for doubtful debts	(2,239)	(1,039)	-	-
	75,246	61,042	-	-
Brokerage fee receivable	786	4,349	-	-
	76,032	65,391	-	-
Other receivables	6,174	8,512	42	18
Allowance for doubtful debts	(5)	(6)	-	-
	82,201	73,897	42	18
Interest receivable	2,904	2,269	85	6
Prepayments and deposits	112	1,418	65	66
	85,217	77,584	192	90

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
- RM	78,658	67,635	192	90
- USD	8,554	9,348	-	-
- HKD	7,174	7,306	-	-
- Peso	4,745	4,768	-	-
- SGD	983	795	-	-
- JPY	-	6	-	-
	100,114	89,858	192	90

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 at balance sheet date range from 3.4% to 12.0% (2002: 3.6% to 12.0%).

10. 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 RM37.1 million (2002 : RM38.1 million) which bear interest at 0.6% (2002 : 1.0%) above the cost of funds of a reference bank. The effective interest rate of those advances at the balance sheet date is 3.6% (2002 : 4%).

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

10. AMOUNTS OWING BY/TO SUBSIDIARY COMPANIES (cont'd)

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

	2003 RM'000	2002 RM'000
- RM	45,992	46,932
- Peso	429	1,897
	46,421	48,829

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:

	2003 RM'000	2002 RM'000
- RM	4	5
- Peso	-	190
	4	195

11. AMOUNT OWING BY ASSOCIATED COMPANY

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

The entire amount owing by the associated company is denominated in RM.

12. MARKETABLE SECURITIES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Securities quoted in Malaysia				
- at cost	2,077	4,652	-	-
- at market value	3,062	4,640	-	-
Securities quoted outside Malaysia, at market value	890	3,688	-	-
	6,029	12,980	-	-
Market value:				
Securities quoted				
- in Malaysia	5,462	9,396	-	-
- outside Malaysia	890	3,688	-	-

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

12. MARKETABLE SECURITIES (cont'd)

The currency exposure profile of marketable securities is as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
- RM	5,139	9,292	-	-
- HKD	691	3,688	-	-
- SGD	199	-	-	-
	6,029	12,980	-	-

13. DEPOSITS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Fixed deposits				
- with licensed financial institutions in Malaysia	149,586	135,246	8,853	5,517
- with banks outside Malaysia	51,468	37,625	-	-
	201,054	172,871	8,853	5,517

The effective interest rates of the deposits at the balance sheet date are as follows:

	Group		Company	
	2003 %	2002 %	2003 %	2002 %
Fixed deposits				
- with licensed financial institutions in Malaysia	2.6 to 4.0	1.1 to 5.0	2.8 to 3.0	2.7 to 3.2
- with banks outside Malaysia	0.15 to 0.95	0.15 to 1.65	-	-

All the deposits have maturities of one year or less.

The currency exposure profile of the deposits is as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
- RM	130,165	115,366	8,853	5,517
- USD	29,901	25,413	-	-
- HKD	36,297	26,870	-	-
- Peso	4,281	-	-	-
- SGD	410	5,222	-	-
	201,054	172,871	8,853	5,517

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

14. CASH AND BANK BALANCES

The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
- RM	22,978	14,834	3,578	2,276
- USD	5,919	5,465	-	-
- HKD	5,405	4,059	-	-
- Peso	435	1,187	-	-
- SGD	270	188	-	-
- JPY	30	182	-	-
	35,037	25,915	3,578	2,276

15. PROVISION FOR OUTSTANDING CLAIMS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Gross outstanding claims	180,510	284,919	-	-
Recoverable from reinsurers	(21,139)	(135,276)	-	-
Net outstanding claims	159,371	149,643	-	-

Movement of claims is analysed as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Gross claims paid less salvage	99,842	97,056	-	-
Reinsurance recoveries	(34,891)	(28,662)	-	-
Net claims paid	64,951	68,394	-	-
Net outstanding claims:				
At end of the year	159,371	149,643	-	-
At beginning of the year	(149,643)	(145,843)	-	-
Effect of exchange rate changes	(99)	46	-	-
Insurance claims incurred	74,580	72,240	-	-

