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**INFORMATION ON ACE**


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**1. HISTORY AND BUSINESS**

ACE was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 26 October 1995. ACE is principally involved in underwriting of general insurance.

**2. SHARE CAPITAL****2.1 Authorised and issued and paid-up share capital**

The authorised and issued and paid-up share capital of ACE is as follows:

As at 30 April 2002	No. of ordinary shares	Par value RM	Total RM
Authorised	100,000,000	1.00	100,000,000
Issued and fully paid-up	100,000,000	1.00	100,000,000

**2.2 Changes in issued and paid-up share capital**

The changes in the issued and paid-up share capital of ACE since incorporation up to 30 April 2002 are as follows:

Date of allotment	No. of ordinary shares	Par value RM	Consideration	Total RM
26 Oct 1995	2	1.00	Cash	2
14 June 1996	12,999,998	1.00	Cash	13,000,000
22 Aug 1996	7,000,000	1.00	Cash	20,000,000
31 Dec 1997	10,000,000	1.00	Bonus Issue of one (1) new share for every two (2) shares held	30,000,000
28 Dec 1998	201,267	1.00	Cash	30,201,267
28 Dec 1998	4,798,733	1.00	Bonus Issue of one (1) new share for every six (6) shares held	35,000,000
25 Nov 1999	5,000,000	1.00	Bonus Issue of one (1) new share for every seven (7) shares held	40,000,000
16 Nov 2000	10,000,000	1.00	Bonus Issue of one (1) new share for every four (4) shares held	50,000,000
6 April 2001	25,000,000	1.00	Bonus Issue of one (1) new share for every two (2) shares held	75,000,000
24 July 2001	25,000,000	1.00	Cash	100,000,000

### 3. MAJOR SHAREHOLDERS

The major shareholders of ACE and their shareholdings as at 30 April 2002 are as follows:

Shareholder	Direct		Indirect		Nationality/ Country of incorporation
	No. of shares held	% held	No. of shares held	% held	
ACE INA International Holdings Ltd	51,000,000	51	-	-	U.S.
Advance Synergy Berhad	49,000,000	49	-	-	Malaysia

### 4. BOARD OF DIRECTORS

The Directors of ACE, and their shareholdings in ACE as at 30 April 2002 are as follows:

Name	Direct		Indirect		Nationality
	No. of shares held	% held	No. of shares held	% held	
Dato' Azman Shah bin Haron	-	-	-	-	Malaysian
Lee Koon Yew	-	-	-	-	Malaysian
Lim Poh Ho	-	-	-	-	Malaysian
Brian David Anstey	-	-	-	-	British
Lee Kok Teng	-	-	-	-	Singaporean
Foo Yoan Yeng (alternate director to Brian David Anstey)	-	-	-	-	Malaysian

### 5. SUBSIDIARY AND ASSOCIATED COMPANIES

ACE has no subsidiary and associated companies as at 30 April 2002.

### 6. PROFIT AND DIVIDEND RECORD

The audited results of the ACE based on its audited accounts for the past five (5) years ended 31 December 2001 are as follows:

	←-----Financial year ended 31 December----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue*	63,434	64,140	70,087	74,560	95,015
Profit before taxation	10,659	17,937	19,892	13,184	8,645
Exceptional Item (EI)	-	-	-	-	-
Profit before taxation and after EI	10,659	17,937	19,892	13,184	8,645
Taxation	1,140	5,600	-	4,972	403
PAT	9,519	12,337	19,892	8,122	8,242
Paid-up capital ('000)	30,000	35,000	40,000	50,000	100,000
Net EPS (sen)**	27	31	40	11	10
NTA (RM'000)	34,799	47,337	67,229	75,441	108,683
NTA per share (RM)	1.16	1.35	1.68	1.51	1.09
Gross dividend (%)	-	-	-	-	-

\* Operating revenue for financial years ended 1997 and 1998 represents gross premium written less returned premiums while operating revenue for financial years 1999 to 2001 represents gross premium and investment income.

\*\* based on weighted average issued and paid up share capital.

**7. THE AUDITED ACCOUNTS OF ACE FOR THE YEAR ENDED 31 DECEMBER 2001 AND THE AUDITORS' REPORT THEREON ARE REPRODUCED HEREIN**

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**ACE SYNERGY INSURANCE BERHAD**

(Incorporated in Malaysia)

