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**Jerneh Asia Berhad**

16th Floor, Wisma Jerneh  
38, Jalan Sultan Ismail  
50250 Kuala Lumpur  
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Jerneh Asia Berhad (363984-X)

annual report 2004

Jerneh Asia Berhad (363984-X)



ANNUAL REPORT 2004



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# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 9TH ANNUAL GENERAL MEETING of the Company will be held at 19th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 25th May 2005 at 9.30 a.m. for the following purposes :-

1. To receive and adopt the Audited Accounts for the financial year ended 31st December 2004, and the Reports of the Directors' & Auditors' thereon.
2. To declare a First and Final Dividend of 8 sen per share less 28% Income Tax for the financial year ended 31st December 2004.
3. To approve the payment of Directors' Fees for the financial year ended 31st December 2004.
4. To re-elect the following Directors who retire in accordance with Article 101 of the Articles of Association of the Company :-
  - 4.1 Dato' Lim Chee Wah
  - 4.2 Mr Tan Yew Jin
  - 4.3 Encik Anwarudin bin Hj Abdul Rahman.
5. To re-appoint Moores Rowland as Auditors of the Company and authorise the Directors to fix their remuneration.
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, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the total number of shares issued pursuant to this resolution in any one financial year does not exceed ten percent (10%) of the issued and paid-up share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company."

Resolution 1

Resolution 2

Resolution 3

Resolution 4

Resolution 5

Resolution 6

Resolution 7

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 27th May 2004 pursuant to paragraph 10.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad, 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 29th April 2005 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 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

**CHOY CHIEW LING**  
 Company Secretary

Kuala Lumpur  
 29th April 2005

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 shareholdings 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 up to an amount not exceeding in total ten per cent (10%) of the issued share capital of the Company. This authority, unless revoked or varied at a general meeting, shall be valid until the conclusion of the next Annual General Meeting of the Company.

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

The Ordinary Resolution proposed under item 6.2 is to renew the shareholders' mandate granted by the shareholders of the Company at the 8th Annual General Meeting held on Thursday, 27th May 2004. 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 NINTH ANNUAL GENERAL MEETING OF THE COMPANY ARE:-

- a. Dato' Lim Chee Wah
- b. Tan Yew Jin
- c. Anwarudin bin Hj Abdul Rahman

## 2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Five (5) Board Meetings were held during the financial year from 1st January 2004 to 31st December 2004.

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

Directors	Attended
Dato' Lim Chee Wah ( <i>Chairman</i> )	5 of 5 meetings held
Tan Yew Jin ( <i>Deputy Chairman &amp; Executive Director</i> )	5 of 5 meetings held
Tam Chiew Lin ( <i>Executive Director</i> )	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	3 of 5 meetings held
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	5 of 5 meetings held
Graham Hecmond Wong	4 of 5 meetings held

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

The Ninth Annual General Meeting of the Company is scheduled to be held at 19th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 25th May 2005 at 9.30 a.m.

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

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.

# Corporate Information

## BOARD OF DIRECTORS

Dato' Lim Chee Wah - Chairman

Tan Yew Jin - Deputy Chairman & Executive Director

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

## 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

Tam Chiew Lin

Graham Hecmond Wong

## OPTION COMMITTEE

Tan Yew Jin - Chairman

Tam Chiew Lin

Anwarudin bin Hj Abdul Rahman

## COMPANY SECRETARY

Choy Chiew Ling

MAICSA : 7012415

## 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

Moore's Rowland

Chartered Accountants

7th Floor, South Block

Wisma Selangor Dredging

142-A Jalan Ampang

50450 Kuala Lumpur

## SOLICITORS

Lee Hishammuddin Allen & Gledhill

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

(Main Board)

Sector : Finance

Stock Number : 6394

ISIN : MYL639400000

Reuters Code : JNEH.KL

## WEBSITE

[www.jerneh.com.my](http://www.jerneh.com.my)

## Profile of the Board of Directors

### DATO' LIM CHEE WAH

(65 years of age - Malaysian)  
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.

Dato' Lim is the Deputy Chairman of PPB Group Berhad, a position he held since 1st July 2004. He is also the Executive Chairman of Malayan Sugar Manufacturing Co. Bhd since 8th August 2001. He sits on the Board of Malaysian Bulk Carriers Berhad, Transmile Group Berhad, Tradewinds (M) Berhad, Kuok Foundation Berhad (a charitable organisation), Jerneh Insurance Berhad and Kuok Brothers Sdn Berhad.

Dato' Lim does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended all the Board Meetings held during the financial year ended 31st December 2004.

### MR TAN YEW JIN

(63 years of age - Malaysian)  
Deputy Chairman & Executive Director  
Chairman of Option Committee and Management Committee  
Member of Audit Committee and Investment Committee

Mr Tan Yew Jin was appointed as a Director of Jerneh Asia Berhad on 27th June 1996 and was elected as Deputy Chairman on 11th May 2001. On 26th August 2004 he assumed the position of Executive Director. 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 Director of PPB Group Berhad and a Director of Tradewinds (M) Berhad, Jerneh Insurance Berhad and Kuok Brothers Sdn Berhad.

Mr Tan does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended all the Board Meetings held during the financial year ended 31st December 2004.

(54 years of age - Malaysian)  
Executive Director

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

**MS TAM CHIEW LIN**

Ms Tam Chiew Lin was appointed as a Director of Jerneh Asia Berhad on 27th June 1996 and assumed the position of Executive Director 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 also sits on the Board of Jerneh Insurance Berhad and several other subsidiaries of the Jerneh Group.

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 2004.

(66 years of age - Malaysian)  
Independent Non-Executive Director  
Chairman of the Audit Committee

**YM RAJA DATO' SERI  
ABDUL AZIZ  
BIN RAJA SALIM**

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 Abdul Aziz 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, Camerlin Group Berhad, Gamuda Berhad, Gran Asia Corporation Berhad, K&N Kenanga Holdings Berhad Group, Matsushita Electric Company (M) Berhad, PPB Group Berhad, PPB Oil Palms Berhad, Southern Steel Berhad and Tasek Corporation Berhad. He also serves on the Board of Jerneh Insurance Berhad and several other private limited companies in Malaysia.

YM Raja Dato' Seri Abdul Aziz 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 2004.

## Profile of the Board of Directors (cont'd)

### **DATO' SERI ISMAIL FAROUK BIN ABDULLAH**

(59 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 Ismail Farouk 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 Ismail Farouk 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 2004.

### **ENCIK ANWARUDIN BIN HJ ABDUL RAHMAN**

(56 years of age - Malaysian)  
Independent Non-Executive Director  
Member of Audit Committee and Option Committee

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

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

Encik Anwarudin does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended all the Board Meetings held during the financial year ended 31st December 2004.

(44 years of age - Malaysian)  
 Non-Independent Non-Executive Director  
 Member of Management Committee and Investment Committee

**ENCIK AHMAD RIZA  
 BIN BASIR**

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

Encik Riza is currently the Chairman of Fima Corporation Berhad, the Group Managing Director of Kumpulan Fima Berhad and a director of Manulife Insurance (Malaysia) Berhad (formerly known as 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 29th April 2005, 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 three out of the five Board Meetings held during the financial year ended 31st December 2004.

(49 years of age - Australian)  
 Non-Independent Non-Executive Director  
 Member of Remuneration Committee

**MR GRAHAM  
 HECMOND WONG**

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

Mr Wong is currently the Associate Director of Treasury of Kerry Holdings Limited, Hong Kong and Alternate Director/Treasurer of Kuok Brothers Sdn Berhad. He is also a Director of PPB Oil Palms Berhad ("PPBOP") and President Director of PPBOP's subsidiaries in Indonesia.

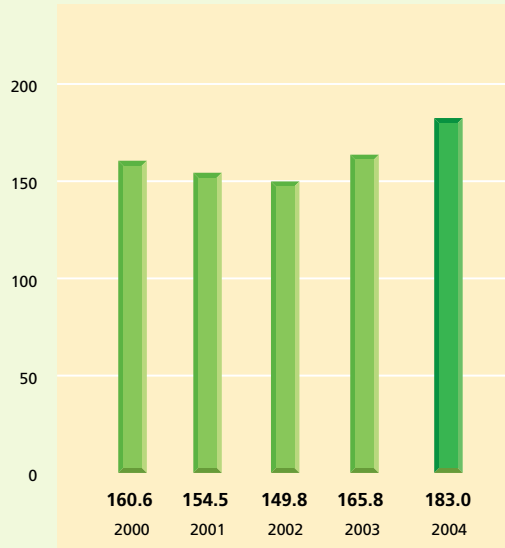
Mr Wong does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended four out of the five Board Meetings held during the financial year ended 31st December 2004.

# Group Financial Highlights

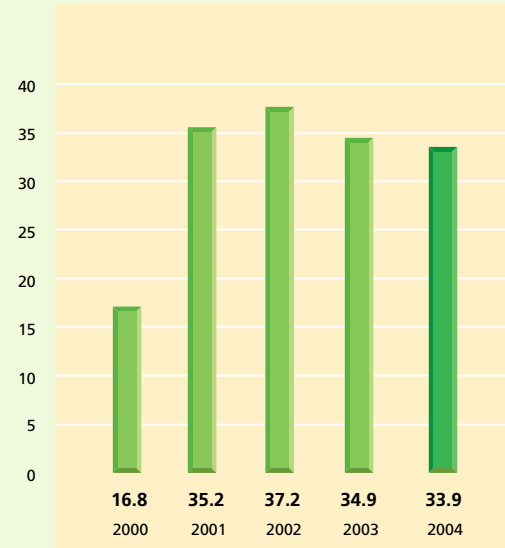
		2003 RM'000	2004 RM'000	% CHANGE
<b>INCOME STATEMENT</b>				
Operating revenue		165,753	182,978	10
Profit before taxation		34,940	33,922	(3)
Profit after taxation and minority interest		23,411	20,971	(10)
<b>BALANCE SHEET</b>				
Total assets		612,663	658,126	7
Shareholders' funds		256,865	274,107	7
<b>RATIOS</b>				
Net earnings per share	Sen	22.25	19.40	(13)
Net dividends per share	Sen	5.76	5.76	-
Net tangible assets per share	RM	2.40	2.53	5

FIVE YEARS' GROUP STATISTICS year ended 31st December					
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Operating revenue	160,562	154,725	149,791	165,753	182,978
Operating profit	16,617	36,032	39,312	41,089	40,437
Share of results of associated company	216	(866)	(2,153)	(6,149)	(6,515)
Profit before taxation	16,833	35,166	37,159	34,940	33,922
Profit after taxation and minority interest	8,328	20,937	24,959	23,411	20,971
Dividends – net	6,110	5,978	6,033	6,175	6,243
Issued share capital	103,777	103,777	104,730	107,202	108,389
Shareholders' funds	186,892	207,684	232,992	256,865	274,107
Total assets employed	537,198	521,592	570,011	612,663	658,126
Net earnings per share	Sen 8.09	20.17	23.92	22.25	19.40
Share price					
High	RM 3.53	2.15	2.48	2.55	2.51
Low	RM 2.00	1.60	1.97	1.95	2.13