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Amounts due to insureds, agents, brokers and co-insurers	17,450	16,599	-	-
Amounts due to reinsurers and ceding companies	34,908	37,186	-	-
Other payables	18,292	16,668	318	368
Accruals	4,010	4,353	473	516
	74,660	74,806	791	884

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
- RM	59,298	61,579	791	884
- USD	3,461	1,918	-	-
- HKD	6,413	6,316	-	-
- Peso	5,145	4,845	-	-
- SGD	343	148	-	-
	74,660	74,806	791	884

17. UNEARNED PREMIUM RESERVES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At beginning of the year	66,251	60,091	-	-
Increase for the year	2,951	6,187	-	-
	69,202	66,278	-	-
Effect of exchange rate changes	90	(27)	-	-
At end of the year	69,292	66,251	-	-

18. BANK BORROWINGS (unsecured)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revolving credit	23,000	20,000	23,000	20,000

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

18. BANK BORROWINGS (unsecured) (cont'd)

The revolving credit, which is denominated in RM, bears interest at 0.60% (2002 : 0.75%) above the cost of funds of a reference bank. The effective interest rate of the revolving credit at the balance sheet date was 3.6% (2002 : 4.0%).

19. SHARE CAPITAL

	2003 RM'000	2002 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	104,730	103,777
Shares issued pursuant to ESOS	2,472	953
At end of the year	107,202	104,730

The main features of the Employee Share Option Scheme ("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 Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange Berhad) 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.
- (e) Options granted under the ESOS carry no rights to dividends and voting. The employees' entitlements to the options are not vested. Shares issued pursuant to the ESOS rank pari passu in all respect with existing ordinary shares of the Company.

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

19. SHARE CAPITAL (cont'd)

- (f) The persons to whom the options have been granted shall not be eligible to participate by virtue of the options in any share issue of any other Company.

The details of options granted under the ESOS over the ordinary shares of the Company are as follows:

Year ended 31.12.2003			— No. of unissued shares of RM1 each under option —				
Date option granted	Date of expiry	Exercise price RM	At 1.1.2003	Granted	Lapsed	Exercised	At 31.12.2003
31.1.2002	14.1.2007	1.90	5,574,000	-	300,000	1,973,000	3,301,000
1.7.2002	14.1.2007	1.94	340,000	-	-	145,000	195,000
3.3.2003	14.1.2007	1.80	-	572,000	30,000	273,000	269,000
28.7.2003	14.1.2007	1.94	-	192,000	-	81,000	111,000
			5,914,000	764,000	330,000	2,472,000	3,876,000

Year ended 31.12.2002			— No. of unissued shares of RM1 each under option —				
Date option granted	Date of expiry	Exercise price RM	At 1.1.2003	Granted	Lapsed	Exercised	At 31.12.2003
31.1.2002	14.1.2007	1.90	-	6,944,000	417,000	953,000	5,574,000
1.7.2002	14.1.2007	1.94	-	340,000	-	-	340,000
			-	7,284,000	417,000	953,000	5,914,000

Details of options exercised during the year are as follows:

Exercise date	Fair value of shares at issue date RM/Share	Exercise price RM/Share	Number of shares issued	
			2003 '000	2002 '000
January 2002 - June 2002	2.15 - 2.46	1.90	-	785
July 2002 - December 2002	2.04 - 2.19	1.90	-	168
January 2003 - June 2003	2.15	1.90	2	-
July 2003 - December 2003	2.26 - 2.48	1.80	273	-
July 2003 - December 2003	2.15 - 2.48	1.90	1,971	-
July 2003 - December 2003	2.32 - 2.48	1.94	226	-
			2,472	953

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

19. SHARE CAPITAL (cont'd)

	2003 RM'000	2002 RM'000
Ordinary shares at nominal value	2,472	953
Share premium	2,206	858
Proceeds	4,678	1,811
Fair value at exercise date of shares issued	5,889	2,112

The fair value of shares issued on the exercise of options is the daily average market price at which the Company's shares were traded on Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange Berhad) in the day of the exercise of the options.

