

A background image showing a close-up of a document with financial data, including numbers like 7643.20, 6473.00, 2954.29, and 3436.00, and a bar chart.

# financial statements

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# Director's Report

for the year ended 31 December 2000

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 2000.

## PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiary companies are indicated in explanatory note 3 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	11,906	6,141
Minority interest	(3,578)	-
Net profit for the year	8,328	6,141
Unappropriated profit brought forward	95,851	69,435
Profit available for appropriation	104,179	75,576
Capitalisation for bonus issue	(34,372)	(34,372)
Dividend	(6,110)	(6,110)
Unappropriated profit carried forward	63,697	35,094

## DIVIDEND

Since the end of the previous financial year, the Company paid a First and Final Dividend of 15% less tax at 28%, amounting to RM7,346,830 in respect of the financial year ended 31 December 1999.

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 pages 30 and 31.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM66,811,002 to RM103,777,003 by way of the following share issues:

- (a) A 1-for-2 bonus issue of 34,372,501 new ordinary shares of RM1 each credited as fully paid-up, effected through the capitalisation of an amount of RM34,372,501 from the unappropriated profit; and
- (b) The issue of 2,593,500 new ordinary shares of RM1 each at prices ranging from RM2.13 to RM3.25 per share pursuant to the Company's Employees' Share Option Scheme ("ESOS").

The new ordinary shares rank parri passu in all respect with the existing ordinary shares of the Company.

No debentures were issued by the Company during the financial year under review.

## EMPLOYEES' SHARE OPTION SCHEME

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

Date option granted	Original exercise price RM	Adjusted* exercise price RM	At 1.1.2000	No. of unissued shares of RM1 each under option			Adjustments*	Exercised after adjustments	At 31.12.2000
				Granted	Lapsed	Exercised			
30.4.99	3.19	2.13	5,617,000	-	482,000	1,811,000	1,854,000	608,500	4,569,500
4.5.99	3.25	2.17	50,000	-	-	40,000	5,000	-	15,000
20.8.99	3.19	2.13	101,000	-	4,000	27,000	37,000	26,000	81,000
17.12.99	3.22	2.15	146,000	-	27,000	56,000	45,000	25,000	83,000
7.7.00	2.79	-	-	118,000	-	-	-	-	118,000
13.10.00	2.28	-	-	103,000	-	-	-	-	103,000
			5,914,000	221,000	513,000	1,934,000	1,941,000	659,500	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 during the financial year.

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

- (a) The ESOS shall be in force for a period of five years commencing 28 April 1999 and will expire on 27 April 2004.
- (b) In aggregate, the maximum number of new shares to be allotted pursuant to the exercise of options granted under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS, save and except in the subsequent event of a reduction in the issued and paid-up share capital of the Company by virtue of the Company purchasing its own shares which will cause the aforesaid limit to be exceeded.
- (c) The option price for each share shall be the highest of:
  - (i) the mean market quotation of the shares (calculated as the average of the highest and lowest price transacted on the KLSE for the day) as shown in the Daily Official List issued by the KLSE for the market day immediately preceding the date of offer;
  - (ii) the average of the mean market quotation of the shares as shown in the Daily Official List issued by the KLSE for the five (5) market days immediately preceding the date of offer; and
  - (iii) the par value of the shares.
- (d) No option shall be granted for less than 1,000 shares and more than 500,000 shares to any eligible employee and Director.

## DIRECTORS

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

Datuk Khor Chin Poey	(Executive 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	
Tan Yew Jin	
Kuok Khoo Ean	(resigned on 25.4.2000)
Robert Henry Stead	(resigned on 25.4.2000 as alternate to Datuk Khor Chin Poey)

In accordance with Article 102 of the Company's Articles of Association, Datuk Khor Chin Poey and YM Raja Dato' Seri Abdul Aziz bin Raja Salim 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 were as follows:

Name of Director	Ordinary shares of RM1 each				At 31.12.2000
	At 1.1.2000	Bought	Bonus issue	Sold	
Datuk Khor Chin Poey					
- direct	42,000	1,000	21,500	-	64,500
YM Raja Dato' Seri Abdul Aziz bin Raja Salim					
- direct	40,000	-	20,000	-	60,000
Dato' Seri Ismail Farouk bin Abdullah					
- direct	2,527,630	-	1,263,815	-	3,791,445
Ahmad Riza bin Basir					
- direct	100,000	-	50,000	-	150,000
- indirect	11,091,605	-	5,545,802	-	16,637,407
Tam Chiew Lin	-	-	-	-	-
Dato' Lim Chee Wah					
- direct	10,000	10,000	10,000	-	30,000
Anwarudin bin Hj Abdul Rahman					
- direct	25,000	-	12,500	-	37,500
Tan Yew Jin					
- direct	10,000	70,000	40,000	-	120,000
- indirect	103,500	-	51,750	-	155,250

By virtue of his interest in shares in 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 year were as follows:

	Ordinary shares of RM1 each			
	As at		As at	
	1.1.2000/		31.12.2000	
	Date interest acquired	Bought	Sold	
Jerneh Insurance Bhd	64,575,000	-	4,575,000	60,000,000
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

	Ordinary shares of HKD100 each			
	As at		As at	
	1.1.2000		31.12.2000	
	Bought	Sold		
Jerneh Insurance (HK) Limited	500,000	-	-	500,000
Jerneh Healthcare Services (HK) Limited	5,000	-	-	5,000
Jerneh Reinsurance Management Limited	1,000	-	-	1,000
Taishan Insurance Brokers Limited	10,000	-	-	10,000