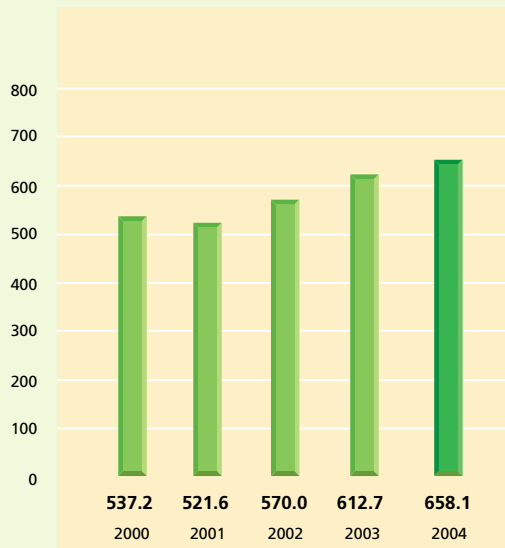
## Five-year Group Performance Charts



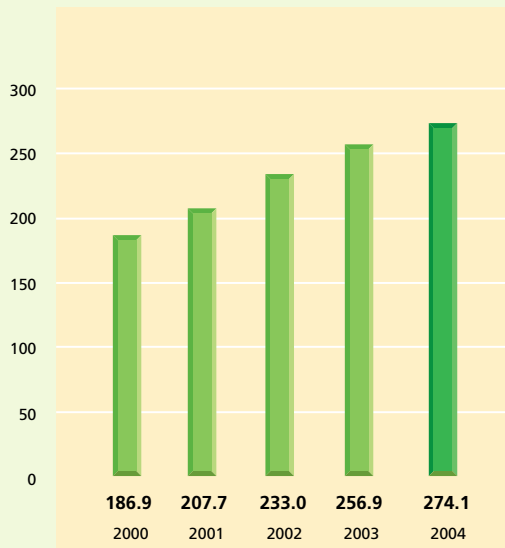
**Operating Revenue** RM Million



**Profit Before Taxation** RM Million

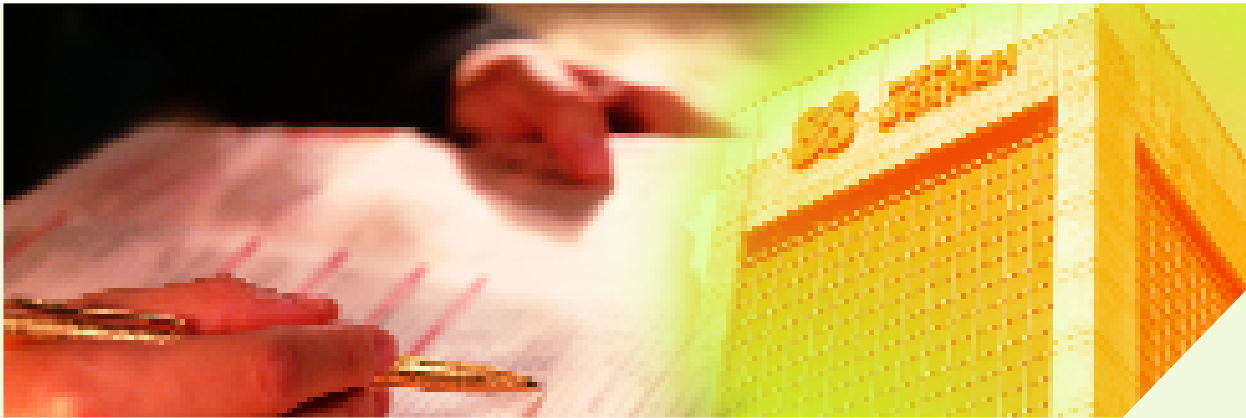


**Total Assets Employed** RM Million



**Shareholders' Funds** RM Million

## 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 2004.

### **FINANCIAL HIGHLIGHTS AND OVERVIEW OF OPERATIONS**

Amidst an intensely competitive market environment coupled with continual softening of premium rates, the Group's performance for the year 2004 was encouraging with a pre-tax profit of RM33.9 million. This represented a marginal decrease of 2.8% against last year's pre-tax profit of RM34.9 million. Net profit attributable to shareholders of Jerneh Group declined by 10.4% to RM20.9 million during the year as compared to RM23.4 million achieved in the previous year. The Group's net tangible assets improved 5.4% from RM2.40 per share to RM2.53 per share.

**Jerneh Insurance Bhd ("JIB")** generated total gross written premium of RM250.4 million, achieving a commendable 15.3% growth over the year 2003. This has inevitably resulted in a premium reserve strain which in turn impacted the underwriting performance for the year 2004. The growth has been the result of continual efforts made to re-engage brokers and agents to support the company as JIB improves its internal policy processes and claims management.

Net claims incurred by JIB registered 62.4% as compared to 57.4% in 2003. Due to the increase in the reserves and net claims incurred, JIB's combined ratio has declined somewhat to 95.24% from 89.45% for year 2003. Underwriting surplus before management expenses was lower by 4.0% at RM39.36 million as compared to last year's figure of RM41.04 million. Including investment income of RM29.5 million (2003 : RM19.6 million), JIB closed the year with a profit before tax of RM32.89 million as compared to RM35.39 million for the previous year.

#### FINANCIAL HIGHLIGHTS AND OVERVIEW OF OPERATIONS (cont'd)

**Generali Pilipinas Life Assurance Company Inc**, in the Philippines, made good progress with life premiums improving by 8% to Peso 416 million. Prospects for the year 2005 are encouraging in spite of uncertainties over the Philippines economy. Life premiums are expected to close the year at about Peso 600 million. Bancassurance continues to be the biggest contributor to growth. We expect the life sector to show positive contribution in another year's time.

**Generali Life Assurance (Thailand) Co Ltd** completed its 2nd full-year operations with a slower than expected increase in life premiums of 10% over year 2003. The life industry in Thailand registered approximately negative 10% growth in year 2004. Generali Life Assurance (Thailand) Co Ltd is primarily agency driven and therefore relies on traditional channels to bring in premiums. The company is continuing in its efforts to seek alliances with banks to promote bancassurance.

The general insurance sector in Philippines and Thailand remained soft with too many players undercutting rates and high loss ratio experiences. For the year 2004, the Group chose to be selective in writing only quality businesses as well as maintaining a conservative risk management policy. Prospects for the year 2005 remain a little uncertain as premium rates continued to be battered down.

#### PROSPECTS

The transformation of the market has reinforced the need for the Company to embrace e-commerce applications to deal strategically with the way we do business. I am pleased to report that on 20th October 2004, JIB has successfully gone live for its motor class insurance, enabling our agents and branches real time link up with JPJ for the renewal and payment of motor insurances. It is our aspiration to enhance our service levels by using business intelligence solutions to better meet the sophisticated demands of today's discerning customers.

The outlook of the general insurance industry is expected to be increasingly competitive. The consolidation of financial institutions and insurers will further exert pressure on pricing. Risk management of financial institutions will be further improved with the introduction of the Risk Based Capital Framework ("RBC") that all insurance companies are expected to comply with from year 2006 onwards. Jerneh has prepared itself to meet the requirements of the RBC. Going forward, the Board will explore opportunities for regional expansion, particularly in countries with low entry costs and sizeable insurance spending potential so as to maximize shareholders' returns.



**DIVIDENDS**

Your Board of Directors is pleased to recommend a First and Final Dividend of 8% less income tax of 28% per ordinary share for the financial year ended 31st December 2004.

**CORPORATE GOVERNANCE**

The Group subscribes to and will strive to achieve the recommended Best Practices outlined in Bank Negara Malaysia's JPI/GPI 25 - Prudential Framework of Corporate Governance for Insurers and Malaysian Code on Corporate Governance.

**ACKNOWLEDGEMENT**

I would like to extend my appreciation and gratitude to the Management and staff of the Group for their hard work, commitment and loyalty; Bank Negara Malaysia and the other relevant authorities for their guidance; our valued customers, business associates, agents, brokers and reinsurers for their continued support and assistance.

Last but not least, I wish to express my gratitude to the shareholders and the members of the Board of Directors who have remained committed to the Company and have given their consistent and unwavering support to the Group.

**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 human capital that can deliver both business strategy and provide exceptional services to meet the needs of our clients. As part of its information technology initiatives, JIB had in 2003 commenced restructuring its IT infrastructure base in phases, investing 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.



### GENERAL INSURANCE (cont'd)

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.

JIB has entered into a special arrangement with Maphilindo International Sdn Bhd to provide "JERNEH HELPLINE" 24-hour Toll Free emergency auto assistance programme for its motor policyholders. The benefits include :-

- 24-hour Towing Service following an Accident
- 24-hour Emergency Breakdown and Roadside Repair Services
- 6 months warranty on all repairs
- Medical referrals and Emergency Medical Evacuation assistance
- Travel Assistance, Hotel Accommodation referrals
- Legal Assistance referrals
- 24-hour Police Assistance
- Home Assist Services.

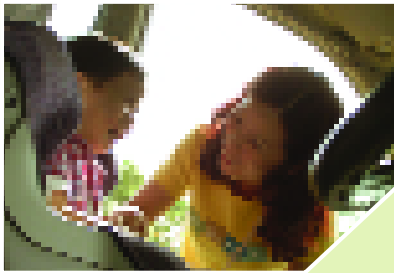
Currently, JIB has about 1,355 agents and 19 branches strategically located in major cities and towns in Peninsular Malaysia, Sabah and Sarawak. The distribution provides a geographically diversified group of independent agents and brokers with a wide spread of insurance products customized to serve 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 ("TIBL")** 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. TIBL collaborates with other large international brokers throughout Asia Pacific and insurers in the region to service group business.

**Taishan Insurance Brokers Phils, Inc. ("TIBP")** and **KRM Reinsurance Brokers Phils., Inc. ("KRMR")** 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 KRMR being a reinsurance broker is strongly supported by the Philippines insurers who are their clients.



#### **AFFILIATED BUSINESSES**

The following companies were 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, Jerneh Insurance (HK) Ltd 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 businesses to JIB.

#### **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.

The Group has, 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.