**BALANCE SHEET AS AT 31 DECEMBER 2001**

	<u>Note</u>	<u>2001</u> RM	<u>2000</u> RM
<b>ASSETS</b>			
Property, plant and equipment	3	1,250,963	937,523
Investments	4	173,091,248	127,208,014
Tax recoverable		2,412,494	-
Receivables	5	15,811,095	10,398,900
Cash and bank balances		516,298	445,669
Total assets		<u>193,082,098</u>	<u>138,990,106</u>
<b>LIABILITIES</b>			
Provision for outstanding claims	6	36,402,128	27,463,376
Payables	7	15,237,771	10,608,894
Taxation		-	718,798
		<u>51,639,899</u>	<u>38,791,068</u>
Reserves for unexpired risks	8	32,759,303	24,757,690
Total liabilities		<u>84,399,202</u>	<u>63,548,758</u>
<b>SHAREHOLDERS' FUND</b>			
Share capital		100,000,000	50,000,000
Retained earnings	10	8,682,896	25,441,348
		<u>108,682,896</u>	<u>75,441,348</u>
Total liabilities and shareholders' fund		<u>193,082,098</u>	<u>138,990,106</u>

The above Balance Sheet is to be read in conjunction with the notes to the financial statements on pages 46 to 60.

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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2001

	<u>Note</u>	<u>2001</u> RM	<u>2000</u> RM
Operating revenue	11	<u>95,015,304</u>	<u>74,559,812</u>
Surplus transferred from Revenue Account		7,362,733	12,112,231
Management expenses	12	(52,305)	(14,369)
Investment income	13	1,410,260	1,162,773
Other expenditure	14	<u>(76,102)</u>	<u>(76,311)</u>
Profit before taxation		8,644,586	13,184,324
Taxation	15	<u>(403,038)</u>	<u>(4,971,769)</u>
Net profit for the financial year		<u>8,241,548</u>	<u>8,212,555</u>
Earnings per share (sen)	16	<u>10</u>	<u>11</u>

The above Income Statement is to be read in conjunction with the notes to the financial statements on pages 46 to 60.

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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### GENERAL INSURANCE REVENUE ACCOUNT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2001

	<u>Note</u>	<u>Fire</u> <u>RM</u>	<u>Motor</u> <u>RM</u>	<u>Marine, Aviation &amp; Transit</u> <u>RM</u>	<u>Misc</u> <u>RM</u>	<u>Total</u> <u>RM</u>
Gross premium		22,817,649	1,495,240	3,919,427	58,834,833	87,067,149
Reinsurance outwards		(13,186,716)	(555,428)	(431,890)	(24,667,912)	(38,841,946)
Net premium		<u>9,630,933</u>	<u>939,812</u>	<u>3,487,537</u>	<u>34,166,921</u>	<u>48,225,203</u>
Decrease/(increase) in reserves for unexpired risks	8	<u>530,320</u>	<u>(625,448)</u>	<u>15,070</u>	<u>(7,921,555)</u>	<u>(8,001,613)</u>
Earned premium		<u>10,161,253</u>	<u>314,364</u>	<u>3,502,607</u>	<u>26,245,366</u>	<u>40,223,590</u>
Net claims incurred	17	(8,485,198)	(443,520)	(2,148,925)	(7,694,413)	(18,772,056)
Net commission		<u>(1,708,312)</u>	<u>(37,400)</u>	<u>(638,904)</u>	<u>(3,312,955)</u>	<u>(5,697,571)</u>
Underwriting (deficit)/surplus before management expenses		<u>(32,257)</u>	<u>(166,556)</u>	<u>714,778</u>	<u>15,237,998</u>	<u>15,753,963</u>
Management expenses	12					(14,271,555)
Bad and doubtful debts	18					<u>156,298</u>
Underwriting surplus						<u>1,638,706</u>
Investment income	13					<u>6,445,367</u>
Other expenditure – net	14					<u>(721,340)</u>
Transfer to Income Statement						<u><u>7,362,733</u></u>

The above General Insurance Revenue Account is to be read in conjunction with the notes to the financial statements on pages 46 to 60.

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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### GENERAL INSURANCE REVENUE ACCOUNT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000

	Note	Fire RM	Motor RM	Marine, Aviation & Transit RM	Misc RM	Total RM
Gross premium		18,466,407	466,693	3,977,740	44,976,453	67,887,293
Reinsurance outwards		(10,237,292)	(80,438)	(1,114,659)	(17,765,004)	(29,197,393)
Net premium		<u>8,229,115</u>	<u>386,255</u>	<u>2,863,081</u>	<u>27,211,449</u>	<u>38,689,900</u>
Increase in reserves for unexpired risks	8	(8,096)	(37,606)	(345,130)	(1,285,656)	(1,676,488)
Earned premium		<u>8,221,019</u>	<u>348,649</u>	<u>2,517,951</u>	<u>25,925,793</u>	<u>37,013,412</u>
Net claims incurred	17	(2,562,096)	(142,597)	627,249	(9,436,665)	(11,514,109)
Net commission		<u>(2,123,099)</u>	<u>(40,663)</u>	<u>(518,628)</u>	<u>(3,119,959)</u>	<u>(5,802,349)</u>
Underwriting surplus before management expenses		<u><u>3,535,824</u></u>	<u><u>165,389</u></u>	<u><u>2,626,572</u></u>	<u><u>13,369,169</u></u>	<u><u>19,696,954</u></u>
Management expenses	12					(11,199,789)
Bad and doubtful debts	18					(459,217)
Underwriting surplus						<u>8,037,948</u>
Investment income	13					5,448,863
Other expenditure – net	14					(1,374,580)
Transfer to Income Statement						<u><u>12,112,231</u></u>

The above General Insurance Revenue Account is to be read in conjunction with the notes to the financial statements on pages 46 to 60.

