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NOTICE IS HEREBY GIVEN that the 6TH ANNUAL GENERAL MEETING of the Company will be held at 19th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 21st May 2002 at 9.30 a.m. for the following purposes :-

1. To receive and adopt the Audited Accounts for the financial year ended 31st December 2001, and the Reports of the Directors' & Auditors' thereon. (Resolution 1)
2. To declare a First and Final Dividend of 8 sen per share less 28% Income Tax for the financial year ended 31st December 2001. (Resolution 2)
3. To approve an increase in payment of Non-Executive Directors' Fees. (Resolution 3)
4. To re-elect the following Directors who retire in accordance with the Articles of Association of the Company :-
 - 4.1 Dato' Lim Chee Wah (Resolution 4)
 - 4.2 Dato' Seri Ismail Farouk bin Abdullah (Resolution 5)
5. To re-appoint Moores Rowland as Auditors of the Company and authorise the Directors to fix their remuneration. (Resolution 6)
6. **Special Business**

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

 - 6.1 Authority to Issue and Allot Shares

"THAT pursuant to Section 132D of the Companies Act, 1965, approval be and is hereby given for the Directors to issue shares in the Company in accordance with the terms and conditions of the Jerneh Asia Berhad Employee Share Option Scheme 2001 ("ESOS 2001") approved by the shareholders at the Extraordinary General Meeting of the Company held on 20th December 2001, provided that the total number of shares already issued and to be issued pursuant to the ESOS 2001 shall not exceed ten percent (10%) of the issued and paid up share capital of the Company for the time being and that such approval shall continue in force until the conclusion of the next Annual General Meeting of the Company." (Resolution 7)
 - 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 at an Extraordinary General Meeting of the Company held on 20th December 2001 pursuant to paragraph 10.09 of the Listing Requirements of the Kuala Lumpur Stock Exchange, authorising the Company and its subsidiaries ("Jerneh Group") to enter into recurrent transactions of a revenue or

notice of annual general meeting

trading nature as set out in paragraph 3 of the Circular to Shareholders dated 29th April 2002 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;
- (ii) disclosure is made in the annual report of the aggregate value of the transactions conducted pursuant to the shareholders' mandate during a financial year and that the authority conferred by such renewed mandate shall, unless revoked or varied by the Company in a general meeting continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which the Proposed Renewal of Recurrent Related Party Mandate is approved, provided that such transactions are made on an arm's length basis and on normal commercial terms;

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

(Resolution 8)

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT a First and Final Dividend of 8 sen per share less 28% Income Tax in respect of the financial year ended 31st December 2001, if approved, will be paid on Wednesday, 10th July 2002 to shareholders whose names appear in the Record of Depositors at the close of business on Tuesday, 11th June 2002.

A depositor shall qualify for entitlement only in respect of :-

- a) Shares transferred into the Depositor's Securities Account before 12.30 p.m. on 11th June 2002 in respect of ordinary transfers; and
- b) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

By Order of the Board

CHAN SWEE HONG

Company Secretary

Kuala Lumpur
29th April 2002

NOTES :

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote in his/her stead. A proxy may but need not be a member of the Company. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
2. The instrument appointing the proxy, in the case of an individual, shall be signed by the appointer, or his attorney duly authorised in writing and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing the proxy, must be deposited at the Registered Office of the Company at 18th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Proposed Increase in Non-Executive Directors' Fees
It is proposed that the basis of payment of Non-Executive Directors' fees be increased from RM10,000 per Director per annum to a maximum of RM37,500 per Director per annum for the financial year ended 31st December 2001, equivalent to a total amount of RM196,000 payable for the year.
5. Explanatory Notes on Special Business

Authority to Issue and Allot Shares

The proposed Ordinary Resolution is to empower the Directors to issue shares in the Company to eligible full time employees and Executive Director of Jerneh Asia Berhad Group pursuant to the exercise of options under ESOS 2001 up to an amount not exceeding in total ten (10) percent of the issued and paid up 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 at an Extraordinary General Meeting of the Company held on 20th December 2001. The proposed renewal of the shareholders' mandate will enable Jerneh and its subsidiaries ("Jerneh Group") to enter into any of the recurrent transactions of a revenue or trading nature which are necessary for the Jerneh Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

statement accompanying notice of annual general meeting

1. Directors who are standing for re-election pursuant to Article 102 of the Company's Articles of Association are :-
 - a. Dato' Lim Chee Wah; and
 - b. Dato' Seri Ismail Farouk bin Abdullah

2. Details of attendance of Directors at Board Meetings

Six (6) Board Meetings were held during the financial year from 1 January 2001 to 31 December 2001.

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

Directors	Attended
Datuk Khor Chin Poey (Chairman)	5 of 6 meetings held
Tan Yew Jin (Deputy Chairman)	5 of 6 meetings held
Tam Chiew Lin (Executive Director)	6 of 6 meetings held
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	5 of 6 meetings held
Dato' Seri Ismail Farouk bin Abdullah	4 of 6 meetings held
Ahmad Riza bin Basir	5 of 6 meetings held
Dato' Lim Chee Wah	5 of 6 meetings held
Anwarudin bin Hj Abdul Rahman	5 of 6 meetings held

3. Date, Time and Venue of the Board Meetings

Meeting	Date	Time	Venue
20th Board of Directors' Meeting	27.02.2001 (Tuesday)	11.30 a.m.	Conference Room 16th Floor, Wisma Jerneh 38 Jalan Sultan Ismail 50250 Kuala Lumpur
Special Board of Directors' Meeting	03.05.2001 (Thursday)	2.30 p.m.	Conference Room 16th Floor, Wisma Jerneh 38 Jalan Sultan Ismail 50250 Kuala Lumpur
21st Board of Directors' Meeting	11.05.2001 (Friday)	11.30 a.m.	Conference Room 16th Floor, Wisma Jerneh 38 Jalan Sultan Ismail 50250 Kuala Lumpur
22nd Board of Directors' Meeting	13.08.2001 (Monday)	11.30 a.m.	Conference Room 16th Floor, Wisma Jerneh 38 Jalan Sultan Ismail 50250 Kuala Lumpur
23rd Board of Directors' Meeting	01.11.2001 (Thursday)	4.00 p.m.	Conference Room 16th Floor, Wisma Jerneh 38 Jalan Sultan Ismail 50250 Kuala Lumpur
24th Board of Directors' Meeting	04.12.2001 (Tuesday)	3.30 p.m.	Conference Room 16th Floor, Wisma Jerneh 38 Jalan Sultan Ismail 50250 Kuala Lumpur

4. Further details of Directors who are standing for re-election as Directors

- a. Name : Dato' Lim Chee Wah
- Age : 62
- Nationality : Malaysian
- Qualification : Bachelor of Arts (Honours) Degree from the University of Malaya
- Position in the Company : Non-Independent Non-Executive Director
- Working experience and occupation : Dato' Lim was appointed as a Director of Jerneh Asia Berhad on 27 June 1996. He obtained his Bachelor of Arts (Honours) Degree in Economics from the University of Malaya in 1963.
- Dato' Lim has been the Executive Director of PPB Group Berhad since 11 June 1993. He was the Managing Director of Malayan Sugar Manufacturing Co. Berhad from 1993 to 1999. Currently, he is the Executive Chairman of Malayan Sugar Manufacturing Co. Berhad. He also sits on the Board of Kuok Foundation Berhad, a charitable organisation, Jerneh Insurance Berhad and Kuok Brothers Sdn Bhd.
- Other directorships of public companies : PPB Group Berhad
Jerneh Insurance Berhad
Malayan Sugar Manufacturing Co. Berhad
Kuok Foundation Berhad
- | Securities holdings in the Company and its subsidiaries (as at 31 December 2001) | Securities holding | Number of Securities | % |
|--|--------------------|----------------------|------|
| | Shares | | |
| | Jerneh Asia Berhad | 30,000 (Direct) | 0.03 |
- Family relationship with any director and/or major shareholder of the Company : None
- Any conflict of interest that they have with the Company : None
- List of convictions for offences within the past 10 years other than traffic offence, if any : None

statement accompanying notice of annual general meeting

- b. Name : Dato' Seri Ismail Farouk bin Abdullah
- Age : 56
- Nationality : Malaysian
- Qualification : Degree in Hotel Management from L'Ecole Hoteliere in Lausanne, Switzerland
- Position in the Company : Independent Non-Executive Director
- Working experience and occupation : Dato' Seri was appointed to the Board of Jerneh Asia Berhad on 27 June 1996. He holds a degree in Hotel Management from L'Ecole Hoteliere in Lausanne, Switzerland. His experience in the hospitality industry spans over twenty years both in Europe and Asia. He has held senior management positions in the Hilton chain of hotels as well as the Shangri-La Group of Hotels.
- Since 1983, Dato' Seri has been actively involved in the development and management of hotels and resorts, travel and leisure, property development, manufacturing as well as education. He is currently the Chief Executive Officer of The KAB Group of Companies. He also sits on the Board of Shangri-La Hotels (Malaysia) Berhad, Ophir Holdings Berhad, Jerneh Insurance Berhad and several other private limited companies in Malaysia.
- Other directorships of public companies : Shangri-La Hotels (Malaysia) Berhad
Jerneh Insurance Berhad
- Securities holdings in the Company and its subsidiaries (as at 31 December 2001) :
- | Securities holding | Number of Securities | % |
|--------------------|----------------------|------|
| Shares | | |
| Jerneh Asia Berhad | 3,791,445 (Direct) | 3.65 |
- Family relationship with any director and/or major shareholder of the Company : None
- Any conflict of interest that they have with the Company : None
- List of convictions for offences within the past 10 years other than traffic offence, if any : None

BOARD OF DIRECTORS

Datuk Khor Chin Poey CHAIRMAN

Tan Yew Jin DEPUTY CHAIRMAN

Tam Chiew Lin EXECUTIVE DIRECTOR

YM Raja Dato' Seri Abdul Aziz bin Raja Salim

Dato' Seri Ismail Farouk bin Abdullah

Ahmad Riza bin Basir

Dato' Lim Chee Wah

Anwarudin bin Hj Abdul Rahman

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

Datuk Khor Chin Poey CHAIRMAN

Tan Yew Jin

Tam Chiew Lin

Ahmad Riza bin Basir

Dr Teo Chiang Quan

(A Director of Jerneh Insurance Berhad)

REMUNERATION COMMITTEE

Dato' Seri Ismail Farouk bin Abdullah CHAIRMAN

Tan Yew Jin

Tam Chiew Lin

COMPANY SECRETARY

Chan Swee Hong MAICSA: 0772189

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

16th Floor, Wisma Jerneh,
38 Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel: 03-2145 0485 Fax: 03-2143 2817

PRINCIPAL BANKER

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

AUDITORS

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

SOLICITORS

Lee Hishammuddin ADVOCATES & SOLICITORS
Level 16, Menara 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: 03-2141 2077 Fax: 03-2141 8242

STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange
STOCK NUMBER: 6394

WEBSITE

www.jerneh.com.my

profile of the board of directors

DATUK KHOR CHIN POEY

(66 years of age – Malaysian)

*Non-Executive Chairman / Non-Independent Non-Executive Director,
Chairman of Investment Committee*

Datuk Khor was appointed as Director and Chairman of Jerneh Asia Berhad on 27 June 1996. He served as the Executive Chairman of Jerneh Asia Berhad from January 1998 to May 2001. He is also the Chairman of Jerneh Insurance Berhad. He holds a Bachelor of Engineering (Honours) Degree in Civil Engineering from the University of Malaya.

Datuk Khor was the Managing Director of Perlis Plantations Berhad ("PPB"), now known as PPB Group Berhad from October 1984 to June 1993 and was subsequently the Deputy Chairman of PPB from June 1993 to April 1999. He was also the Executive Chairman of PPB Oil Palms Berhad from April 1997 to April 1999.

Datuk Khor does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended five out of the six Board Meetings held during the financial year ended 31 December 2001.

MR TAN YEW JIN

(60 years of age – Malaysian)

*Non-Executive Deputy Chairman / Non-Independent Non-Executive Director,
Chairman of Option Committee and Management Committee,
Member of Audit Committee, Remuneration Committee and Investment Committee*

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

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

Mr Tan does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended five out of the six Board Meetings held during the financial year ended 31 December 2001.