20. RETAINED PROFITS

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 retained profits of the Company is available for distribution by way of dividends without incurring additional tax liability.

21. OPERATING REVENUE

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Gross written premium less returns	252,023	240,556	-	-
Reinsurance outwards	(119,185)	(115,079)	-	-
Changes in unearned premium reserves	(2,951)	(6,187)	-	-
	129,887	119,290	-	-
Brokerage fee income	8,006	7,564	-	-
Proceeds from sale of marketable securities held for trading	10,422	5,023	-	-
Management fee income	40	40	-	-
Security service income	113	92	-	-
Interest income from				
- fixed and call deposits	2,264	2,395	-	-
- Malaysian government securities	1,846	1,827	-	-
- unquoted bond and loan stocks	4,188	3,812	-	-
- loans and advances	2,529	3,381	-	-
Gross dividend income from				
- shares quoted in Malaysia	2,888	3,103	-	-
- unit trust quoted in Malaysia	18	6	-	-
- marketable securities quoted in Malaysia	276	289	-	-

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

21. OPERATING REVENUE (cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Income from investment property				
- rental income	1,866	2,055	-	-
- parking income	308	324	-	-
Accretion of discounts on other investments	1,102	590	-	-
	165,753	149,791	-	-

22. OPERATING COSTS APPLICABLE TO OPERATING REVENUES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Insurance claims incurred (note 15)	74,580	72,240	-	-
Net commission expense	7,078	5,173	-	-
Cost of marketable securities sold	9,471	4,184	-	-
Write down of marketable securities to net realisable value	80	691	-	-
Building management expenses	746	800	-	-
Amortisation of premiums on other investments	825	455	-	-
	92,780	83,543	-	-

23. OTHER OPERATING INCOME

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Other investments held under the general insurance business:				
- gain on disposal	7,272	4,998	-	-
- allowance for impairment in value written back	-	55	-	-
- accretion of discounts	16	-	-	-
- interest income:				
- bonds and loan stocks:				
- quoted outside Malaysia	213	-	-	-
- unquoted in Malaysia	-	156	-	-
- fixed deposits	1,427	1,666	-	-
- gross dividend income from shares outside Malaysia	42	140	-	-
Rental income	106	107	-	-
Service fee income	664	746	-	-
	9,740	7,868	-	-

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

23. OTHER OPERATING INCOME (cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Management fee income	-	-	69	69
Allowance for doubtful debts written back	255	3,290	-	-
Bad debts recovered	104	329	-	-
Gain on disposal of property, plant and equipment	2	28	-	-
Realised gain on foreign exchange	321	16	-	-
Others	853	884	8	-
	11,275	12,415	77	69

24. OTHER OPERATING EXPENSES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Marketing costs	11,427	10,523	-	-
Administrative and general expenses	34,365	30,270	2,086	3,238
Loss on sale of other investments held under the general insurance business	-	34	-	-
Realised loss on foreign exchange	92	5	157	-
	45,884	40,832	2,243	3,238
Other operating expenses include:				
Staff costs (excluding Executive Directors' remuneration)*	24,110	23,784	1,255	1,329
Auditors' remuneration				
- current year	312	296	30	30
- (over)/underprovision in prior year	-	(4)	-	5
Depreciation	2,172	1,965	116	196
Directors' remuneration (note 25)**				
- fees				
- current year	351	371	196	196
- overprovision in prior year	(6)	-	-	-
- other emoluments	1,676	2,052	493	821

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

24. OTHER OPERATING EXPENSES (cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Property, plant and equipment written off	-	10	-	-
Hire of equipment	475	412	3	-
Loss on disposal of property, plant and equipment	3	70	-	70
Allowance for doubtful debts	2,446	271	-	-
Bad debts written off	12	427	-	-
Rental of premises	1,566	2,018	203	182
The number of employees (including the Executive Director) as at the end of the financial year	463	465	19	17

* Included in staff costs (excluding Executive Director's remuneration) are EPF contributions amounting to RM2,725,000 (2002 : RM2,632,000).