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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2001

	Issued and fully paid ordinary shares of RM 1.00 each		Distributable Retained earnings	Total
	Number of shares	Nominal value RM	RM	RM
Balance as at 1 January 2001	50,000,000	50,000,000	25,441,348	75,441,348
Bonus issue during the financial year	25,000,000	25,000,000	(25,000,000)	-
Rights issue during the financial year	25,000,000	25,000,000	-	25,000,000
Net profit for the financial year	-	-	8,241,548	8,241,548
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2001	100,000,000	100,000,000	8,682,896	108,682,896
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance as at 1 January 2000	40,000,000	40,000,000	27,228,793	67,228,793
Bonus issue during the financial year	10,000,000	10,000,000	(10,000,000)	-
Net profit for the financial year	-	-	8,212,555	8,212,555
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Balance as at 31 December 2000	50,000,000	50,000,000	25,441,348	75,441,348
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The above Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements on pages 46 to 60.

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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2001

	<u>2001</u> RM	<u>2000</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the financial year	8,241,548	8,212,555
Adjustments for:		
Depreciation of property, plant and equipment	676,556	524,355
(Profit)/loss on disposal of property, plant and equipment	(65,925)	24,154
Amortisation of premiums	1,088,036	518,411
Loss on disposal of investments	582,325	63,316
(Write back of)/provision for diminution in value of investments	(821,480)	927,017
Investment income	(7,948,155)	(6,611,636)
Increase in reserves for unexpired risks	8,001,613	1,676,488
(Write back of )/provision for bad and doubtful debts	(163,378)	458,079
Tax expense	403,038	4,971,769
Operating profit before changes in operating assets and liabilities	9,994,178	10,764,508
Increase in amount due from insureds, agents, brokers and reinsurers	(4,174,455)	(1,258,843)
Increase in amount due to insureds, agents, brokers and reinsurers	4,091,065	1,852,927
Increase in other receivables	(979,028)	(44,363)
Increase/(decrease) in other payables	537,812	(336,216)
Increase in provision for outstanding claims	8,938,752	1,194,993
(Increase)/decrease in fixed and call deposits	(31,001,384)	10,120,361
Investment income received	7,815,819	5,937,844
Purchase of investments	(27,555,107)	(25,633,398)
Proceeds from maturity of investments	10,500,000	500,000
Proceeds from disposal of investments	1,324,376	1,380,909
Cash (utilised in)/generated from operations	(20,507,972)	4,488,722
Taxes paid	(3,497,328)	(5,711,660)
Net cash outflow from operating activities	(24,005,300)	(1,222,938)



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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2001 (CONTINUED)

	<u>Note</u>	<u>2001</u> RM	<u>2000</u> RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(997,676)	(1,142,049)
Proceeds from disposal of property, plant and equipment		73,605	2,808
Net cash outflow from investing activities		<u>(924,071)</u>	<u>(1,139,241)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares		25,000,000	-
Net cash inflow from financing activities		<u>25,000,000</u>	<u>-</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	19	70,629	(2,362,179)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		<u>445,669</u>	<u>2,807,848</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	20	<u>516,298</u>	<u>445,669</u>

The above Cash Flow Statement is to be read in conjunction with the notes to the financial statements on pages 46 to 60.

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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001

#### 1 PRINCIPAL ACTIVITIES

The Company, a public limited liability company incorporated and domiciled in Malaysia, is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

#### 2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

##### (a) Basis of preparation

The financial statements have been prepared under the historical cost convention, and comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 and the Insurance Act, 1996 in all material respects.

##### (b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided so as to write off the cost of property, plant and equipment on a straight-line basis over the estimated useful lives of the assets.

The annual depreciation rates used are as follows:

	<u>First Year</u>	<u>Subsequent Years</u>
Motor vehicles	40%	20%
Office equipment	30%	10%
EDP equipment	40%	20%
Furniture and fittings	30%	10%

##### (c) Investments

Malaysian Government securities, Cagamas papers and debt securities as specified by Bank Negara Malaysia are stated at cost, adjusted for the amortisation of premiums or accretion of discounts, calculated on a straight line basis over the period from the date of purchase to date of maturity.