	Ordinary shares of USD1 each			
	As at		As at	
	1.1.2000		31.12.2000	
	Bought	Sold		
Jerneh Asia Reinsurance Limited	3,200,000	-	-	3,200,000

	Ordinary shares of SGD1 each			
	As at		As at	
	1.1.2000		31.12.2000	
	Bought	Sold		
Jerneh Investments (S) Pte Ltd	67,000	-	-	67,000

The following directors who held office at the end of the financial year and had interests in share options under the ESOS during the year are as follows:

	No. of unissued shares of RM1 each under option							
	Original exercise price	Adjusted* exercise price	At 1.1.2000					Adjustments* At 31.12.2000
				Granted	Lapsed	Exercised		
	RM	RM						
Datuk Khor Chin Poey	3.19	2.13	250,000	-	-	-	125,000	375,000
Tan Yew Jin	3.19	2.13	175,000	-	157,500	70,000	52,500	-

\*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 during the financial year.

## **DIRECTORS' BENEFITS**

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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**

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

#### **AUDITORS**

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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

27 February 2001

# Auditors' Report

We have audited the financial statements of the Group and of the Company set out on pages 28 to 56. 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 2000 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(h) 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 3 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(h) 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*

*Public Accountants*

**TANG KIN KHEONG**

*No. 1501/9/01 (J)*

*Partner*

Kuala Lumpur

27 February 2001

# Balance Sheets

31 December 2000

	Note	GROUP		COMPANY	
		2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
<b>ASSETS</b>					
Property, plant and equipment	2	3,869	4,185	847	889
Investment in subsidiary companies	3	94	94	98,025	98,025
Investment in associated companies	4	19,469	22,921	15,597	15,597
Other investments	5	179,206	196,751	9,263	-
Trade and other receivables	6	136,835	126,827	8,629	187
Amounts owing by subsidiary companies	7	-	-	52,704	75,586
Amounts owing by associated companies	8	93	114	93	114
Marketable securities	9	6,658	-	-	-
Deposits	10	151,557	134,031	1,877	2,300
Cash and bank balances		39,417	51,337	429	461
<b>Total assets</b>		<b>537,198</b>	<b>536,260</b>	<b>187,464</b>	<b>193,159</b>
<b>LIABILITIES</b>					
Deferred taxation	11	36	36	-	-
Trade and other payables	12	230,559	219,225	445	552
Amounts owing to subsidiary companies	7	94	94	91	13,250
Amount owing to associated company	8	34	34	34	34
Bank borrowing	13	20,000	18,800	20,000	18,800
Provision for taxation		-	1,338	31	32
Proposed dividend		7,598	7,216	5,978	7,216
		<b>258,321</b>	<b>246,743</b>	<b>26,579</b>	<b>39,884</b>
<b>PROVISION FOR INSURANCE LIABILITIES</b>					
Reserves for unexpired risks		70,021	89,327	-	-
<b>Total liabilities</b>		<b>328,342</b>	<b>336,070</b>	<b>26,579</b>	<b>39,884</b>
<b>SHAREHOLDERS' FUND</b>					
Share capital	14	103,777	66,811	103,777	66,811
Share premium		22,014	17,029	22,014	17,029
Exchange fluctuation reserve		(2,596)	493	-	-
Unappropriated profit	15	63,697	95,851	35,094	69,435
		<b>186,892</b>	<b>180,184</b>	<b>160,885</b>	<b>153,275</b>
<b>MINORITY INTEREST</b>					
		21,964	20,006	-	-
<b>Total liabilities, shareholders' fund and minority interest</b>		<b>537,198</b>	<b>536,260</b>	<b>187,464</b>	<b>193,159</b>

The notes on pages 34 to 56 form part of the financial statements.

# Income Statements

for the year ended 31 December 2000

	Note	GROUP		COMPANY	
		2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Operating revenues	16	160,562	122,052	-	-
Operating costs applicable to operating revenues	17	(124,650)	(77,846)	-	-
Gross profit/(loss)		35,912	44,206	-	-
Other operating income	18	23,911	34,191	177	35
Other operating expenses	19	(44,936)	(35,869)	(3,376)	(2,794)
Profit/(Loss) from operations		14,887	42,528	(3,199)	(2,759)
Investment income	20	2,710	3,206	13,800	79,736
Share of profits less losses of associated companies		216	442	-	-
Discount on acquisition of new subsidiaries (see note 24)		-	2,998	-	-
Gain on disposal of a 6.1% equity interest in a subsidiary company, Jerneh Insurance Bhd		-	11,082	-	12,884
Finance costs		(980)	(1,277)	(1,446)	(1,237)
Profit before taxation		16,833	58,979	9,155	88,624
Taxation					
- Group/Company	21	(4,347)	(686)	(3,014)	(22,084)
- Share of taxation of associated companies	21	(580)	(46)	-	-
Profit after taxation		11,906	58,247	6,141	66,540
Minority interests		(3,578)	(6)	-	-
Net profit for the year		8,328	58,241	6,141	66,540
Basic earnings per share (sen)	22	8.09	57.56		
Diluted earnings per share (sen)	22	7.99	57.47		
Dividend per share (net of tax) (sen)		5.8	10.8		

The notes on pages 34 to 56 form part of the financial statements.