** 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 RM15,000 (2002: RM80,000).

25. DIRECTORS' REMUNERATION

The remuneration of the Directors of the Group and the Company during the financial year are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Non-executive Directors				
- fees				
- current year	351	371	196	196
- overprovision in prior year	(6)	-	-	-
Executive Directors				
- salaries and bonuses	1,479	1,483	425	380
- EPF contributions	124	116	68	61
- benefits-in-kind	15	80	15	80
- other emoluments	73	453	-	380
	2,036	2,503	704	1,097

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

25. DIRECTORS' REMUNERATION (cont'd)

The Executive Director of the Company has been granted options under the ESOS on the same terms and conditions as those offered to other employees of the Group (see explanatory note 19 to the financial statements) as follow:

Date option granted	Date of expiry	Exercise price RM	No. of unissued shares of RM1 each under option				At 31.12.2003
			At 1.1.2003	Granted	Lapsed	Exercised	
31.1.2002	14.1.2007	1.90	175,000	-	-	10,000	165,000

Details of options exercised during the year are as follows:

Exercise date	Fair value of shares at issue date RM/Share	Exercise price RM/Share	Number of shares issued	
			2003 '000	2002 '000
July 2003 - December 2003	2.48	1.90	10	-
			2003 RM'000	2002 RM'000
Ordinary shares at nominal value			10	-
Share premium			9	-
Proceeds			19	-
Fair value at exercise date of shares issued			25	-

26. INVESTMENT INCOME (net)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Gross dividends from				
- subsidiary companies	-	-	11,040	15,013
- shares quoted in Malaysia	287	484	-	-
- unquoted shares	50	53	-	-
Interest income from				
- advances to subsidiary companies	-	-	1,340	1,670
- fixed deposits	1,627	2,026	298	421
- unquoted bonds and loan stocks in Malaysia	689	503	39	-
Accretion of discounts/(Amortisation of premiums)				
on other investments	3	233	(5)	-
(Loss)/Gain on sale of other investments	(233)	202	-	-
Allowance for impairment in value on other investments	1,027	(1,190)	-	-
	3,450	2,311	12,712	17,104

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

27. TAXATION

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Malaysian taxation based on the results for the year				
- current	10,376	7,571	75	335
- deferred	(819)	447	-	-
Foreign taxation	1,015	1,106	-	-
	10,572	9,124	75	335
Overprovision in prior years	(4,720)	(1,388)	(1,645)	-
	5,852	7,736	(1,570)	335

The provision for taxation differs from the amount of taxation determined by applying the applicable statutory tax rates to the profit before tax as a result of the following differences:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Accounting profit	34,940	37,159	9,821	13,105
Taxation at applicable tax rates	13,361	13,425	2,750	3,669
Non-deductible expenses	1,037	1,177	123	599
Tax exempt income	(3,251)	(4,136)	(3,091)	(4,203)
Non-taxable income	(337)	(399)	-	-
Utilisation of previously unrecognised tax losses	(521)	(672)	-	-
Deferred tax assets not recognised during the year	293	270	293	270
Overprovision in prior years	(4,720)	(1,388)	(1,645)	-
Others	(10)	(541)	-	-
Tax at effective tax rate	5,852	7,736	(1,570)	335

28. EARNINGS PER SHARE

(i) Basic earnings per share

The basic earnings per share has been calculated by dividing the Group's net profit for the year of RM23,411,000 (2002 : RM24,959,000) by the weighted average number of shares in issue of 105,194,715 (2002 : 104,325,423) during the year.

The comparative basic earnings per share has been restated due to the effect of the change in accounting policy, as disclosed in explanatory note 29 to the financial statements, on net profit for the year.

28. EARNINGS PER SHARE (cont'd)

(ii) Diluted earnings per share

The diluted earnings per share has been calculated by dividing the Group's net profit for the year of RM23,411,000 (2002 : RM24,959,000) 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:

	2003 '000	2002 '000
Weighted average number of ordinary shares as in (i) above	105,195	104,325
Number of unissued shares under the ESOS		
- based on exercise price	3,876	5,914
- based on average fair value	(4,913)	(5,056)
Weighted average number of ordinary shares that would have been in issue	104,158	105,183

The comparative diluted earnings per share has been restated due to the effect of the change in accounting policy, as disclosed in explanatory note 29 to the financial statements, on net profit for the year.

