

annual report '06



Philippines



Hong Kong



Thailand



Indonesia



Malaysia

Jerneh
ASIA BERHAD



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 11TH ANNUAL GENERAL MEETING of the Company will be held at 19th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 24th May 2007 at 9.30 a.m. for the following purposes :-

1. To receive and adopt the Audited Financial Statements for the financial year ended 31st December 2006, and the Reports of the Directors' & Auditors' thereon.	RESOLUTION 1
2. To declare a Final Dividend of 5 sen per share less 27% Income Tax for the financial year ended 31st December 2006.	RESOLUTION 2
3. To approve the payment of Directors' Fees for the financial year ended 31st December 2006.	RESOLUTION 3
4. To re-elect the following Directors who retire in accordance with Article 101 of the Articles of Association of the Company :	
4.1 Ms Tam Chiew Lin	RESOLUTION 4
4.2 YM Raja Dato' Seri Abdul Aziz bin Raja Salim.	RESOLUTION 5
5. To re-elect Datuk Haron bin Siraj who retires in accordance with Article 108 of the Articles of Association of the Company.	RESOLUTION 6
6. To re-appoint Moores Rowland as Auditors of the Company and authorise the Directors to fix their remuneration.	RESOLUTION 7
7. SPECIAL BUSINESS To consider, and if thought fit, pass the following Ordinary Resolution: - 7.1 <i>Authority to issue and allot shares</i> "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the total number of shares issued pursuant to this resolution in any one financial year does not exceed ten percent (10%) of the issued and paid-up share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company."	RESOLUTION 8
8. To transact any other business of which due notice has been given.	

By Order of the Board

CHOY CHIEW LING
Company Secretary

Kuala Lumpur
30th April 2007

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

NOTES :

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote in his/her stead. A proxy may but need not be a member of the Company. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
2. The instrument appointing the proxy, in the case of an individual, shall be signed by the appointer, or his attorney duly authorised in writing and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing the proxy, must be deposited at the Registered Office of the Company at 18th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Explanatory Note on Special Business
Authority to issue and allot shares
The proposed Ordinary Resolution is to empower the Directors to issue shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, shall be valid until the conclusion of the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Further details of the Directors who are standing for re-election, namely, Ms Tam Chiew Lin, YM Raja Dato' Seri Abdul Aziz bin Raja Salim and Datuk Haron bin Siraj, are set out on pages 5 to 8 of this Annual Report and the details of the Directors' interest in the securities of the Company and its subsidiaries are disclosed on pages 31 to 33 of this Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Lim Chee Wah - *Chairman*

Tan Yew Jin - *Deputy Chairman & Executive Director*

Tam Chiew Lin - *Managing Director*

YM Raja Dato' Seri Abdul Aziz bin Raja Salim - *Independent Non-Executive Director*

Ahmad Riza bin Basir - *Non-Independent Non-Executive Director*

Anwarudin bin Hj Abdul Rahman - *Independent Non-Executive Director*

Graham Hecmond Wong - *Non-Independent Non-Executive Director*

Datuk Haron bin Siraj - *Independent Non-Executive Director*

AUDIT COMMITTEE

YM Raja Dato' Seri Abdul Aziz
bin Raja Salim - *Chairman*

Tan Yew Jin

Anwarudin bin Hj Abdul Rahman

MANAGEMENT COMMITTEE

Tan Yew Jin - *Chairman*

Tam Chiew Lin

Ahmad Riza bin Basir

INVESTMENT COMMITTEE

Dato' Lim Chee Wah - *Chairman*

Tan Yew Jin

Tam Chiew Lin

Ahmad Riza bin Basir

REMUNERATION COMMITTEE

Datuk Haron bin Siraj - *Chairman*

Tam Chiew Lin

Graham Hecmond Wong

COMPANY SECRETARY

Choy Chiew Ling

MAICSA : 7012415

REGISTERED OFFICE

18th Floor, Wisma Jerneh

38 Jalan Sultan Ismail

50250 Kuala Lumpur

Telephone : 03-2141 4255

Facsimile : 03-2142 1677

PRINCIPAL BANKER

Malayan Banking Berhad

Bangunan Yayasan Selangor

Jalan Bukit Bintang

55100 Kuala Lumpur

AUDITORS

Moore Rowland

Chartered Accountants

7th Floor, South Block

Wisma Selangor Dredging

142-A Jalan Ampang

50450 Kuala Lumpur

REGISTRARS

PPB Corporate Services Sdn Bhd

14th Floor, Wisma Jerneh

38 Jalan Sultan Ismail

50250 Kuala Lumpur

Telephone : 03-2117 0888

Facsimile : 03-2117 0999

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(Main Board)

Sector : Finance

Stock Number : 6394

ISIN : MYL639400000

Reuters Code : JNEH.KL

WEBSITE

www.jerneh.com.my

PROFILE OF THE BOARD OF DIRECTORS

DATO' LIM CHEE WAH

(67 years of age - Malaysian)

Chairman/Non-Independent Non-Executive Director

Chairman of Investment Committee

Dato' Lim Chee Wah was appointed as a Director of Jerneh Asia Berhad on 27th June 1996 and assumed the position of Chairman on 2nd September 2002. He obtained his Bachelor of Arts (Honours) Degree in Economics from the University of Malaya in 1963.

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

Dato' Lim does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended all the Board Meetings held during the financial year ended 31st December 2006.

MR TAN YEW JIN

(65 years of age - Malaysian)

Deputy Chairman & Executive Director

Chairman of Management Committee

Member of Audit Committee and Investment Committee

Mr Tan Yew Jin was appointed as a Director of Jerneh Asia Berhad on 27th June 1996 and was elected as Deputy Chairman on 11th May 2001. On 26th August 2004, he assumed the position of Executive Director. He is an Accountant by profession and is a member of Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants, CPA Australia and a Fellow of the Institute of Certified Public Accountants of Singapore.

Currently, Mr Tan is also the Executive Director of PPB Group Berhad and a Director of Shangri-la Hotels (Malaysia) Berhad, Tradewinds (M) Berhad, Jerneh Insurance Berhad and Kuok Brothers Sdn Berhad.

Mr Tan does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended all the Board Meetings held during the financial year ended 31st December 2006.