# Statements Of Changes In Equity

for the year ended 31 December 2000

Group	Note	Share capital RM'000	Share premium RM'000	(Non-distributable)		Exchange	(Distributable)	Total RM'000
				Merger reserve RM'000	Revaluation reserve RM'000	fluctuation reserve RM'000	Unappropriated profit RM'000	
Balance at 1.1.1999		66,800	17,005	(27,643)	-	2,065	71,014	129,241
Share of post-acquisition revaluation reserve of an associated company		-	-	-	4,930	-	-	4,930
Currency translation differences		-	-	-	-	(1,572)	-	(1,572)
Net gains and losses not recognised in the income statement		-	-	-	4,930	(1,572)	-	3,358
Dilution arising from issue of shares in subsidiary company (see note 24)		-	-	-	-	-	(3,475)	(3,475)
Transfer of reserves		-	-	27,643	(4,930)	-	(22,713)	-
Net profit for the year		-	-	-	-	-	58,241	58,241
Dividend	23	-	-	-	-	-	(7,216)	(7,216)
Issue of shares pursuant to the ESOS		11	24	-	-	-	-	35
Balance at 31.12.1999		66,811	17,029	-	-	493	95,851	180,184
Currency translation differences		-	-	-	-	(3,089)	-	(3,089)
Net loss not recognised in the income statement		-	-	-	-	(3,089)	-	(3,089)
Net profit for the year		-	-	-	-	-	8,328	8,328
Dividend	23	-	-	-	-	-	(6,110)	(6,110)
Issue of shares								
- 1-for-2 bonus issue		34,372	-	-	-	-	(34,372)	-
- pursuant to ESOS		2,594	4,985	-	-	-	-	7,579
Balance at 31.12.2000		103,777	22,014	-	-	(2,596)	63,697	186,892

The notes on pages 34 to 56 form part of the financial statements.

# Statements Of Changes In Equity

for the year ended 31 December 2000 (continued)

Company	Note	Share capital RM'000	(Non-distributable) Share premium RM'000	(Distributable) Unappropriated profit RM'000	Total RM'000
Balance at 1.1.1999		66,800	17,005	10,111	93,916
Issue of shares pursuant to ESOS		11	24	-	35
Net profit for the year		-	-	66,540	66,540
Dividend	23	-	-	(7,216)	(7,216)
Balance at 31.12.1999		66,811	17,029	69,435	153,275
Issue of shares					
- 1-for-2 bonus issue		34,372	-	(34,372)	-
- pursuant to ESOS		2,594	4,985	-	7,579
Net profit for the year		-	-	6,141	6,141
Dividend	23	-	-	(6,110)	(6,110)
Balance at 31.12.2000		103,777	22,014	35,094	160,885

The notes on pages 34 to 56 form part of the financial statements.

# Cash Flow Statements

for the year ended 31 December 2000

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	16,833	58,979	9,155	88,624
Adjustments for:				
Accretion of discounts less amortisation of premiums	(2,807)	(2,781)	(147)	-
Profit retained in associated companies	(216)	(442)	-	-
Depreciation	1,953	1,550	203	206
Provision for impairment losses on other investments	1,094	(199)	-	-
Provision for doubtful debts	1,145	507	-	-
Profit on disposal of property, plant and equipment	(144)	-	(90)	-
(Profit)/Loss on sale of other investments	(4,211)	(12,897)	194	-
Gain on disposal of shares in a subsidiary company	-	(11,082)	-	(12,884)
Interest income	(14,394)	(16,184)	(2,112)	(863)
Interest expense	980	1,277	1,446	1,237
Dividend income	(2,546)	(1,954)	(11,541)	(78,873)
Property, plant and equipment written off	32	480	3	-
Discount on acquisition	-	(2,998)	-	-
Write down of marketable securities to net realisable value	218	-	-	-
Changes in reserves for unexpired risks	(19,289)	44,854	-	-
Operating (loss)/profit before changes in working capital	(21,352)	59,110	(2,889)	(2,553)
Cash transferred from merger with Paramount Assurance Berhad (see note 24)	-	2,395	-	-
Proceeds from sale of other investments	130,140	78,490	-	-
Purchase of other investments	(105,285)	(82,687)	-	-
Changes in trade receivables	1,170	(52,851)	-	-
Changes in other receivables	(8,227)	1,918	(8,377)	775
Changes in marketable securities	12,332	-	-	-
Changes in provision for outstanding claims	27,606	4,897	-	-
Changes in trade payables	(14,111)	(5,082)	-	-
Changes in other payables	(2,004)	3,030	(107)	(254)
Cash generated from/(used in) operations	20,269	9,220	(11,373)	(2,032)
Income tax paid	(10,794)	(12,523)	(3,015)	(22,440)
Interest received	13,140	14,824	-	-
Dividends received	2,260	1,746	-	-
Net cash generated from/(used in) operating activities	24,875	13,267	(14,388)	(24,472)

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net cash paid to acquire subsidiary companies (see note 25)	-	(18,287)	-	(23,018)
Consideration paid to acquire associated companies	-	(15,597)	-	(15,597)
Proceeds from sale of other investments	12,010	-	12,010	-
Proceeds from disposal of shares in a subsidiary company	-	17,183	-	17,183
Proceeds from disposal of property, plant and equipment	235	7	154	-
Purchase of property, plant and equipment	(1,760)	(1,719)	(228)	(472)
Purchase of other investments	(32,638)	-	(32,638)	-
(Decrease)/Increase in fixed deposits	(15,932)	14,699	-	2,300
Interest received	2,144	2,806	2,047	869
Dividends received	394	450	11,541	78,873
Net cash (used in)/ generated from investing activities	(35,547)	(458)	(7,114)	55,538
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of shares to minority interest (see note 24)	-	10,425	-	-
Proceeds from issue of shares	7,579	35	7,579	35
Repayment from/(Advances to) subsidiary companies	-	-	21,041	(52,286)
Repayment from/(Advances to) associated companies	21	(114)	21	(80)
Revolving credits obtained	1,200	18,800	1,200	18,800
Interest expense	(980)	(1,277)	(1,446)	(1,237)
Dividend paid	(7,348)	(4,810)	(7,348)	(4,810)
Net cash generated from/(used in) financing activities	472	23,059	21,047	(39,578)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(10,200)	35,868	(455)	(8,512)
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	53,682	15,469	2,761	8,973
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	(126)	-	-	-
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	43,356	51,337	2,306	461
Represented by:				
Cash and bank balances	39,417	51,337	429	461
Deposits	3,939	-	1,877	-
	43,356	51,337	2,306	461

The notes on pages 34 to 56 form part of the financial statements.

