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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 5th ANNUAL GENERAL MEETING of the Company will be held at 19th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 11th May 2001 at 9.30 a.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Audited Accounts for the year ended 31st December 2000, and the Reports of the Directors & Auditors thereon.
2. To declare a First and Final Dividend of 8% less 28% Income Tax for the year ended 31st December 2000, as recommended by the Directors payable on Friday, 25th May 2001 to shareholders whose names appear in the Record of Depositors at the close of business on Monday, 14th May 2001.
3. To approve the payment of Directors' fees for the year ended 31st December 2000.
4. To elect the following Directors who retire in accordance with the Articles of Association of the Company:
 - 4.1 Datuk Khor Chin Poey
 - 4.2 Y. M. Raja Dato' Seri Abdul Aziz bin Raja Salim
5. To re-appoint Moores Rowland as Auditors of the Company and to authorise the Directors to fix their remuneration.
6. To transact any other business of an Annual General Meeting.

As Special Business

7. To consider, and if thought fit, to pass the following Ordinary Resolution:

"THAT pursuant to Section 132D of the Companies Act 1965, approval be and is hereby given for the Directors to issue shares in the Company in accordance with the terms and conditions of the Jerneh Asia Berhad Employee Share Option Scheme ("ESOS") approved by the shareholders at the Extraordinary General Meeting of the Company held on 20th April 1999, provided that the total number of shares already issued and to be issued pursuant to the ESOS shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company for the time being and that such approval shall continue in force until the conclusion of the next Annual General Meeting of the Company."

By Order Of The Board

CHAN SWEE HONG
Company Secretary

Kuala Lumpur
24th April 2001

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.

Explanatory Notes on Special Business

The proposed Ordinary Resolution is to authorise the Directors to issue shares to eligible full-time employees and executive directors of Jerneh Asia Berhad Group pursuant to the exercise of options under the ESOS. 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.

Corporate Information

Board of Directors

Datuk Khor Chin Poey (*Executive Chairman*) • Tam Chiew Lin (*Executive Director*) • Y.M. Raja Dato' Seri Abdul Aziz bin Raja Salim • Dato' Seri Ismail Farouk bin Abdullah • Ahmad Riza bin Basir • Dato' Lim Chee Wah • Anwarudin bin Haji Abdul Rahman • Tan Yew Jin

Audit Committee

Y.M. Raja Dato' Seri Abdul Aziz bin Raja Salim (*Chairman, Independent Non-Executive Director*) • Encik Anwarudin bin Haji Abdul Rahman (*Independent Non-Executive Director*) • Mr Tan Yew Jin (*Non-Independent Non-Executive Director*)

Terms of Reference of Audit Committee

The terms of reference of the Audit Committee are as follows:

1. To review with the auditors the audit plan and their evaluation of the system of internal accounting controls.
2. To review the assistance given by the Company's officers to the auditors, the scope and results of the internal audit procedures and any related party transactions within the Group or the Company.
3. To review the consolidated accounts of the Group and the accounts of the Company together with the Directors' and Auditors' Reports thereon and submit them to the Board of Directors.
4. To nominate persons for appointment as auditors of the Company.

Company Secretary

Chan Swee Hong
(MAICSA: 0772189)

Registered Office

18th Floor, Wisma Jerneh
38 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-241 4255 Fax: 03-242 1677

Principal Banker

Malayan Banking Berhad
Bangunan Yayasan Selangor
Jalan Bukit Bintang
55100 Kuala Lumpur

Auditors

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

Solicitors

Lee Hishammuddin
Advocates & Solicitors
Level 16, Menara Phileo
189 Jalan Tun Razak
50400 Kuala Lumpur

Registrars

PPB Corporate Services Sdn Bhd
14th Floor, Wisma Jerneh
38 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-241 2077 Fax: 03-241 8242