MS TAM CHIEW LIN

(51 years of age – Malaysian)

Executive Director

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

Ms Tam was appointed as a Director of Jerneh Asia Berhad on 27 June 1996. She assumed the position of Executive Director of Jerneh Asia Berhad on 1 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, received her Postgraduate Certificate in Banking and Finance from the University of Bangor, Wales.

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

Ms Tam does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has had no conviction for any offences within the past 10 years. She attended all Board Meetings held during the financial year ended 31 December 2001.

YM RAJA DATO' SERI ABDUL AZIZ BIN RAJA SALIM

(63 years of age – Malaysian)

Independent Non-Executive Director

Chairman of the Audit Committee

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

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

YM Raja Dato' Seri does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended five out of the six Board Meetings held during the financial year ended 31 December 2001.

profile of the board of directors

DATO' SERI ISMAIL FAROUK BIN ABDULLAH

(56 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 27 June 1996. He holds a degree in Hotel Management from L'Ecole Hoteliere in Lausanne, Switzerland. His experience in the hospitality industry spans over twenty years both in Europe and Asia. He has held senior management positions in the Hilton chain of hotels as well as the Shangri-La Group of Hotels.

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

Dato' Seri does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended four out of the six Board Meetings held during the financial year ended 31 December 2001.

ENCIK AHMAD RIZA BIN BASIR

(41 years of age – Malaysian)

Non-Independent Non-Executive Director

Member of Management Committee and Investment Committee

Encik Ahmad Riza bin Basir was appointed to the Board of Jerneh Asia Berhad on 27 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 Ahmad Riza is currently the Executive Chairman of Fima Corporation Berhad, Chairman of Syarikat Kayu Wangi Berhad, and a Director of Kumpulan Fima Berhad, Nationwide Express Courier Services Berhad, Ladang Perbadanan Fima Berhad, John Hancock Life Assurance (M) Berhad, KESM Industries Berhad, United Plantations Berhad and Jerneh Insurance Berhad. He also sits on the Board of several other private limited companies in Malaysia.

Encik Ahmad 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 Ahmad Riza and persons connected with him are deemed interested as disclosed under item 3 of the Circular to Shareholders dated 29th April 2002, 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 five out of the six Board Meetings held during the financial year ended 31 December 2001.

DATO' LIM CHEE WAH

(62 years of age – Malaysian)

Non-Independent Non-Executive Director

Dato' Lim Chee Wah was appointed as a Director of Jerneh Asia Berhad on 27 June 1996. He obtained his Bachelor of Arts (Honours) Degree in Economics from the University of Malaya in 1963.

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

Dato' Lim does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended five out of the six Board Meetings held during the financial year ended 31 December 2001.

ENCIK ANWARUDIN BIN HJ ABDUL RAHMAN

(53 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 27 June 1996. He obtained his Bachelor of Economics (Hons) Degree in Rural Economics from the University of Malaya in 1971 as well as Masters Degree in Law and Diplomacy from Tufts University, USA in 1983.

Encik Anwarudin served the Malaysian Ministry of Foreign Affairs in various positions from January 1971 to January 1990 before joining PPB Group Berhad as Senior Manager on 1 March 1990. He also sits on the Board of PPB Oil Palms Berhad, 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 five out of the six Board Meetings held during the financial year ended 31 December 2001.

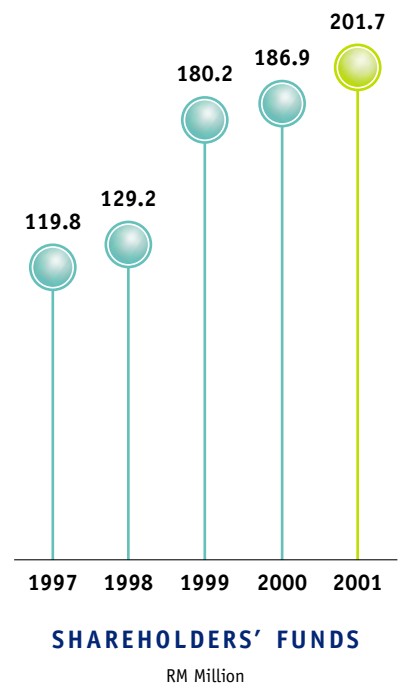
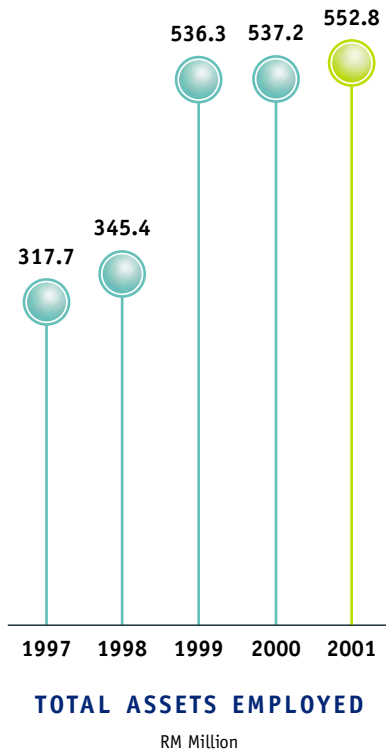
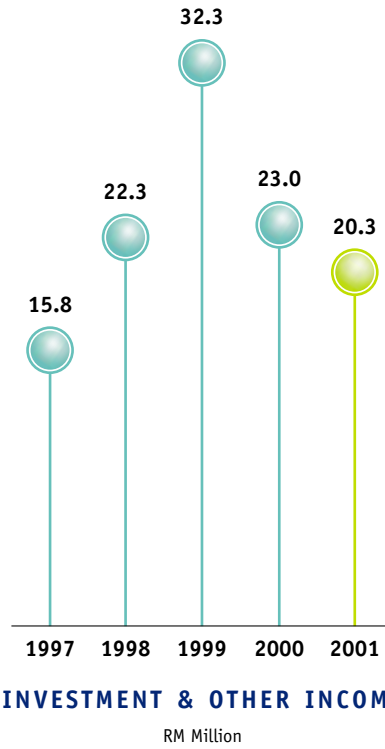
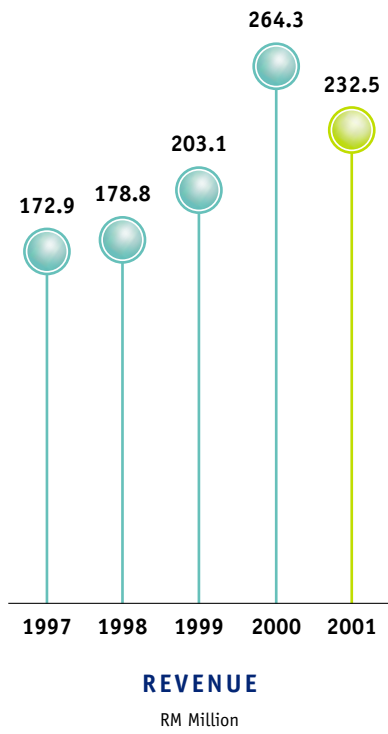
group financial highlights

		2000 RM'000	2001 RM'000	% Change
INCOME STATEMENT				
Revenue		264,273	232,513	(12%)
Profit before taxation		16,833	35,166	109%
Profit after taxation and minority interest		8,328	20,937	151%
BALANCE SHEET				
Total assets		537,198	552,813	3%
Shareholders' funds		186,892	201,706	8%
RATIOS				
Net earnings per share	Sen	8.09	20.17	149%
Net dividends per share	Sen	5.76	5.76	0%
Net tangible assets per share	RM	1.80	1.94	8%

FIVE YEARS' GROUP STATISTICS

year ended 31st December		1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Revenue		172,939	178,799	203,085	264,273	232,513
Operating profit		23,751	27,488	47,455	16,617	36,032
Share of profit of associated companies		164	179	442	216	(866)
Profit before taxation		23,915	27,667	58,979	16,833	35,166
Profit after taxation and minority interest		15,480	14,818	58,241	8,328	20,937
Dividends – net		3,848	4,810	7,216	6,110	5,978
Issued share capital		66,800	66,800	66,811	103,777	103,777
Shareholders' funds		119,760	129,241	180,184	186,892	201,706
Total assets employed		317,679	345,434	536,260	537,198	552,813
Net earnings per share	Sen	23.17	22.18	87.18	8.09	20.17
KLSE Quotations						
High	RM	6.70	3.50	3.76	3.53	2.15
Low	RM	2.04	1.58	2.40	2.00	1.60

five-year group performance charts



Dear Shareholders,

I am pleased to present on behalf of the Board of Directors,

the Annual Report of Jerneh Asia Berhad

for the financial year ended 31 December 2001.

chairman's

S T A T E M E N T



FINANCIAL HIGHLIGHTS

Results of the Group's performance

Given the challenges the Group faced during the financial year ended 31st December 2001, the Group achieved a commendable pre-tax profit of RM35.2 million, representing an increase of 110% as compared to RM16.8 million in the corresponding period last year. Profit after tax was RM20.9 million. This is an increase of 152% over last year's result of RM8.3 million. Net earnings per share increased from 8.1 sen to 20.2 sen. Consequently the Group's net tangible assets have also increased from RM1.80 per share to RM1.94 per share.

The improved performance of the Group was due to its principal subsidiary, Jerneh Insurance Berhad ("JIB") recording significant improvement in underwriting performance. The company achieved an underwriting surplus of RM37.7 million which exceeded last year's surplus of RM28.9 million by 30%.

Strict underwriting discipline and a concerted move towards underwriting quality business were implemented but at a cost. Underwriting profit was achieved at the expense of market share. Gross premium volume for the year decreased by 17% from RM219.2 million to RM181.4 million. As a result of the deliberate change in underwriting strategy and increased stringent underwriting terms, motor class business dropped substantially by 20%; and marine, aviation and transit class by 38%.



As reported to you in our last Annual General Meeting, the result for year 2000 was severely affected by significantly higher claims volume and high loss ratios on motor and the miscellaneous, engineering and liability classes of business. The proactive measures undertaken by Management in year 2001 to control claims has produced satisfying results. The net claims ratio improved from 70% in year 2000 to 60% in year 2001. JIB achieved a higher underwriting balance of RM9.8 million after management expenses as compared to RM2.7 million achieved in the previous year.

Group income from portfolio investments and other income for the year under review was RM20.3 million, representing a decrease of 11.7% from last year's income of RM23.0 million. The decrease was due to a low interest rate environment and poor market sentiments. The Group took a conservative view of the stock market and stayed underinvested in equities.

The purchase of Wisma Jerneh was completed in June 2001 for a total consideration of RM41 million.

Other Subsidiaries

The Group's subsidiaries, Jerneh Credit Leasing Sdn Bhd and Taishan Insurance Brokers Limited recorded better profits after tax of RM1.5 million and HK\$3.5 million respectively, well above last year's results.

Jerneh Insurance (HK) Limited continues to operate in an increasingly high cost and very competitive market environment in Hong Kong. Although there was an increase in gross premium volume of 19%, the company could just breakeven from underwriting. Profit after tax increased from HK\$1.2 million in year 2000 to HK\$2.7 million in year 2001, with contributions from investments.

Our strategic investment in Generali Asia N. V. continues to provide us with further opportunities for expansion into the Asia regional markets. Generali Pilipinas Life Assurance Company, Inc. ("GPLAC") and Generali Pilipinas Insurance Company, Inc. ("GPIC") have in their second year of operations generated Peso 55.7 million and Peso 309.7 million of premiums respectively. Within two years from commencement of operations, the companies have made significant inroads into the Philippines market. GPIC has emerged to be within the top 20 general insurers in Philippines and GPLAC within the top 25. Thus, Philippines provides the Group with promising growth potential. Thailand will be the next focus for the group's expansion into Asia. Assicurazioni Generali SpA, our partner in Generali Asia N. V. has commenced life insurance operations in China. In this respect, Jerneh will take the opportunity to develop reciprocal business from Generali China Life Insurance Company.

PROSPECTS AND CHALLENGES FOR YEAR 2002

The consolidation of the insurance industry continues to be a significant factor driving mergers and acquisitions of insurance companies in Malaysia. Jerneh too, faces challenging imperatives of finding suitable partners for mergers and recapitalisation and moving towards achieving anchor status.