Quoted investments are stated at the lower of cost and market value determined on the aggregate portfolio basis for each category of quoted investments, except that specific provision is made for any investment which is deemed to have suffered permanent diminution in value. Market value is determined by reference to the stock exchange closing prices at the balance sheet date.

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

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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment income

Interest income is recognised in the financial statements on the accrual basis.

Dividend income is recognised in the financial statements when the shareholders' right to receive payment is established.

(e) Provision for bad and doubtful debts

Known bad debts are written off in the period in which they are identified and specific provision is made for any debt considered to be doubtful for collection.

Provision is made for premiums due from agents, brokers and reinsurers which remain outstanding for more than six months from the date of inception of risk and reinsurers' balances which remain outstanding for more than six months from the date they become due.

(f) Deferred taxation

Deferred taxation is provided under the liability method in respect of all material timing differences except that no future income tax benefits are recognised in respect of timing differences which result in a net debit, and tax losses which are not expected to be realised within a reasonable period of time.

(g) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account, inter alia, reserves for unexpired risks, outstanding claims and incurred but not reported claims.

Premium income

Premium from direct business is recognised upon issuance of premium debit notes. Premiums in respect of risks incepted before the balance sheet date for which debit notes have not been issued as at the balance sheet date are accrued at that date.

Reinsurance inward business

Premiums, claims and other transactions of reinsurance inward business are accounted for upon notification by the ceding companies or upon receipt of the statement of accounts.

Acquisition costs

The costs of acquiring and renewing insurance policies, net of premium income derived from ceding reinsurance premiums, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (g) General insurance underwriting results (continued)

###### Reserves for unexpired risks

Reserves for unexpired risks ("RUR") represent the portion of premium income not yet earned at balance sheet date. RUR is computed with reference to the month of accounting for the premium on the following bases:

- (i) 25% method for marine and aviation cargo, and transit business;
- (ii) 1/24th method for all other classes of general business in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, but not exceeding such limits as specified by Bank Negara Malaysia; and
- (iii) 1/8th method for all classes of overseas reinsurance inward business.

###### 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 at the balance sheet date, based on a mathematical method of estimation.

##### (h) Foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling on the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated at the approximate rates of exchange ruling at that date. Exchange differences are taken to the revenue account and income statement.

The principal closing rates used in translation of foreign currency amounts are as follows:

<u>Foreign Currency</u>	<u>2001</u> RM	<u>2000</u> RM
1 US Dollar	3.80	3.80
1 Swiss Franc	2.28	2.13
1 Brunei Dollar	2.07	2.17
1 Hong Kong Dollar	0.49	0.49
1 Taiwan Dollar	0.11	0.12

##### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, excluding fixed and call deposits.

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**ACE SYNERGY INSURANCE BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

3 PROPERTY, PLANT AND EQUIPMENT

	<u>Motor vehicles</u> RM	<u>Office equipment</u> RM	<u>EDP equipment</u> RM	<u>Furniture and fittings</u> RM	<u>Total</u> RM
<u>Financial year ended</u>					
<u>31 December 2001</u>					
Net book value at 1 January 2001	99,120	222,731	333,800	281,872	937,523
Additions	292,870	112,637	366,963	225,206	997,676
Disposals	-	(2,426)	-	(5,254)	(7,680)
Depreciation charge	(150,788)	(80,760)	(335,248)	(109,760)	(676,556)
Net book value at 31 December 2001	<u>241,202</u>	<u>252,182</u>	<u>365,515</u>	<u>392,064</u>	<u>1,250,963</u>
<u>As at 31 December 2001</u>					
Cost	820,408	871,191	1,651,376	860,659	4,203,634
Accumulated depreciation	(579,206)	(619,009)	(1,285,861)	(468,595)	(2,952,671)
Net book value	<u>241,202</u>	<u>252,182</u>	<u>365,515</u>	<u>392,064</u>	<u>1,250,963</u>
<u>Financial year ended</u>					
<u>31 December 2000</u>					
Net book value at 1 January 2000	1,800	159,254	123,712	62,025	346,791
Additions	163,700	158,583	440,771	378,995	1,142,049
Disposals	-	(3,660)	-	(23,302)	(26,962)
Depreciation charge	(66,380)	(91,446)	(230,683)	(135,846)	(524,355)
Net book value at 31 December 2000	<u>99,120</u>	<u>222,731</u>	<u>333,800</u>	<u>281,872</u>	<u>937,523</u>
<u>As at 31 December 2000</u>					
Cost	717,256	782,170	1,621,288	752,661	3,873,375
Accumulated depreciation	(618,136)	(559,439)	(1,287,488)	(470,789)	(2,935,852)
Net book value	<u>99,120</u>	<u>222,731</u>	<u>333,800</u>	<u>281,872</u>	<u>937,523</u>