# Accounting Policies And Explanatory Notes

for the year ended 31 December 2000

## 1. SIGNIFICANT ACCOUNTING POLICIES

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### (a) Accounting convention

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(h) 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.

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 except for the financial statements of Jerneh Investments (S) Pte Ltd, as explained in explanatory note 3 to the financial statements. 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' 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. 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 recognised in the income statement in the year of acquisition. The carrying amount and amortisation period is 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. However, any discount which is considered immaterial to the consolidated financial statements is taken directly to the income statement in the year of acquisition.

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

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

**(c) Subsidiary companies**

A subsidiary company is a company 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 a permanent impairment in 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 charged to the income statement.

**(d) Associated companies**

The Group treats as associated companies those companies in which the Group holds a long term equity interest of between 20% and 50%, 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 an impairment loss on such investments.

On disposal, the difference between net disposal proceeds and the carrying amount of the associated company disposed of is charged 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) Property, plant and equipment**

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

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.

The carrying amounts of property, plant and equipment are reviewed 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.

(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%

(f) **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.

(g) **Marketable securities**

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

(h) **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 2000 for which debit notes had still not been issued by that date is not material. Debit notes issued in January 2001 for gross premium in respect of risks assumed before 31 December 2000 totalled RM3,117,000. After deducting reinsurance outwards and reserves for unexpired risks, the effect on consolidated profit before taxation for the year ended 31 December 2000 is RM68,000.

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

(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:

	<b>Jerneh Insurance Bhd</b>	<b>Jerneh Asia Reinsurance Limited</b>	<b>Other subsidiaries</b>
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 except in the case of Jerneh Asia Reinsurance Limited where the IBNR provision is based on the Directors' estimates.

(iv) *Inward treaty business*

During the financial year, Jerneh Insurance Bhd and Jerneh Asia Reinsurance Limited discontinued the open underwriting method to estimate the results of their inward treaty business and adopted the methods described in explanatory note 1(h)(i), (ii) and (iii).

The impact on the financial statements for the current financial year as a result of the change in method is a decrease in the consolidated profit before taxation of RM2,158,000.

(i) **Recognition of revenue**

- (i) Insurance premium income is recognised as disclosed under explanatory note 1(h).
- (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 on a receipt basis except for dividends from subsidiary companies which are recognised when proposed.
- (v) Revenue from 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.

(j) **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 denominated in foreign currencies and which are stated at historical costs 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:

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

(k) **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.

(l) **Bad and doubtful debts**

Known bad debts are written off and specific provisions 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 provision for doubtful debts.

(m) **Cash equivalents**

Cash equivalents are short term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(n) **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 1.1.2000	595	7,564	1,926	1,338	538	11,961
Additions	-	222	831	380	327	1,760
Disposals	-	(2)	(109)	(272)	-	(383)
Exchange adjustments	-	(3)	(1)	-	(1)	(5)
Write-offs	-	(1,046)	(2)	-	-	(1,048)
At 31.12.2000	595	6,735	2,645	1,446	864	12,285
Accumulated depreciation						
At 1.1.2000	43	5,807	833	801	292	7,776
Charge for the year	12	838	731	276	96	1,953
Disposals	-	(2)	(82)	(208)	-	(292)
Exchange adjustments	-	(3)	(1)	-	(1)	(5)
Write-offs	-	(1,014)	(2)	-	-	(1,016)
At 31.12.2000	55	5,626	1,479	869	387	8,416
Net book value						
At 31.12.2000	540	1,109	1,166	577	477	3,869
Net book value						
At 31.12.1999	552	1,757	1,093	537	246	4,185
Depreciation charged for the year ended						
31.12.1999	11	882	114	277	266	1,550

Company

	Computers RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost					
At 1.1.2000	104	174	658	365	1,301
Additions	25	13	190	-	228
Disposals	-	-	(215)	-	(215)
Write-offs	(7)	-	-	-	(7)
At 31.12.2000	122	187	633	365	1,307
Accumulated depreciation					
At 1.1.2000	52	34	264	62	412
Charge for the year	22	18	126	37	203
Disposals	-	-	(151)	-	(151)
Write-offs	(4)	-	-	-	(4)
At 31.12.2000	70	52	239	99	460
Net book value					
At 31.12.2000	52	135	394	266	847
Net book value					
At 31.12.1999	52	140	394	303	889
Depreciation charged for the year ended					
31.12.1999	21	17	132	36	206

3. INVESTMENT IN SUBSIDIARY COMPANIES

	Group		Company	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Unquoted shares in consolidated subsidiaries, at cost	-	-	120,537	120,537
Pre-acquisition dividends received	-	-	(22,512)	(22,512)
	-	-	98,025	98,025
Unquoted shares in an unconsolidated subsidiary, at cost	94	94	-	-
	94	94	98,025	98,025

The subsidiary companies are:

	Country of incorporation	Principal activities	Equity 2000 %	interest 1999 %
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	-
Jerneh Healthcare Services Sdn Bhd	Malaysia	Healthcare administration and consultancy services	100	100
*Jerneh Asia Reinsurance Limited ("JAR")	Labuan Malaysia	Offshore reinsurance	100	100
*Jerneh Insurance (HK) Limited ("JIHK")	Hong Kong	Underwriting of general insurance business	100	100
*Jerneh Healthcare Services (HK) Limited (1)	Hong Kong	Dormant	100	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	100

1 Held through JIHK

2 Held through JIB

\* Not audited by Moores Rowland

The unconsolidated subsidiary is Jerneh Investments (S) Pte Ltd. Jerneh Investments (S) Pte Ltd was inactive during the financial year and an application for the de-registration of Jerneh Investment (S) Pte Ltd has been approved by the Registrar of Companies, Singapore on 4 January 2001. For these reasons, and in view of the insignificant amounts involved, the financial statements of Jerneh Investments (S) Pte Ltd have not been consolidated with the Company's financial statements.

The audited financial statements of Jerneh Investments (S) Pte Ltd made up to 31 December 2000 have not been annexed herewith as required under the Ninth Schedule of the Companies Act, 1965 because no such audited financial statements will be issued due to the pending de-registration.

#### 4. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Company	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Unquoted shares at cost	20,627	20,627	15,597	15,597
Share of post-acquisition revaluation reserve and retained profits less losses	(1,158)	2,294	-	-
	19,469	22,921	15,597	15,597

Represented by:

Share of net assets of associated companies	18,225	21,677		
Goodwill on acquisition	1,244	1,244		
	19,469	22,921		

The associated companies are:

	Country of incorporation	Principal activities	Equity 2000 %	interest 1999 %
Kian Min Realty Sdn Bhd ("KMR")	Malaysia	Property investment	25	25
Taishan Insurance Brokers, Philippines, Inc	Philippines	Insurance broker	40	40
KRM Reinsurance Brokers, Philippines, Inc	Philippines	Reinsurance broker	40	40
Generali Asia N.V ("GANV")	Netherlands	Investment holding	40	40

## 5. OTHER INVESTMENTS

	Group		Company	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Quoted investments				
Malaysian government securities and treasury bills, at cost less amortisation of premiums	40,836	46,672	-	-
Shares quoted in Malaysia, at cost less provision for impairment losses	34,949	44,633	-	-
Shares quoted outside Malaysia, at cost	-	7,901	-	-
Bonds and loan stocks quoted in Malaysia, at cost plus accretion of discounts less provision for impairment losses	10,331	15,003	-	-
Unit trust quoted in Malaysia, at cost less provision for impairment losses	193	206	-	-
	86,309	114,415	-	-
Unquoted investments				
Bonds and loan stocks, at cost plus accretion of discounts	67,147	65,860	9,263	-
Malaysian government guaranteed loans, at cost	25,330	15,665	-	-
Shares at cost	420	811	-	-
	179,206	196,751	9,263	-
Market value of quoted investments				
Malaysian government securities and treasury bills	42,830	49,527	-	-
Shares quoted in Malaysia	46,182	63,013	-	-
Shares quoted outside Malaysia	-	9,428	-	-
Bonds and loan stocks quoted in Malaysia	9,772	14,702	-	-
Unit trust quoted in Malaysia	193	206	-	-
	98,977	136,876	-	-

## 6. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Outstanding premium including insureds, agents, brokers and co-insurer balances	30,450	33,889	-	-
Amount due from reinsurers and ceding companies	54,882	67,634	-	-
	85,332	101,523	-	-
Provision for doubtful debts	(15,559)	(15,045)	-	-
	69,773	86,478	-	-
Loans and advances	35,130	20,232	-	-
Provision for doubtful debts	(756)	(125)	-	-
	104,147	106,585	-	-
Other receivables, deposits and prepayments	24,161	15,934	8,561	184
Tax recoverable	5,187	78	-	-
Interest receivable	3,340	4,230	68	3
	136,835	126,827	8,629	187

## 7. 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 is a loan amounting to RM30.4 million (1999 : RM18.8 million) which bears interest at 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. Included in the amount owing by the Company to subsidiary companies is an advance amounting to nil (1999 : RM13.25 million) which bears interest at nil (1999 : 4.5% p.a).

## 8. AMOUNTS OWING BY/TO ASSOCIATED COMPANIES

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

## 9. MARKETABLE SECURITIES

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Securities quoted in Malaysia				
- at cost	1,761	-	-	-
- at market value	3,349	-	-	-
Securities quoted outside Malaysia, at cost	1,548	-	-	-
	6,658	-	-	-

## 10. DEPOSITS

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Fixed deposits				
- with licensed banks in Malaysia	134,579	104,065	1,877	300
- with licensed finance companies in Malaysia	10,853	18,340	-	2,000
- banks outside Malaysia	6,125	11,626	-	-
	151,557	134,031	1,877	2,300

## 11. DEFERRED TAXATION

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
At beginning of the year	36	3	-	-
Transfer from/(to) income statement	-	33	-	-
At end of the year	36	36	-	-

Timing differences existing at year end were as follows:

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Timing differences arising from computation of reserves for unexpired risks	(6,350)	(4,146)	-	-
Timing differences between depreciation and capital allowances on property, plant and equipment	547	560	-	-
Timing differences arising from open underwriting account	-	(3,489)	-	-
Other timing differences	(13,881)	(14,263)	-	-
	(19,684)	(21,338)	-	-

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

## 12. TRADE AND OTHER PAYABLES

	Group		Company	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Provision for outstanding claims	307,922	264,037	-	-
Recoverable from reinsurers thereon	(129,200)	(112,775)	-	-
Net outstanding claims	178,722	151,262	-	-
Amount due to reinsurers and ceding companies	19,801	37,470	-	-
Amount due to insureds, agents, brokers and co-insurers	17,611	14,053	-	-
Other payables and accruals	14,425	16,440	445	552
	230,559	219,225	445	552

## 13. BANK BORROWING

The bank borrowing represents an unsecured revolving credit which bears interest at 1.75% p.a. above the cost of funds of the bank.