Due to continuing consolidation in the financial markets, the business environment has changed and our clients' demands have become more sophisticated. These demographic shifts require that Jerneh must modify and adapt to embrace new lead technologies and improve methods of risk management. Changes in distribution channels are increasing the competitive pressure on our services and product mix.

chairman's statement



The consequence of the September 11th incident has resulted in the world reinsurance capacity shrinking with eventual hardening of reinsurance rates. The terms for the renewal of treaties for Jerneh for year 2002 have been difficult and onerous. Reinsurance costs have increased by about 50% and will directly affect profit margins. However, insurance premiums other than motor have risen correspondingly and alleviated the costs of increased reinsurance for large risks.

Against these challenging business environment, the Group will continue to be selective in underwriting quality business and controlling claims while seeking to increase our market share.

Barring unforeseen circumstances, the Group should continue to be profitable in year 2002.

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 2001.

CORPORATE GOVERNANCE

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

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

ACKNOWLEDGEMENT

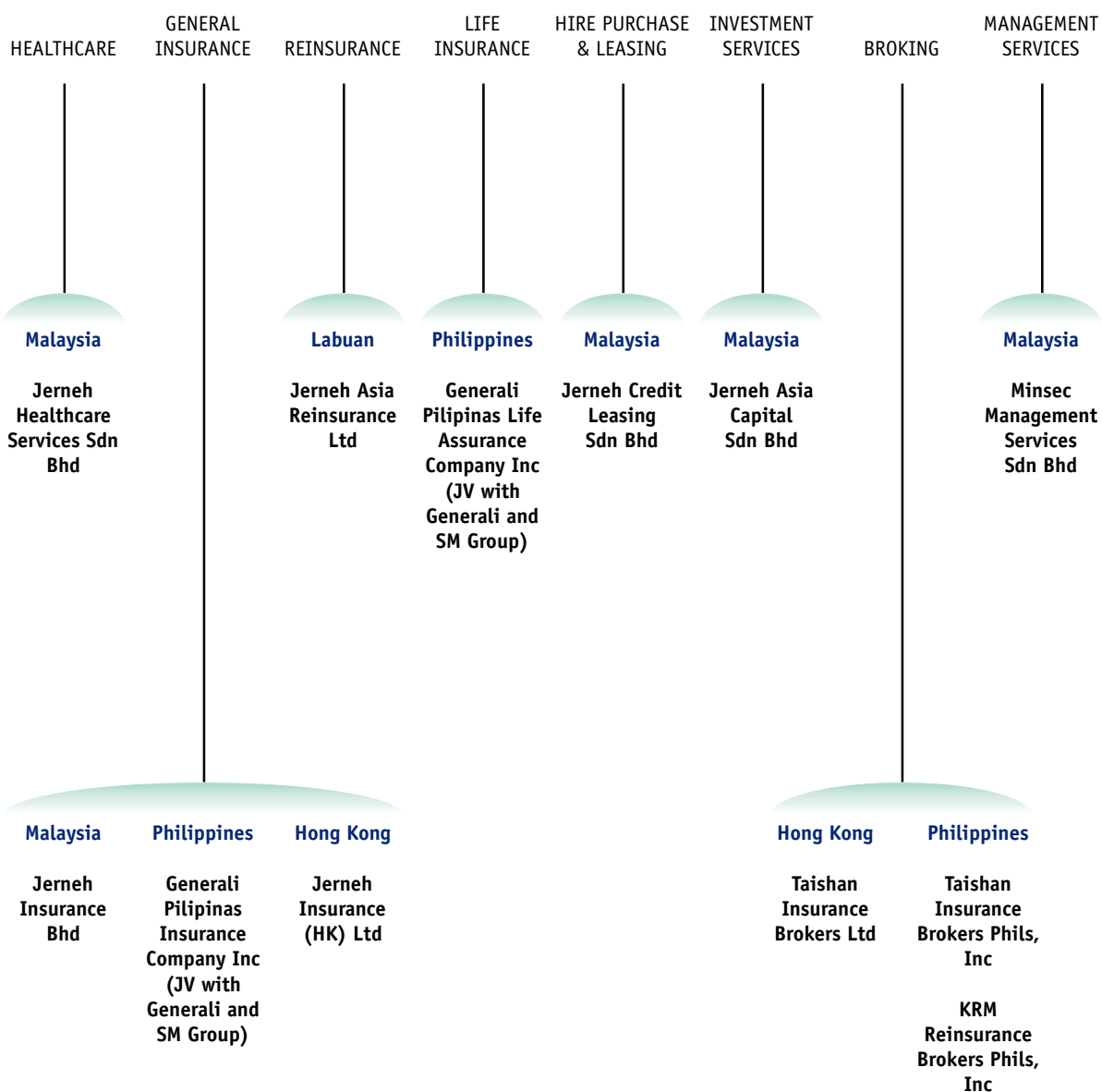
I would like to extend my appreciation and gratitude to the Management and staff of the Group for their hard work, commitment and loyalty; Bank Negara Malaysia and the other relevant authorities for their guidance; our valued customers, business associates, agents, brokers and reinsurers for their continued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

Datuk Khor Chin Poey

Chairman

JERNEH ASIA BERHAD



business profile

Jerneh Asia Berhad (“JAB”) is principally an investment holding company. The Group’s primary activity is underwriting of general insurance business. To complement the insurance operations and to expand its scope of income, JAB has diversified into related insurance services covering general and life insurance, reinsurance, insurance and reinsurance broking, healthcare and credit leasing. Its subsidiaries and affiliates operate in Malaysia, Hong Kong and the Philippines.

GENERAL INSURANCE

Jerneh Insurance Berhad (“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
- Construction and Engineering

Established initially to manage the Kuok Group insurance needs, JIB has emerged as a specialist insurer in the marine, industrial and engineering fields. Today, major corporations contribute to a larger part of our premium growth. As one of the pioneers in risk management in the Malaysian insurance industry, JIB undertakes assignments for loss control and loss prevention services to its commercial and industrial clientele. Our team of professionals equipped with the technical knowledge and expertise can assist our clients in assessing their insurance needs for customised solutions that best fit them. In addition, JIB actively participates in customer education, training and risk awareness programmes.

In our effort to provide our motor policyholders with quality service, JIB has entered into a special arrangement with Messrs Lifelink Safety Systems (M) Sdn Bhd to make available a wide range of benefits under the ‘JERNEH CARELINE’ 24-hour emergency auto assistance programmes. The benefits include:

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

JIB also launched the Jerneh Insurance Privilege Card, a co-branded card of iSynergy Sdn Bhd and Mastercard International on 28th February 2002. It is part of the initiatives to increase the number of comprehensive motor insurance policy holders.

Currently, JIB has about 1,100 agents and 20 branches strategically located in major cities and towns in Peninsular Malaysia, Sabah and Sarawak to serve our clients.

Jerneh Insurance (HK) Limited (“JIHK”) operates in Hong Kong and has a representative office in Shanghai, China.

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 experience in insurance and risk management services.

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

Taishan Insurance Brokers Philippines, Inc. (“TIBP”) and KRM Reinsurance Brokers Phils., Inc. (“KRMP”) have become wholly-owned subsidiaries of the Group in the Philippines. In the Philippines, the broking divisions are separated into insurance (direct) and reinsurance broking to cater for the needs of the local market. TIBP obtains the bulk of its business from the Kuok Group while KRMP being a reinsurance broker is strongly supported by the Philippines insurers who are their clients. Both companies especially KRMP are leaders in their respective markets. Being wholly-owned foreign insurance and reinsurance brokers, they are the largest paid up capital companies within the broking industry in the Philippines.

AFFILIATED BUSINESSES

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

Jerneh Healthcare Services Sdn Bhd (“JHS”), a registered managed care organisation (“MCO”) since 1998 was specially established to provide medical claims services to JIB. The company also provides claim services to JIHK’s high level World Wide Care Medical Insurance product. With the administration and monitoring of the out-patient clinical and In-patient hospitalisation claims, JHS advises its clients on appropriate measures to minimise medical cost.

In view of the withdrawal of medical card companies and Multi Level Marketing (MLM) companies from the medical business as a result of strict enforcement of regulations by PIAM and Bank Negara Malaysia, JHS foresees insurers writing more medical business directly. Coupled with Bank Negara Malaysia’s initiative to encourage the insurers to outsource their non-core activities such as medical claims services to third parties, JHS will be in a position to secure more market business in future.

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

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 independently in order to secure international reinsurance capacities for the Group clients. This will also enable our corporate clients to generate international market insurance pricing and security structures critical to customers needs for major risks, thereby bringing greater quality and sophistication to Jerneh Group managed risks.

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 a joint venture investment holding company incorporated in the Netherlands between JAB and Generali. In 1999, the Group through an investment in Generali Asia N.V. had entered into a joint venture with the SM Group of the Philippines for the establishment of Generali Pilipinas Holding Inc. to invest into wholly-owned Generali Pilipinas Life Assurance Company Inc. and Generali Pilipinas Insurance Company Inc. Today, both the companies offer life, general, group and other insurance products.

corporate governance statement

Prior to the implementation of the mandatory reporting by listed companies in relation to their compliance with the Malaysian Code on Corporate Governance (“the Code”) pursuant to the revamped Listing Requirements of the Kuala Lumpur Stock Exchange (“KLSE”) which came into force in June 2001, Jerneh Asia Berhad’s 80% insurance subsidiary, Jerneh Insurance Berhad had already complied with most of the basic principles of good corporate governance in the conduct of its insurance business as required under the Bank Negara Malaysia’s JPI/GPI 25 - Prudential Framework of Corporate Governance for Insurers.

The Board recognises the importance of practising the highest standards of corporate governance throughout the Group as a fundamental part of discharging their fiduciary responsibilities to protect and enhance shareholders value and the financial performance of Jerneh Asia Berhad Group.

To this end, the Board fully subscribes to the recommendations of the Code and has taken steps to comply with the Best Practices as outlined in the Code.

The Board is pleased to provide the following statement, which outlines the main corporate governance practices that were in place throughout the financial year, unless otherwise stated.

COMPLIANCE STATEMENT

The Group has yet to comply with the Best Practices of the Code set out in the schedule below and the reasons for such non-compliance are specified.

Best Practice Provision	Details	Reasons
AAVIII	The Nominating Committee	<p>As Jerneh Asia Berhad is mainly involved in the underwriting of general insurance business and in view of its size, the Board is of the view that there is currently no necessity for the establishment of a Nominating Committee.</p> <p>The Board has always assumed the role of reviewing the performance of its members as well as identifying and appointing new Directors to the Board whenever the need arises.</p>
AAVII	Appointment of a Senior Independent Non-Executive Director to whom any concerns should be conveyed.	<p>For the same reasons as stated above, the Board is of the opinion that the appointment of a Senior Independent Non-Executive Director is, at the moment, not necessary.</p> <p>However, all queries and concerns regarding the Group may be conveyed to the Chairman of the Company who will act impartially in the best interest of each and every shareholder of the Company.</p>

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
- (D) Accountability and Audit.

BOARD OF DIRECTORS

Board Responsibilities

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

Board Balance

At the date of this statement, the Board has eight (8) members comprising one (1) Executive Director, four (4) Non-Independent Non-Executive Directors (including the Chairman and Deputy Chairman) and three (3) Independent Non-Executive Directors. The Company has complied with the revamped Listing Requirements of the KLSE which requires one-third (1/3) of the total number of Directors to be Independent Directors.

A brief profile of each Director is presented on pages 8 to 11 of this Annual Report.

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

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.

The presence of the Independent Non-Executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the Executive Director. They also ensure that major proposals by Management are fully deliberated and examined, with due regard to risk management, to take 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.

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 31 December 2001, the Board met on six (6) occasions; where it deliberated upon and considered a variety of matters including the Group's financial results, major investments and strategic decisions, business plan and future direction of the Group.

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

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

corporate governance statement

Record of Directors' attendance at Board Meetings held in the financial year ended 31 December 2001 is as follows :-

Directors	Attended
Datuk Khor Chin Poey	5 of 6 meetings held
Tan Yew Jin	5 of 6 meetings held
Tam Chiew Lin	6 of 6 meetings held
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	5 of 6 meetings held
Dato' Seri Ismail Farouk bin Abdullah	4 of 6 meetings held
Ahmad Riza bin Basir	5 of 6 meetings held
Dato' Lim Chee Wah	5 of 6 meetings held
Anwarudin bin Hj Abdul Rahman	5 of 6 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 KLSE.