MS TAM CHIEW LIN

(56 years of age - Malaysian)

Managing Director

Member of Management Committee,

Remuneration Committee and Investment Committee

Ms Tam Chiew Lin was appointed as a Director of Jerneh Asia Berhad on 27th June 1996 and assumed the position of Executive Director on 1st August 2000. On 29th November 2005, she was re-designated as the Managing Director of the Jerneh Group. She is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Association of Certified Public Accountants and the Malaysian Institute of Accountants. In 1987, she received her Diploma in Applied International Management from the Swedish Institute of Management and in 1995, she received her Postgraduate Certificate in Business Administration from the University of Wales, Bangor.

Ms Tam also sits on the Board of Jerneh Insurance Berhad and several other subsidiaries of the Jerneh Group and HSBC Amanah Takaful (Malaysia) Sdn Bhd.

Ms Tam does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has had no conviction for any offences within the past 10 years. She attended all the Board Meetings held during the financial year ended 31st December 2006.

PROFILE OF THE BOARD OF DIRECTORS

(cont'd)

YM RAJA DATO' SERI ABDUL AZIZ BIN RAJA SALIM

(68 years of age - Malaysian)

Independent Non-Executive Director

Chairman of the Audit Committee

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

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

YM Raja Dato' Seri Abdul Aziz does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the company. He has had no conviction for any offences within the past 10 years. He attended all the Board Meetings held during the financial year ended 31st December 2006.

ENCIK AHMAD RIZA BIN BASIR

(46 years of age - Malaysian)

Non-Independent Non-Executive Director

*Member of Management Committee and
Investment Committee*

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

Encik Riza is currently the Chairman of Fima Corporation Berhad, the Group Managing Director of Kumpulan Fima Berhad and a director of Manulife Insurance (Malaysia) Berhad, KESM Industries Berhad, United Plantations Berhad and Jerneh Insurance Berhad. He also sits on the Board of several other private limited companies in Malaysia.

Encik Riza and persons connected with him are deemed major shareholders of the Company by virtue of their substantial shareholdings in BHR Enterprise Sdn Bhd. He has had no conviction for any offences within the past 10 years. He attended all the Board Meetings held during the financial year ended 31st December 2006

PROFILE OF THE BOARD OF DIRECTORS

(cont'd)

ENCIK ANWARUDIN BIN HAJI ABDUL RAHMAN

(58 years of age - Malaysian)

Independent Non-Executive Director

Member of Audit Committee

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

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

Encik Anwarudin does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended four out of the five Board Meetings held during the financial year ended 31st December 2006.

MR GRAHAM HECMOND WONG

(51 years of age - Australian)

Non-Independent Non-Executive Director

Member of Remuneration Committee

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

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

Mr Wong does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended all the Board Meetings held during the financial year ended 31st December 2006.

PROFILE OF THE BOARD OF DIRECTORS

(cont'd)

DATUK HARON BIN SIRAJ

(62 years of age - Malaysian)

Independent Non-Executive Director

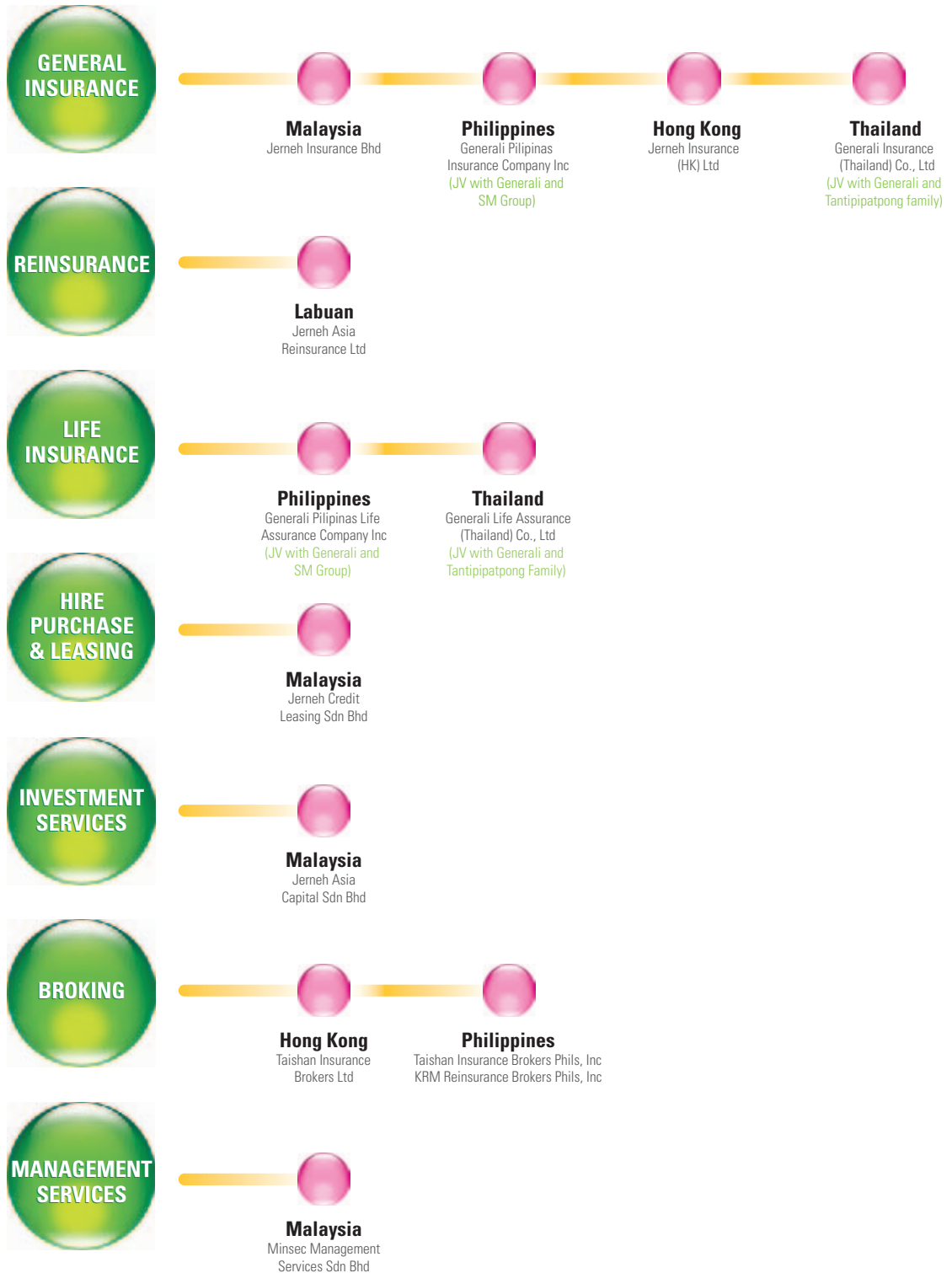
Chairman of Remuneration Committee

Datuk Haron bin Siraj was appointed as a Director of Jerneh Asia Berhad on 10th July 2006. He graduated with a Bachelor of Economics (Honours) degree from the University of Manchester, United Kingdom in 1968 and Master Degree of Development of Economics from Williams College, United States of America in 1975.