29. CHANGE IN ACCOUNTING POLICY AND COMPARATIVE AMOUNTS

During the financial year ended 31st December 2003, the Group changed its accounting policy on taxation to comply with *MASB 25 - Income Taxes*.

Previously, deferred tax was provided on timing differences unless such timing differences were not reasonably expected to reverse in the foreseeable future. Deferred tax asset was only recognised when there was a reasonable expectation of its realisation.

Under the new accounting policy, as described in explanatory note 1(o) to the financial statements, deferred tax is now recognised on temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and their values for tax purposes.

The comparative figure for the deferred tax asset of a foreign subsidiary has been reclassified to give a more appropriate presentation. The deferred tax asset previously included in other receivables has been reclassified to deferred tax assets. The reclassification has no impact to the net profit for the year.

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

29. CHANGE IN ACCOUNTING POLICY AND COMPARATIVE AMOUNTS (cont'd)

The change in the accounting policy has been applied retrospectively and comparatives have been restated as follows:

	As previously stated RM'000	Effects of change in policy RM'000	Recla- ssification RM'000	As restated RM'000
At 31 December 2001				
Deferred tax assets/(liabilities)	(69)	3,829	-	3,760
Minority interest	22,469	719	-	23,188
Retained profits	78,656	3,110	-	81,766
Year ended 31 December 2002				
Taxation	7,211	525	-	7,736
Minority interest	4,572	(108)	-	4,464
Net profit for the year	25,376	(417)	-	24,959
At 31 December 2002				
Deferred tax assets/(liabilities)	(16)	3,304	25	3,313
Minority interest	25,041	611	-	25,652
Retained profits	97,956	2,693	-	100,649
Trade and other receivables	77,609	-	(25)	77,584

The new accounting policy has the effect of increasing the Group's net profit for the year ended 31 December 2003 by RM819,000.

30. DIVIDENDS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
First and final dividend of 8% (2002 : 8%) less tax at 28%	6,175	6,033	6,175	6,033
Additional dividend paid in respect of the year ended 31st December 2001 following the issue of additional shares pursuant to ESOS	-	43	-	43
	6,175	6,076	6,175	6,076

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

31. RELATED PARTIES

The Company has a relationship with its subsidiaries.

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Gross premium receivable from a substantial shareholder, namely, Kuok Brothers Sdn Bhd ("KBSB") and KBSB's subsidiary, associated and major investee companies	24,346	22,386	-	-
Loan interest receivable from				
- JCL	-	-	724	886
- JAC	-	-	616	784
Internal audit fee receivable from JIB	-	-	648	385
Medical claims processing fee payable to JHS	-	-	1	-
Management fee income receivable from				
- JIHK	-	-	39	39
- TIBL	-	-	12	12
- JAR	-	-	12	12
- JHS	-	-	6	6
Office rental payable to JIB	-	-	202	182
Secretarial fee payable to KBSB	44	45	18	18
Sale of a motor vehicle to Datuk Khor Chin Poey, a director who retired in 2002	-	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	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Advances owing by JCL	-	-	23,000	20,000
Advances owing by JAC	-	-	14,100	18,100
Internal audit fee owing by JIB	-	-	648	385
Dividend receivable from JIB	-	-	8,000	8,000

32. CAPITAL COMMITMENTS

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Authorised and contracted for	4,619	2,511	-	-

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

33. 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 unquoted equity investments.