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

Re-Election

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

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

Directors' Training

For the current year, all the Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") conducted by the Research Institute of Investment Analysts Malaysia ("RIIAM"), an affiliate company of the KLSE. Most of the Directors have also attended a technical lecture given by our reinsurance company on risk management in the context of general insurance business arranged by our 80% subsidiary, Jerneh Insurance Berhad. Directors will receive further training that may be required from time to time to keep them 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

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 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. Whenever required, the necessary Board's ratification is sought for pertinent decisions made by the above Committees.

Audit Committee

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

Management Committee

The current members of the Management Committee are :-

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

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

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

During the financial year ended 31 December 2001, this Committee had 3 meetings which were attended by all members as well as the Chief Executive Officer and Senior Managers of Technical, Finance and Marketing Department of Jerneh Insurance Berhad. Going forward into Year 2002, meetings will be held monthly except during the months when the Board of Directors meets.

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 :-

- Datuk Khor Chin Poey (Chairman)
- Ms Tam Chiew Lin
- Mr Tan Yew Jin
- Encik Ahmad Riza bin Basir
- Dr Teo Chiang Quan (a Director of Jerneh Insurance Berhad)

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

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

During the financial year ended 31 December 2001, this Committee had 4 meetings which were attended by all members as well as the Investment Manager of Jerneh Insurance Berhad.

Remuneration Committee

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

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

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

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

DIRECTORS' REMUNERATION

Remuneration Policy

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

Remuneration Procedure

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

The determination of the remuneration of the 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 31 December 2001, the Remuneration Committee met once and the meeting was attended by all members. Subsequent to that, the Committee met again in the first quarter of Year 2002 to deliberate on the payment of bonus to senior staff of the Group.

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 Chairman / Executive Director	-	33*	620*	653
Non-Executive Directors	196	-	-	196

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

	Executive Chairman / Executive Director	Non-Executive Directors
Less than RM50,000	-	7
RM50,001 to RM500,000	2*	-

* Includes payments to the Executive Chairman of the Company for the period from 1 January 2001 to 11 May 2001.

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 website www.jerneh.com.my provides up-to-date information on the Group's products and operations.

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

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

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

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 26 of this Annual Report.

Internal Control

The Board of Directors acknowledges its responsibility for maintaining a sound system of internal control covering not only financial controls but operational and compliance controls as well as risk management. The Board has established clear lines of accountability and delegations of authority designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement and loss.

The Company's business which is primarily involved in the underwriting of general insurance, is a business that deals with managed acceptance of risk. The system of internal control is an essential and integral part of the risk management process. This involves an assessment of the impact and likelihood of key risks and of the effectiveness of controls in place to manage them within an evolving business environment. The role of Management is to implement Board policies on risk and controls whilst the Internal Audit Department ("IAD") undertakes a review for the Audit Committee ("AC") of the operation of the risk management process throughout the Group.

For the previous financial year, the IAD completed its preliminary review of all the business units within the Group, identifying and evaluating key business risk areas in order to rank them in accordance with their relative risk level. Based on IAD's Audit Plan for Year 2002, which had been presented to the AC for approval, the IAD has developed a 3-year audit cycle wherein the frequency of audits of a business unit will be in line with its level of risk. During the audit, the existing internal control system of the business unit will be evaluated in terms of its effectiveness. All identified weaknesses and lapses will be brought to the attention of the AC for resolution.

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.

This Statement is made in accordance with a resolution of the Board of Directors dated 18 April 2002.

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

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

In preparing the financial statements for the year ended 31 December 2001 set out on pages 42 to 66 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 18 April 2002.

ADDITIONAL COMPLIANCE INFORMATION

As at 31 December 2001

Share Buy-backs

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

Options, Warrants or Convertible Securities

No options, warrants or convertible securities were exercised by the Company in the financial year.

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

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

Imposition of Sanctions and / or Penalties

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

Non-Audit Fees

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

Variation in Results

There were no material variations between the audited results for the financial year ended 31 December 2001 and the unaudited results for the quarter ended 31 December 2001 of the Group.

Profit Guarantee

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

Material Contracts

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

Revaluation Policy on Landed Properties

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

Recurrent Related Party Transactions

The recurrent related party transactions of a revenue or trading nature entered into by the Group during the six (6) months from 1 July 2001 to 31 December 2001 pursuant to the Shareholders' Mandate granted at the Extraordinary General Meeting of the Company held on 20 December 2001 were as follows :-

Nature of Transaction/ Name of Transacting Company	6 months from 1.07.2001 to 31.12.2001		Relationship with Director / Major Shareholder
	Shareholders' Mandate RM'000	Transacted Value RM'000	
Underwriting of General Insurance business by Jerneh Insurance Berhad ("JIB"), a 80%-subsidiary company of Jerneh Asia Bhd ("JAB") from:-			
1. KBSB Group	2,431	1,763	Kuok Brothers Sdn Bhd ("KBSB") is a major shareholder of JAB, the holding company of JIB. PPB Group Berhad ("PPB") is a body corporate associated to KBSB, a major shareholder of JAB. PPB Oil Palms Berhad ("PPBOP") is a body corporate associated to KBSB, a major shareholder of JAB. FFM Berhad ("FFM") is a body corporate associated to KBSB, a major shareholder of JAB. Pelangi Berhad ("PB") is a body corporate associated to KBSB, a major shareholder of JAB.
2. PPB Group	3,477	2,003	
3. PPBOP Group	1,001	753	
4. FFM Group	7,116	4,020	
5. PB Group	332	263	
6.1 Impiana Cherating Resort Sdn Bhd	117	46	Body corporates which are associated to Dato' Seri Ismail Farouk bin Abdullah, a Director of JAB.
6.2 KAB Corporation Services Sdn Bhd			
6.3 Semai Ria Sdn Bhd			
6.4 Hasu Industries Sdn Bhd			
6.5 Enggore Properties Sdn Bhd			
7.1 Europel Sdn Bhd	497	277	Body corporates which are associated to Encik Ahmad Riza bin Basir, a Director of JAB.
7.2 Fima Corporation Bhd			
7.3 Fima TLP Feedlot Sdn Bhd			
7.4 Pineapple Cannery of Malaysia Sdn Bhd			
7.5 Percetakan Keselamatan Nasional Sdn Bhd			
7.6 Kumpulan Fima Bhd	463	276	Paramount Corporation Berhad ("PCB") is a body corporate associated to Dr Teo Chiang Quan, a Director of JIB.
7.7 Fima Securities Sdn Bhd			
7.8 Ladang Fima Sdn Bhd			
7.9 BHR Enterprise Sdn Bhd			
8. PCB Group			

Recurrent Related Party Transactions (cont'd)

Nature of Transaction / Name of Transacting Company	6 months from 1.07.2001 to 31.12.2001		Relationship with Director / Major Shareholder
	Shareholders' Mandate RM'000	Transacted Value RM'000	
Rental of Office Premises by JIB to :- 1. KBSB Group 2. PPB Group 3. PPBOP Group 4. FFM Group Rental of Office Premises to JIB by :- 5. PB Group	147 1,137 275 84 102	75 141 140 44 52	KBSB is a major shareholder of JAB, the holding company of JIB. PPB is a body corporate associated to KBSB, a major shareholder of JAB. PPBOP is a body corporate associated to KBSB, a major shareholder of JAB. FFM is a body corporate associated to KBSB, a major shareholder of JAB. PB is a body corporate associated to KBSB, a major shareholder of JAB.
Provision of Secretarial and Share Registrar Services to JAB Group by :- 1. KBSB Group 2. PPB Group	41 45	22 20	KBSB is a major shareholder of JAB, the holding company of JIB. PPB is a body corporate associated to KBSB, a major shareholder of JAB.
Provision of Healthcare administration, claims processing and claims management consultancy services by Jerneh Healthcare Services Sdn Bhd to PPBOP Group.	3	2	PPBOP is a body corporate associated to KBSB, a major shareholder of JAB.
Provision of Hire-Purchase and Leasing facilities by Jerneh Credit Leasing Sdn Bhd to KBSB Group.	2,575	970	KBSB is a major shareholder of JAB, the holding company of JIB.
Provision of share brokering services by Fima Securities Sdn Bhd to JAB Group.	60	12	Fima Securities Sdn Bhd is a body corporate which is deemed associated to Encik Ahmad Riza bin Basir, a Director of JAB.

COMPOSITION

The Audit Committee was appointed by the Board from amongst its number and is composed of no fewer than three (3) members, the majority of whom are Independent Directors. The Chairman of the Committee is an Independent Director. Currently the members of the Committee are :-

- YM Raja Dato' Seri Abdul Aziz bin Raja Salim
 - Chairman, Independent Non-Executive Director
 - A member of the Malaysian Institute of Accountants
- Encik Anwarudin bin Haji Abdul Rahman
 - Independent Non-Executive Director
- Mr Tan Yew Jin
 - Non-Independent Non-Executive Director
 - A member of the Malaysian Institute of Accountants

Secretary

The Secretary to the Committee is Mr Chan Swee Hong who is the Company Secretary.

TERMS OF REFERENCE

The Committee was established on 10 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 Internal Audit Department ("IAD") for investigation and all findings shall be reported to the Audit Committee.

Duties

The duties of the Audit Committee are to :-

1. approve the internal audit charter which defines its :-
 - (i) independent purpose
 - (ii) authority
 - (iii) scope and responsibility of the internal audit functions of the Company / Group.
2. ensure that the IAD has adequate and competent resources to cover their scope and other audit projects.

report of the audit committee

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; 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.

- (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 auditors' Management letter and Management's responses.
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 31 December 2001, the Committee convened five (5) meetings, which were attended by all members. The meetings were structured through the use of appropriate agendas and reports, which were distributed to members with sufficient notification.

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

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

Activities of Audit Committee

The Committee carried out its duties in accordance with its terms of reference during the financial year.

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

1. Reviewed the Auditors' scope of work and audit plans for the financial year 2001.
2. Reviewed with the Auditors the results of the audit, the audit report and the Management letter, including Management's responses.
3. Consideration and recommendation to the Board for approval of the audit fees payable to the Auditors as disclosed in Note 20 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 responses.
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.

report of the audit committee

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

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

YM Raja Dato' Seri Abdul Aziz bin Raja Salim

Chairman

Independent Non-Executive Director

Financial

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directors' report

for the year ended 31 December 2001

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiary companies are indicated in explanatory note 4 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit after taxation	24,442	14,329
Minority interest	(3,505)	-
Net profit for the year	20,937	14,329
Unappropriated profit brought forward	63,697	35,094
Profit available for appropriation	84,634	49,423
Dividend	(5,978)	(5,978)
Unappropriated profit carried forward	78,656	43,445

DIVIDEND

Since the end of the previous financial year, the Company paid a First and Final Dividend of 8% less tax at 28%, amounting to RM5,978,000 in respect of the financial year ended 31 December 2000.

The Directors now recommend a First and Final Dividend of 8% less tax at 28% amounting to RM5,978,000 in respect of the year under review.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid up share capital of the Group and of the Company during the financial year. No debentures were issued by the Company during the financial year.

EMPLOYEE SHARE OPTION SCHEME

The Company had on 28 April 1999 established an Employee Share Option Scheme ("ESOS") with a duration of five (5) years expiring on 27 April 2004. The said ESOS was terminated at an Extraordinary General Meeting ("EGM") of the Company held on 20 December 2001 and all unexercised options were terminated as follows:-

Date option granted	Adjusted exercise price RM	----- No. of unissued shares of RM1 each under option -----				As at 31.12.2001
		As at 1.1.2001	Granted	Exercised	Terminated	
30.4.99	2.13 *	4,569,500	-	-	4,569,500	-
4.5.99	2.17 *	15,000	-	-	15,000	-
20.8.99	2.13 *	81,000	-	-	81,000	-
17.12.99	2.15 *	83,000	-	-	83,000	-
7.7.00	2.79	118,000	-	-	118,000	-
13.10.00	2.28	103,000	-	-	103,000	-
		4,969,500	-	-	4,969,500	-

* The adjustments were made pursuant to Bye-Law 17.1 of the Bye-Laws as a result of the Company's 1-for-2 bonus issue on 22 June 2000.

At the same EGM, the shareholders of the Company approved the implementation of a new Employee Share Option Scheme ("ESOS 2001"). The Option Committee appointed by the Board of Directors to administer the ESOS 2001, may from time to time offer options to eligible employees of the Group, including the Executive Director, to subscribe for new ordinary shares of RM1 each in the Company.