In the year 2002, the Group through Generali Asia N.V., acquired Pornpat Insurance Co. Ltd and Pornpat Life Assurance Co. Ltd. in Thailand which were subsequently 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



# 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 opinion 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 two (2) Executive Directors, three (3) Non-Independent Non-Executive Directors (including the Chairman) and three (3) Independent Non-Executive Directors. This composition of Board of Directors has complied with the Listing Requirements of Bursa Malaysia Securities Berhad 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 Directors 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 Directors are 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 participate 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 Bursa Malaysia Securities Berhad. 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 Directors. 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 2004, 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 2004 is as follows :-

<b>Directors</b>	<b>Attended</b>
Dato' Lim Chee Wah	5 of 5 meetings held
Tan Yew Jin	5 of 5 meetings held
Tam Chiew Lin	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	3 of 5 meetings held
Anwarudin bin Hj Abdul Rahman	5 of 5 meetings held
Graham Hecond Wong	4 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 Securities Berhad.

## **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 re-election by shareholders at the first Annual General Meeting after their appointment. The Articles also provide that at least one-third or the 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" as well as completed the "Continuing Education Programme". The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge and 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.

## **BOARD OF DIRECTORS (cont'd)**

### **Management Committee**

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

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

This Committee was established on 21st January 1998. Apart from Encik Ahmad Riza bin Basir, all the other members of the Management Committee are 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 2004, this Committee had five (5) meetings which were attended by majority of its 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 was established on 11th May 2001 and is primarily responsible for 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 2004, this Committee had nine (9) meetings which were attended by majority of its 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 Graham Hecmond Wong (*appointed on 26th August 2004*)
- Mr Tan Yew Jin (*resigned on 26th August 2004*)

**BOARD OF DIRECTORS (cont'd)****Remuneration Committee (cont'd)**

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

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

**Option Committee**

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

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

This Committee 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 Directors 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 Directors and Senior Management personnel. The Board, as a whole is responsible for the determination of the remuneration of the Executive Directors. The Executive Directors do not participate in decisions regarding their 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 2004, the Remuneration Committee met on three (3) occasions 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 Directors	-	12	575*	587
Non-Executive Directors	185	-	-	185

\* Includes payments to Mr Tan Yew Jin who assumed the position as an Executive Director on 26th August 2004.

### DIRECTORS' REMUNERATION (cont'd)

#### Details of the Remuneration Package (cont'd)

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

	Executive Director	Non-Executive Directors
Less than RM50,000	-	6
RM50,001 to RM500,000	2	-

### 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](http://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. Ms Choy Chiew Ling

*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 25 of this Annual Report.

#### Relationship with the Auditors

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

## Responsibility Statement by the Board of Directors

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

In preparing the financial statements for the year ended 31st December 2004 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 18th April 2005.

# Additional Compliance Information

as at 31st December 2004

## 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 1,187,000 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 2004.

## American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

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

## Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or Management by 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 2004 and the unaudited results for the financial quarter ended 31st December 2004 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 and/or 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 2004 to 31st December 2004 pursuant to the Shareholders' Mandate granted at the Annual General Meeting of the Company held on 27th May 2004 were as follows :-

## Recurrent Related Party Transactions (cont'd)

12 MONTHS FROM  
01.01.2004 TO 31.12.2004

NATURE OF TRANSACTION / NAME OF TRANSACTING COMPANY	SHAREHOLDERS' MANDATE RM'000	TRANSACTIONED VALUE RM'000	RELATIONSHIP WITH DIRECTOR / MAJOR SHAREHOLDER
Underwriting of General Insurance business by Jerneh Insurance Berhad ("JIB"), a 80%-subsidiary company of Jerneh Asia Berhad ("JAB") from:-			
1. KBSB Group	6,500	4,870	Kuok Brothers Sdn Bhd ("KBSB") is a major shareholder of JAB, the holding company of JIB.
2. PPB Group	4,200	4,340	PPB Group Berhad ("PPB") is a body corporate associated to KBSB, a major shareholder of JAB.
3. PPBOP Group	1,700	2,830	PPB Oil Palms Berhad ("PPBOP") is a body corporate associated to KBSB, a major shareholder of JAB.
4. FFM Group	9,400	9,140	FFM Berhad ("FFM") is a body corporate associated to KBSB, a major shareholder of JAB.
5. PB Group	1,250	1,015	Pelangi Berhad ("PB") is a body corporate associated to KBSB, a major shareholder of JAB.
6.1 Enggore Properties Sdn Bhd	98	93	Body corporates which are associated to Dato' Seri Ismail Farouk bin Abdullah, a Director of JAB.
6.2 Impiana Cherating Sdn Bhd			
6.3 KAB Corporate Services Sdn Bhd			
6.4 Semai Ria Sdn Bhd			
7.1 BHR Enterprise Sdn Bhd	270	260	Body corporates which are associated to Encik Ahmad Riza bin Basir, a Director of JAB.
7.2 Fima Corporation Bhd			
7.3 Percetakan Keselamatan Nasional Sdn Bhd			
7.4 Kumpulan Fima Bhd			
7.5 Malaysian Transnational Trading (MATTRA) Corporation Berhad			
8. PCB Group	880	716	Paramount Corporation Berhad is a body corporate associated to Dr Teo Chiang Quan, a Director of JIB.
Provision of Secretarial and Share Registrar Services to JAB Group by:-			
1. KBSB Group	50	45	KBSB is a major shareholder of JAB, the holding company of JIB.
2. PPB Group	30	34	PPB 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.	4,500	2,470	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 on 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 companies.

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 Directors. 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 Directors, 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 reviews reports from internal and external auditors covering such matters. Where areas of improvement in the system are recommended, the Board considers the recommendations made by the Audit Committee and 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 18th April 2005.

# 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 2004 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  
~ *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.

### Duties (cont'd)

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.
  - (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.

**Duties (cont'd)**

- (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 2004, 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 Directors, Internal Audit Manager and Finance Manager were present by invitation at all the meetings. Representatives of the Auditors, 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 2004.
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 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 Internal Audit Department 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

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# Directors' Report

for the year ended 31st December 2004

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 2004.

## PRINCIPAL ACTIVITIES

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

There have been no significant changes in the nature of these activities during the financial year other than the cessation of the healthcare administration and consultancy services operations by a subsidiary company.

## RESULTS

	Group RM'000	Company RM'000
Profit after taxation	26,006	12,282
Minority interest	(5,035)	-
Net profit for the year	20,971	12,282
Unappropriated profit brought forward	117,885	55,355
Profit available for appropriation	138,856	67,637
Dividends	(6,304)	(6,304)
Unappropriated profit carried forward	132,552	61,333

## 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 RM6,235,603 in respect of the financial year ended 31st December 2003.

The Directors now recommend a First and Final Dividend of 8% less tax at 28% amounting to RM6,243,206 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 RM107,202,003 to RM108,389,003 by the issue of 1,187,000 new ordinary shares of RM1 each for cash under the Company's Employee Share Option Scheme ("ESOS").

#### **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 the 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. The names of option holders who have been granted options of 50,000 shares and above are set out below:

<b>Name of Option Holders</b>	<b>Number of Share Options</b>
Ang Beng Ee	50,000
Chew Boon Kheng	50,000
Chia Cho Lung	50,000
Chan Hang Chu	50,000
Goh Han Kwang @ Anthony	50,000
Kok Voon Fong	50,000
Lee Kong Voon	50,000
Lim Meng Bu	50,000
Leung Yi Hang	50,000
Ng Thye Pin @ Ng Sin Bin	50,000
Tan Yoke Leong	50,000
Au Yin Yun, Andy	75,000
Lee San Yuen	75,000
Lim Sun	75,000
Lam Mook Choy, Colly	75,000
Shum Man Kiu, Peters	75,000
Wan Mohd Fauzi bin Wan Nawang	75,000
Yong Kiow Ying, Irene	75,000
Tam Chiew Lin	175,000

#### **DIRECTORS**

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

Dato' Lim Chee Wah	(Chairman)
Tan Yew Jin	(Deputy Chairman & Executive Director)
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	

Directors' Report  
for the year ended 31st December 2004 (cont'd)

**DIRECTORS (cont'd)**

In accordance with Article 101 of the Company's Articles of Association, Dato' Lim Chee Wah, Tan Yew Jin and Anwarudin bin Hj Abdul Rahman 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 in the Company are as follows:

Name of Director	Ordinary shares of RM1 each			At 31.12.2004
	At 1.1.2004	Bought	Sold	
Dato' Lim Chee Wah				
- direct	30,000	-	-	30,000
Tan Yew Jin				
- direct	120,000	-	-	120,000
- indirect	155,250	-	-	155,250
Tam Chiew Lin				
- direct	10,000	-	-	10,000
YM Raja Dato' Seri Abdul Aziz bin Raja Salim				
- direct	60,000	-	-	60,000
Dato' Seri Ismail Farouk bin Abdullah				
- direct	3,791,445	-	-	3,791,445
Ahmad Riza bin Basir				
- indirect	16,637,407	-	-	16,637,407
Anwarudin bin Hj Abdul Rahman				
- direct	37,500	-	-	37,500

By virtue of his interest in shares in the Company, 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 31.12.2004
	At 1.1.2004	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

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

	———— Ordinary shares of HKD100 each ————			
	At	Bought	Sold	At
	1.1.2004			31.12.2004
Jerneh Insurance (HK) Limited	500,000	-	-	500,000

	———— Ordinary shares of HKD1 each ————			
	At	Bought	Sold	At
	1.1.2004			31.12.2004
Taishan Insurance Brokers Limited	1,000,000	-	-	1,000,000

	———— Ordinary shares of PHP100 each ————			
	At	Bought	Sold	At
	1.1.2004			31.12.2004
KRM Reinsurance Brokers Phils., Inc.	480,000	-	-	480,000
Taishan Insurance Brokers Philippines, Inc.	480,000	-	-	480,000

	———— Ordinary shares of USD1 each ————			
	At	Bought	Sold	At
	1.1.2004			31.12.2004
Jerneh Asia Reinsurance Limited	3,200,000	-	-	3,200,000

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

	Exercise price RM	———— No. of unissued shares of RM1 each under option ————				
		At	Granted	Lapsed	Exercised	At
		1.1.2004				31.12.2004
Tam Chiew Lin	1.90	165,000	-	-	-	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
  - (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.

**OTHER STATUTORY INFORMATION (cont'd)**

(f) In the opinion of the Directors:

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature ; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**AUDITORS**

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

Signed on behalf of the Directors in accordance with the resolution of the Directors dated 18th April 2005

**DATO' LIM CHEE WAH**

Director

**TAM CHIEW LIN**

Director

Kuala Lumpur

# Report of the Auditors to the Members

We have audited the financial statements of the Group and of the Company set out on pages 41 to 83.