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

34. SEGMENTAL REPORTING

	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	Elimination RM'000	Consolidated RM'000
(a) By business segment 2003								
REVENUE								
External sales	144,367	8,006	2,529	10,697	154	-	-	165,753
Inter-segment sales	299	-	-	-	1,206	-	(1,505)	-
Total revenue	144,666	8,006	2,529	10,697	1,360	-	(1,505)	165,753
RESULTS								
Segment result	37,519	969	804	1,120	118	(2,166)	-	38,364
Interest income	1,480	167	50	274	8	337	-	2,316
Dividend income	337	-	-	-	-	-	-	337
Loss on sale of other investments	(233)	-	-	-	-	-	-	(233)
Allowance for diminution in value	1,123	(96)	-	-	-	-	-	1,027
Accretion of discounts	15	-	-	(7)	-	(5)	-	3

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

34. 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	Elimination RM'000	Consolidated RM'000
Share of associated company's losses	-	-	-	-	-	(6,149)	-	(6,149)
Finance cost	-	-	-	-	-	(725)	-	(725)
Profit before taxation								34,940
Taxation								(5,852)
Profit after taxation								29,088
Minority interest								(5,677)
Net profit for the year								23,411

	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
OTHER INFORMATION							
Segment assets	97,631	10,821	26,608	8,041	251	4,624	147,976
Investing assets	42,224	-	-	-	-	34,206	76,430
Other investments	180,592	80	-	2,530	-	4,001	187,203
Deposits	185,880	4,281	1,400	320	320	8,853	201,054
Consolidated total assets							612,663
Segment liabilities	296,755	5,328	438	8	146	794	303,469
Bank borrowings	-	-	-	-	-	23,000	23,000
Consolidated total liabilities							326,469
Capital expenditure	4,002	376	1	-	16	14	4,409
Depreciation	1,713	298	22	-	23	116	2,172

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

34. 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	Elimination RM'000	Consolidated RM'000
(a) By business segment 2002								
REVENUE								
External sales	133,402	7,564	3,381	5,312	132	-	-	149,791
Inter-segment sales	269	-	-	-	1,186	-	(1,455)	-
Total revenue	133,671	7,564	3,381	5,312	1,318	-	(1,455)	149,791
RESULTS								
Segment result	35,049	3,048	2,415	401	113	(3,195)	-	37,831
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 company' losses	-	-	-	-	-	(2,153)	-	(2,153)
Finance cost	-	-	-	-	-	(830)	-	(830)
Profit before taxation								37,159
Taxation								(7,736)
Profit after taxation								29,423
Minority interest								(4,464)
Net profit for the year								24,959

Accounting Policies and Explanatory Notes
for the year ended 31st December 2003 (cont'd)

34. 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
(a) By business segment							
2002 (cont'd)							
OTHER INFORMATION							
Segment assets	80,199	12,649	23,920	14,102	166	3,082	134,118
Investing assets	42,224	-	-	-	-	32,561	74,785
Other investments	185,519	180	-	2,538	-	-	188,237
Deposits	158,953	5,533	1,303	1,275	290	5,517	172,871
Consolidated total assets							570,011
Segment liabilities	282,584	5,097	694	11	158	2,823	291,367
Bank borrowings	-	-	-	-	-	20,000	20,000
Consolidated total liabilities							311,367
Capital expenditure	1,447	1,824	7	-	19	446	3,743
Depreciation	1,231	477	36	-	25	196	1,965

34. SEGMENTAL REPORTING (cont'd)

	Revenue RM'000	Carrying amount of segment assets RM'000	Capital expenditure RM'000
(b) By geographical segment			
2003			
Malaysia	142,166	125,036	4,015
Hong Kong	19,025	14,917	24
Philippines	4,562	8,023	370
	165,753	147,976	4,409
2002			
Malaysia	124,567	107,976	1,882
Hong Kong	21,201	16,674	42
Philippines	4,023	9,468	1,819
	149,791	134,118	3,743

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

35. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on 28th April 2004 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 40 to 83 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 31st December 2003 and of their results and cash flows for the year then ended;
- (b) in accordance with applicable approved accounting standards and the provisions of the Companies Act, 1965.

On behalf of the Directors in accordance with their resolution dated 28th April 2004.