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## ACE SYNERGY INSURANCE BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

#### 4 INVESTMENTS

	2001		2000	
	Cost	Market	Cost	Market
	RM	value	RM	value
		RM		RM
Malaysian Government securities	69,410,467	71,144,050	52,772,778	54,013,000
Amortisation of premiums – net	(1,483,392)		(541,192)	
	67,927,075		52,231,586	
Cagamas papers	5,055,323		5,055,323	
Amortisation of premiums	(27,102)		(16,049)	
	5,028,221		5,039,274	
Corporate loan	1,500,000		2,000,000	
Quoted:				
Shares/warrants quoted in Malaysia	1,765,856	1,808,460	2,764,788	1,841,268
Provision for diminution in value	(105,537)		(927,017)	
	1,660,319		1,837,771	
Debt securities	20,682,100		20,682,100	
Amortisation of premiums	(259,458)		(134,324)	
	20,422,642		20,547,776	
Fixed and call deposits with:				
Licensed banks	76,552,991		41,051,607	
Licensed finance company	-		4,500,000	
	76,552,991		45,551,607	
Total investments	173,091,248		127,208,014	

The maturity structure of money market instruments, debt securities, fixed and call deposits above are as follows:

	2001	2000
	RM	RM
Maturity within 12 months	86,061,008	56,052,540
Maturity after 12 months	85,369,921	69,317,703
	171,430,929	125,370,243

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**ACE SYNERGY INSURANCE BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

5	RECEIVABLES	<u>2001</u> RM	<u>2000</u> RM
	<u>Trade receivables</u>		
	Outstanding premiums including agents, brokers and co-insurers balances	11,497,823	4,080,479
	Provision for doubtful debts	(1,345,120)	(1,501,614)
		<u>10,152,703</u>	<u>2,578,865</u>
	Amount due from reinsurers and ceding companies	3,882,532	7,125,421
	Provision for doubtful debts	(1,678,343)	(1,685,227)
		<u>2,204,189</u>	<u>5,440,194</u>
	<u>Other receivables</u>		
	Interest income due and accrued	2,103,840	1,971,504
	Proceeds receivable from disposal of investments	811,490	-
	Other receivables	318,072	208,729
	Deposits	211,184	198,358
	Prepayments	9,617	1,250
		<u>3,454,203</u>	<u>2,379,841</u>
	Total receivables	<u>15,811,095</u>	<u>10,398,900</u>
6	PROVISION FOR OUTSTANDING CLAIMS		
	Provision for outstanding claims	88,408,293	56,608,107
	Recoverable from reinsurers thereon	(52,006,165)	(29,144,731)
	Net outstanding claims	<u>36,402,128</u>	<u>27,463,376</u>

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**ACE SYNERGY INSURANCE BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

7 PAYABLES

	<u>2001</u> RM	<u>2000</u> RM
<u>Trade payables</u>		
Amount due to reinsurers and ceding companies	10,349,099	6,204,556
Amount due to agents, brokers and co-insurers	1,248,814	1,302,292
	<u>11,597,913</u>	<u>7,506,848</u>
<u>Other payables</u>		
Accrued liabilities	2,300,823	1,998,804
Other payables	738,593	661,835
Provision for Insurance Guarantee Scheme Fund levy	600,442	441,407
	<u>3,639,858</u>	<u>3,102,046</u>
Total payables	<u>15,237,771</u>	<u>10,608,894</u>

8 RESERVES FOR UNEXPIRED RISKS

	<u>Fire</u> RM	<u>Motor</u> RM	<u>Marine, Aviation &amp; Transit</u> RM	<u>Misc</u> RM	<u>Total</u> RM
<u>2001</u>					
At beginning of financial year	6,300,176	197,978	974,743	17,284,793	24,757,690
(Decrease)/increase in reserves	(530,320)	625,448	(15,070)	7,921,555	8,001,613
At end of financial year	<u>5,769,856</u>	<u>823,426</u>	<u>959,673</u>	<u>25,206,348</u>	<u>32,759,303</u>
<u>2000</u>					
At beginning of financial year	6,292,080	160,372	629,613	15,999,137	23,081,202
Increase in reserves	8,096	37,606	345,130	1,285,656	1,676,488
At end of financial year	<u>6,300,176</u>	<u>197,978</u>	<u>974,743</u>	<u>17,284,793</u>	<u>24,757,690</u>



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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

#### 9 SHARE CAPITAL

	<u>2001</u>	<u>2000</u>
	RM	RM
Authorised ordinary shares of RM 1.00 each:		
At beginning of financial year	50,000,000	50,000,000
Created during the year	50,000,000	-
At end of financial year	<u>100,000,000</u>	<u>50,000,000</u>
Issued and fully paid ordinary shares of RM 1.00 each:		
At beginning of financial year	50,000,000	40,000,000
Bonus issue during the year	25,000,000	10,000,000
Rights issue during the year	25,000,000	-
At end of financial year	<u>100,000,000</u>	<u>50,000,000</u>

During the financial year, the Company increased its authorised share capital from RM 50,000,000 to RM 100,000,000 through the creation of an additional 50,000,000 ordinary shares of RM 1.00 each.