Stock Exchange Listing

Kuala Lumpur Stock Exchange
Stock Number: 6394

Group

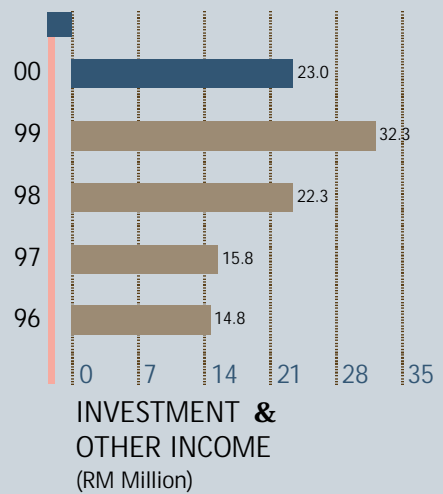
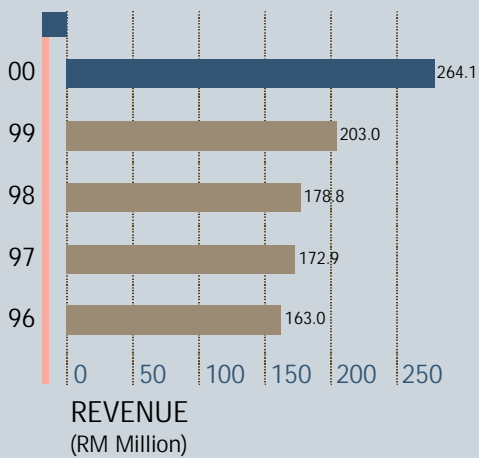
Financial Highlights

	2000 RM'000	1999 RM'000	1998 RM'000	% Change
INCOME STATEMENT				
Revenue	264,273	203,085	178,799	30.13
Profit before taxation	16,833	58,979	27,667	(71.46)
Profit after taxation and minority interest	8,328	58,241	14,818	(85.70)
BALANCE SHEET				
Total assets	537,198	536,260	345,434	0.17
Shareholders' funds	186,892	180,184	129,241	3.72
RATIOS				
Net earnings per share	sen 8.09	87.18	22.18	(90.72)
Net dividends per share	sen 5.80	10.80	7.20	(46.30)
Net tangible assets per share	RM 1.80	2.70	1.93	(33.33)

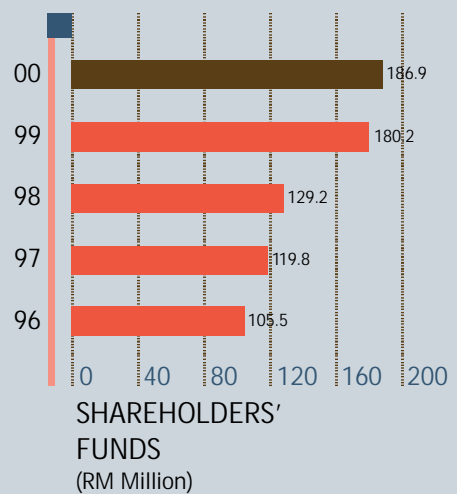
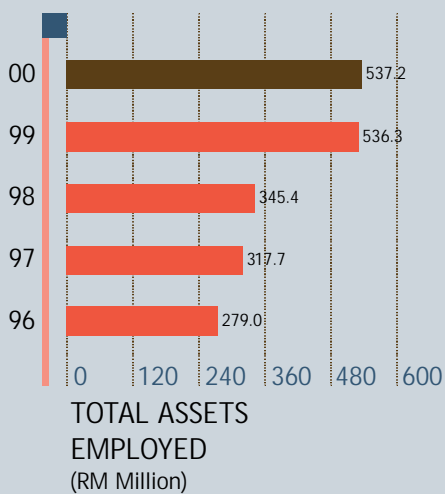
FIVE YEARS' GROUP STATISTICS

Year Ended 31st December		2000	1999	1998	1997	1996
Revenue	RM'000	*264,273	*203,085	178,799	172,939	162,993
Operating profit	RM'000	16,617	47,455	27,488	23,751	25,222
Share of profit of associated companies	RM'000	216	442	179	164	178
Profit before taxation	RM'000	16,833	58,979	27,667	23,915	25,400
Profit after taxation and minority interest	RM'000	8,328	58,241	14,818	15,480	17,116
Dividends - net	RM'000	7,598	7,216	4,810	3,848	3,741
Issued share capital	RM'000	103,777	66,811	66,800	66,800	66,800
Shareholders' funds	RM'000	186,892	180,184	129,241	119,760	105,526
Total assets employed	RM'000	573,198	536,260	345,434	317,679	278,973
Net earnings per share	sen	8.09	87.18	22.18	23.17	29.45
KLSE Quotations						
High	RM	3.53	3.76	3.50	6.70	6.70
Low	RM	2.00	2.40	1.58	2.04	5.25

* Figures reclassified in order to make them comparable



five-year Performance Charts



C Chairman's Statement

On behalf of the Board of Directors of Jerneh Asia Berhad, I am pleased to present the Annual Report and Audited Accounts of the Group and the Company for the year ended 31st December 2000.