## 14. SHARE CAPITAL

	2000 RM'000	1999 RM'000
Authorised:		
Ordinary shares of RM1 each	500,000	500,000
Issued and fully paid:		
Ordinary shares of RM1 each		
At beginning of the year	66,811	66,800
Bonus issue of 1-for-2	34,372	-
Shares issued pursuant to the ESOS	2,594	11
At end of the year	103,777	66,811

## 15. 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.

## 16. OPERATING REVENUES

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Gross written premium less returns	248,752	198,403	-	-
Reinsurance outwards	(97,303)	(82,785)	-	-
Changes in reserves for unexpired risks	(6,408)	1,752	-	-
	145,041	117,370	-	-
Proceeds from sale of marketable securities held for trading	8,240	-	-	-
Brokerage fee income	3,790	2,705	-	-
Management fee income	35	28	-	-
Gross dividends from marketable securities (quoted in Malaysia) held for trading	65	-	-	-
Interest income from loans and advances	3,391	1,949	-	-
	160,562	122,052	-	-

## 17. OPERATING COSTS APPLICABLE TO OPERATING REVENUES

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Insurance claims incurred	100,022	71,376	-	-
Net commission expense	11,954	6,470	-	-
Cost of marketable securities sold	12,456	-	-	-
Write down of marketable securities to net realisable value	218	-	-	-
	124,650	77,846	-	-

## 18. OTHER OPERATING INCOME

	Group		Company	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Realised gain on foreign exchange	12	-	12	-
Profit on disposal of property, plant and equipment	144	-	90	-
Profit on sale of other investments held under the general insurance business	5,050	12,897	-	-
Provision for impairment losses on other investments written back	-	199	-	-
Provision for doubtful debts written back	-	1,334	-	-
Management fee income	-	-	71	35
Accretion of discounts received on other investments held under the general insurance business	2,657	2,812	-	-
Service fee income	1,050	1,070	-	-
Interest income from other investments held under the general insurance business				
- Malaysian government securities	2,828	2,693	-	-
- bonds and loan stocks				
- quoted in Malaysia	298	263	-	-
- unquoted	2,771	3,065	-	-
- quoted outside Malaysia	1,948	1,019	-	-
- fixed deposits	4,470	6,344	-	-
Gross dividends from other investments held under the general insurance business				
- shares quoted in Malaysia	2,047	1,281	-	-
- unit trusts quoted in Malaysia	16	240	-	-
- shares quoted outside Malaysia	132	225	-	-
Others	488	749	4	-
	23,911	34,191	177	35

## 19. OTHER OPERATING EXPENSES

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Marketing costs	8,783	8,090	-	-
Administrative and general expenses	33,344	27,094	3,376	2,794
Realised loss on foreign exchange	508	306	-	-
Unrealised loss on foreign exchange	367	150	-	-
Loss on sale of other investments held under the general insurance business	645	-	-	-
Provision of impairment losses on other investments held under the general insurance business	1,094	-	-	-
Amortisation of premiums paid on other investments held under the general insurance business	195	229	-	-
	44,936	35,869	3,376	2,794
Other operating expenses include:				
Staff costs	23,344	18,430	1,449	1,392
Auditors' remuneration				
- statutory audit				
- current year	228	225	25	25
- underprovision in prior year	12	2	-	5
Depreciation	1,953	1,550	203	206
Directors' remuneration				
- fees				
- current year	105	1,308	70	90
- overprovision in prior year	(2)	(63)	-	(40)
- others	1,479	352	-	464
Property, plant and equipment written off	32	480	3	-
Hire of equipment	370	161	-	-
Loss on sale of other investments	194	-	194	-
Provision for doubtful debts	1,145	1,841	-	-
Preliminary expenses written off	8	-	-	-
Rental of premises	2,813	1,627	130	161
The number of employees (excluding directors) as at the end of the financial year	384	379	15	15

## 20. INVESTMENT INCOME

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Gross dividends from				
- subsidiary companies	-	-	11,431	78,761
- associated companies	-	-	-	112
- shares quoted in Malaysia	286	80	110	-
- unquoted shares	-	128	-	-
Interest income from				
- advances to subsidiary companies	-	-	1,160	663
- fixed deposits	1,675	2,650	698	200
- bonds and loan stocks quoted in Malaysia	404	150	254	-
Accretion of discounts received on other investments	345	198	147	-
	2,710	3,206	13,800	79,736

## 21. TAXATION

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation based on the results for the year				
- current	7,549	466	3,014	22,084
- deferred	-	33	-	-
Foreign taxation	218	192	-	-
	7,767	691	3,014	22,084
Tax recoverable from reinsurers	(64)	(23)	-	-
Underprovision in prior year	(3,356)	18	-	-
	4,347	686	3,014	22,084
Group's share of taxation of associated companies	580	46	-	-

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

In view of the tax waiver granted under the Income Tax (Amendment) Act 1999, the Malaysian taxation provided by the Group and the Company in the previous financial year was in respect of dividend only. No provision for Malaysian taxation has been provided in respect of other income.