Datuk Haron joined the Malaysian Civil Service as an Assistant Controller of Ministry of Commerce and Industry back in 1969 and over the years had held several positions of increasing responsibilities. In 2001, he assumed the position of Chief Executive Officer of Malaysian Palm Oil Promotion Council, a position he held until his retirement in January 2006. He also sits on the Board of Scomi Group Berhad, Kulim (Malaysia) Berhad and several other private limited companies in Malaysia.

Datuk Haron does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He did not attend the remaining two (2) Board Meetings held for the financial year ended 31st December 2006 since his appointment.

CORPORATE STRUCTURE



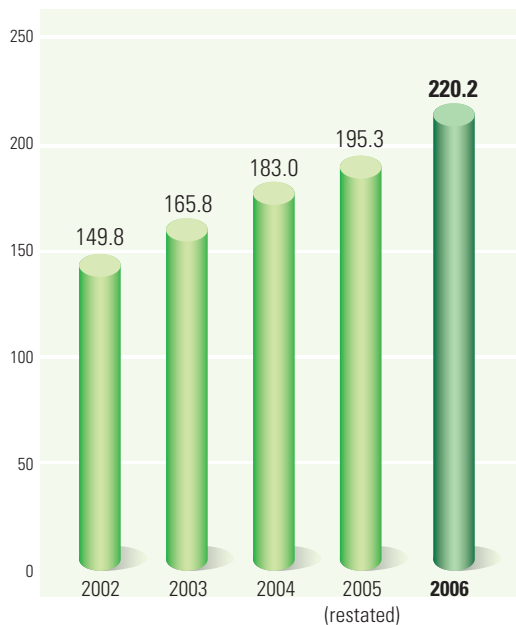
GROUP FINANCIAL HIGHLIGHTS

		2005 (restated) RM'000	2006 RM'000	% CHANGE
INCOME STATEMENT	Operating revenue	195,270	220,160	13
	Profit before taxation	26,408	29,542	12
	Profit after taxation and minority interest	14,678	10,918	(26)
BALANCE SHEET	Total assets	735,848	821,624	12
	Shareholders' funds	284,876	294,393	3
RATIOS (Attributable to the equity holders)	Net earnings per share	Sen 17.68	14.35	(19)
	Net dividends per share	Sen 3.60	2.19	(39)
	Net assets per share	RM 2.62	2.69	3

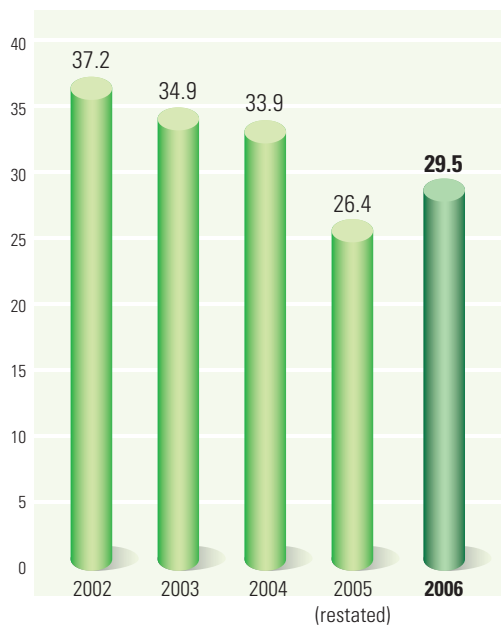
FIVE YEARS' GROUP STATISTICS year ended 31st December		2002	2003	2004	2005 (restated)	2006
		RM'000	RM'000	RM'000	RM'000	RM'000
	Operating revenue	149,791	165,753	182,978	195,270	220,160
	Operating profit	39,312	41,089	40,437	31,337	35,766
	Share of results of associated companies (net of tax)	(2,402)	(6,348)	(6,689)	(7,049)	(12,254)
	Profit before taxation	37,159	34,940	33,922	26,408	29,542
	Profit after taxation and minority interest	24,959	23,411	20,971	14,678	10,918
	Dividends – net	6,033	6,175	6,243	3,917	2,393
	Issued share capital	104,730	107,202	108,389	108,802	109,274
	Shareholders' funds	232,992	256,865	274,107	284,876	294,393
	Total assets employed	570,011	612,663	658,126	735,848	821,624
	Net earnings per share	Sen 23.92	22.25	19.40	17.68	14.35
	Share price					
	High	RM 2.48	2.55	2.51	2.39	2.10
	Low	RM 1.97	1.95	2.13	2.02	1.85

FIVE-YEAR GROUP PERFORMANCE CHARTS

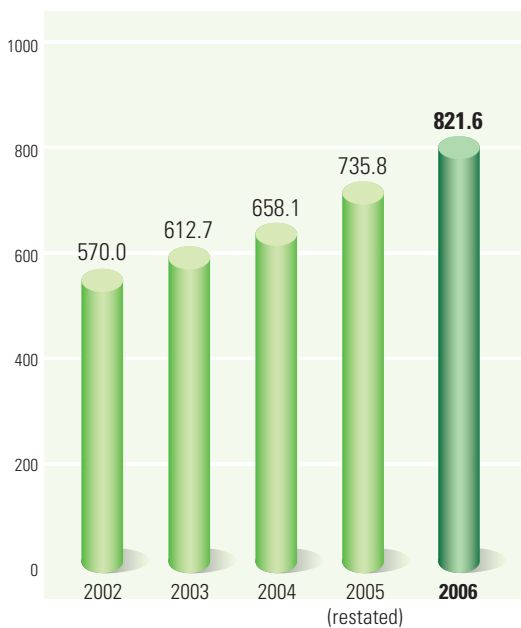
OPERATING REVENUE
(RM Million)