These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 assessing the accounting principles used and significant estimates made by the directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31st December 2004 and of their results and cash flows for the year ended on that date; and
  - (ii) 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; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

**MOORES ROWLAND**  
No. AF: 0539  
Chartered Accountants

**TANG KIN KHEONG**  
No. 1501/9/05 (J/PH)  
Partner

Kuala Lumpur  
18th April 2005

# Balance Sheets

as at 31st December 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>ASSETS</b>					
Property, plant and equipment	3	13,822	11,022	250	358
Investment property	4	42,500	42,224	-	-
Investment in subsidiary companies	5	-	-	107,236	107,236
Amounts owing by subsidiary companies	6	-	-	52,520	46,421
Investment in associated company	7	27,693	34,206	46,470	46,470
Amount owing by associated company	8	5,998	53	5,998	53
Other investments	9	181,588	187,203	-	4,001
Deferred tax assets	10	4,663	4,140	-	-
Trade and other receivables	11	90,489	85,217	155	192
Current tax assets		6,663	6,478	3,880	443
Marketable securities	12	5,785	6,029	-	-
Deposits	13	251,193	201,054	9,364	8,853
Cash and bank balances	14	27,732	35,037	3,565	3,578
<b>Total assets</b>		<b>658,126</b>	<b>612,663</b>	<b>229,438</b>	<b>217,605</b>
<b>LIABILITIES</b>					
Provision for outstanding claims	15	170,221	159,371	-	-
Trade and other payables	16	74,492	74,660	850	791
Unearned premium reserves	17	80,450	69,292	-	-
Amounts owing to subsidiary companies	6	-	-	23	4
Bank borrowing (unsecured)	18	23,800	23,000	23,800	23,000
Deferred tax liabilities	10	2,660	8	2,660	-
Current tax liability		153	138	-	-
<b>Total liabilities</b>		<b>351,776</b>	<b>326,469</b>	<b>27,333</b>	<b>23,795</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	19	108,389	107,202	108,389	107,202
Share premium		26,140	25,078	26,140	25,078
Revaluation reserve		160	-	-	-
Exchange fluctuation reserve		623	525	-	-
Retained profits	20	132,552	117,885	61,333	55,355
Dividend		6,243	6,175	6,243	6,175
		274,107	256,865	202,105	193,810
<b>MINORITY INTEREST</b>		<b>32,243</b>	<b>29,329</b>	<b>-</b>	<b>-</b>
<b>Total liabilities, shareholders' equity and minority interest</b>		<b>658,126</b>	<b>612,663</b>	<b>229,438</b>	<b>217,605</b>

Accounting policies and explanatory notes are set out on pages 47 to 83

# Income Statements

for the year ended 31st December 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Operating revenue	21	182,978	165,753	-	-
Operating costs applicable to operating revenue	22	(111,278)	(92,780)	-	-
Gross profit		71,700	72,973	-	-
Other operating income	23	14,929	11,275	219	77
Operating expenses	24	(50,364)	(45,884)	(2,000)	(2,243)
Profit/(Loss) from operations		36,265	38,364	(1,781)	(2,166)
Investment income (net)	26	5,005	3,450	17,664	12,712
Share of results of associated company		(6,515)	(6,149)	-	-
Finance cost		(833)	(725)	(833)	(725)
Profit before taxation		33,922	34,940	15,050	9,821
Taxation					
- Group/Company	27	(7,742)	(5,653)	(2,768)	1,570
- Share of taxation of associated company		(174)	(199)	-	-
		(7,916)	(5,852)	(2,768)	1,570
Profit after taxation		26,006	29,088	12,282	11,391
Minority interest		(5,035)	(5,677)	-	-
Net profit for the year		20,971	23,411	12,282	11,391
Basic earnings per share (sen)	28	19.40	22.25		
Diluted earnings per share (sen)	28	19.32	22.48		
Dividend per share (net of tax) (sen)		5.8	5.8		

Accounting policies and explanatory notes are set out on pages 47 to 83

# Statements of Changes In Equity

for the year ended 31st December 2004

Group	Note	Non-distributable			Distributable		Total RM'000	
		Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000		Dividend RM'000
Balance at 1.1.2003		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	29	-	-	-	-	(6,175)	6,175	-
Balance at 31.12.2003		107,202	25,078	-	525	117,885	6,175	256,865
Surplus arising from revaluation of investment property		-	-	160	-	-	-	160
Currency translation difference		-	-	-	98	-	-	98
Net gain not recognised in income statement		-	-	160	98	-	-	258
Net profit for the year		-	-	-	-	20,971	-	20,971
Issue of shares								
pursuant to ESOS	19	1,187	1,062	-	-	-	-	2,249
Dividend paid	29	-	-	-	-	(61)	(6,175)	(6,236)
Dividend proposed	29	-	-	-	-	(6,243)	6,243	-
Balance at 31.12.2004		108,389	26,140	160	623	132,552	6,243	274,107

Accounting policies and explanatory notes are set out on pages 47 to 83

Statements of Changes In Equity  
for the year ended 31st December 2004 (cont'd)

Company	Note	Non-distributable		— Distributable —		Total RM'000
		Share capital RM'000	Share premium RM'000	Retained profit RM'000	Dividend RM'000	
Balance at 1.1.2003		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	29	-	-	(6,175)	6,175	-
Balance at 31.12.2003		107,202	25,078	55,355	6,175	193,810
Net profit for the year		-	-	12,282	-	12,282
Issue of shares pursuant to ESOS	19	1,187	1,062	-	-	2,249
Dividend paid	29	-	-	(61)	(6,175)	(6,236)
Dividend proposed	29	-	-	(6,243)	6,243	-
Balance at 31.12.2004		108,389	26,140	61,333	6,243	202,105

Accounting policies and explanatory notes are set out on pages 47 to 83

# Cash Flow Statements

for the year ended 31st December 2004

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	33,922	34,940	15,050	9,821
Adjustments for:				
Amortisation of premiums/(Accretion of discounts) (net)	175	(296)	1	5
Allowance for diminution in value of other investments (net)	62	(1,027)	-	-
Allowance for doubtful debts (net)	3,441	2,193	-	-
Bad debts written off	160	12	28	-
Change in unearned premium reserves	11,158	2,951	-	-
Depreciation	3,114	2,172	115	116
Dividend income	(3,387)	(3,561)	(15,892)	(11,040)
Gain on sale of other investments (net)	(14,011)	(7,039)	-	-
Interest expense	833	725	833	725
Interest income	(12,757)	(14,783)	(1,773)	(1,677)
(Gain)/Loss on disposal of property, plant and equipment (net)	(141)	1	-	-
Loss retained in associated company	6,515	6,149	-	-
Write down of marketable securities to net realisable value	902	80	-	-
Net unrealised gain on marketable securities	(173)	-	-	-
Operating profit/(loss) before changes in working capital	29,813	22,517	(1,638)	(2,050)
Change in fixed deposits	(45,556)	(26,649)	-	-
Proceeds from sale of other investments	103,457	105,477	-	-
Purchase of other investments	(84,720)	(91,622)	-	-
Change in trade receivables	(9,755)	(12,865)	-	-
Change in other receivables	498	3,641	(67)	(23)
Change in marketable securities	(1,843)	6,909	-	-
Change in provision for outstanding claims	10,850	9,628	-	-
Change in trade payables	441	(1,445)	-	-
Change in other payables	(1,964)	1,342	(10)	(93)
Cash generated from/(used in) operations	1,221	16,933	(1,715)	(2,166)
Income tax (paid)/refunded	(5,169)	(8,823)	(77)	1,459
Interest received	10,138	9,285	-	-
Dividends received	2,546	2,317	-	-
Net cash generated from/(used in) operating activities	8,736	19,712	(1,792)	(707)

Accounting policies and explanatory notes are set out on pages 47 to 83

Cash Flow Statements  
for the year ended 31st December 2004 (cont'd)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Advances to associated company	(5,945)	(53)	(5,945)	(53)
Acquisition of additional shares in associated company	-	(6,281)	-	(6,281)
Proceeds from sale of other investments	27,325	10,936	4,000	-
Proceeds from disposal of property, plant and equipment	174	10	-	-
Purchase of property, plant and equipment ( <i>Note 30</i> )	(4,902)	(4,409)	(7)	(14)
Purchase of other investments	(25,316)	(15,254)	-	(4,039)
Interest received	2,966	6,133	1,757	1,631
Dividends received	246	521	11,169	10,964
Repayment from subsidiary companies	-	-	(4,752)	2,408
Net cash (used in)/generated from investing activities	(5,452)	(8,397)	6,222	4,616
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of shares	2,249	4,678	2,249	4,678
Advances from/(Repayment to) subsidiary companies	-	-	19	(191)
Drawdown of bank loan	800	3,000	800	3,000
Interest paid	(764)	(725)	(764)	(725)
Dividends paid to shareholders of the Company	(6,236)	(6,033)	(6,236)	(6,033)
Dividend paid to a minority shareholder of a subsidiary company	(2,000)	(2,000)	-	-
Net cash (used in)/generated from financing activities	(5,951)	(1,080)	(3,932)	729
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(2,667)	10,235	498	4,638
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	50,212	39,833	12,431	7,793
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	(55)	144	-	-
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	47,490	50,212	12,929	12,431
Represented by:				
Cash and bank balances	27,732	35,037	3,565	3,578
Deposits	19,758	15,175	9,364	8,853
	47,490	50,212	12,929	12,431

Accounting policies and explanatory notes are set out on pages 47 to 83

# Accounting Policies and Explanatory Notes

for the year ended 31st December 2004

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements 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 circulars/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.

### (b) Basis of consolidation

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

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

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

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

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

Under the merger method of accounting in accordance with *Malaysian Accounting Standard No. 2*, 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.

**1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(c) Subsidiary companies**

A subsidiary company is a company controlled by the Group. Control exists when the Group 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 Group'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 companies**

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

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

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

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting. The equity method of accounting involves recognising in the consolidated financial statements the Group's share of the results of associated companies for the financial year. The Group's investments in associated companies are carried in the consolidated balance sheet at an amount that reflects its share of net assets of the associated company and includes premium or discount on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company diminishes by virtue of losses to zero, unless the Group has incurred or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence in impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with the Group.

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

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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 the 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.

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

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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 equity investments are stated at cost less allowance for diminution in value.

### (i) Marketable securities

Marketable securities comprising quoted securities are stated at the lower of cost and market value, determined on an aggregate basis by category of investment in the case of Jerneh Asia Capital Sdn Bhd and are stated at fair value in the case of Jerneh Insurance (HK) Limited. 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, if any, otherwise it is charged to the income statement.