The main features of the ESOS 2001 as set out in the Bye-Laws are as follows:

- (a) In aggregate, the maximum number of new shares to be allotted pursuant to the exercise of options granted under the ESOS 2001 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 2001, 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.
- (b) The price at which the option holder is entitled to subscribe for a new share under an option shall be the higher of:
 - (i) the weighted average market price of the shares as shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the five (5) market days immediately preceding the date of offer with a discount of 10% if deemed appropriate by the Option Committee; or
 - (ii) the par value of the shares.
- (c) 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.

On 31 January 2002, a total of 7,056,000 options were offered to employees of the Group at an exercise price of RM1.90 per share.

directors' report

for the year ended 31 December 2001

DIRECTORS

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

Datuk Khor Chin Poey (Stepped down as Executive Chairman on 11 May 2001)	(Non-Executive Chairman)
Tan Yew Jin (Appointed as Deputy Chairman on 11 May 2001)	(Non-Executive Deputy Chairman)
Tam Chiew Lin	(Executive Director)
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	
Dato' Seri Ismail Farouk bin Abdullah	
Ahmad Riza bin Basir	
Dato' Lim Chee Wah	
Anwarudin bin Hj Abdul Rahman	

In accordance with Article 102 of the Company's Articles of Association, Dato' Lim Chee Wah and Dato' Seri Ismail Farouk bin Abdullah retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

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

Name of Director	Ordinary shares of RM1 each			As at 31.12.2001
	As at 1.1.2001	Bought	Sold	
Datuk Khor Chin Poey				
– direct	64,500	–	–	64,500
Tan Yew Jin				
– direct	120,000	–	–	120,000
– indirect	155,250	–	–	155,250
Tam Chiew Lin	–	–	–	–
YM Raja Dato' Seri Abdul Aziz bin Raja Salim				
– direct	60,000	–	–	60,000
Dato' Seri Ismail Farouk bin Abdullah				
– direct	3,791,445	–	–	3,791,445
Ahmad Riza bin Basir				
– direct	150,000	–	–	150,000
– indirect	16,637,407	–	–	16,637,407
Dato' Lim Chee Wah				
– direct	30,000	–	–	30,000
Anwarudin bin Hj Abdul Rahman				
– direct	37,500	–	–	37,500

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (CONT'D)

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

----- Ordinary shares of RM1 each -----					
	As at 1.1.2001/ Date interest acquired	Bought	Bonus Issue	Sold	As at 31.12.2001
Jerneh Insurance Bhd	60,000,000	–	20,000,000	–	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 (<i>formerly known as Minsec Property Development Sdn Bhd</i>)	2	24,998	–	–	25,000
----- Ordinary shares of HKD100 each -----					
	As at 1.1.2001	Bought	Sold	As at 31.12.2001	
Jerneh Insurance (HK) Limited	500,000	–	–	500,000	
----- Ordinary shares of HKD1 each -----					
	As at 1.1.2001	Bought	Sold	As at 31.12.2001	
Jerneh Healthcare Services (HK) Limited	500,000	–	–	500,000	
Jerneh Reinsurance Management Limited	100,000	–	–	100,000	
Taishan Insurance Brokers Limited	1,000,000	–	–	1,000,000	
----- Ordinary shares of PHP 100 each -----					
	As at 1.1.2001	Bought	Sold	As at 31.12.2001	
KRM Reinsurance Brokers Phils., Inc.	12,000	468,000	–	480,000	
Taishan Insurance Brokers Philippines, Inc.	12,000	468,000	–	480,000	
----- Ordinary shares of USD1 each -----					
	As at 1.1.2001	Bought	Sold	As at 31.12.2001	
Jerneh Asia Reinsurance Limited	3,200,000	–	–	3,200,000	

directors' report

for the year ended 31 December 2001

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (CONT'D)

	----- Ordinary shares of SD1 each -----			
	As at 1.1.2001	Bought	Sold	As at 31.12.2001
Jerneh Investments (S) Pte Ltd	67,000	-	67,000 #	-

The company was deregistered on 23 May 2001.

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

	----- No. of unissued shares of RM1 each under option -----					As at 31.12.2001
	Adjusted exercise price RM	As at 1.1.2001	Granted	Exercised	Terminated	
Datuk Khor Chin Poey	2.13 *	375,000	-	-	375,000 **	-

* The adjustment was made pursuant to Bye-Law 17.1 of the Bye-Laws as a result of the Company's 1-for-2 bonus issue on 22 June 2000.

** At the EGM of the Company held on 20 December 2001, the shareholders of the Company resolved to terminate the existing ESOS and accordingly, all unexercised options were automatically terminated.

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:
- 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
 - 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.

OTHER STATUTORY INFORMATION (CONT'D)

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

directors' report

for the year ended 31 December 2001

SIGNIFICANT EVENTS

During the financial year,

- (a) the Company completed its acquisition of 60% equity interest each in KRM Reinsurance Brokers Phils., Inc. and Taishan Insurance Brokers Philippines, Inc.;
- (b) the Company terminated the existing ESOS and establish a new ESOS 2001 in order to grant fresh options based on the prevailing market prices to eligible Executive Directors and employees of the Company and its subsidiary companies;
- (c) Jerneh Insurance Bhd, an 80%-owned subsidiary company, completed the acquisition of Wisma Jerneh; and
- (d) Jerneh Insurance Bhd increased its issued and fully paid up share capital from RM75,000,000 to RM100,000,000 by way of a 1-for-3 bonus issue of 25,000,000 new ordinary shares of RM1 each credited as fully paid up effected through the capitalisation of RM25,000,000 from the unappropriated profit.

AUDITORS

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

On behalf of the Directors

DATUK KHOR CHIN POEY
Director

TAM CHIEW LIN
Director

Kuala Lumpur
18 April 2002

We have audited the financial statements of the Group and of the Company set out on pages 42 to 66. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up:
 - (i) so as to give a true and fair view of the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;
 - (ii) in accordance with the provisions of the Act so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2001 and of their results and cash flows for the year ended on that date;
 - (iii) in accordance with applicable approved accounting standards except for Malaysian Accounting Standard No. 3 relating to the recognition of premium income by a subsidiary company, namely, Jerneh Insurance Bhd as explained in note 1(i) to the financial statements.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, and which are indicated in explanatory note 4 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.

Our audit report on the financial statements of Jerneh Insurance Bhd contained a qualification on the non-compliance of Malaysian Accounting Standard No. 3 relating to the recognition of premium income, as explained in note 1(i) to the financial statements. Other than that, the auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification, and in respect of subsidiary companies incorporated in Malaysia, did not include any comment made under Section 174(3) of the Act.

MOORES ROWLAND
No. AF: 0539
Chartered Accountants

TANG KIN KHEONG
No. 1501/9/03 (J/PH)
Partner

Kuala Lumpur
18 April 2002

balance sheets

31 December 2001

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
ASSETS					
Property, plant and equipment	2	7,656	3,869	650	847
Investment property	3	42,224	-	-	-
Investment in subsidiary companies	4	-	94	107,236	98,025
Investment in associated companies	5	7,629	19,469	14,762	15,597
Other investments	6	191,779	179,206	-	9,263
Trade and other receivables	7	124,426	136,835	163	8,629
Amounts owing by subsidiary companies	8	-	-	65,414	52,704
Amounts owing by associated companies	9	-	93	-	93
Marketable securities	10	5,790	6,658	-	-
Deposits	11	155,421	176,498	7,460	1,877
Cash and bank balances		17,888	14,476	330	429
Total assets		552,813	537,198	196,015	187,464
LIABILITIES					
Deferred taxation	12	69	36	-	-
Trade and other payables	13	241,693	232,179	714	445
Amounts owing to subsidiary companies	8	-	94	22	91
Amount owing to associated company	9	-	34	34	34
Bank borrowings (unsecured)	14	20,807	20,000	20,000	20,000
Provision for taxation		-	-	31	31
Proposed dividend		5,978	5,978	5,978	5,978
		268,547	258,321	26,779	26,579
PROVISION FOR INSURANCE LIABILITIES					
Reserves for unexpired risks		60,091	70,021	-	-
Total liabilities		328,638	328,342	26,779	26,579
SHAREHOLDERS' EQUITY					
Share capital	15	103,777	103,777	103,777	103,777
Share premium		22,014	22,014	22,014	22,014
Exchange fluctuation reserve		(2,741)	(2,596)	-	-
Unappropriated profit	16	78,656	63,697	43,445	35,094
		201,706	186,892	169,236	160,885
MINORITY INTEREST					
		22,469	21,964	-	-
Total liabilities, shareholders' equity and minority interest		552,813	537,198	196,015	187,464

income statements

for the year ended 31 December 2001

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Operating revenues	17	154,725	160,562	-	-
Operating costs applicable to operating revenues	18	(100,402)	(124,650)	-	-
Gross profit		54,323	35,912	-	-
Other operating income	19	21,064	23,911	115	177
Other operating expenses	20	(42,907)	(44,936)	(2,503)	(3,376)
Profit/(Loss) from operations		32,480	14,887	(2,388)	(3,199)
Investment income (net)	21	4,527	2,710	18,193	13,800
Share of profits less losses of associated companies		(866)	216	-	-
Finance costs		(975)	(980)	(975)	(1,446)
Profit before taxation		35,166	16,833	14,830	9,155
Taxation					
- Group/Company	22	(10,342)	(4,347)	(501)	(3,014)
- Share of taxation of associated companies	22	(382)	(580)	-	-
Profit after taxation		24,442	11,906	14,329	6,141
Minority interests		(3,505)	(3,578)	-	-
Net profit for the year		20,937	8,328	14,329	6,141
Basic earnings per share (sen)	23	20.17	8.09		
Diluted earnings per share (sen)	23	20.17	7.99		
Dividend per share (net of tax) (sen)		5.76	5.76		

statements of changes in equity

for the year ended 31 December 2001

Jerneh Asia Berhad 363984-X

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Note	Share capital RM'000	←(Non- distributable) →		(Distributable)	Total RM'000
		Share premium RM'000	Exchange fluctuation reserve RM'000	Unappropriated profit RM'000	
Group					
	66,811	17,029	493	95,851	180,184
	Balance at 1.1.2000				
	Net loss not recognised in the income statement:				
	Currency translation differences				
	-	-	(3,089)	-	(3,089)
	Net profit for the year				
	-	-	-	8,328	8,328
	Issue of shares				
	- 1-for-2 bonus issue				
	34,372	-	-	(34,372)	-
	- pursuant to ESOS				
	2,594	4,985	-	-	7,579
	Dividend				
24	-	-	-	(6,110)	(6,110)
	103,777	22,014	(2,596)	63,697	186,892
	Balance at 31.12.2000				
	Net loss not recognised in the income statement:				
	Currency translation differences				
	-	-	(145)	-	(145)
	Net profit for the year				
	-	-	-	20,937	20,937
	Dividend				
24	-	-	-	(5,978)	(5,978)
	103,777	22,014	(2,741)	78,656	201,706

Note	Share capital RM'000	(Non- distributable)		(Distributable)	Total RM'000
		Share premium RM'000	Share premium RM'000	Unappropriated profit RM'000	
Company					
	66,811	17,029		69,435	153,275
	Balance at 1.1.2000				
	Net profit for the year				
	-	-		6,141	6,141
	Issue of shares				
	- 1-for-2 bonus issue				
	34,372	-		(34,372)	-
	- pursuant to ESOS				
	2,594	4,985		-	7,579
	Dividend				
24	-	-		(6,110)	(6,110)
	103,777	22,014		35,094	160,885
	Balance at 31.12.2000				
	Net profit for the year				
	-	-		14,329	14,329
	Dividend				
24	-	-		(5,978)	(5,978)
	103,777	22,014		43,445	169,236