On 6 April 2001, the Company increased its issued and fully paid from RM 50,000,000 to RM 75,000,000 share capital through a bonus issue of 25,000,000 new ordinary shares of RM 1.00 each on the basis of one (1) new share for every two (2) existing shares held, by capitalising RM 25,000,000 out of its retained earnings.

On 24 July 2001, the Company further increased its issued and fully paid share capital from RM 75,000,000 to RM 100,000,000 through a rights issue of 25,000,000 new ordinary shares of RM 1.00 each on the basis of one (1) new share for every three (3) existing shares held, at par for cash.

The issuance of the new shares was made for the purpose of meeting the minimum paid-up share capital requirement pursuant to the provisions of the Insurance Act, 1996.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

#### 10 RETAINED EARNINGS

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credit under Section 108(6) of the Malaysian Income Tax Act, 1967 and tax exempt income to frank the payment of dividends out of all its retained earnings as at 31 December 2001.

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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

#### 11 OPERATING REVENUE

	2001			2000		
	General fund	Shareholders' fund	Total	General fund	Shareholders' fund	Total
	RM	RM	RM	RM	RM	RM
Gross premium income	87,067,149	-	87,067,149	67,887,293	-	67,887,293
Investment income	6,537,895	1,410,260	7,948,155	5,509,746	1,162,773	6,672,519
	<u>93,605,044</u>	<u>1,410,260</u>	<u>95,015,304</u>	<u>73,397,039</u>	<u>1,162,773</u>	<u>74,559,812</u>

#### 12 MANAGEMENT EXPENSES

	2001 RM	2000 RM
<u>General fund</u>		
Staff costs	6,144,083	4,592,940
Director's remuneration		
Other emoluments	750,309	499,521
Auditors' remuneration	41,550	39,425
Rental of offices	490,465	440,367
Depreciation of property, plant and equipment	676,556	524,355
Advertising	1,846,137	1,171,685
EDP expenses	1,171,595	1,120,406
Postage, telephone and telefax	859,047	621,444
Repairs and maintenance	148,935	496,895
Insurance Guarantee Scheme Fund levy	601,091	448,358
Other expenses	1,541,787	1,244,393
	<u>14,271,555</u>	<u>11,199,789</u>
<u>Shareholders' fund</u>		
Secretarial fee	12,303	8,941
Other expenses	40,002	5,428
	<u>52,305</u>	<u>14,369</u>

The number of employees in the Company as at balance sheet date was 124 (2000: 76).

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**ACE SYNERGY INSURANCE BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

13 INVESTMENT INCOME

	<u>2001</u> RM	<u>2000</u> RM
<u>General fund</u>		
Interest from:		
Malaysian Government securities	3,843,932	3,068,816
Cagamas papers	302,700	302,700
Unquoted debt securities	784,283	757,312
Fixed and call deposits	1,437,363	1,283,270
Other investments	82,197	24,508
Gross dividends from shares quoted in Malaysia	87,420	73,140
	<u>6,537,895</u>	<u>5,509,746</u>
Investment expenses	(92,528)	(60,883)
	<u>6,445,367</u>	<u>5,448,863</u>
<u>Shareholders' fund</u>		
Interest from:		
Unquoted debt securities	889,274	687,556
Fixed and call deposits	520,986	475,217
	<u>1,410,260</u>	<u>1,162,773</u>

14 OTHER EXPENDITURE – NET

	<u>2001</u> RM	<u>2000</u> RM
<u>General fund</u>		
Other income:		
Write back of provision for diminution in value of investments	821,480	-
Profit on disposal of property, plant and equipment	65,925	-
Sundry income	22,739	103,432
	<u>910,144</u>	<u>103,432</u>

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**ACE SYNERGY INSURANCE BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

14	OTHER EXPENDITURE – NET (CONTINUED)		
		<u>2001</u>	<u>2000</u>
		RM	RM
	Other expenditure:		
	Amortisation of premiums – net	1,011,934	442,100
	Loss on sale of investments	582,325	63,316
	Write off of other receivables	22,000	-
	Loss on foreign exchange	15,225	21,425
	Provision for diminution in value of investments	-	927,017
	Loss on disposals of property, plant and equipment	-	24,154
		<u>1,631,484</u>	<u>1,478,012</u>
	Other expenditure – net	<u>(721,340)</u>	<u>(1,374,580)</u>
	<u>Shareholders' fund</u>		
	Other expenditure:		
	Amortisation of premiums	<u>76,102</u>	<u>76,311</u>
	Other expenditure	<u>(76,102)</u>	<u>(76,311)</u>
15	TAXATION		
	Current taxation	403,038	5,560,000
	Overprovision in prior years	-	(588,231)
		<u>403,038</u>	<u>4,971,769</u>