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

### (k) General insurance underwriting results

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

#### (i) Premium income

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

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

**1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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

*(ii) Unearned premium reserves ("UPR")*

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

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

*(iii) Provision for claims*

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

Provision is also made for the cost of claims together with related expenses incurred but not reported ("IBNR") at balance sheet date. For inward treaty business, the IBNR provision is based on submissions by treaty parties. For direct and facultative business, the IBNR provision is based on actuarial valuations carried out by independent actuarial firms in the case of Jerneh Insurance Berhad and Jerneh Insurance (HK) Limited and directors' estimation in the case of Jerneh Asia Reinsurance Limited.

**(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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (l) Recognition of revenue (cont'd)

- (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*.

#### (iii) Closing exchange rates

The closing exchange rates used for translation are as follows:

	2004 RM	2003 RM
1 Singapore Dollar ("SGD")	2.32	2.23
1 United States Dollar ("USD")	3.80	3.80
1 Hong Kong Dollar ("HKD")	0.49	0.49
1 Euro	5.17	4.77
100 Philippine Peso ("Peso")	6.77	6.85
100 Thai Baht ("Baht")	9.76	9.59
100 Japanese Yen ("JPY")	3.69	3.55
1 Australia Dollar ("AUD")	2.96	N/A

N/A - not applicable

### (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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (n) Employee benefits (cont'd)

#### (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 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 substantively 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.

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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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 values 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 actuaries 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.

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

### **Underwriting risk (cont'd)**

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.

### **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 companies. These are mainly held as long-term investments and ostensibly carry long gestation periods. The Group's investments are in Thailand, Philippines, Hong Kong 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.

Accounting Policies and Explanatory Notes  
for the year ended 31st December 2004 (cont'd)

**3. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Freehold land and buildings RM'000</b>	<b>Computers RM'000</b>	<b>Office equipment, furniture and fittings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Renovations RM'000</b>	<b>Work in progress RM'000</b>	<b>Total RM'000</b>
At 1.1.2004	3,975	10,282	4,170	1,387	2,635	577	23,026
Additions	24	2,238	1,028	849	278	1,565	5,982
Disposals	-	(141)	(23)	(338)	-	-	(502)
Transfer	-	2,142	-	-	-	(2,142)	-
Written off	-	(2)	-	-	-	-	(2)
Effect of exchange rate changes	(20)	-	(11)	(4)	(8)	-	(43)
At 31.12.2004	3,979	14,519	5,164	1,894	2,905	-	28,461
<b>Accumulated depreciation</b>							
At 1.1.2004	327	6,829	2,441	932	1,475	-	12,004
Charge for the year	89	1,924	421	349	331	-	3,114
Disposals	-	(122)	(9)	(338)	-	-	(469)
Written off	-	(2)	-	-	-	-	(2)
Effect of exchange rate changes	(2)	-	(3)	(1)	(2)	-	(8)
At 31.12.2004	414	8,629	2,850	942	1,804	-	14,639
<b>Net book value</b>							
At 31.12.2004	3,565	5,890	2,314	952	1,101	-	13,822
<b>Net book value</b>							
At 31.12.2003	3,648	3,453	1,729	455	1,160	577	11,022
Depreciation charged for the year ended							
31.12.2003	93	1,195	348	167	369	-	2,172

### 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
<b>Cost</b>					
At 1.1.2004	174	214	190	365	943
Additions	6	1	-	-	7
At 31.12.2004	180	215	190	365	950
<b>Accumulated depreciation</b>					
At 1.1.2004	134	113	130	208	585
Charge for the year	18	22	38	37	115
At 31.12.2004	152	135	168	245	700
<b>Net book value</b>					
At 31.12.2004	28	80	22	120	250
<b>Net book value</b>					
At 31.12.2003	40	101	60	157	358
Depreciation charged for the year ended 31.12.2003	19	22	38	37	116

### 4. INVESTMENT PROPERTY

	2004 RM'000	2003 RM'000
Freehold land and building known as <i>Wisma Jerneh</i>		
At cost	-	42,224
At 2004 valuation	42,500	-

The investment property was revalued by the directors during the financial year based on an independent professional valuation on the open market value basis. The independent professional valuation was carried out by Mr Ho Sek Chuen, FISM, registered valuer, of Raine & Horne International Zaki & Partners Sdn Bhd on 14th October 2004.

## 5. INVESTMENT IN SUBSIDIARY COMPANIES

	2004 RM'000	2003 RM'000
Unquoted shares, at cost	107,236	107,236

The subsidiary companies are:

	Country of incorporation	Principal activities	Equity interest	
			2004 %	2003 %
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	Ceased its healthcare administration and consultancy services operations during 2004 +	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

+ The financial results and cash flows of this subsidiary company are immaterial to the Group. Accordingly, the effects of the cessation of business required to be disclosed by MASB 28 Discontinuing Operations, have not been made.

## 6. AMOUNTS OWING BY/TO SUBSIDIARY COMPANIES

The amounts owing by the subsidiary companies are unsecured with no fixed repayment terms. Included in the amount owing by subsidiary companies are advances totalling RM41.9 million (2003 : RM37.1 million) which bear interest at 0.6% (2003 : 0.6%) per annum above the cost of funds of a reference bank. The effective interest rate of those advances at the balance sheet date was 3.59% (2003 : 3.6%) per annum.

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

	2004 RM'000	2003 RM'000
- RM	51,476	45,992
- Peso	1,044	429
	52,520	46,421

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

The entire amount owing to subsidiary companies is denominated in RM.

## 7. INVESTMENT IN ASSOCIATED COMPANY

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted shares, at cost	46,470	46,470	46,470	46,470
Share of post-acquisition losses	(18,174)	(11,485)	-	-
Effect of exchange rate changes	(603)	(779)	-	-
	27,693	34,206	46,470	46,470
Represented by:				
Share of net assets	22,204	28,449		
Goodwill on acquisition	5,489	5,757		
	27,693	34,206		

## 7. INVESTMENT IN ASSOCIATED COMPANY (cont'd)

The associated company is Generali Asia N.V., a company incorporated in the Netherlands in which the Company holds a 40% (2003 : 40%) equity interest. The principal activity of the associated company is investment holding.

Subsidiary companies of Generali Asia N.V. are as follows:

	Country of incorporation	Principal activities	Equity interest	
			2004 %	2003 %
Generali Pilipinas Insurance Company, Inc	Philippines	Underwriting of general insurance business	60	60
Generali Pilipinas Life Assurance Company, Inc	Philippines	Underwriting of life insurance	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

## 8. AMOUNT OWING BY ASSOCIATED COMPANY

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

The entire amount owing by the associated company is denominated in Euro (2003 : RM).

## 9. OTHER INVESTMENTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Quoted investments				
Malaysian government securities and treasury bills	30,852	26,120	-	-
Amortisation of premiums	(1,973)	(1,456)	-	-
	28,879	24,664	-	-
Shares quoted in Malaysia, at cost	53,139	50,987	-	-
Bonds and loan stocks, at cost				
- Quoted in Malaysia	3,661	3,689	-	-
- Quoted outside Malaysia	3,169	10,603	-	-
Amortisation of premiums	(215)	(401)	-	-
	6,615	13,891	-	-

**9. OTHER INVESTMENTS (cont'd)**

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted investments				
Bonds and loan stocks, at cost				
- In Malaysia	84,974	95,108	-	4,006
- Outside Malaysia	6,493	2,027	-	-
Accretion of discounts/(Amortisation of premiums)	1,004	26	-	(5)
	92,471	97,161	-	4,001
Unquoted shares, at cost	594	552	-	-
Allowance for diminution in value of investment	(110)	(52)	-	-
	484	500	-	-
	181,588	187,203	-	4,001
Market value of quoted investments				
Malaysian government securities and treasury bills	30,020	25,339	-	-
Shares quoted in Malaysia	61,400	62,940	-	-
Bonds and loan stocks				
- quoted in Malaysia	4,127	1,129	-	-
- quoted outside Malaysia	3,102	12,352	-	-
	98,649	101,760	-	-

The unquoted bonds and loan stocks are traded in "over the counter" markets. The fair value of these unquoted investments based on market prices quoted on these "over the counter" markets are as follows:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted bonds and loan stocks				
- in Malaysia	87,965	93,724	-	4,001
- outside Malaysia	6,437	2,024	-	-

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

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Malaysian government securities and treasury bills	4.0 to 8.4	3.1 to 6.9	-	-
Bonds and loan stocks	3.4 to 11.0	3.0 to 11.8	-	3.9

## 9. OTHER INVESTMENTS (cont'd)

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysian government securities and treasury bills				
- within 1 year	-	251	-	-
- within 2 to 5 years	28,879	24,413	-	-
Bonds and loan stocks				
- within 1 year	8,646	28,773	-	4,001
- within 2 to 5 years	56,179	51,354	-	-
- after 5 years	34,261	30,925	-	-
	127,965	135,716	-	4,001

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
- RM	172,095	174,807	-	4,001
- USD	5,724	7,060	-	-
- HKD	3,705	5,256	-	-
- Peso	64	80	-	-
	181,588	187,203	-	4,001

## 10. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At beginning of the year	4,132	3,313	-	-
Recognised in the income statement (note 27)	(2,046)	819	(2,660)	-
Transferred to equity	(77)	-	-	-
Effect of exchange rate changes	(6)	-	-	-
At end of the year	2,003	4,132	(2,660)	-

#### 10. DEFERRED TAX ASSETS/(LIABILITIES) (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, as follows:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deferred tax assets (net)	4,663	4,140	-	-
Deferred tax liabilities (net)	(2,660)	(8)	(2,660)	-
	2,003	4,132	(2,660)	-

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deferred tax assets				
Provision for retirement benefits	76	20	-	-
Allowance for doubtful debts	4,802	4,018	-	-
Accruals for bonus	701	772	79	-
Unabsorbed capital allowances	253	188	101	-
Accumulated amortisation of premiums	710	400	-	-
Diminution in value of investment	33	19	-	-
Unabsorbed tax losses	568	-	568	-
Other temporary differences	186	48	-	-
	7,329	5,465	748	-
Deferred tax liabilities				
Excess of capital allowance over accumulated depreciation on property, plant and equipment	1,210	1,014	48	-
Accumulated accretion of discounts	483	-	-	-
Unrealised foreign exchange gain	19	45	-	-
Lease rental receivable	177	259	-	-
Dividend receivable	3,360	-	3,360	-
Revaluation surplus of investment property	77	-	-	-
Other temporary differences	-	15	-	-
	5,326	1,333	3,408	-

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.

#### 10. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

The 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	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tax losses	-	1,826	-	1,627
Unabsorbed capital allowances	-	332	-	332
Excess of capital allowances claimed on property plant and equipment over accumulated depreciation	(29)	(260)	-	(260)
Accrual for bonus	30	362	-	362
Others	-	4	-	4
	1	2,264	-	2,065

The tax losses and unabsorbed capital allowances are available for offset against future taxable profits 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.