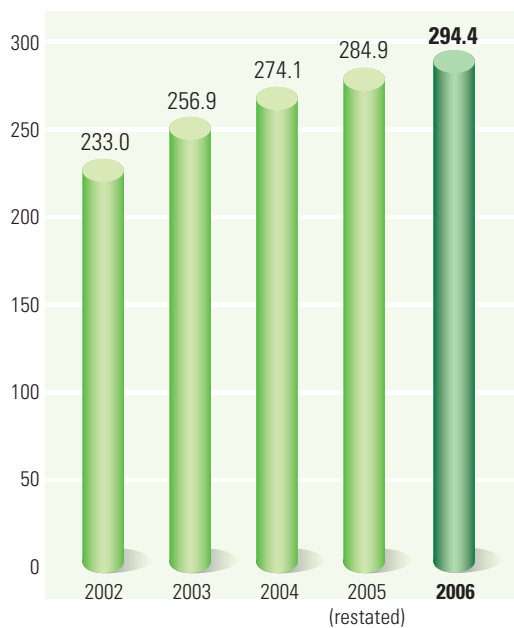
PROFIT BEFORE TAXATION
(RM Million)



TOTAL ASSETS EMPLOYED
(RM Million)



SHAREHOLDERS' FUNDS
(RM Million)



CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to report the annual results of **Jerneh Asia Berhad** and its subsidiaries and associated companies for the year ended 31st December 2006.

PERFORMANCE FOR 2006

The Group generated a pre-tax profit of RM29.5 million for the year, representing an increase of 11.9% against 2005's restated results of RM26.4 million. After accounting for an increase in taxes of RM13.8 million, profit attributable to shareholders for the year was RM10.9 million, representing a decrease of 25.6% as compared to RM14.7 million in 2005. The Group's taxes were substantially higher in 2006 due to a larger than expected increase in company's tax at Jerneh Insurance Berhad.

The Group's net assets improved 2.7% from RM2.62 per share to RM2.69 per share. The Group's better results were largely due to an increase in investment income and lesser provision in doubtful debts due to improved collections and a release in premium reserve in the general insurance account of Jerneh Insurance Berhad. The results from the broking business in Philippines and Hong Kong have all contributed positively to the Group's performance. The Group's leasing business, although not significant from the Group's perspective, was extremely positive in that loans grew by 53% to RM84 million. Encouraged by the Government's move to develop a strong and dynamic SME sector which will contribute to the growth of the economy, Jerneh Credit Leasing will leverage on and target increased growth in this area of credit finance.

The Group registered an increase in share of losses of associated companies from RM7.0 million to RM12.3 million as, in addition to Philippines and Thailand, the Group equity accounted the share of start up cost of the Takaful business in Malaysia. We expect the share of losses from the three associates to be reduced significantly by 2009.

Jerneh Insurance Bhd ("JIB") generated total gross written premiums of RM279 million in 2006, a drop of 3.66% from RM289.6 million in 2005. Against the backdrop of GDP growth of 5.9% for Malaysia, the insurance market according to ISM statistics registered a lower gross written premium growth of 3.2% as compared to 7.8% in 2005. JIB's portfolio which is largely commercial risk based is still very much influenced by the continual softening of market rates resulting in stiff competition for general insurers to remain extremely competitive, efficient, lean and profitable. Underpinning these market conditions, business volume in the motor sector decreased by 0.46% compared to 2005's increase in business volume of 11.9%. JIB did not escape unscathed in these market changes.

Motor premium which accounts for 30% of the total gross premium underwritten dropped by 8.99% in year 2006 due to lower sales for new cars and substantially decreased values of second hand vehicles. Net claims incurred by JIB registered 67.82% as compared to 64.55% in 2005. This in turn caused JIB's combined ratio to increase slightly to 95.29% from 95.18% (restated). Consistent with the better performance on Bursa Malaysia, JIB achieved investment income totaling RM25.71 million (2005 : RM23.74 million). JIB closed the year with a profit before tax of RM36.36 million as compared to RM29.34 million (restated) from the previous year.

OVERSEAS INVESTMENT

Generali Philippines surpassed expectations with a combined premium of PHP1.85 billion (RM132.0 million) achieving a growth rate of 40% over 2005 combined results. The life sector generated gross premium of PHP1.5 billion (RM109 million) for the year and this critical mass achieved moved Generali Philippines into the top 10 insurers of the Philippines in terms of market share within its 6th full year (2006) of operations. In 2006, Banco de Oro, the local partner concluded the merger of its bank with Equitable PCI Bank and this move increased the number of bank branches from 228 to 698 branches nationwide. As the life insurance sector is still very much bancassurance driven, Generali Philippines stands to gain by leveraging on this increased number of branches for additional volume growth in 2007.

CHAIRMAN'S STATEMENT

(cont'd)

OVERSEAS INVESTMENT (cont'd)

Thailand is facing both political and economic challenges. **Generali Thailand** in the midst of all these political uncertainty therefore only undertakes referral group and global business through Generali for their non-life business as well as writing only direct quality business on a cautious note. In 2006, business volume for the life business increased by 86% over 2005. This improved performance is due to a revamped business model premised upon a smaller agency and telemarketing team with lower acquisition cost. It is slow going but encouraging. Although plans are still ongoing for a banking partner, it may be delayed as the Thailand banking industry undergoes self-consolidation and M&A activities.

In the fourth quarter of 2006, our **Takaful** partnership with HSBC and EPF was launched on a very positive note. As Malaysia moves ahead with a target to strengthen its position as an International Islamic Financial Centre, the Takaful sector will benefit from the focused attention paid to improving institutional infrastructure, product development and a conducive Syariah Framework. The Group is set to benefit from the growth in this sector.

PROSPECTS

Moving forward into the final phase of the Financial Master Plan, Bank Negara Malaysia continues to dramatically transform financial institutions and in respect of the insurance industry, increased awareness of risk protection for the policy holders and adopting more stringent risk management processes by the direct insurers. Jerneh will need to respond to the challenges of regulatory and accounting changes for greater transparency, further reforms in risk assessments and solvency requirements and liberalization of the tariff rates and commission structures. Added to that is the phenomenal growth of the Takaful financial services industry over the conventional model. 2007 will continue to be even more challenging.