Accounting policies and explanatory notes are set out on pages 47 to 66

cash flow statements

for the year ended 31 December 2001

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	35,166	16,833	14,830	9,155
Adjustments for:				
Bad debts written off	54	-	-	-
Goodwill on acquisition written off	663	-	-	-
Accretion of discounts less amortisation of premiums	(1,477)	(2,807)	(142)	(147)
Loss/(Profit) retained in associated companies	866	(216)	-	-
Depreciation	1,538	1,953	201	203
Provision for impairment losses on other investments	(1,037)	1,094	-	-
Allowance for doubtful debts	(1,665)	1,145	-	-
Gain on disposal of property, plant and equipment	(84)	(144)	(64)	(90)
(Gain)/Loss on sale of other investments	(456)	(4,211)	(559)	194
Interest income	(14,506)	(14,394)	(2,624)	(2,112)
Interest expense	975	980	975	1,446
Dividend income	(2,135)	(2,546)	(14,868)	(11,541)
Property, plant and equipment written off	-	32	-	3
Write down of marketable securities to net realisable value	112	218	-	-
Changes in reserves for unexpired risks	(9,957)	(19,289)	-	-
Gains arising from liquidation of associated company	(815)	-	-	-
Operating profit/(loss) before changes in working capital	7,242	(21,352)	(2,251)	(2,889)
Purchase of investment property	(42,224)	-	-	-
Proceeds from sale of other investments	90,287	130,140	-	-
Purchase of other investments	(94,937)	(105,285)	-	-
Changes in trade receivables	8,277	1,170	-	-
Changes in other receivables	7,831	(8,227)	55	(8,377)
Changes in marketable securities	763	12,332	-	-
Changes in provision for outstanding claims	(1,856)	27,606	-	-
Changes in trade payables	2,747	(14,111)	-	-
Changes in other payables	2,120	(2,004)	269	(107)
Cash (used in)/generated from operations	(19,750)	20,269	(1,927)	(11,373)
Income tax paid	(8,851)	(10,794)	(445)	(440)
Interest received	13,854	13,140	-	-
Dividends received	1,829	2,260	-	-
Net cash (used in)/generated from operating activities	(12,918)	24,875	(2,372)	(11,813)

Accounting policies and explanatory notes are set out on pages 47 to 66

cash flow statements

for the year ended 31 December 2001

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash and cash equivalents acquired				
from subsidiary companies (see note 25)	752	-	-	-
Consideration paid to acquire a subsidiary company	-	-	(25)	-
Proceeds from sale of other investments	28,230	12,010	5,896	12,010
Proceeds from disposal of property, plant and equipment	104	235	70	154
Purchase of property, plant and equipment	(3,597)	(1,760)	(10)	(228)
Purchase of other investments	(32,974)	(32,638)	(5,094)	(32,638)
Decrease/(Increase) in fixed deposits	36,256	(40,873)	-	-
Interest received	897	2,144	2,592	2,047
Dividends received	2,344	394	14,812	8,966
Repayment from associated companies	93	21	93	21
(Advances to)/Repayment from subsidiary companies	-	-	(3,472)	34,291
Proceeds from liquidation of an associated company	7,985	-	-	-
Net cash generated from/(used in) investing activities	40,090	(60,467)	14,862	24,623
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	-	7,579	-	7,579
Repayment to an associated company	(34)	-	-	-
Repayment to subsidiary companies	-	-	(53)	(13,250)
Revolving credits obtained	-	1,200	-	1,200
Interest paid	(975)	(980)	(975)	(1,446)
Dividend paid to shareholders of the Company	(5,978)	(7,348)	(5,978)	(7,348)
Dividend paid to a minority shareholder of a subsidiary company	(1,620)	-	-	-
Net cash (used in)/generated from financing activities	(8,607)	451	(7,006)	(13,265)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
	18,565	(35,141)	5,484	(455)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	18,415	53,682	2,306	2,761
EFFECT OF EXCHANGE RATE CHANGES	25	(126)	-	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD	37,005	18,415	7,790	2,306
Represented by:				
Cash and bank balances	17,888	14,476	330	429
Deposits	19,117	3,939	7,460	1,877
	37,005	18,415	7,790	2,306

accounting policies and explanatory notes

for the year ended 31 December 2001

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements comply with applicable approved accounting standards (except for Malaysian Accounting Standard No. 3 relating to the recognition of premium income by a subsidiary company, namely Jerneh Insurance Bhd, as explained in explanatory note 1(i) below). Further, the financial statements of Jerneh Insurance Bhd which have been consolidated with the Company's financial statements also comply with the provisions of the Insurance Act, 1996 and guidelines issued by Bank Negara Malaysia, except as disclosed in note 1(i) below.

The financial statements are prepared under the historical cost convention unless otherwise indicated in the accounting policies set out below.

(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 Bhd which is consolidated on the merger method of accounting.

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. The carrying amount and amortisation period are reviewed annually and goodwill is written down when, in the opinion of the directors, its value has deteriorated or when it ceases to have a useful life.

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

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

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

accounting policies and explanatory notes

for the year ended 31 December 2001

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Subsidiary companies

A subsidiary company is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

The Company's interests in subsidiary companies are stated at cost and are written down when the directors consider that there is impairment in the value of such investments. The impairment loss is 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 associated companies as those companies in which the Group holds a long term equity interest, has representation on the Board of Directors and is in a position to exercise significant influence over financial and operating policies.

Investments in associated companies are stated at cost, and are written down when the directors consider that there is impairment in the value of such investments. The impairment loss is charged to the income statement.

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

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

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

(e) Investment properties

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

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

(f) Property, plant and equipment

(i) Property, plant and equipment are stated at cost less accumulated depreciation and 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.

Property, plant and equipment 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. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, plant and equipment (Cont'd)

(ii) 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) Other investments

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

Quoted investments are stated at the lower of cost and market value calculated on the aggregate basis by category of investments except that specific provision is made for any investment which is deemed to have suffered impairment in value.

Unquoted investments are stated at cost and provision is made for any impairment in value.

(h) Marketable securities

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

(i) General insurance underwriting results

General insurance underwriting results are determined after taking into account reserves for unexpired risks and outstanding claims.

(i) Premium income

Except in the case of Jerneh Insurance Bhd, premium income from direct business is accounted for on the date of assumption of risk.

In the case of Jerneh Insurance Bhd, premium income from direct business is accounted for upon issue of the premium debit notes. This is not in compliance with Malaysian Accounting Standard No. 3 which requires premium to be recognised from the date of assumption of risk. Jerneh Insurance Bhd is unable to recognise premium income from the date of assumption of risk mainly because of late notification by agents of risks entered into on its behalf. The directors are of the opinion that premium income in respect of risks assumed before 31 December 2001 for which debit notes had still not been issued by that date is not material. Debit notes issued in January 2002 for gross premium in respect of risks assumed before 31 December 2001 totalled RM4,778,000. After deducting reinsurance outwards and reserves for unexpired risks, the effect on consolidated profit before taxation for the year ended 31 December 2001 is RM100,000.

Premium from reinsurance inwards are taken up in the financial statements when notified by the ceding companies.

accounting policies and explanatory notes

for the year ended 31 December 2001

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) General insurance underwriting results (Cont'd)

(ii) Reserves for unexpired risks (RUR)

Premiums are considered earned after accounting for reinsurance outwards and reserve for unexpired risks. RUR is computed based on the following methods:

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

(iii) Provision for claims

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

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

(j) Recognition of revenue

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Foreign currencies

(i) Transaction in foreign currencies

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

(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*.

The closing exchange rates used in translation were as follows:

		2001	2000
USD1.00	=	RM3.80	RM3.80
HKD1.00	=	RM0.49	RM0.49
100 Peso	=	RM7.34	RM7.62

(l) Taxation

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

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

(m) 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 Bhd 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.

(n) Capitalisation of borrowing costs

Interest costs incurred on the financing of assets under construction are capitalised into the carrying value of the assets. Capitalisation of interest costs will cease when the construction is completed.

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

accounting policies and explanatory notes

for the year ended 31 December 2001

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) 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.

(p) 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. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM'000	Computers RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost						
At 1.1.2001	595	6,735	2,645	1,446	864	12,285
Additions via acquisition of subsidiary companies	1,108	-	259	198	205	1,770
Other additions	1,500	788	318	-	991	3,597
Disposals	-	(162)	(23)	(263)	-	(448)
Exchange adjustments	(15)	5	(1)	(2)	-	(13)
At 31.12.2001	3,188	7,366	3,198	1,379	2,060	17,191
Accumulated depreciation						
At 1.1.2001	55	5,626	1,479	869	387	8,416
Charge for the year	49	698	270	200	321	1,538
Disposals	-	(162)	(9)	(257)	-	(428)
Exchange adjustments	-	5	2	1	1	9
At 31.12.2001	104	6,167	1,742	813	709	9,535
Net book value						
At 31.12.2001	3,084	1,199	1,456	566	1,351	7,656
Net book value						
At 31.12.2000	540	1,109	1,166	577	477	3,869
Depreciation charged for the year ended 31.12.2000	12	838	731	276	96	1,953

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

Company	Office equipment, furniture and fittings				
	Computers	Office equipment, furniture and fittings	Motor vehicles	Renovations	Total
Cost	RM'000	RM'000	RM'000	RM'000	RM'000
At 1.1.2001	122	187	633	365	1,307
Additions	3	7	-	-	10
Disposals	-	-	(113)	-	(113)
At 31.12.2001	125	194	520	365	1,204
Accumulated depreciation					
At 1.1.2001	70	52	239	99	460
Charge for the year	26	19	120	36	201
Disposals	-	-	(107)	-	(107)
At 31.12.2001	96	71	252	135	554
Net book value					
At 31.12.2001	29	123	268	230	650
Net book value					
At 31.12.2000	52	135	394	266	847
Depreciation charged for the year ended 31.12.2000	22	18	126	37	203

3. INVESTMENT PROPERTY

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Freehold land and buildings, at cost	42,224	-	-	-

4. INVESTMENT IN SUBSIDIARY COMPANIES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Unquoted shares in consolidated subsidiaries, at cost	-	-	129,748	120,537
Pre-acquisition dividends received	-	-	(22,512)	(22,512)
	-	-	107,236	98,025
Unquoted shares in an unconsolidated subsidiary, at cost	-	94	-	-
	-	94	107,236	98,025

accounting policies and explanatory notes

for the year ended 31 December 2001

4. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are:

	Country of incorporation	Principal activities	Equity interest	
			2001 %	2000 %
Jerneh Insurance Bhd ("JIB")	Malaysia	Underwriting of general insurance business	80	80
Jerneh Credit Leasing Sdn Bhd ("JCL")	Malaysia	Hire purchase and leasing business	100	100
Jerneh Asia Capital Sdn Bhd ("JAC")	Malaysia	Trading in marketable securities	100	100
Jerneh Healthcare Services Sdn Bhd ("JHS")	Malaysia	Healthcare administration and consultancy services	100	100
Minsec Management Services Sdn Bhd (formerly known as Minsec Property Development Sdn Bhd) ("MMS")	Malaysia	Management services	100	–
* Jerneh Asia Reinsurance Limited ("JAR")	Labuan Malaysia	Offshore reinsurance	100	100
* Jerneh Insurance (HK) Limited ("JIHK")	Hong Kong	Underwriting of general insurance business	100	100
* Jerneh Healthcare Services (HK) Limited ⁽¹⁾	Hong Kong	Dormant	100	100
* Jerneh Reinsurance Management Limited ⁽¹⁾	Hong Kong	Dormant	100	100
* Taishan Insurance Brokers Limited ("TIBL")	Hong Kong	Insurance broker	100	100
* Jerneh Investments (S) Pte Ltd ⁽²⁾	Singapore	Dormant	–	100
* Taishan Insurance Brokers Philippines, Inc. ("TIBP") ⁽³⁾	Philippines	Insurance broker	100	–
* KRM Reinsurance Brokers Phils., Inc. ("KRMR") ⁽³⁾	Philippines	Reinsurance broker	100	–

¹ Held through JIHK

² Held through JIB, deregistered on 23 May 2001

³ Were associated companies in 2000

* Not audited by Moores Rowland

5. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Unquoted shares, at cost	14,762	20,627	14,762	15,597
Share of post-acquisition revaluation reserve and retained profits less losses	(7,133)	(1,158)	-	-
	7,629	19,469	14,762	15,597
Represented by:				
Share of net assets of associated companies (Discount)/Goodwill on acquisition	8,045 (416)	18,225 1,244		
	7,629	19,469		

The associated companies are:

	Country of incorporation	Principal activities	Equity interest	
			2001 %	2000 %
Generali Asia N.V.	Netherlands	Investment holding	40	40
Kian Min Realty Sdn Bhd ("KMR") ⁽¹⁾	Malaysia	Property investment	-	25
Taishan Insurance Brokers Philippines, Inc ⁽²⁾	Philippines	Insurance broker	-	40
KRM Reinsurance Brokers Phils., Inc ⁽²⁾	Philippines	Reinsurance broker	-	40