#### 11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Outstanding premium including insureds, agents, brokers and co-insurer balances	41,684	35,337	-	-
Amount due from reinsurers and ceding companies	27,550	27,142	-	-
	69,234	62,479	-	-
Allowance for doubtful debts	(15,105)	(12,653)	-	-
	54,129	49,826	-	-
Loans and advances	30,303	27,659	-	-
Allowance for doubtful debts	(3,171)	(2,239)	-	-
	81,261	75,246	-	-
Brokerage fees receivable	923	786	-	-
	82,184	76,032	-	-
Other receivables	4,989	6,174	84	42
Allowance for doubtful debts	(5)	(5)	-	-
	87,168	82,201	84	42

## 11. TRADE AND OTHER RECEIVABLES (cont'd)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
	87,168	82,201	84	42
Interest receivable	2,557	2,904	9	85
Prepayments and deposits	764	112	62	65
	90,489	85,217	155	192

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
- RM	86,506	78,658	155	192
- USD	10,757	8,554	-	-
- HKD	4,726	7,174	-	-
- Peso	6,040	4,745	-	-
- SGD	741	983	-	-
	108,770	100,114	155	192

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

The effective interest rates of the loans and advances at balance sheet date ranged from 3.4% to 11.25% (2003 : 3.4% to 12.0%) per annum.

## 12. MARKETABLE SECURITIES

	2004 RM'000	2003 RM'000
Securities quoted in Malaysia		
- at cost	1,752	2,077
- at market value	2,970	3,062
Securities quoted outside Malaysia, at market value	1,063	890
	5,785	6,029
Market value:		
Securities quoted		
- in Malaysia	5,012	5,462
- outside Malaysia	1,063	890

## 12. MARKETABLE SECURITIES (cont'd)

The currency exposure profile of marketable securities is as follows:

	2004 RM'000	2003 RM'000
- RM	4,722	5,139
- HKD	807	691
- SGD	256	199
	5,785	6,029

## 13. DEPOSITS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits				
- with licensed financial institutions in Malaysia	210,627	149,586	9,364	8,853
- with banks outside Malaysia	40,566	51,468	-	-
	251,193	201,054	9,364	8,853

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

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Deposits				
- with licensed financial institutions in Malaysia	0.9 to 3.7	2.6 to 4.0	2.7 to 3.0	2.8 to 3.0
- with banks outside Malaysia	0.2 to 7.5	0.2 to 1.0	-	-

All the deposits have maturities of one year or less.

The currency exposure profile of the deposits is as follows:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
- RM	184,403	130,165	9,364	8,853
- USD	51,037	29,901	-	-
- HKD	13,563	36,297	-	-
- Peso	1,780	4,281	-	-
- SGD	410	410	-	-
	251,193	201,054	9,364	8,853

#### 14. CASH AND BANK BALANCES

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
- RM	16,799	22,978	3,565	3,578
- USD	6,180	5,919	-	-
- HKD	4,093	5,405	-	-
- Peso	455	435	-	-
- SGD	143	270	-	-
- JPY	15	30	-	-
- AUD	47	-	-	-
	27,732	35,037	3,565	3,578

#### 15. PROVISION FOR OUTSTANDING CLAIMS

	2004 RM'000	2003 RM'000
Gross outstanding claims	293,192	180,510
Recoverable from reinsurers	(122,971)	(21,139)
Net outstanding claims	170,221	159,371
Movement of claims is analysed as follows:		
	2004 RM'000	2003 RM'000
Gross claims paid less salvage	111,799	99,842
Reinsurance recoveries	(36,589)	(34,891)
Net claims paid	75,210	64,951
Net outstanding claims:		
At end of the year	170,221	159,371
At beginning of the year	(159,371)	(149,643)
Effect of exchange rate changes	(18)	(99)
Insurance claims incurred	86,042	74,580

## 16. TRADE AND OTHER PAYABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Amounts due to insureds, agents, brokers and co-insurers	14,726	17,450	-	-
Amounts due to reinsurers and ceding companies	38,025	34,908	-	-
Other payables	21,264	18,292	519	318
Accruals	477	4,010	331	473
	74,492	74,660	850	791

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
- RM	61,731	59,298	850	791
- USD	3,236	3,461	-	-
- HKD	3,083	6,413	-	-
- Peso	6,322	5,145	-	-
- SGD	120	343	-	-
	74,492	74,660	850	791

## 17. UNEARNED PREMIUM RESERVES

	2004 RM'000	2003 RM'000
At beginning of the year	69,292	66,251
Increase for the year	11,158	2,951
	80,450	69,202
Effect of exchange rate changes	-	90
At end of the year	80,450	69,292

## 18. BANK BORROWING (unsecured)

	2004 RM'000	2003 RM'000
Revolving credit	23,800	23,000

The revolving credit, which is denominated in RM, bears interest at 0.6% per annum (2003 : 0.6%) above the cost of funds of a lending bank. The effective interest rate of the revolving credit at the balance sheet date was 3.59% (2003 : 3.6%) per annum.

## 19. SHARE CAPITAL

	2004 RM'000	2003 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	107,202	104,730
Shares issued pursuant to ESOS	1,187	2,472
At end of the year	108,389	107,202

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 Directors, to subscribe for new ordinary shares of RM1 each in the Company.
- (b) In aggregate, the maximum number of new shares to be allotted pursuant to the exercise of options granted under the ESOS shall not exceed 10% of the issued and paid up share capital of the Company at any point of time during the existence of the ESOS, save and except in the subsequent event of a reduction in the issued and paid up share capital of the Company by virtue of the Company purchasing its own shares which may cause the aforesaid limit to be exceeded.
- (c) The price at which the option holder is entitled to subscribe for a new share under an option shall be the higher of:
  - (i) the weighted average market price of the shares as shown in the Daily Official List issued by the Bursa Malaysia 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.
- (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.

## 19. SHARE CAPITAL (cont'd)

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

Year ended 31.12.2004			— No. of unissued shares of RM1 each under option —				
Date option granted	Date of expiry	Exercise price RM	At 1.1.2004	Granted	Lapsed	Exercised	At 31.12.2004
31.1.2002	14.1.2007	1.90	3,301,000	-	68,000	1,041,000	2,192,000
1.7.2002	14.1.2007	1.94	195,000	-	-	34,000	161,000
3.3.2003	14.1.2007	1.80	269,000	-	65,000	88,000	116,000
28.7.2003	14.1.2007	1.94	111,000	-	22,000	24,000	65,000
			3,876,000	-	155,000	1,187,000	2,534,000

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

Details of options exercised during the year are as follows:

Exercise date	Fair value of shares at share issue date RM/Share	Exercise price RM/Share	Number of shares issued	
			2004 '000	2003 '000
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
January 2004 - June 2004	2.30 - 2.48	1.80	65	-
January 2004 - June 2004	2.26 - 2.50	1.90	968	-
January 2004 - June 2004	2.34 - 2.48	1.94	49	-
July 2004 - December 2004	2.20	1.80	23	-
July 2004 - December 2004	2.16 - 2.39	1.90	73	-
July 2004 - December 2004	2.16 - 2.39	1.94	9	-
			1,187	2,472

## 19. SHARE CAPITAL (cont'd)

	2004 RM'000	2003 RM'000
Ordinary shares at nominal value	1,187	2,472
Share premium	1,062	2,206
Proceeds	2,249	4,678
Fair value of shares at share issue date	2,835	5,889

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 the Bursa Malaysia on the day of the listing 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

	2004 RM'000	2003 RM'000
Gross written premium less returns	303,850	252,023
Reinsurance outwards	(150,381)	(119,185)
Changes in unearned premium reserves	(11,158)	(2,951)
	142,311	129,887
Brokerage fee income	7,150	8,006
Proceeds from sale of marketable securities held for trading	16,970	10,422
Management fee income	18	40
Security service income	113	113
Interest income from		
- fixed and call deposits	2,912	2,264
- Malaysian government securities	1,790	1,846
- unquoted bond and loan stocks	3,710	4,188
- loan and advances	2,478	2,529
Gross dividend income from		
- shares quoted in Malaysia	2,732	2,888
- unit trust quoted in Malaysia	20	18
- marketable securities quoted in Malaysia	218	276
Income from investment property		
- rental income	1,576	1,866
- parking income	301	308
Accretion of discounts on other investments	679	1,102
	182,978	165,753

## 22. OPERATING COSTS APPLICABLE TO OPERATING REVENUES

	2004 RM'000	2003 RM'000
Insurance claims incurred ( <i>note 15</i> )	86,042	74,580
Net commission expense	8,523	7,078
Cost of marketable securities sold	14,479	9,471
Write down of marketable securities to net realisable value	902	80
Building management expenses	692	746
Amortisation of premiums on other investments	640	825
	111,278	92,780

## 23. OTHER OPERATING INCOME

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income from other investments:				
- gain on disposal	12,302	7,272	-	-
- accretion of discounts	-	16	-	-
- interest income:				
• bonds and loan stocks:				
- quoted outside Malaysia	177	213	-	-
- unquoted in Malaysia	56	-	-	-
• fixed deposits	1,198	1,427	-	-
• treaty premium reserve withheld	123	-	-	-
- gross dividend income from shares outside Malaysia	87	42	-	-
Rental income	2	106	-	-
Service fee income	147	664	-	-
Management fee income	-	-	69	69
Allowance for doubtful debts written back	10	255	-	-
Bad debts recovered	-	104	-	-
Gain on disposal of property, plant and equipment	142	2	-	-
Realised gain on foreign exchange	102	321	-	-
Others	410	853	150	8
Net unrealised gain on marketable securities	173	-	-	-
	14,929	11,275	219	77

## 24. OPERATING EXPENSES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Marketing costs	12,288	11,427	-	-
Administrative and general expenses	37,644	34,365	2,000	2,086
Loss on sale of other investments	401	-	-	-
Realised loss on foreign exchange	31	92	-	157
	50,364	45,884	2,000	2,243
Other operating expenses include:				
Staff costs (excluding Executive Directors' remuneration)*	25,768	24,110	810	1,255
Auditors' remuneration				
- current year	314	312	30	30
- under provision in prior year	22	-	-	-
Depreciation	3,114	2,172	115	116
Directors' remuneration** (note 25)	1,373	2,021	760	689
Hire of equipment	802	475	-	3
Loss on disposal of property, plant and equipment	1	3	-	-
Allowance for doubtful debts	3,451	2,446	-	-
Bad debts written off	160	12	28	-
Rental of premises	1,449	1,566	203	203
The number of employees (including Executive Directors) as at the end of the financial year	477	463	17	19

\* Include expense for defined contributions plans amounting to RM2,766,000 (2003 : RM2,725,000) for the Group and RM98,000 (2003 : RM237,000) for the Company.