In July 2006, the Jerneh Group undertook a brand image makeover. The new logo with clear and distinct lines in vibrant colors depicts a cohesive and progressive group and reaffirms our commitment to quality service and excellence to every one of our partners and customers.

Going forward, the Board will continue to explore opportunities for regional expansion but on a selective basis.

DIVIDENDS

Your Board of Directors is pleased to recommend a Final Dividend of 5% less income tax of 27% per ordinary share for the financial year ended 31st December 2006.

CORPORATE GOVERNANCE

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

ACKNOWLEDGEMENT

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

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

Dato' Lim Chee Wah
Chairman

BUSINESS PROFILE

OVERVIEW

Jerneh Asia Berhad (“JAB”) is an investment holding company. The Group’s primary activity is the underwriting of general, life and Takaful insurance, reinsurance, insurance and reinsurance broking, and credit leasing. The subsidiaries and associates operate in Malaysia, Hong Kong, Philippines and Thailand.

GENERAL INSURANCE

The General Insurance division offers a wide range of products and services and is recognized for its commercial insurance leadership. Jerneh caters to the insurance needs of small and large sized businesses and personal lines business.

Established in 1971, **Jerneh Insurance Berhad (“JIB”)** has distinguished itself as a specialist/leader in the large scale risk business of marine, industrial and engineering risks. JIB continues to build upon this strength and capabilities and has invested into technology and human capital that can deliver both measurable results and provide personalised services to meet the needs of our clients. Jerneh focuses on product development and offers private customers tailor-made insurance solutions and for the corporate customers, loss prevention and loss control solutions. JIB continues to devote considerable resources, time and effort to ensure that we provide quality services to meet our commitments to our policyholders, agents, brokers and business partners. We do this by continuing and expanding on our longer term IT initiatives which started in 2003 and ensuring that training and upgrading of technical skills for both our clients and staff remain our top priorities.

The comprehensive range of general insurance products and services include property and pecuniary insurance, liability insurance, marine insurance, personal accident insurance, medical insurance, motor insurance, construction and engineering insurance, Foreign Workers’ Compensation Scheme (FWCS) and its associated Insurance Guarantee (FWIG).

In 2006, Jerneh launched three new personal accident products - Drivecare PA, XL Shield PA and Travel Shield for travelers. Drivecare PA is an inexpensive family personal accident cover that can be conveniently added on to any of our motor policyholders’ cover. XL Shield is a multi benefit personal accident plan that offers higher limits of coverage to business people, executives and professionals. Travel Shield PA is a custom made personal accident cover for the discerning traveler that protects them against the many risks associated with traveling including terrorism.

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

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

BUSINESS PROFILE

(cont'd)

GENERAL INSURANCE (cont'd)

Currently, JIB has about 1,177 agents and 19 branches strategically located in major cities and towns in Peninsular Malaysia, Sabah and Sarawak. The distribution provides a geographically diverse group of independent agents and brokers with a wide spread of insurance products customized to serve our clients in all respective areas.

INSURANCE AND REINSURANCE BROKING

The broking subsidiaries provide insurance solutions for our corporate clients in Hong Kong, China and the Philippines by way of leveraging on Jerneh's experiences in insurance and risk management services.

With more than 10 years broking experience in China, **Taishan Insurance Brokers Limited ("TIBL")** has become a significant captive insurance broker in the Hong Kong and China insurance market for the Kuok Group where it provides insurance and risk management services. TIBL collaborates with other large international brokers throughout Asia Pacific and insurers in the region to service group business.

Taishan Insurance Brokers Phils, Inc. ("TIBP") and **KRM Reinsurance Brokers Phils., Inc. ("KRMR")** are wholly-owned subsidiaries of the Group in the Philippines. The broking divisions are separate independent entities each catering to the needs of the local market. TIBP is retained as the risk management advisor to the Kuok Group in Philippines whilst KRMR being a reinsurance broker is well supported by the direct Philippines insurers who are their clients. In the year under review, KRMR as a reinsurer broker, retained its number 1 ranking in terms of income and premium produced in the Philippines.

AFFILIATED BUSINESSES

The following companies were established to complement the insurance services of the Group :-

Jerneh Asia Reinsurance Ltd. ("JAR") an offshore composite reinsurer continues to support the Government's plans to promote Labuan as an offshore financial center. JAR operates as a captive reinsurer for JIB.

Jerneh Credit Leasing Sdn Bhd ("JCL") specialises in hire purchase and lease financing of capital equipment covering the agricultural, manufacturing, transportation, construction and medical sectors. As one of the more active equipment financing companies, JCL provides the small and medium sized enterprises (SMEs) with cost-effective alternatives for capital acquisition to grow their businesses. JCL continues to focus on the SMEs and channels the commercial and personal line insurance businesses to JIB.

PARTNERSHIP WITH GENERALI

JAB's strategic partnership with Assicurazioni Generali S.p.A., ("Generali") the largest composite insurer in Italy to expand into the Asian region led to the establishment of Generali Asia N.V., a joint venture investment holding company incorporated in the Netherlands between JAB and Generali in 1999.

BUSINESS PROFILE

(cont'd)

PARTNERSHIP WITH GENERALI (cont'd)

The Group has, through Generali Asia N.V., entered into a joint venture with the SM Group of the Philippines to establish Generali Pilipinas Holding Inc. for investment in wholly-owned Generali Pilipinas Life Assurance Company Inc. and Generali Pilipinas Insurance Company Inc. The year 2006 marked the 6th full year of operation for the Philippines companies.

In 2002, Generali Asia N.V., acquired Pornpat Insurance Co. Ltd and Pornpat Life Assurance Co. Ltd. in Thailand which were subsequently renamed as Generali Insurance (Thailand) Co. Ltd. and Generali Life Assurance (Thailand) Co. Ltd. For Generali Thailand, the year 2006 marked its 4th year of operation.

Today, both the companies in Philippines and Thailand offer life, general, group life and other insurance products.

The Group will continue to focus on its strategy of taking a long term approach to investments in insurance operations with Generali.