¹ Under members' voluntary liquidation

² Become subsidiary companies in 2001

6. OTHER INVESTMENTS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Quoted investments				
Malaysian government securities and treasury bills, at cost less amortisation of premiums	28,698	40,836	-	-
Shares quoted in Malaysia, at cost less provision for impairment losses	38,236	34,949	-	-
Bonds and loan stocks quoted in Malaysia, at cost plus accretion of discounts less provision for impairment losses	124	10,331	-	-
Unit trust quoted in Malaysia, at cost less provision for impairment losses	99	193	-	-
	67,157	86,309	-	-

accounting policies and explanatory notes

for the year ended 31 December 2001

6. OTHER INVESTMENTS (CONT'D)

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Unquoted investments				
Bonds and loan stocks, at cost plus accretion of discounts	110,679	67,147	-	9,263
Malaysian government guaranteed loans, at cost plus accretion of discounts	13,385	25,330	-	-
Unquoted shares in Malaysia, at cost	420	420	-	-
Unquoted shares outside Malaysia, at cost	138	-	-	-
	191,779	179,206	-	9,263
Market value of quoted investments				
Malaysian government securities and treasury bills	31,380	42,830	-	-
Shares quoted in Malaysia	41,541	46,182	-	-
Bonds and loan stocks quoted in Malaysia	124	9,772	-	-
Unit trust quoted in Malaysia	108	193	-	-
	73,153	98,977	-	-

7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Outstanding premium including insureds, agents, brokers and co-insurer balances	27,138	30,450	-	-
Amount due from reinsurers and ceding companies	52,126	54,882	-	-
	79,264	85,332	-	-
Allowance for doubtful debts	(14,632)	(15,559)	-	-
	64,632	69,773	-	-
Loans and advances	36,602	35,130	-	-
Allowance for doubtful debts	(768)	(756)	-	-
	100,466	104,147	-	-
Other receivables, deposits and prepayments	17,217	24,161	155	8,561
Tax recoverable	3,634	5,187	-	-
Interest receivable	3,109	3,340	8	68
	124,426	136,835	163	8,629

8. AMOUNTS OWING BY/TO SUBSIDIARY COMPANIES

The amounts owing by subsidiary companies are unsecured with no fixed repayment terms. Included in the amount owing by subsidiary companies are advances totalling RM50.2 million (2000 : RM30.4 million) which bear interest at 1% p.a (2000 : 1.75% p.a) above the cost of funds of a reference bank.

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

9. AMOUNTS OWING BY/TO ASSOCIATED COMPANIES

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

10. MARKETABLE SECURITIES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Securities quoted in Malaysia				
– at cost	1,600	1,761	–	–
– at market value	1,356	3,349	–	–
Securities quoted outside Malaysia, at cost	2,834	1,548	–	–
	5,790	6,658	–	–

11. DEPOSITS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Fixed deposits				
– with licensed financial institutions in Malaysia	118,488	145,432	7,460	1,877
– banks outside Malaysia	36,933	31,066	–	–
	155,421	176,498	7,460	1,877

12. DEFERRED TAXATION

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
At beginning of the year	36	36	–	–
Transfer from income statement	33	–	–	–
At end of the year	69	36	–	–

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for the year ended 31 December 2001

12. DEFERRED TAXATION (CONT'D)

Timing differences existing at year end were as follows:

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Timing differences arising from computation of reserves for unexpired risks	(293)	(1,521)	-	-
Timing differences between depreciation and capital allowances on property, plant and equipment	973	547	-	-
Unabsorbed capital allowances	(46)	(297)	-	-
Unabsorbed tax losses	(4,749)	(5,141)	-	-
Allowance for doubtful debts	(13,653)	(14,639)	-	-
Other timing differences	1,062	758	-	-
	(16,706)	(20,293)	-	-

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

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Provision for outstanding claims	299,630	307,922	-	-
Recoverable from reinsurers thereon	(122,566)	(129,200)	-	-
Net outstanding claims	177,064	178,722	-	-
Amount due to insureds, agents, brokers and co-insurers	19,108	17,611	-	-
Amount due to reinsurers and ceding companies	25,286	19,801	-	-
Other payables and accruals	20,235	16,045	714	445
	241,693	232,179	714	445

14. BANK BORROWINGS (unsecured)

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Revolving credit	20,000	20,000	20,000	20,000
Bank loan	807	-	-	-
	20,807	20,000	20,000	20,000

The revolving credit bears interest at 1% p.a (2000 : 1.75% p.a) above the cost of funds of a reference bank.

The bank loan represents a short term loan which bears interest at 11.75% p.a. payable quarterly.

15. SHARE CAPITAL

	2001 RM'000	2000 RM'000
Authorised:		
Ordinary shares of RM1 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
Ordinary shares of RM1 each		
At beginning of the year	103,777	66,811
Bonus issue of 1-for-2	-	34,372
Shares issued pursuant to the ESOS	-	2,594
At end of the year	<u>103,777</u>	<u>103,777</u>

16. UNAPPROPRIATED PROFIT

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

17. OPERATING REVENUES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Gross written premium less returns	213,603	248,752	-	-
Reinsurance outwards	(87,745)	(97,303)	-	-
Changes in reserves for unexpired risks	9,957	(6,408)	-	-
	<u>135,815</u>	<u>145,041</u>	<u>-</u>	<u>-</u>
Proceeds from sale of marketable securities held for trading	9,839	8,240	-	-
Brokerage fee income	3,718	3,790	-	-
Commission income	902	-	-	-
Management fee income	52	35	-	-
Gross dividends from marketable securities quoted in Malaysia held for trading	210	65	-	-
Interest income from loans and advances	4,164	3,391	-	-
Building management fee	25	-	-	-
	<u>154,725</u>	<u>160,562</u>	<u>-</u>	<u>-</u>

accounting policies and explanatory notes

for the year ended 31 December 2001

18. OPERATING COSTS APPLICABLE TO OPERATING REVENUES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Insurance claims incurred	80,225	100,022	-	-
Net commission expense	10,578	11,954	-	-
Cost of marketable securities sold	9,133	12,456	-	-
Write down of marketable securities to net realisable value	112	218	-	-
Building management expenses	354	-	-	-
	100,402	124,650	-	-

19. OTHER OPERATING INCOME

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Bad debts recovered	114	-	-	-
Gain on foreign exchange				
- realised	-	12	-	12
- unrealised	25	-	-	-
Gain on disposal of property, plant and equipment	84	144	64	90
Gain on sale of other investments held under the general insurance business	-	5,050	-	-
Provision for impairment losses on other investments written back	1,094	-	-	-
Allowance for doubtful debts written back	1,689	-	-	-
Management fee income	-	-	51	71
Accretion of discounts received on other investments held under the general insurance business	1,274	2,657	-	-
Service fee income	690	1,050	-	-
Rental income from investment property	1,060	-	-	-
Interest income from other investments held under the general insurance business				
- Malaysian government securities	2,108	2,828	-	-
- bonds and loan stocks				
- quoted in Malaysia	53	298	-	-
- unquoted in Malaysia	3,058	2,771	-	-
- unquoted outside Malaysia	2,826	1,948	-	-
- fixed deposits	4,795	4,470	-	-
Gross dividends from other investments held under the general insurance business				
- shares quoted in Malaysia	1,525	2,047	-	-
- unit trusts quoted in Malaysia	15	16	-	-
- shares quoted outside Malaysia	79	132	-	-
Others	575	488	-	4
	21,064	23,911	115	177

20. OTHER OPERATING EXPENSES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Marketing costs	11,098	8,783	-	-
Administrative and general expenses	29,517	33,344	2,503	3,376
Loss on foreign exchange				
- realised	315	508	-	-
- unrealised	176	367	-	-
Loss on sale of other investments held under the general insurance business	838	645	-	-
Provision of impairment losses on other investments held under the general insurance business	55	1,094	-	-
Amortisation of premiums paid on other investments held under the general insurance business	245	195	-	-
Goodwill on acquisition written off	663	-	-	-
	42,907	44,936	2,503	3,376
Other operating expenses include:				
Staff costs	23,527	23,344	1,058	1,449
Auditors' remuneration				
- statutory audit				
- current year	365	228	25	25
- underprovision in prior year	3	12	-	-
Depreciation	1,538	1,953	201	203
Directors' remuneration*				
- fees				
- current year	371	105	196	70
- overprovision in prior year	(37)	(2)	(31)	-
- others	922	1,479	525	456
Property, plant and equipment written off	-	32	-	3
Hire of equipment	429	370	-	-
Loss on sale of other investments	-	194	-	194
Allowance for doubtful debts	24	1,145	-	-
Preliminary expenses written off	54	8	-	-
Rental of premises	2,058	2,813	137	130
The number of employees (including executive directors) as at the end of the financial year	450	384	17	15

* The Directors' remuneration does not include the estimated monetary value of benefits-in-kind received and receivable by the Directors otherwise in cash from the Group and Company amounted to RM33,000 (2000 : RM18,000).

accounting policies and explanatory notes

for the year ended 31 December 2001

21. INVESTMENT INCOME (net)

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Gross dividends from				
– subsidiary companies	–	–	14,868	11,431
– associated companies	–	–	–	–
– shares quoted in Malaysia	280	286	–	110
– unquoted shares	26	–	–	–
Interest income from				
– advances to subsidiary companies	–	–	2,327	1,160
– fixed deposits	1,178	1,675	123	698
– bonds and loan stocks quoted in Malaysia	488	404	174	254
Accretion of discounts received on other investments	448	345	142	147
Gain on sale of other investments	1,294	–	559	–
Provision for impairment losses on other investments	(2)	–	–	–
Gain arising from liquidation of associated company	815	–	–	–
	4,527	2,710	18,193	13,800

22. TAXATION

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Malaysian taxation based on the results for the year				
– current	8,415	7,549	501	3,014
– deferred	33	–	–	–
Foreign taxation	374	218	–	–
	8,822	7,767	501	3,014
Tax recoverable from reinsurers	–	(64)	–	–
Under/(Over)provision in prior years	1,520	(3,356)	–	–
	10,342	4,347	501	3,014
Group's share of taxation of associated companies	382	580	–	–

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

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

The effective tax rate of the Group and the Company in the previous financial year was high compared to the statutory rate mainly because certain expenses have been disallowed in arriving at the tax chargeable income.

23. EARNINGS PER SHARE

(i) Basic earnings per share

The basic earnings per share has been calculated by dividing on the Group's net profit for the year of RM20,937,000 (2000 : RM8,328,000) by the weighted average number of 103,777,003 (2000 : 102,896,022) shares in issue 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 RM20,937,000 (2000 : RM8,328,000) 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:

	2001 '000	2000 '000
Weighted average number of ordinary shares as in (i) above	103,777	102,896
Number of unissued shares under the ESOS		
– based on exercise price	*	4,970
– based on average fair value	*	(3,613)
Weighted average number of ordinary shares that would have been in issue	<u>103,777</u>	<u>104,253</u>

* Anti-dilutive

24. DIVIDENDS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Proposed first and final dividend of 8% (2000 : 8%) less tax at 28%	5,978	5,978	5,978	5,978
Additional dividend paid in respect of the year ended 31 December 1999 following the issue of additional shares pursuant to the ESOS	–	132	–	132
	<u>5,978</u>	<u>6,110</u>	<u>5,978</u>	<u>6,110</u>

25. ACQUISITION OF SUBSIDIARY COMPANIES

The new subsidiary companies acquired during the year are MMS, TIBP and KRMR. The net assets acquired are as follows:

ASSETS	RM'000
Property, plant and equipment	1,770
Other investments	140
Trade receivables	2,833
Other receivables, deposits and prepayments	882
Interest receivable	14
Deposits	8,398
Cash and bank balances	730
Total assets	<u>14,767</u>

accounting policies and explanatory notes

for the year ended 31 December 2001

25. ACQUISITION OF SUBSIDIARY COMPANIES (CONT'D)

	RM'000
LIABILITIES	
Trade payables	4,262
Other payables and accruals	669
Bank borrowing (unsecured)	818
Taxation	95
Total liabilities	<u>5,844</u>
Fair value of attributable net assets acquired	8,923
Goodwill on acquisition	663
Equity interest in associated companies previously equity accounted for	<u>(1,210)</u>
Purchase consideration paid	<u>8,376</u>
Cash and cash equivalents acquired	9,128
Less: Purchase consideration paid	<u>(8,376)</u>
Net cash and cash equivalents acquired	<u>752</u>

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

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

26. RELATED PARTY TRANSACTIONS

The Company has a relationship with its subsidiary companies.