\*\* Does not include the estimated monetary value of benefits-in-kind received and receivable.

## 25. DIRECTORS' REMUNERATION

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non-executive Directors				
- fees				
• current year	340	351	185	196
• overprovision in prior year	-	(6)	-	-
- other emoluments	13	-	-	-
Executive Directors				
- salaries and bonuses	912	1,479	496	425
- EPF contributions	108	124	79	68
- other emoluments	-	73	-	-
	1,373	2,021	760	689
Executive Directors				
- benefits-in-kind	12	15	12	15
	1,385	2,036	772	704

The Executive Director 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 above) as follows:

Date of option granted	Date of expiry	Exercise price RM	No. of unissued shares of RM1 each under option			
			At 1.1.2004	Granted	Lapsed	At 31.12.2004
31.1.2002	14.1.2007	1.90	165,000	-	-	165,000

Details of options exercised during 2004 and 2003 are as follows:

Exercise date	Fair value of shares at share issue date RM/Share	Exercise price RM/Share	Number of shares issued	
			2004 '000	2003 '000
July 2003 - December 2003	2.48	1.90	-	10
			2004 RM'000	2003 RM'000
Ordinary shares at nominal value			-	10
Share premium			-	9
Proceeds			-	19
Fair value of shares at share issue date			-	25

## 26. INVESTMENT INCOME (net)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Gross dividends from				
- subsidiary companies	-	-	15,892	11,040
- shares quoted in Malaysia	274	287	-	-
- unquoted shares	56	50	-	-
Interest income from				
- advances to subsidiary companies	-	-	1,478	1,340
- fixed deposits	2,170	1,627	288	298
- unquoted bonds and loan stocks in Malaysia	621	689	7	39
(Amortisation of premiums)/Accretion of discounts on other investments	(214)	3	(1)	(5)
Gain/(Loss) on sale of other investments	2,110	(233)	-	-
Allowance for diminution in value of other investments	(62)	-	-	-
Allowance for diminution in value of other investments written back	-	1,027	-	-
Final cash distribution on liquidation of a former associated company, Kian Min Realty Sdn Bhd	50	-	-	-
	5,005	3,450	17,664	12,712

## 27. TAXATION

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysian taxation based on the results for the year				
- current	5,850	10,376	-	75
- deferred	2,615	(312)	2,660	-
Foreign taxation based on the results for the year				
- current	740	816	108	-
- deferred	(222)	(507)	-	-
	8,983	10,373	2,768	75
Overprovision in prior years				
- current	(894)	(4,720)	-	(1,645)
- deferred	(347)	-	-	-
	7,742	5,653	2,768	(1,570)

## 27. TAXATION (cont'd)

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	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Accounting profit (excluding share of results in associated company)	40,440	41,089	15,050	9,821
Taxation at applicable tax rates	11,219	13,990	4,214	2,750
Non-deductible expenses	1,620	1,037	114	123
Non-taxable income	(1,777)	(3,588)	(1,090)	(3,091)
Utilisation of previously unrecognised tax losses	(564)	(521)	-	-
Deferred tax assets not recognised during the year	2	293	-	293
Deferred tax assets not recognised in prior year	(578)	-	(578)	-
Overprovision in prior years	(1,241)	(4,720)	-	(1,645)
Foreign tax paid	108	-	108	-
Tax effect of different tax rates in foreign countries	(1,118)	(828)	-	-
Tax effect of change in rate	80	-	-	-
Others	(9)	(10)	-	-
Tax at effective tax rate	7,742	5,653	2,768	(1,570)

## 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 RM20,971,000 (2003 : RM23,411,000) by the weighted average number of shares in issue of 108,084,000 (2003 : 105,195,000) during the year.

### (ii) Diluted earnings per share

The diluted earnings per share has been calculated by dividing the Group's net profit for the year of RM20,971,000 (2003 : RM23,411,000) 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:

	2004 '000	2003 '000
Weighted average number of ordinary shares as in (i) above	108,084	105,195
Weighted average number of unissued shares under the ESOS		
- based on exercise price	2,787	3,876
- based on average fair value	(2,302)	(4,913)
Weighted average number of ordinary shares that would have been in issue	108,569	104,158

## 29. DIVIDENDS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
First and final dividend of 8% (2003 : 8%) less tax at 28%	6,243	6,175	6,243	6,175
Additional dividend paid in respect of the year ended 31 December 2003 following the issue of additional shares pursuant to ESOS	61	-	61	-
	6,304	6,175	6,304	6,175

## 30. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cost of acquisition	5,982	4,409	7	14
Unpaid balance included under other payables	(1,080)	-	-	-
Cash paid during the year	4,902	4,409	7	14

## 31. RELATED PARTIES

The Company has a relationship with its subsidiaries.

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Gross premium receivable from a substantial shareholder, namely, Kuok Brothers Sdn Berhad ("KBSB") and KBSB's subsidiary, associated and major investee companies	30,905	24,346	-	-
Loan interest receivable from				
- JCL	-	-	832	724
- JAC	-	-	646	616
Internal audit fee receivable from JIB	-	-	458	648
Management fee income receivable from				
- JIHK	-	-	39	39
- TIBL	-	-	12	12
- JAR	-	-	12	12
- JHS	-	-	6	6
Office rental payable to JIB	-	-	202	202
Secretarial fee payable to KBSB	44	44	18	18

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

### 31. RELATED PARTIES (cont'd)

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Advances owing by JCL	-	-	23,800	23,000
Advances owing by JAC	-	-	18,100	14,100
Internal audit fee owing by JIB	-	-	458	648
Dividend receivable from JIB	-	-	8,640	8,000

### 32. CONTINGENT LIABILITIES

The Company has given guarantees amounting to RM4,300,000 (2003 : RM Nil) to secure bank guarantees given to certain third parties.

### 33. COMMITMENTS

#### (i) Capital commitments

Property, plant and equipment expenditure approved by directors but not provided for in the financial statements amounted to approximately:

	2004 RM'000	2003 RM'000
Authorised and contracted for	1,868	4,619

#### (ii) Non-cancellable operating lease commitments

	2004 RM'000	2003 RM'000
Future minimum rentals payable		
- Not later than 1 year	361	-
- Later than 1 year and not later than 5 years	165	-
	526	-

Operating lease payments represents rentals payable by subsidiaries for use of land and buildings.

### 34. 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.

### 35. 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
<b>(a) By business segment 2004</b>								
<b>REVENUE</b>								
External sales	156,031	7,150	2,478	17,188	131	-	-	182,978
Inter-segment sales	276	-	-	-	173	-	(449)	-
<b>Total revenue</b>	<b>156,307</b>	<b>7,150</b>	<b>2,478</b>	<b>17,188</b>	<b>304</b>	<b>-</b>	<b>(449)</b>	<b>182,978</b>
<b>RESULTS</b>								
Segment result	34,303	974	1,016	1,788	(35)	(1,781)	-	36,265
Interest income	2,005	212	45	224	10	295	-	2,791
Dividend income	330	-	-	-	-	-	-	330
Gain on sale of other investments	2,110	-	-	-	-	-	-	2,110
Allowance for diminution in value	(62)	-	-	-	-	-	-	(62)
Amortisation of premiums	(206)	-	-	(8)	-	-	-	(214)
Other	50	-	-	-	-	-	-	50
Share of associated company's loss	-	-	-	-	-	(6,515)	-	(6,515)
Finance cost	-	-	-	-	-	(833)	-	(833)
<b>Profit before taxation</b>								<b>33,922</b>
<b>Taxation</b>								<b>(7,916)</b>
<b>Profit after taxation</b>								<b>26,006</b>
<b>Minority interest</b>								<b>(5,035)</b>
<b>Net profit for the year</b>								<b>20,971</b>

Accounting Policies and Explanatory Notes  
for the year ended 31st December 2004 (cont'd)

**35. SEGMENTAL REPORTING (cont'd)**

	Underwriting general insurance business RM'000	Insurance brokerage RM'000	Credit and leasing RM'000	Administration Trading in marketable securities RM'000	and management services RM'000	Investment holding RM'000	Consolidated RM'000
<b>(a) By business segment</b>							
<b>2004 (cont'd)</b>							
<b>OTHER INFORMATION</b>							
Segment assets	87,460	11,346	27,757	7,095	198	9,970	143,826
Investing assets	42,500	-	-	-	-	-	42,500
Associated company	-	-	-	-	-	27,693	27,693
Tax assets	4,631	1,839	712	232	32	3,880	11,326
Other investments	179,001	64	-	2,523	-	-	181,588
Deposits	231,435	3,195	344	6,446	409	9,364	251,193
Consolidated total assets							658,126
Segment liabilities	317,521	6,386	338	11	57	850	325,163
Tax liabilities	20	133	-	-	-	2,660	2,813
Bank borrowing	-	-	-	-	-	23,800	23,800
Consolidated total liabilities							351,776
Capital expenditure	5,703	262	10	-	-	7	5,982
Depreciation	2,675	318	6	-	-	115	3,114

### 35. 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
<b>(a) By business segment 2003</b>								
<b>REVENUE</b>								
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
<b>RESULTS</b>								
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
Gain on sale of other investments	(233)	-	-	-	-	-	-	(233)
Allowance for diminution in value	1,123	(96)	-	-	-	-	-	1,027
Accretion of discounts	15	-	-	(7)	-	(5)	-	3
Share of associated company's loss	-	-	-	-	-	(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

### 35. SEGMENTAL REPORTING (cont'd)

	Underwriting general insurance business RM'000	Insurance brokerage RM'000	Credit and leasing RM'000	Administration Trading in marketable securities RM'000	and management services RM'000	Investment holding RM'000	Consolidated RM'000
<b>(a) By business segment</b>							
<b>2003 (cont'd)</b>							
<b>OTHER INFORMATION</b>							
Segment assets	89,588	9,683	25,804	7,851	251	4,181	137,358
Investing assets	42,224	-	-	-	-	-	42,224
Associated company	-	-	-	-	-	34,206	34,206
Tax assets	8,042	1,139	804	190	-	443	10,618
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	296,735	5,214	438	8	134	794	303,323
Tax liabilities	20	114	-	-	12	-	146
Bank borrowing	-	-	-	-	-	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

**35. SEGMENTAL REPORTING (cont'd)**

	Revenue RM'000	Carrying amount of segment assets RM'000	Capital expenditure RM'000
<b>(b) By geographical segment</b>			
<b>2004</b>			
Malaysia	162,843	123,320	5,711
Hong Kong	15,553	11,564	18
Philippines	4,582	8,942	253
	182,978	143,826	5,982
<b>2003</b>			
Malaysia	142,166	115,556	4,015
Hong Kong	19,025	14,915	24
Philippines	4,562	6,887	370
	165,753	137,358	4,409

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

**36. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue on 18th April 2005 by the Board of Directors.

# Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 41 to 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 2004 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.