PARTNERSHIP WITH HSBC

On 2nd March 2006, Bank Negara Malaysia awarded a Takaful licence to the consortium of HSBC Insurance (Asia Pacific) Holdings Limited, JAB and the Employees Provident Fund Board. The new company named HSBC Amanah Takaful (Malaysia) Sdn Bhd commenced operations in the second half of 2006.

HSBC Amanah Takaful (Malaysia) Sdn Bhd offers family takaful which provides a combination of long term savings and protection for participants and their dependents arising from death, disability or survival as well as general takaful which focuses on short-term protection of properties and liabilities against any loss or damage.

CORPORATE GOVERNANCE

The Board of Directors of Jerneh Asia Berhad ("JAB") is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging their fiduciary responsibilities to protect and enhance shareholders' value and the financial performance of JAB Group.

COMPLIANCE STATEMENT

To this end, the Board adopted the recommendations of the Malaysian Code on Corporate Governance (the "Code") and has taken steps to comply with all the Best Practices as outlined in the Code, with the exception of the establishment of a Nominating Committee. As JAB is mainly involved in the underwriting of general insurance business and in view of its size, the Board is of the opinion that there is currently no necessity for the establishment of a Nominating Committee. Rather, the Board has always assumed the role of reviewing the performance of its members as well as identifying new appointment of Directors to the Board whenever the need arises.

PRINCIPLES STATEMENT

The following statement sets out how the Company has applied the principles in Part 1 of the Code. The principles are dealt with under the following headings :-

- (A) Board of Directors;
- (B) Directors' Remuneration;
- (C) Shareholders' Relation and Communication; and
- (D) Accountability and Audit.

BOARD OF DIRECTORS

Board Responsibilities

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

Board Balance

At the date of this statement, the Board has eight (8) members comprising one (1) Managing Director, one (1) Executive Director, three (3) Non-Independent Non-Executive Directors (including the Chairman) and three (3) Independent Non-Executive Directors. This composition of Board of Directors has complied with the Listing Requirements of Bursa Malaysia Securities Berhad which requires a minimum of one-third (1/3) of the total number of Directors to be Independent. A brief profile of each Director is presented on pages 5 to 8 of this Annual Report.

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

The Non-Executive Directors participate actively in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and control.

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in Section 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad. The presence of the Independent Non-Executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the Managing Director and Executive Director. They also ensure that major proposals by Management are fully deliberated and examined, with due regard to risk management, taking into account the overall interests of shareholders and other stakeholders including employees, customers, suppliers and the communities in which the Group conducts its business. The Independent Non-Executive Directors provide unbiased and independent views to safeguard the interests of the minority shareholders.

To this end, the Board has appointed YM Raja Dato' Seri Abdul Aziz bin Raja Salim as the Senior Independent Non-Executive Director of the Board to whom concerns of the Group may be conveyed.

CORPORATE GOVERNANCE

(cont'd)

BOARD OF DIRECTORS (cont'd)

Board Meetings

The Board of Directors holds at least five (5) regular scheduled meetings annually, with additional meetings convened when urgent and important decisions need to be considered between the scheduled meetings.

During the financial year ended 31st December 2006, the Board met on five (5) occasions; where it deliberated upon and considered a variety of matters including the Group's financial results, major investments and strategic decisions, business plan and future direction of the Group.

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

All proceedings of the Board Meetings are duly minuted and signed by the Chairman of the Meeting. Record of Directors' attendance at Board Meetings held in the financial year ended 31st December 2006 is as follows :-

Directors	Attended
Dato' Lim Chee Wah	5 of 5 meetings held
Tan Yew Jin	5 of 5 meetings held
Tam Chiew Lin	5 of 5 meetings held
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	5 of 5 meetings held
Ahmad Riza bin Basir	5 of 5 meetings held
Anwarudin bin Hj Abdul Rahman	4 of 5 meetings held
Graham Hecmond Wong	4 of 5 meetings held
Datuk Haron bin Siraj *	0 of 2 meetings held

* appointed with effect from 10th July 2006

Supply of Information

Board papers are issued prior to a Board Meeting to enable the Directors to review and consider the agenda items to be discussed at the Board Meeting and where necessary, to obtain further explanations in order to be fully briefed before the Meeting. The Board papers include reports relevant to the issues of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters.

In addition, there is a schedule of matters reserved specifically for the Board's decision, including the approval of annual business plan and budgets, the overall Group strategy and direction, major acquisitions or disposals of business or assets of a substantial value, major investments and financial decisions and approval of all corporate announcements, including the announcement of the quarterly financial results, prior to releasing to the Bursa Malaysia Securities Berhad.

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

Re-Election

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

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

Directors' Training

The Directors continually attend education programmes and seminars to keep abreast with developments in the market place, such as seminars accredited under Bursa Malaysia Securities Berhad's Continuing Education Programme.

CORPORATE GOVERNANCE

(cont'd)

BOARD OF DIRECTORS (cont'd)

Directors' Training (cont'd)

The Company also organizes in-house training programmes, facilitated by industry experts, for Directors of listed companies in the Group and senior management. Some of these training programmes are accredited under Bursa Malaysia Securities Berhad's Continuing Education Programme.

Appointments to the Board

The Board is constantly reviewing the performance of its existing Directors as well as identifying and appointing new Directors to the Board whenever the need arises. The Board itself functions as a Nominating Committee.

Board Committees

The Board of Directors delegates certain responsibilities to the following Board Committees, namely :-

- (a) Audit Committee
- (b) Management Committee
- (c) Investment Committee
- (d) Remuneration Committee

The duties and responsibilities of each committee are established and controlled by the Board of Directors. All committees have written terms of reference and operating procedures, and the Board receives minutes or reports of their proceedings and deliberations.

The Chairmen of the various committees will report to the Board the outcome of the committee meetings and such reports form part of the proceedings of the Board Meeting. Where necessary, the Board's ratification is sought for pertinent decisions made by the above committees.

Audit Committee

For details on the Audit Committee, please refer to the Audit Committee Report set out on pages 26 to 28.

Management Committee

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

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

This Committee was established on 21st January 1998. Apart from Encik Ahmad Riza bin Basir, all the other members of the Management Committee are Executive Directors.

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

During the financial year ended 31st December 2006, this Committee had four (4) meetings which were attended by majority of its members together with the Senior Management of the Group.