DATO' LIM CHEE WAH

Director

TAM CHIEW LIN

Director

Kuala Lumpur

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 40 to 83 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) **TAM CHIEW LIN**
this 28th day of April 2004)

Before me:

ROBERT LIM HOCK KEE
Commissioner for Oaths

Kuala Lumpur

Shareholdings Statistics

as at 31st March 2004

Authorised Share Capital	- RM500,000,000
Issued and Fully Paid up Capital	- RM107,796,003
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 100	21	0.64	433	0.00
100 - 1000	466	14.28	429,535	0.40
1,001 - 10,000	2,345	71.84	7,799,897	7.24
10,001 - 100,000	390	11.95	9,912,682	9.19
100,001 to less than 5% of issued shares	38	1.17	24,416,124	22.65
5% and above of issued shares	4	0.12	65,237,332	60.52
	3,264	100.00	107,796,003	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	0.14
Tam Chiew Lin	10,000	0.00	-	-
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	60,000	0.06	-	-
Dato' Seri Ismail Farouk bin Abdullah	3,791,445	3.52	-	-
Ahmad Riza bin Basir	-	-	16,637,407	15.43
Anwarudin bin Hj Abdul Rahman	37,500	0.03	-	-
Graham Hecond Wong	-	-	-	-

Share Option	No. of Option over Ordinary Shares
Tam Chiew Lin	165,000

Shareholdings Statistics
as at 31st March 2004 (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 31st March 2004 (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	38.80
BHR Enterprise Sdn Bhd	16,637,407	-	16,637,407	15.43
Sable Investment Corporation	8,076,360	-	8,076,360	7.49
Ahmad Riza bin Basir	-	16,637,407	16,637,407	15.43
Tan Sri Dato' Haji Basir bin Ismail	26,000	16,637,407	16,663,407	15.46
Puan Sri Hamidah bt Abdul Rahman	-	16,637,407	16,637,407	15.43
Roshayati bt Basir	-	16,637,407	16,637,407	15.43
Rosilawati bt Basir	-	16,637,407	16,637,407	15.43
Rozanazetti bt Basir	-	16,637,407	16,637,407	15.43
Frank Tsao Wen King	-	8,076,360	8,076,360	7.49

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	22.58
2. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for BHR Enterprise Sdn Bhd</i>	16,637,407	15.43
3. Kuok Brothers Sdn Berhad	16,223,370	15.05
4. Cartaban Nominees (Asing) Sdn Bhd <i>DBS Vickers (Hong Kong) Limited for Sable Investment Corporation</i>	8,041,500	7.46
5. Citicorp Nominees (Asing) Sdn Bhd <i>CB LDN for The Miller Insurance Group Limited</i>	4,075,680	3.78
6. Ophir Holdings Berhad	3,484,125	3.23
7. RC Nominees (Tempatan) Sdn Bhd <i>for Dato' Seri Ismail Farouk bin Abdullah</i>	1,975,000	1.82
8. Southern Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Dato' Seri Ismail Farouk bin Abdullah</i>	1,815,000	1.68

Shareholdings Statistics
as at 31st March 2004 (cont'd)

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

Name of Shareholders	No. of Shares	% of Issued Capital
9. Kuok Brothers Sdn Berhad	1,207,605	1.12
10. Employees Provident Fund Board	1,110,000	1.03
11. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>PHEIM Asset Management Sdn Bhd for Employees Provident Fund</i>	1,010,000	0.94
12. Quarry Lane Sdn Bhd	700,000	0.65
13. Adora Holdings Sdn Bhd	697,230	0.65
14. Botly Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Oh Kim Sun</i>	631,200	0.59
15. Lim Tean Kau	615,000	0.57
16. HSBC Nominees (Asing) Sdn Bhd <i>For Dalex Investments Limited</i>	554,000	0.51
17. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kamaruddin bin Taib</i>	543,420	0.50
18. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (Malaysia) Trustee Bhd for Amanah Saham Sarawak</i>	525,000	0.49
19. Key Development Sdn Berhad	519,000	0.48
20. Chinchoo Investment Sdn Berhad	502,000	0.47
21. Gan Teng Siew Realty Sdn Berhad	449,000	0.42
22. Asia Life (M) Berhad	376,000	0.35
23. HDM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Oh Kim Sun</i>	375,900	0.35
24. Mikdavid Sdn Bhd	289,000	0.27
25. Neoh Choo Ee & Company Sdn Berhad	275,000	0.26
26. Citicorp Nominees (Asing) Sdn Bhd <i>CBNY for DFA Emerging Markets Fund</i>	265,700	0.25
27. M & A Securities Sdn Bhd	258,900	0.24
28. HDM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Melval Holdings Sdn Bhd</i>	207,500	0.19
29. Yong Ah Keon	205,640	0.19
30. Yong Kiow Ying	204,577	0.19
	88,108,809	81.74