## 22. 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 RM8,328,000 (1999 : RM58,241,000) by the weighted average number of shares in issue of 102,896,022 (1999 : 101,177,838) after adjusting for the bonus issue and shares issued under the ESOS calculated as follows:

	2000 '000	1999 '000
Number of ordinary shares at 1 January	66,811	66,800
Effect of bonus issue	34,372	34,372
Effect of shares issued pursuant to the ESOS	1,713	5
Weighted average number of ordinary shares	102,896	101,177

### (ii) Diluted earnings per share

The diluted earnings per share has been calculated by dividing the Group's net profit for the year of RM8,328,000 (1999 : RM58,241,000) 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:

	2000 '000	1999 '000
Weighted average number of ordinary shares as in (i) above	102,896	101,177
Number of unissued shares under the ESOS		
- based on exercise price	4,970	5,914
- based on average fair value	(3,613)	(5,754)
Weighted average number of ordinary shares that would have been in issue	104,253	101,337

The basic and diluted earnings per share for the previous financial year have been restated and retrospectively adjusted as a result of the bonus issue during the financial year under review.

## 23. DIVIDEND

	Group		Company	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Proposed first and final dividend of 8% (1999 : 15%) less tax at 28%	5,978	7,216	5,978	7,216
Additional dividend paid in respect of the year ended 31 December 1999 following the issue of additional shares pursuant to the ESOS	132	-	132	-
	<b>6,110</b>	<b>7,216</b>	<b>6,110</b>	<b>7,216</b>

## 24. CASH TRANSFERRED FROM MERGER OF JERNEH INSURANCE BHD'S GENERAL INSURANCE BUSINESS WITH THAT OF PARAMOUNT ASSURANCE BERHAD ("PAB")

The merger involved the acquisition of the following insurance assets and liabilities for a consideration of RM1 in 1999.

ASSETS	RM'000
Property, plant and equipments	894
Other investments	22,303
Outstanding premium including insureds, agents, brokers and co-insurer balances	1,694
Amount due from reinsurers and ceding companies	740
Other receivables, deposits and prepayments	2,960
Interest receivable	651
Deposits	11,308
Cash and bank balances	2,395
<b>Total assets</b>	<b>42,945</b>
<b>LIABILITIES</b>	
Reserve for unexpired risks	12,811
Provision for outstanding claims	26,054
Amount due to reinsurers and ceding companies	2,106
Amount due to insureds, agents, brokers and co-insurers	1,044
Other payables and accruals	930
	<b>42,945</b>

Further, the merger also involved the issue by Jerneh Insurance Bhd of 10,425,000 new ordinary shares of RM1 each to PAB for cash at par, resulting in a dilution in the Group's share of Jerneh Insurance Bhd's retained profits amounting to RM3,475,000.

## 25.ACQUISITION OF SUBSIDIARY COMPANIES

Analysis of the acquisition of shares in new subsidiary companies, namely Jerneh Insurance (HK) Limited and Taishan Insurance Brokers Limited in 1999:

<b>ASSETS</b>	<b>RM'000</b>
Property, plant and equipments	363
Other investments	8,621
Trade receivables	10,521
Other receivables, deposits and prepayments	35
Deposits	21,528
Cash and bank balances	4,731
<b>Total assets</b>	<b>45,799</b>
<b>LIABILITIES</b>	
Net outstanding claims	6,220
Trade payables	8,205
Other payables and accruals	1,468
Taxation	468
<b>PROVISION FOR INSURANCE LIABILITIES</b>	
Reserves for unexpired risks	3,422
<b>Total liabilities</b>	<b>19,783</b>
Net assets	26,016
Discount on acquisition	(2,998)
<b>Total purchase consideration</b>	<b>23,018</b>
Cash and bank balances acquired	(4,731)
<b>Net cash paid</b>	<b>18,287</b>

## 26. RELATED PARTY TRANSACTIONS

The Company has a relationship with its subsidiary companies. Additionally, the Group and Company have a relationship with the associated companies.

Significant related party transactions during the year were as follows:

	Group		Company	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Gross premium receivable from a substantial shareholder, Kuok Brothers Sdn Bhd ("KBSB") and KBSB's subsidiary, associated and major investee companies	14,766	18,055	-	-
Gross premium receivable from companies in which Kuok Khoo Ean, a Director who resigned during the financial year, and persons connected with him have an interest	5,871	5,434	-	-
Loan interest receivable from JCL	-	-	1,160	664
Internal audit fee receivable from JIB	-	-	251	258
Management fee income receivable from				
- JIHK	-	-	60	29
- TIBL	-	-	11	6
Interest expense payable to JAR	-	-	471	320
Office rental payable to KMR	951	869	103	103
Secretarial fee payable to KBSB	30	31	14	19
Marketable securities transferred to JAC	-	-	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 2000 were as follows:

	Group		Company	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Advances owing by JAC	-	-	13,236	-
Internal audit fee owing by JIB	-	-	64	51

## 27. CAPITAL COMMITMENTS

	Group		Company	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Authorised capital expenditure contracted for, not provided for in the financial statements	44,410	2,313	-	-

## 28.SEGMENTAL INFORMATION

	Operating revenue	Profit before taxation	Assets employed
By activity	RM'000	RM'000	RM'000
<b>2000</b>			
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
<b>1999</b>			
Underwriting and brokerage of general insurance business	120,646	58,314	515,828
Credit and leasing	1,949	665	20,432
	122,595	58,979	536,260
Group's share of associated companies turnover	(543)	-	-
	122,052	58,979	536,260
By geographical location	Operating revenue	Profit before taxation	Assets employed
2000	RM'000	RM'000	RM'000
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
<b>1999</b>			
Malaysia	117,135	56,615	428,058
Outside Malaysia (Hong Kong and the Philippines)	5,460	2,364	108,202
	122,595	58,979	536,260
Group's share of associated companies turnover	(543)	-	-
	122,052	58,979	536,260

## 29.PRESENTATION OF FINANCIAL STATEMENTS

The financial statements are presented in accordance with MASB Standards for the first time together with the relevant comparatives.

# Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 28 to 56 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 2000 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(h) to the financial statements.

On behalf of the Directors

**DATUK KHOR CHIN POEY**

*Director*

**TAM CHIEW LIN**

*Director*

Kuala Lumpur

27 February 2001

# Statutory Declaration

I, Tan Lee Beng, being the officer 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 28 to 56 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 27th day of February 2001            )  
  )  
  )  
  )     TAN LEE BENG

Before me:  
ROBERT LIM HOCK KEE  
Commissioner for Oaths

Kuala Lumpur  
27th February 2001

# Shareholdings Statistics

as at 8 March 2001

Class of Shares - Ordinary Shares of RM1.00 each fully paid

Voting Rights - One vote per share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of		No. of Shares	% of Issued of Capital
	Holder	%		
Less than 500	6	0.22	1,159	0.00
500-5,000	2,011	73.42	4,308,216	4.15
5,001-10,000	332	12.12	2,468,659	2.38
10,001-100,000	345	12.60	8,122,268	7.83
100,001-1,000,000	29	1.06	8,055,459	7.76
1,000,001 and above	16	0.58	80,821,242	77.88
	2,739	100.00	103,777,003	100.00

## THE TWENTY LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shares Held	% of Issued Capital
1. Kuok Brothers Sdn Berhad	40,558,425	39.08
2. Syarikat Nominee Bumiputra (Tempatan) Sdn Bhd	16,647,407	16.04
3. Malaysia Nominees (Asing) Sdn Bhd	5,004,500	4.82
4. Citicorp Nominees (Asing) Sdn Bhd	4,523,040	4.36
5. Ophir Holdings Berhad	3,484,125	3.36
6. Amsec Nominees (Asing) Sdn Bhd	3,150,000	3.04
7. RC Nominees (Tempatan) Sdn Bhd	1,996,500	1.92
8. Southern Nominees (Tempatan) Sdn Bhd	1,530,000	1.47
9. HSBC Nominees (Tempatan) Sdn Bhd	1,319,000	1.27
10. Multi-Purpose Bank Nominees (Tempatan) Sdn Bhd	1,233,420	1.19
11. Universal Trustee (Malaysia) Berhad	1,227,000	1.18
12. PB Securities Nominees (Tempatan) Sdn Bhd	1,207,605	1.16
13. Arab-Malaysian Nominees (Tempatan) Sdn Bhd	1,087,500	1.05
14. Employees Provident Fund Board	1,002,000	0.97
15. Adora Holdings Sdn Bhd	697,230	0.67
16. HSBC Nominees (Asing) Sdn Bhd	554,000	0.53
17. Asia Life (M) Berhad	371,000	0.36
18. Alliedban Nominees (Tempatan) Sdn Bhd	308,500	0.30
19. Cosmic Insurance Corporation Limited	300,000	0.29
20. Action Industries (M) Sdn Bhd	300,000	0.29
	86,501,252	83.35

# Substantial Shareholders

Name of Substantial Shareholders	No. of Shares Held			% of Issued Capital
	Direct	Indirect	Total	
	No. of Shares	No. of Shares	No. of Shares	
Kuok Brothers Sdn Bhd	40,558,425	60,000	40,618,425	39.14
BHR Enterprise Sdn Bhd	16,637,407	-	16,637,407	16.03
Sable Investment Corporation	8,076,360	-	8,076,360	7.78
The Miller Insurance Group Limited	4,075,680	-	4,075,680	3.93
Dato' Seri Ismail Farouk Abdullah	3,791,445	-	3,791,445	3.65
Ophir Holdings Berhad	3,484,125	-	3,484,125	3.36
Ahmad Riza bin Basir	150,000	16,637,407	16,787,407	16.18
Puan Sri Hamidah bt Abdul Rahman	-	16,637,407	16,637,407	16.03
Roshayati bt Basir	-	16,637,407	16,637,407	16.03
Rosilawati bt Basir	-	16,637,407	16,637,407	16.03
Rozanazetti bt Basir	-	16,637,407	16,637,407	16.03
Frank Tsao Wen King	-	8,076,360	8,076,360	7.78
Kuok Foundation Berhad	-	3,484,125	3,484,125	3.36

As Bare Trustee			No. of	% of
			Shares Held	Issued Capital
Syarikat Nominee Bumiputra (Tempatan) Sdn Bhd				
- 16,637,407 shares (16.03%) held for BHR Enterprise Sdn Bhd			16,647,407	16.04
Malaysia Nominees (Asing) Sdn Bhd				
- 4,891,500 shares (4.71%) held for Sable Investment Corporation			5,004,500	4.82
Citicorp Nominees (Asing) Sdn Bhd				
- 4,075,680 shares (3.93%) held for The Miller Insurance Group Limited			4,523,040	4.36
Amsec Nominees (Asing) Sdn Bhd				
- held for Sable Investment Corporation			3,150,000	3.04

## List of properties as at 31st Dec 2000

	Location	Tenure	Approximate building age	Net book value at 31 Dec 2000 (RM)
JIB	Sri Gombak	Freehold	14	352,000
JIB	Jerantut	Freehold	11	187,200
				539,200

Affix Stamp

The Company Secretary

Jerneh Asia Berhad

18th Floor, Wisma Jerneh

38 Jalan Sultan Ismail

50250 Kuala Lumpur