Besides obtaining updates on operational and financial reviews, the meetings also act as a forum for discussion on internal control issues and problems faced by the operating units. Critical issues are highlighted for timely resolution and where necessary, brought to the Board for further direction.

Investment Committee

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

- Dato' Lim Chee Wah (Chairman)
- Mr Tan Yew Jin
- Ms Tam Chiew Lin
- Encik Ahmad Riza bin Basir.

CORPORATE GOVERNANCE

(cont'd)

BOARD OF DIRECTORS (cont'd)

Investment Committee (cont'd)

This Committee was established on 11th May 2001 and is primarily responsible for the general direction for the management of the Group's investment funds to ensure that the following broad objectives are met :-

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

During the financial year ended 31st December 2006, this Committee had six (6) meetings which were attended by majority of its members as well as the Chief Investment Officer of Jerneh Insurance Berhad.

Remuneration Committee

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

- Datuk Haron bin Siraj (Chairman)
- Ms Tam Chiew Lin
- Mr Graham Hechmond Wong

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

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

DIRECTORS' REMUNERATION

Remuneration Policy

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

Remuneration Procedure

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

The determination of the remuneration of Non-Executive Directors is a matter for the Board as a whole, subject to approval of shareholders at the Annual General Meeting.

During the financial year ended 31st December 2006, the Remuneration Committee met on two (2) occasions and the meetings were attended by all the members.

Details of the Remuneration Package

The aggregate Directors' remuneration paid or payable or otherwise made available to all Directors of the Company who served during the financial year are as follows :-

	Fees RM'000	Benefits- In-Kind RM'000	Other Emoluments RM'000	Total RM'000
Executive Directors	-	27	934	961
Non-Executive Directors	192	-	-	192

CORPORATE GOVERNANCE

(cont'd)

DIRECTORS' REMUNERATION (cont'd)

Details of the Remuneration Package (cont'd)

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

	Executive Directors	Non-Executive Directors
Less than RM50,000	-	6
RM50,001 to RM600,000	2	-

SHAREHOLDERS' RELATION

The Board believes that shareholders should be kept informed of all material business developments of the Company. In addition to the various announcements made during the year, release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations. The Jerneh web-site www.jerneh.com.my provides up-to-date information on the Group's products and operations.

Any queries, concerns and/or feedback regarding the Group may be conveyed to :-

1. **YM Raja Dato' Seri Abdul Aziz bin Raja Salim**

Senior Independent Non-Executive Director

Telephone Number : 03 - 2145 0485

Facsimile Number : 03 - 2143 2817

2. **Ms Choy Chiew Ling**

Company Secretary

Telephone Number : 03 - 2141 4255

Facsimile Number : 03 - 2142 1677

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

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements, quarterly and half-yearly announcement of results to shareholders, the Directors take responsibility to present a balance and fair assessment of the Group's position and prospects. The Audit Committee assists in reviewing the information disclosed to ensure accuracy and adequacy.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 22 of this Annual Report.

Relationship with the Auditors

The role of the Audit Committee in relation to the external Auditors is described on pages 26 to 28 of this Annual Report. The Company has always maintained a close and transparent relationship with its Auditors in seeking their professional advice towards ensuring compliance with the relevant accounting standards.

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

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

In preparing the financial statements for the year ended 31st December 2006 set out on pages 30 to 85 of this Annual Report, the Directors have applied appropriate accounting policies on a consistent basis and made judgements and estimates that are reasonable and prudent.

The Directors have responsibility for ensuring that proper accounting records are kept which disclose with reasonable accuracy, the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 5th April 2007.

ADDITIONAL COMPLIANCE INFORMATION

AS AT 31st DECEMBER 2006

Share Buy-backs

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

Options, Warrants or Convertible Securities

Apart from a total of 413,000 options exercised by the employees of the Company, there were no other warrants or convertible securities exercised by the Company during the financial year ended 31st December 2006.

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

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

Imposition of Sanctions and/or Penalties

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

Non-Audit Fees

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

Variation in Results

There were no material variations between the audited results for the financial year ended 31st December 2006 and the unaudited results for the financial quarter ended 31st December 2006 of the Group.

Profit Guarantee

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

Material Contracts

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

Revaluation Policy on Landed Properties

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

ADDITIONAL COMPLIANCE INFORMATION

(cont'd)

Recurrent Related Party Transactions

The recurrent related party transactions of a revenue or trading nature entered into by the Group during the twelve (12) months from 1st January 2006 to 31st December 2006 pursuant to the Shareholders' Mandate granted at the Annual General Meeting of the Company held on 24th May 2006 were as follows:-

Nature of Transaction / Name of Transacting Company	12 months from 01.01.2006 to 31.12.2006		Relationship with Director/ Major Shareholder
	Shareholders' Mandate RM'000	Transacted Value RM'000	
Underwriting of General Insurance business by Jerneh Insurance Berhad ("JIB"), a 80%-subsidiary company of Jerneh Asia Berhad ("JAB") from:-			
1. KBSB Group	24,000	9,750	Kuok Brothers Sdn Bhd ("KBSB") is a major shareholder of JAB, the holding company of JIB.
2. PPB Group	17,400	12,800	PPB Group Berhad ("PPB") is a body corporate associated to KBSB, a major shareholder of JAB.
3. PPBOP Group	4,200	3,300	PPB Oil Palms Berhad ("PPBOP") is a body corporate associated to KBSB, a major shareholder of JAB.
4. PCB Group	1,200	875	Paramount Corporation Berhad is a body corporate associated to Dato' (Dr) Teo Chiang Quan, a Director of JIB.
Provision of Hire-Purchase and Leasing facilities by Jerneh Credit Leasing Sdn Bhd to PPB Group.	25,000	9,900	PPB is a body corporate associated to KBSB, a major shareholder of JAB.

STATEMENT OF INTERNAL CONTROL

The Board is committed to maintain a sound system of internal control in the Group and is pleased to provide the following statement, which has been prepared in accordance with the Statement on Internal Control : Guidance for Directors of Public Listed Companies issued by the Institute of Internal Auditors in Malaysia and adopted by Bursa Malaysia Securities Berhad.