The effective tax rate for the financial year is significantly lower than the statutory tax rate mainly due to the reversal of timing difference arising from the change in computation of reserves for unexpired risks ("RUR") for tax purposes with effect from the year of assessment 2001. The tax effect of the originating timing difference arising from the difference in the computation of RUR between the tax method and the accounting method was previously not recognised in the financial statements as the Company was in a net deferred tax asset position.

Timing differences for which the future tax benefit has not been recognised in the financial statements as at 31 December 2001 amounted to approximately RM 2,611,000 (2000: RM 11,195,000).

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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

#### 16 EARNINGS PER SHARE

The earnings per ordinary share has been calculated based on the profit for the financial year after taxation of RM 8,241,548 (2000: RM 8,212,555) and the weighted average number of ordinary shares in issue during the financial year of 86,027,397 (2000: 75,000,000 – as adjusted for the bonus issue in 2001).

#### 17 NET CLAIMS INCURRED

	<u>Fire</u> RM	<u>Motor</u> RM	<u>Marine, Aviation &amp; Transit</u> RM	<u>Misc</u> RM	<u>Total</u> RM
<u>2001</u>					
Gross claims paid less salvage	9,507,717	254,495	582,794	7,235,893	17,580,899
Reinsurance recoveries	(5,934,882)	(5,334)	(23,680)	(1,783,699)	(7,747,595)
Net claims paid	<u>3,572,835</u>	<u>249,161</u>	<u>559,114</u>	<u>5,452,194</u>	<u>9,833,304</u>
Net outstanding claims:					
At end of financial year	10,984,327	537,300	3,373,203	21,507,298	36,402,128
At beginning of financial year	(6,071,964)	(342,941)	(1,783,392)	(19,265,079)	(27,463,376)
Net claims incurred	<u><u>8,485,198</u></u>	<u><u>443,520</u></u>	<u><u>2,148,925</u></u>	<u><u>7,694,413</u></u>	<u><u>18,772,056</u></u>
<u>2000</u>					
Gross claims paid less salvage	7,666,605	140,062	919,908	12,909,670	21,636,245
Reinsurance recoveries	(4,619,457)	(21,798)	(75,306)	(6,600,568)	(11,317,129)
Net claims paid	<u>3,047,148</u>	<u>118,264</u>	<u>844,602</u>	<u>6,309,102</u>	<u>10,319,116</u>
Net outstanding claims:					
At end of financial year	6,071,964	342,941	1,783,392	19,265,079	27,463,376
At beginning of financial year	(6,557,016)	(318,608)	(3,255,243)	(16,137,516)	(26,268,383)
Net claims incurred	<u><u>2,562,096</u></u>	<u><u>142,597</u></u>	<u><u>(627,249)</u></u>	<u><u>9,436,665</u></u>	<u><u>11,514,109</u></u>

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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

#### 18 BAD AND DOUBTFUL DEBTS

	<u>2001</u> RM	<u>2000</u> RM
<u>General fund</u>		
(Write back of)/ provision for doubtful debts	(163,378)	458,079
Bad debts written off	7,080	1,138
	<u>(156,298)</u>	<u>459,217</u>

#### 19 CASH FLOW SEGMENT INFORMATION

	<u>2001</u>			<u>2000</u>		
	<u>General</u> <u>fund</u> RM	<u>Shareholders'</u> <u>fund</u> RM	<u>Total</u> RM	<u>General</u> <u>fund</u> RM	<u>Shareholders'</u> <u>fund</u> RM	<u>Total</u> RM
Cash flows from:						
Operating activities	1,011,778	(25,017,078)	(24,005,300)	(1,217,367)	(5,571)	(1,222,938)
Investing activities	(924,071)	-	(924,071)	(1,139,241)	-	(1,139,241)
Financing activities	-	25,000,000	25,000,000	-	-	-
	<u>87,707</u>	<u>(17,078)</u>	<u>70,629</u>	<u>(2,356,608)</u>	<u>(5,571)</u>	<u>(2,362,179)</u>

#### 20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances, excluding fixed and call deposits.

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## ACE SYNERGY INSURANCE BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

#### 21 RELATED PARTY BALANCES AND TRANSACTIONS

The related parties of, and their relationship with the Company, are as follows:

	<u>Country of incorporation</u>	<u>Relationship</u>
ACE Limited	Cayman Islands	Ultimate holding company
Advance Synergy Berhad	Malaysia	Substantial shareholder of the Company

In the normal course of business, the Company undertakes at agreed terms and prices, various transactions with its ultimate holding company and related companies, being subsidiaries of ACE Limited ("ACE Group") and other related parties, namely Advance Synergy Berhad and its subsidiary and associated companies ("ASB Group").