The general insurance industry

The local general insurance industry grew by 6.6% in tandem with the country's GNP growth of 8.5% achieved for the year 2000. The motor sector which accounted for 47.5% of the total gross premium recorded the highest growth of 11.6% whilst the contractors all risks sector registered a slight decline of 2.7% for the year under review.

Earned premium income grew by 4.6%. Net claims incurred increased by 6.3% over 1999. The industry's overall claims ratio increased to 64.8% from 63.7% a year ago. Most classes of businesses, especially motor, medical expenses, and personal accident and liability and the miscellaneous class showed marked deterioration in claims experience. With this unfavourable claims experience, the underwriting profit of the industry declined by 41.6% to RM87.7 million compared with the RM150.1 million in 1999. This coupled with a reduction in investment income of 15.6% further depressed the profitability of Malaysian insurers resulting in a significant decline in operating profit by 63.9% to RM393.6 million compared to RM1090.2 million in 1999.



Results of the Group's performance

Jerneh Asia Berhad ("JAB") recorded RM264.2 million in revenue for the year ended 31st December 2000. This represented an increase of 30% over the previous year. The increase in revenue was mainly due to the merger of insurance business completed in December 1999 between JIB, our subsidiary and Paramount Assurance Bhd. Profit before tax amounted to RM16.8 million, down 71.4% compared to the previous year's profit of RM58.9 million, which was exceptional. The exceptional gain was from the sale of JIB's shares by JAB and better operating results from JIB.

Review of operations

Jerneh Insurance Berhad ("JIB")

Set against the industry, JIB wrote RM219.2 million of gross written premium, up over last year's RM167.2 million by 31%. Despite writing more business, the underwriting surplus declined by 86.4% to RM2.7 million from RM19.8 million in 1999. JIB was not spared the onslaught of high claims experience felt by the industry. In the 30 years of JIB's history of writing risks, I must report that the underwriting results for the year 2000 is the worst ever faced by the company. Net claims incurred were up by 95% to RM84.0 million, largely due to unexpected higher claims in Motor, Marine Hull and General Accident business and lower retention levels due to higher reinsurance requirements on large commercial risks. In 1999, JIB recorded higher retention and lower claims of RM42.9 million. Our loss ratio was 69.7% compared to the industry's average of 64.8%.

A lower investment income of RM11.7 million was recorded in the Investment Portfolio. This was due to a reduction in yield rates on fixed income securities and a weak performance on the KLSE.

For the year under review, JIB achieved a profit before tax of RM21.1 million compared to RM47.1 million in the previous year.

In the year going forward, JIB has instituted new measures and reengineered its claims and motor underwriting infrastructure to deal with the intense and competitive underwriting activities of the industry. This includes appointing our own panel of motor workshops across the country to manage and control the processing and adjustment of motor claims. New procedures have been introduced to minimise fraudulent claims. Concurrently, JIB continues to seek improvements in critical areas of the business, ranging from aligning and integrating systems and processes and proactively planning for employees' interaction that will add value to its products and business approach. Integral to these efforts is the information technology infrastructure. The Group is reviewing its total IT requirements with a view to meet the challenges of globalisation, and eventual liberalisation of the industry and the demands of the new consumers.

Subsidiaries

JAB's other subsidiaries include Jerneh Asia Reinsurance Limited, Jerneh Credit Leasing Sdn Bhd and Jerneh Healthcare Services Sdn Bhd. These companies have turned in commendable results that have contributed to the Group's net profit. Other than Jerneh Healthcare Services Sdn Bhd, these subsidiaries will continue to sustain their profitability. Plans are being developed to merge Jerneh Healthcare Services Sdn Bhd with others in the industry to create value-added products and services in a growing healthcare market.