Signed on behalf of the Directors in accordance with the resolution of the Directors dated 18th April 2005

**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 41 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 )  
this 18th day of April 2005 )

**TAM CHIEW LIN**

Before me:

**ROBERT LIM HOCK KEE**  
Commissioner for Oaths

Kuala Lumpur

# Shareholdings Statistics

as at 31st March 2005

Authorised Share Capital	- RM500,000.000
Issued and Fully Paid up Capital	- RM108,613,003
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	23	0.76	433	0.00
100 - 1,000	438	14.43	393,735	0.36
1,001 - 10,000	2,169	71.47	7,134,156	6.57
10,001 - 100,000	361	11.89	9,035,037	8.32
100,001 to less than 5% of issued shares	40	1.32	25,604,705	23.57
5% and above of issued shares	4	0.13	66,444,937	61.18
	3,035	100.00	108,613,003	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	0.01	-	-
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	60,000	0.06	-	-
Dato' Seri Ismail Farouk bin Abdullah	3,791,445	3.49	-	-
Ahmad Riza bin Basir	-	-	16,637,407	15.32
Anwarudin bin Hj Abdul Rahman	37,500	0.03	-	-
Graham Hecmond Wong	-	-	-	-

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

**In Related Corporations**

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 Bhd	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

Other than as disclosed above, none of the Directors of the Company had any direct nor deemed interest in shares of any related corporations of the Company.

Shareholdings Statistics  
as at 31st March 2005 (cont'd)

**SUBSTANTIAL SHAREHOLDERS**

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
Kuok Brothers Sdn Berhad	41,766,030	38.45	60,000	0.06
BHR Enterprise Sdn Bhd	16,637,407	15.32	-	-
Sable Investment Corporation	8,076,360	7.44	-	-
Ahmad Riza bin Basir	-	-	16,637,407	15.32
Tan Sri Dato' Haji Basir bin Ismail	26,000	0.02	16,637,407	15.32
Puan Sri Hamidah bt Abdul Rahman	-	-	16,637,407	15.32
Roshayati bt Basir	-	-	16,637,407	15.32
Rosilawati bt Basir	-	-	16,637,407	15.32
Rozanazetti bt Basir	-	-	16,637,407	15.32
Frank Tsao Wen King	-	-	8,076,360	7.44

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

Name of Shareholders	No. of Shares	% of Issued Capital
1. Kuok Brothers Sdn Berhad	41,766,030	38.45
2. BHR Enterprise Sdn Bhd	8,637,407	7.95
3. Cartaban Nominees (Asing) Sdn Bhd	8,041,500	7.40
<i>DBS Vickers (Hong Kong) Limited for Sable Investment Corporation</i>		
4. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd	8,000,000	7.37
<i>Pledged Securities Account for BHR Enterprise Sdn Bhd</i>		
5. Citicorp Nominees (Asing) Sdn Bhd	4,075,680	3.75
<i>CB LDN for The Miller Insurance Group Limited</i>		
6. Cimsec Nominees (Tempatan) Sdn Bhd	3,790,000	3.49
<i>CIMB for Dato' Seri Ismail Farouk bin Abdullah</i>		
7. Ophir Holdings Berhad	3,484,125	3.21
8. Alliancegroup Nominees (Tempatan) Sdn Bhd	1,694,000	1.56
<i>PHEIM Asset Management Sdn Bhd for Employees Provident Fund Board</i>		

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

Name of Shareholders	No. of Shares	% of Issued Capital
9. Employees Provident Fund Board	1,110,000	1.02
10. Gan Teng Siew Realty Sdn Berhad	806,100	0.74
11. Asia Life (M) Berhad	700,000	0.64
12. Quarry Lane Sdn Bhd	700,000	0.64
13. Adora Holdings Sdn Bhd	697,230	0.64
14. Key Development Sdn Berhad	677,900	0.62
15. TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Oh Kim Sun</i>	631,200	0.58
16. Lim Tean Kau	580,000	0.53
17. HSBC Nominees (Asing) Sdn Bhd <i>For Dalex Investments Limited</i>	554,000	0.51
18. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (Malaysia) Trustee Bhd for Amanah Saham Sarawak</i>	525,000	0.48
19. Chinchoo Investment Sdn Berhad	502,000	0.46
20. HSBC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Oh Kim Sun</i>	456,400	0.42
21. Gan Teng Siew Realty Sdn Berhad	449,000	0.41
22. Kamaruddin bin Taib	388,361	0.36
23. Mikdavid Sdn Bhd	289,000	0.27
24. Lim Yan Pok Holdings Sdn Bhd	275,000	0.25
25. Neoh Choo Ee & Company, Sdn Berhad	275,000	0.25
26. Citicorp Nominees (Asing) Sdn Bhd <i>CBNY for DFA Emerging Markets Fund</i>	265,700	0.24
27. HDM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Melval Holdings Sdn Bhd</i>	262,800	0.24
28. Yong Kiow Ying	204,577	0.19
29. Lee Eng Hock & Co. Sendirian Berhad	195,000	0.18
30. Yong Ah Keon	194,640	0.18
	90,227,650	83.07

# List of Properties

as at 31st March 2005

Registered Owner	Description/ Location	Tenure	Approximate Building Age (Years)	Approximate Land Area (Sq. Metres)	Net Book Value at 31st December 2004 (RM)	Date of Acquisition/ Revaluation*
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	18	184.69	320,000	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	15	153.29	171,600	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	17	1,632	42,500,000	14.10.2004*
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	32	522.50	1,380,000	25.05.2001

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 9th Annual General Meeting of the Company, to be held on Wednesday, 25th May 2005 at 9.30 a.m. and at any adjournment thereof, as indicated below:

		FOR	AGAINST
<b>Resolution 1</b>	To adopt the Directors' Report and Accounts	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2</b>	To approve the payment of a First and Final Dividend	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b>	To approve the payment of Directors' Fees	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4</b>	To re-elect Dato' Lim Chee Wah as Director	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 5</b>	To re-elect Mr Tan Yew Jin as Director	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 6</b>	To re-elect Encik Anwarudin bin Hj Abdul Rahman as Director	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 7</b>	To re-appoint Moores Rowland as Auditors	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 8</b>	To authorise the Directors to issue and allot shares	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 9</b>	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 ..... 2005.

<b>NUMBER OF SHARES HELD</b>	
------------------------------	--

\_\_\_\_\_  
Signature

NOTES :

- a) 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.
- b) 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.
- c) 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.

please fold here

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  
URL: [www.jerneh.com.my](http://www.jerneh.com.my)

Tan Yew Jin ([yjtan@ppb.com.my](mailto:yjtan@ppb.com.my))  
*Deputy Chairman & Executive Director*

Tam Chiew Lin ([cltam@jerneh.com.my](mailto:cltam@jerneh.com.my))  
*Executive Director*

Tho Yeong Wah ([ywtho@jerneh.com.my](mailto:ywtho@jerneh.com.my))  
*Finance & Corporate Services - Manager*

## **JERNEH CREDIT LEASING SDN. BHD.**

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

Andy Au Yin Yun ([yyau@jerneh.com.my](mailto:yyau@jerneh.com.my))  
*Senior Manager*

## **MINSEC MANAGEMENT SERVICES SDN. BHD.**

14th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : (603) 2148 4715 Fax : (603) 2143 2817

Tho Yeong Wah ([ywtho@jerneh.com.my](mailto:ywtho@jerneh.com.my))  
*Director*

## **JERNEH INSURANCE BERHAD**

12th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : (603) 2116 3300 Fax : (603) 2142 6672  
URL: [www.jerneh.com.my](http://www.jerneh.com.my)

Lim Sun ([slim@jerneh.com.my](mailto:slim@jerneh.com.my))  
*Chief Executive Officer*

Michael Heng Kiah Ngan ([mheng@jerneh.com.my](mailto:mheng@jerneh.com.my))  
*Sales & Marketing - General Manager*

Irene Yong Kiow Ying ([kyiyong@jerneh.com.my](mailto:kyiyong@jerneh.com.my))  
*Office and Methods - Assistant General Manager*

Tan Yoke Leong ([yltan@jerneh.com.my](mailto:yltan@jerneh.com.my))  
*Underwriting - Assistant General Manager*

Aven Yong Chen Weng ([cwyong@jerneh.com.my](mailto:cwyong@jerneh.com.my))  
*Claims - Assistant General Manager*

Jessica Teng Mee Nguk ([mnteng@jerneh.com.my](mailto:mnteng@jerneh.com.my))  
*Finance - Manager*

## **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  
URL: [www.krmre.com](http://www.krmre.com)

Ruben M. Rubio ([rmr@krmre.com](mailto:rmr@krmre.com))  
*Vice President*

Joselito S. Villamil ([jsv@krmre.com](mailto:jsv@krmre.com))  
*Acting General Manager*

## **TAISHAN INSURANCE BROKERS PHILS., INC.**

Suite 1801, 88 Corporate Center  
Sedeno cor. Valero Sts.  
Salcedo Village, Makati City, Philippines  
Tel : (632) 757 2708 Fax : (632) 889 6968  
URL: [www.taishanphils.com](http://www.taishanphils.com)

Ruben M. Rubio ([rmrubio@taishanphils.com](mailto:rmrubio@taishanphils.com))  
*Vice President*

Pat Obsuna ([pmobsuna@taishanphils.com](mailto:pmobsuna@taishanphils.com))  
*General Manager*

## **JERNEH ASIA REINSURANCE LIMITED**

3rd Floor Lucas Kong Building  
UO-185 Jalan Merdeka  
87000 Federal Territory of Labuan, Malaysia  
Tel : (087) 427 818 Fax : (087) 426 818

Chin Chee Kee  
*Resident Director*

Jane Justene Loh ([syloh@jerneh.com.my](mailto:syloh@jerneh.com.my))  
*Principal Officer*

## **JERNEH INSURANCE (HK) LIMITED**

Room 1403, 14/F China Resources Building  
26 Harbour Road, Wanchai, Hong Kong  
Tel : (852) 2519 3100 Fax : (852) 2802 3705  
URL: [www.jerneh-hk.com](http://www.jerneh-hk.com)

Colly Lam ([collylam@jerneh.com.hk](mailto:collylam@jerneh.com.hk))  
*General Manager*

Angela Chan ([angelachan@jerneh.com.hk](mailto:angelachan@jerneh.com.hk))  
*Assistant General Manager & Financial Controller*

## **TAISHAN INSURANCE BROKERS LIMITED**

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