List of Properties

as at 31st March 2004

Registered Owner	Description/ Location	Tenure	Approximate Building Age (Years)	Approximate Land Area (Sq. Metres)	Net Book Value at 31 December 2003 (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	17	184.69	328,000	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	14	153.29	175,500	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	16	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	31	522.50	1,410,000	25.05.2001

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 and IC No.) _____

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 8th Annual General Meeting of the Company, to be held on Thursday, 27th May 2004 at 9.30 a.m. and at any adjournment thereof, as indicated below:

		FOR	AGAINST
Resolution 1	To adopt the Directors' Report and Accounts	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To approve the payment of a First and Final Dividend	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To approve the payment of Directors' Fees	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	To re-elect YM Raja Dato' Seri Abdul Aziz bin Raja Salim as Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	To re-elect Dato' Seri Ismail Farouk bin Abdullah as Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	To re-elect Ms Tam Chiew Lin as Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	To re-appoint Moores Rowland as Auditors	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	To authorise the Directors to issue and allot shares	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	To approve the renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	<input type="checkbox"/>	<input type="checkbox"/>

(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 2004.

NUMBER OF SHARES HELD

Signature _____

NOTES :

- 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.
- 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.
- 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

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affix
stamp

The Company Secretary

Jerneh Asia Berhad (363984-X)

18th Floor, Wisma Jerneh

38 Jalan Sultan Ismail

50250 Kuala Lumpur

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Corporate Directory

JERNEH ASIA BERHAD

16th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : (603) 2145 0485 Fax : (603) 2143 2817

Tam Chiew Lin (*cltam@jerneh.com.my*)
Executive Director

Tho Yeong Wah (*ywtho@jerneh.com.my*)
Assistant Manager – Finance & Corporate Services

JERNEH INSURANCE BERHAD

12th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : (603) 2116 3300 Fax : (603) 2142 6672

Lim Sun (*slim@jerneh.com.my*)
Acting Chief Executive Officer

Irene Yong (*kyiyong@jerneh.com.my*)
Senior Manager – Office and Methods

Wan Mohd. Fauzi (*fauzi@jerneh.com.my*)
Senior Manager – Sales and Marketing

Lee San Yuen (*sylee@jerneh.com.my*)
Senior Manager – Sales and Marketing

Tan Yoke Leong (*yltan@jerneh.com.my*)
Manager – Technical

Ho Wai Kee (*wkho@jerneh.com.my*)
Manager- Finance

JERNEH CREDIT LEASING SDN. BHD. MINSEC MANAGEMENT SERVICES SDN. BHD.

14th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : (603) 2141 1646 Fax : (603) 2144 8425
(Jerneh Credit Leasing Sdn. Bhd.)

Tel : (603) 2148 4715 Fax : (603) 2142 6672
(Minsec Management Services Sdn. Bhd.)

Andy Au (*yyau@jerneh.com.my*)
Senior Manager (Jerneh Credit Leasing Sdn. Bhd.)

Tho Yeong Wah (*ywtho@jerneh.com.my*)
Director (Minsec Management Services Sdn. Bhd.)

KRM REINSURANCE BROKERS PHILS., INC.

Suite 1804, 88 Corporate Center, Sedeno cor.Valero Sts.
Salcedo Village, Makati City, Philippines
Tel : (632) 889 6858 Fax : (632) 889 6758

Ruben M. Rubio (*rmr@krmre.com*)
Vice President

Joselito S. Villamil (*jsv@krmre.com*)
Acting General Manager

TAISHAN INSURANCE BROKERS PHILS., INC.

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Ruben M. Rubio (*rmrubio@taishanphils.com*)
Vice President

Pat Obsuna (*tibpmo@skyinet.net*)
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