Significant related party transactions during the year were as follows:

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Gross premium receivable from a substantial shareholder, Kuok Brothers Sdn Bhd ("KBSB") and KBSB's subsidiary, associated and major investee companies	18,228	14,766	-	-
Purchase of investment property from KMR	41,000	-	-	-
Purchase of freehold land and building from Malaysia Food Agencies Sdn Bhd, an associated company of KBSB	1,500	-	-	-
Loan interest receivable from				
- JCL	-	-	1,491	1,160
- JAC	-	-	836	-
Internal audit fee receivable from JIB	-	-	210	251
Medical claims processing fee payable to JHS	-	-	1	1
Management fee income receivable from				
- JIHK	-	-	39	60
- TIBL	-	-	11	11
Interest expense payable to JAR	-	-	-	471
Office rental payable to KMR	477	951	58	103
Office rental payable to JIB	-	-	79	-
Secretarial fee payable to KBSB	46	30	21	14
Marketable securities transferred to JAC	-	-	9,162	11,318

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

Non-trade balances with the related parties as at 31 December 2001 were as follows:

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Advances owing by JCL	-	-	27,700	30,400
Advances owing by JAC	-	-	22,500	13,236
Internal audit fee owing by JIB	-	-	23	64

accounting policies and explanatory notes

for the year ended 31 December 2001

27. CAPITAL COMMITMENTS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Authorised capital expenditure contracted for, not provided for in the financial statements	-	44,410	-	-

28. SEGMENTAL INFORMATION

By activity	Operating revenue RM'000	Profit/(Loss)		Assets employed RM'000
		before taxation RM'000		
2001				
Underwriting and brokerage of general insurance business	148,109	32,778		502,369
Credit and leasing	4,164	2,083		31,979
Trading of marketable securities	10,050	265		18,400
Building management	25	40		65
	162,348	35,166		552,813
Group's share of associated companies turnover	(7,623)	-		-
	154,725	35,166		552,813
2000				
Underwriting and brokerage of general insurance business	150,404	20,145		495,129
Credit and leasing	3,391	1,062		33,193
Trading of marketable securities	8,305	(4,374)		8,876
	162,100	16,833		537,198
Group's share of associated companies turnover	(1,538)	-		-
	160,562	16,833		537,198
By geographical location				
	Operating revenue RM'000	Profit/(Loss)		Assets employed RM'000
		before taxation RM'000		
2001				
Malaysia	136,172	32,266		445,878
Outside Malaysia (Hong Kong and the Philippines)	26,176	2,900		106,935
	162,348	35,166		552,813
Group's share of associated companies turnover	(7,623)	-		-
	154,725	35,166		552,813
2000				
Malaysia	144,234	16,037		446,553
Outside Malaysia (Hong Kong and the Philippines)	17,866	796		90,645
	162,100	16,833		537,198
Group's share of associated companies turnover	(1,538)	-		-
	160,562	16,833		537,198

statement by directors

In the opinion of the Directors, the financial statements set out on pages 42 to 66 are drawn up:

- (a) so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2001 and of their results and cash flows for the year then ended;
- (b) in accordance with applicable approved accounting standards, except for Malaysian Accounting Standard No. 3 relating to the recognition of premium income by a subsidiary company, namely, Jerneh Insurance Bhd, as explained in explanatory note 1(i) to the financial statements.

On behalf of the Directors

DATUK KHOR CHIN POEY
Director

TAM CHIEW LIN
Director

Kuala Lumpur
18 April 2002

statutory declaration

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 42 to 66 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 2002) **TAM CHIEW LIN**

Before me:

ROBERT LIM HOCK KEE
Commissioner for Oaths

Kuala Lumpur
18 April 2002

shareholdings statistics

as at 18 April 2002

Authorised Share Capital	– RM500,000,000
Issued and Fully Paid up Capital	– RM103,921,003
Class of Shares	– Ordinary Shares of RM1.00 each fully paid
Voting Rights	– One vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital
Less than 1,000	54	1.86	21,951	0.02
1,000 - 10,000	2,469	85.14	7,007,758	6.74
10,001 - 100,000	338	11.66	7,673,538	7.39
100,001 to less than 5% of issued shares	36	1.24	32,021,924	30.81
5% and above of issued shares	3	0.10	57,195,832	55.04
	2,900	100.00	103,921,003	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
Datuk Khor Chin Poey	64,500	0.06	–	–
Tan Yew Jin	120,000	0.12	155,250	0.15
Tam Chiew Lin	–	–	–	–
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	60,000	0.06	–	–
Dato' Seri Ismail Farouk bin Abdullah	3,791,445	3.65	–	–
Ahmad Riza bin Basir	150,000	0.14	16,637,407	16.01
Dato' Lim Chee Wah	30,000	0.03	–	–
Anwarudin bin Hj Abdul Rahman	37,500	0.04	–	–

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

In Subsidiary Companies

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

	No. of Ordinary Shares of RM1 each	% of Issued Capital
Jerneh Insurance Bhd	80,000,000	100
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 (formerly known as Minsec Property Development 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 each	% of Issued Capital
Jerneh Healthcare Services (HK) Limited	500,000	100
Jerneh Reinsurance Management Limited	100,000	100
Taishan Insurance Brokers Limited	1,000,000	100

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	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 each	% of Issued Capital
Jerneh Asia Reinsurance Limited	3,200,000	100

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	No. of Shares Held			% of Issued Capital
	Direct Interest	Deemed Interest	Total	
Kuok Brothers Sdn Berhad	41,766,030	60,000	41,826,030	40.25
BHR Enterprise Sdn Bhd	16,637,407	–	16,637,407	16.01
Sable Investment Corporation	8,076,360	–	8,076,360	7.77
Ahmad Riza bin Basir	150,000	16,637,407	16,787,407	16.15
Tan Sri Dato' Haji Basir bin Ismail	26,000	16,637,407	16,663,407	16.03
Puan Sri Hamidah bt Abdul Rahman	–	16,637,407	16,637,407	16.01
Roshayati bt Basir	–	16,637,407	16,637,407	16.01
Rosilawati bt Basir	–	16,637,407	16,637,407	16.01
Rozanazetti bt Basir	–	16,637,407	16,637,407	16.01
Frank Tsao Wen King	–	8,076,360	8,076,360	7.77

THE THIRTY LARGEST SHAREHOLDERS (As per Record of Depositors)

Name of Shareholders	No. of Shares	% of Issued Capital
1. Kuok Brothers Sdn Berhad	24,335,055	23.42
2. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For BHR Enterprise Sdn Bhd</i>	16,637,407	16.01
3. Kuok Brothers Sdn Berhad	16,223,370	15.61
4. Malaysia Nominees (Asing) Sendirian Berhad <i>For Sable Investment Corporation</i>	4,891,500	4.71
5. Citicorp Nominees (Asing) Sdn Bhd <i>CB LDN For The Miller Insurance Group Limited</i>	4,075,680	3.92
6. Ophir Holdings Berhad	3,484,125	3.35
7. Amsec Nominees (Asing) Sdn Bhd <i>OCBC Securities (Hong Kong) Ltd For Sable Investment Corporation</i>	3,150,000	3.03
8. RC Nominees (Tempatan) Sdn Bhd <i>For Dato' Seri Ismail Farouk bin Abdullah</i>	1,975,000	1.90
9. Southern Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Dato' Seri Ismail Farouk bin Abdullah</i>	1,815,000	1.75
10. Universal Trustee (Malaysia) Berhad <i>Pacific Premier Fund</i>	1,227,000	1.18

shareholdings statistics

as at 18 April 2002

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

Name of Shareholders	No. of Shares	% of Issued Capital
11. Kuok Brothers Sdn Berhad	1,207,605	1.16
12. Employees Provident Fund Board	1,110,000	1.07
13. Arab-Malaysian Nominees (Tempatan) Sdn Bhd <i>Arab Malaysian Trustee Bhd For Pacific Pearl Fund</i>	1,087,500	1.05
14. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>PHEIM Asset Management Sdn Bhd For Employees Provident Fund</i>	836,000	0.80
15. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (Malaysia) Trustee Bhd For Arab-Malaysian Cumulative Growth Fund</i>	794,000	0.76
16. Adora Holdings Sdn Bhd	697,230	0.67
17. HSBC Nominees (Asing) Sdn Bhd <i>For Dalex Investments Limited</i>	554,000	0.53
18. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Kamaruddin bin Taib</i>	543,420	0.52
19. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (Malaysia) Trustee Bhd For Amanah Saham Sarawak</i>	525,000	0.51
20. Gan Teng Siew Realty Sdn Berhad	449,000	0.43
21. Quarry Lane Sdn Bhd	400,000	0.38
22. Asia Life (M) Berhad	376,000	0.36
23. Action Industries (M) Sdn Bhd	300,000	0.29
24. Cosmic Insurance Corporation Limited	300,000	0.29
25. Yong Ah Keon	215,640	0.21
26. Yong Kiow Ying	204,577	0.20
27. Lee Eng Hock & Co Sendirian Berhad	195,000	0.19
28. ABN AMRO Nominees (Tempatan) Sdn Bhd <i>Amanah SSCM Nominees (Tempatan) Sdn Bhd For Tenaga Nasional Berhad</i>	172,500	0.17
29. TYJ Sdn Bhd	155,250	0.15
30. Wong Ah Kow	150,952	0.15
	88,087,811	84.77

list of properties

as at 31 December 2001

Registered Owner	Description/ Location	Tenure	Approximate Building Age (Years)	Approximate Land Area (Sq. Metres)	Net Book Value at 31 December 2001 (RM)	Date of Acquisition
Jerneh Insurance Bhd	2 storey shophouse located at 1&1A, Jalan SG 10/4, Sri Gombak, 68100 Batu Caves, Selangor Darul Ehsan. Held under H.S.(D) No. 120961, No. P.T. 9370, Pekan of Batu, District of Gombak, Selangor Darul Ehsan.	Freehold	15	184.69	344,000	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	12	153.29	183,300	11.02.1999
Jerneh Insurance Bhd	18 storey office building located at 38 Jalan Sultan Ismail, 50250 Kuala Lumpur. Held under H.S.(D) 83191, P.T. No. 30, Section 57, Town and District of Kuala Lumpur, Federal Territory.	Freehold	15	1,632	41,000,000	1.7.2001
Jerneh Insurance Bhd	2 units of 3 storey office building located at No. 266 & 268, Victoria Street, 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	27	21,312	1,470,000	25.5.2001

Proxy Form

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

I/We _____

of _____

being a member(s) of Jerneh Asia Berhad, hereby appoint _____

of _____

and/or failing him/her _____

of _____

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 6th Annual General Meeting of the Company, to be held on Tuesday, 21st May 2002 at 9.30 a.m. and at any adjournment thereof, as indicated below :

Resolutions	For	Against
1. To adopt the Directors' Report and Accounts		
2. To approve the payment of a First and Final Dividend		
3. To approve the increase in payment of Non-Executive Directors' Fees		
4. To re-elect Dato' Lim Chee Wah as Director		
5. To re-elect Dato' Seri Ismail Farouk bin Abdullah as Director		
6. To re-appoint Moores Rowland as Auditors		
7. To approve the issue of shares to full time employees and Executive Directors pursuant to the Employee Share Option Scheme 2001		
8. To approve the Renewal of Shareholders' Mandate for Recurrent Related Party Transactions		

(Please indicate with an 'X' where appropriate against each resolution how you wish your proxy to vote. If no specific direction to voting is given, the proxy will vote or abstain at his discretion)

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

Signature _____

Dated this _____ day of _____ 2002

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.

fold here

affix stamp

The Company Secretary
Jerneh Asia Berhad (363984-X)
18th Floor, Wisma Jerneh
38 Jalan Sultan Ismail
50250 Kuala Lumpur

fold here

Jerneh Asia Berhad

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

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

**Jerneh Credit Leasing Sdn. Bhd.
Jerneh Healthcare Services Sdn. Bhd.
Minsec Management Services Sdn. Bhd.**

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

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

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