Jerneh Insurance (HK) Limited and Taishan Insurance Brokers Limited contributed RM2.1 million in pre-tax profits to JAB in the year 2000. Hong Kong is a high cost center and coupled with a continuing slowdown in the economy, and a fierce competitive environment, the two subsidiaries will need to be more resilient and creative to sustain growth and profitability in the next few years.

Regional expansion

During the year, JAB acquired the remaining (60%) shares of Taishan Insurance Brokers Philippines, Inc and KRM Reinsurance Brokers Phils, Inc ("KRMP"). Pending final approvals from the Philippines Insurance Commission and Philippines Securities and Exchange Commission, these two companies will be wholly-owned subsidiaries of the Company. Both companies continue to be highly profitable and KRMP is one of the leading reinsurance brokers in the Philippines market.

Through Generali Asia N. V., a joint venture investment company with Assicurazioni Generali SpA, Italy, JAB has invested in the equity of Generali Pilipinas Holding Company Inc., which owns 60% equity of Generali Pilipinas Insurance Company Inc., and Generali Pilipinas Life Assurance Company Inc. Operations started in March 2000 and the companies are rapidly building up their portfolios. The Philippines market offers yet untapped potential and the Group expects positive contributions to come onstream in the medium term.

Consolidation of the insurance industry

The consolidation of the insurance industry is an ongoing process. A few strong domestic insurers will emerge to be resilient enough to face competition when the market is liberalised. To hasten the pace of consolidation, Bank Negara Malaysia mandated that insurers raise their paid-up capital to RM100 million by 30th June 2001 with further increases in the future. JIB will increase its paid-up capital from RM75 million to RM100 million by the deadline set by BNM. In the merger race, a mandate has been given to JIB to approach other insurance companies to commence merger talks and this is ongoing. We are also considering alternatives and other options. We remain committed to ensuring that any mergers in line with the consolidation process will safeguard and create value for both our employees and our shareholders.

Corporate governance and the new KLSE listing rules

As part of our efforts to provide greater disclosure to our stakeholders, we have adopted the new Malaysian Accounting Standards Board ("MASB") standards. The standards, in addition to other disclosures, pertain to disclosure requirements, notably in the Income Statement (previously Profit and Loss Statement) and the Notes to the Accounts.

The Board fully supports the Malaysian Code on Corporate Governance (the "Code"). To this end, in compliance with the Code, JAB will be setting up the various committees in the year 2001 and will put in place the necessary infrastructure to ensure that the highest standards of corporate governance are practised throughout the Group and that the Board will comply with best practices as set out in the Code.



Dividends

Your Board of Directors is pleased to recommend a First and Final Dividend of 8 % less tax of 28 % per ordinary share for the financial year ended 31st December 2000.

Acknowledgement

On behalf of the Board of Directors, I wish to thank the staff of the Group for their loyalty and dedication; Bank Negara Malaysia and other authorities for their guidance; agents, brokers and reinsurers for their strong support; and our clients for their business. I would also like to thank my fellow Directors for their valuable contribution, time and commitment.

Datuk Khor Chin P oey

Executive Chairman

27th February 2001

A Blue Chip Client List.....



Multinational Accounts

Kimberly-Clark Products (M) Sdn Bhd
Eastman Chemical (Malaysia) Sdn Bhd
Halliburton Group
Cycle & Carriage Bintang Bhd
Colgate-Palmolive (M) Sdn Bhd
W.R. Grace Specialty Chemicals (M) Sdn Bhd
Dell Asia Pacific
Borden Chemical (M) Sdn Bhd
Astec Advance Power System (Penang) Sdn Bhd
Messer Griesheim GMBH
Blue Circle Group of Companies
Texas Instruments (M) Sdn Bhd
Solectron Technology Sdn Bhd
Cabot (Malaysia) Sdn Bhd
Secomex Manufacturing Sdn Bhd



Other Major Accounts

PGEO Edible Oils Sdn Bhd

Central Sugars Refinery Sdn Bhd

Malayan Sugar Manufacturing Co Bhd

Chain of Golden Screen Cinema

FFM Bhd

Cheras Leisure Mall

Chain of Shangri-La Hotels

I.M.C. Holding's Group of Companies

Mid Valley Megamall

Menara Tan & Tan

Micasa Hotel

Menara IGB

Crown Regency Hotel

Cititel Hotel

Gleaneagles Hospital

Organisation profile