The related party balances as at the balance sheet date and significant related party transactions arising from normal business transactions during the financial year are set out below.

#### Related party balances

Amounts due from/(to) related parties as at the balance sheet date are included in the following notes to the financial statements:

	<u>2001</u> RM	<u>2000</u> RM
<u>Receivables (note 5)</u>		
Outstanding premium due from ACE Group	1,262,271	415,646
Outstanding premium due from ASB Group	109,631	146,824
Other amounts due from ACE Group	143,268	33,331
	<u>                    </u>	<u>                    </u>
<u>Payables (note 7)</u>		
Outstanding premium due to ACE Group	(5,975,942)	(2,151,862)
Other amounts due to ACE Group	(113,670)	(137,029)
	<u>                    </u>	<u>                    </u>

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**ACE SYNERGY INSURANCE BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2001 (CONTINUED)

21 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

	<u>2001</u> RM	<u>2000</u> RM
<u>Significant related party transactions</u>		
Transactions with ACE Group:		
Premium income	4,722,050	477,635
Premium ceded	(26,466,737)	(19,420,868)
Commission income	5,622,470	3,706,845
Commission expense	(285,594)	(48,063)
Claims recovery	18,293,078	15,076,656
Claims incurred	(3,339,382)	(10,307)
EDP system charge	(844,899)	(832,823)
Transactions with ASB Group:		
Premium income	66,445	308,211
Commission expense	(16,061)	(45,364)
Claims incurred	79,649	(30,757)
Interest income	-	34,699



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**ACE SYNERGY INSURANCE BERHAD**  
(Incorporated in Malaysia)

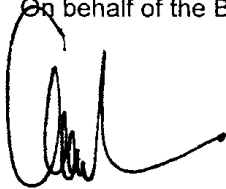
**STATEMENT BY DIRECTORS**  
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Lee Koon Yew and Dato' Azman Shah Bin Haron, being two of the directors of ACE Synergy Insurance Berhad, state that, in the opinion of the directors, the financial statements set out on pages 39 to 60 are drawn up so as to show a true and fair view of the state of affairs of the Company as at 31 December 2001 and of its results and cash flows for the financial year then ended in accordance with the applicable approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

The directors also confirm that:

- (i) for the purpose of preparing the financial statements, an appropriate system of control has been established and maintained by the Company over the transactions and records; and
- (ii) there were proper and sufficient reporting by the management to the Board during the reporting year.

On behalf of the Board



LEE KOON YEW  
DIRECTOR

Kuala Lumpur  
28 February 2002



DATO' AZMAN SHAH BIN HARON  
DIRECTOR

**STATUTORY DECLARATION**  
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Lee Koon Yew, being the director primarily responsible for the financial management of ACE Synergy Insurance Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 39 to 60 are correct, and I make this solemn declaration conscientiously believing the same to be true by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly  
declared at Kuala Lumpur  
this 28 February 2002

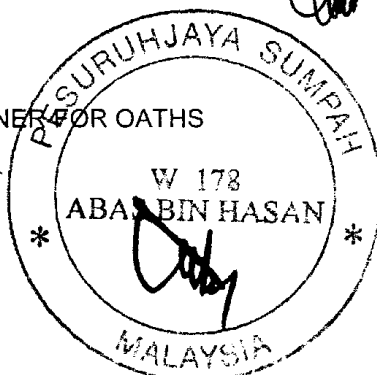


LEE KOON YEW

Before me,

COMMISSIONER FOR OATHS

Kuala Lumpur



1st, Floor Putra Flatlet  
101, Jalan Putra  
50350 Kuala Lumpur

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
ACE SYNERGY INSURANCE BERHAD**

(Incorporated in Malaysia)  
(Company No. 364935 P)

PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
11th Floor Wisma Sime Darby  
Jalan Raja Laut  
P O Box 10192  
50706 Kuala Lumpur, Malaysia  
Telephone +60 (3) 2693 1077  
Facsimile +60 (3) 2693 0997

We have audited the financial statements set out on pages 39 to 60. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

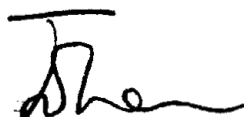
- a. the financials statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of :
- (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Company as at 31 December 2001 and of the results and cash flows of the Company for the financial year ended on that date;

and

- b. the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



PRICEWATERHOUSECOOPERS  
(No. AF – 1146)  
Chartered Accountants



DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN  
(No. 1867/9/02(J))  
Partner of the firm

Kuala Lumpur  
28 February 2002