BOARD RESPONSIBILITY

The Board is ultimately responsible for the Group's system of internal control and its effectiveness to safeguard shareholders' investment and the Group's assets. Such a system includes the establishment of an appropriate control environment and framework as well as processes for reviewing its adequacy and integrity. The control environment means the overall attitude, awareness and actions of Directors and Management regarding the internal control system and its importance in the respective companies.

In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives of the Group. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, risk management and financial, organisational, operational and compliance controls.

The Board confirms that there is an ongoing process, for identifying, evaluating and managing the significant risks faced by the Group, which is regularly reviewed by the Board and accords with the guidelines for directors on internal control under the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

The key elements of the Group's internal control are described below :-

- The Board maintains an organisation structure with clearly defined authorities and responsibilities and appropriate reporting procedures of the Board, Committee and Management of the Group. The Group consists of several companies, each of which has its own management and internal control structures. Operating management of each business unit bears responsibility for the identification and mitigation of major business risks and each maintains controls and procedures appropriate to its own business environment.
- Detailed budgeting process requiring all business units to prepare budgets annually which are reviewed by the Board. Monthly management reports are drawn up for the review of the Managing Director and Executive Director. Results are monitored against budget, with major variances being followed up.
- The Board meets 5 times a year and has a formal agenda to discuss amongst other things, appropriate policies on internal control over strategic, financial, operational and compliance issues and to seek assurance that the system of internal control is functioning adequately and that its integrity is maintained.
- The Audit Committee, together with the Internal Audit and Senior Management, review the effectiveness of the internal financial and operating control environment of the Group. The Audit Committee holds regular meetings and reviews reports from internal and external auditors covering such matters. Where areas of improvement in the system are recommended, the Board considers the recommendations made by the Audit Committee and Management.

INTERNAL CONTROL THAT RESULTS IN MATERIAL LOSSES

There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. Management is continuously assessing and taking measures to strengthen the control environment of the group.

The Group's system of internal control applies principally to Jerneh Asia Berhad and its subsidiaries. Associated companies have been excluded because the Group does not have full management control over them.

This statement is made in accordance with the resolution of the Board of Directors dated 5th April 2007.

REPORT OF THE AUDIT COMMITTEE

COMPOSITION

The Audit Committee ("AC") was appointed by the Board of Directors from amongst the Directors of the Company and comprises not less than three (3) members, the majority of whom are Independent Directors. The Chairman of the Committee is an Independent Director.

MEMBERS OF THE COMMITTEE

The Members of the Committee for the financial year ended 31st December 2006 comprises the following Directors :-

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

SECRETARY

The Secretary to the AC is the Company Secretary of the Company.

TERMS OF REFERENCE

The Committee was established on 10th July 1996 and its terms of reference are set out below :-

Authority

The AC shall :-

1. have explicit authority to investigate any matter within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company/Group;
4. have direct communication channels with the external and internal auditors;
5. be able to obtain independent professional or other advice;
6. be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, where deemed necessary ; and
7. refer any fraud or irregularities discovered by Management to the Internal Audit Department ("IAD") for investigation and all findings shall be reported to the AC.

Duties

The duties of the AC are to :-

1. approve the internal audit charter which defines its :-
 - (i) independent purpose
 - (ii) authority
 - (iii) scope and responsibility of the internal audit functions of the Company/Group.
2. ensure that the IAD has adequate and competent resources to cover their scope and other audit projects.
3. ensure that the goals and objectives of the IAD are in line with corporate goals.
4. approve the appointment or termination, review of performance, remuneration of Head and senior staff of IAD.

REPORT OF THE AUDIT COMMITTEE

(cont'd)

TERMS OF REFERENCE (cont'd)

Duties (cont'd)

5. review with the IAD the annual audit plan. The plan should detail out the audit activities for the year and allocation of resources to the tasks. It will indicate the scope of work and prioritise audit assignments using Risk Management and System Audit approaches.
6. review the scope and results of internal audit procedures including :-
 - (i) compliance with internal auditing standards, company policies relating to compliance with laws and regulatory requirements.
 - (ii) the effective operation of the system of internal controls, in particular financial controls, underwriting controls and claims controls.
 - (iii) independent and reporting relationships.
 - (iv) professionalism and capacity of the internal auditors.
 - (v) restrictions placed on internal auditors by management.
 - (vi) the internal audit programme or processes; major findings of internal audit programme or processes; or investigations undertaken; and whether or not appropriate action (including management response) is taken on the recommendations of the internal audit function.
 - (vii) coordination between internal and external auditors.
7. be informed of resignation of internal audit staff and provide the resigning staff an opportunity to submit his reasons for resigning.
8. consider and recommend the appointment of external auditors after evaluating their performance, the remuneration and any questions of resignation or dismissal.
9. discuss audit report qualifications, problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss, in the absence of management where necessary.
10. review the following and report the same to the Board of Directors of the Company :-
 - (i) with the external auditors, the annual audit plan, its Budget, scope and nature of audit of the Company/Group and the audit report.
 - (ii) with the external auditors on the evaluation of the system of internal controls.
 - (iii) the Company's and Group's quarterly results and year end financial statements, focusing particularly on :-
 - significant changes and adjustments in the presentation of financial statements.
 - changes in or implementation of major accounting policies and principles.
 - the going concern assumption.
 - compliance with accounting standards and other legal requirements.
 - significant adjustments resulting from the audit.
 - material fluctuations in Statement of Balances.
 - significant and unusual events.
 - significant variations in audit scope.
 - significant commitments and contingent liabilities.
 - (iv) Chairman's Statement, interim financial reports and preliminary announcements.
 - (v) any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity which come to light in the course of internal audit or as reported by management.
 - (vi) effectiveness of the internal control systems and in particular, to review the external auditor's management letter and management's response.
11. ensure prompt publication of annual accounts of the Company and the Board of Directors is duty bound to ensure that accounts are timely and accurate, with frequent reviews on adequacy of provisions against contingencies and bad and doubtful debts.

REPORT OF THE AUDIT COMMITTEE

(cont'd)

MEETINGS AND MINUTES

For the financial year ended 31st December 2006, the Committee convened five (5) meetings, which were attended by all members. The meetings were structured through the use of appropriate agendas and reports, which were distributed to members with sufficient notification.

The Managing Director, Chief Executive Officer of its principal subsidiary, Internal Audit Manager and Finance Manager were present by invitation at all the meetings. Representatives of the Auditors, Moores Rowland also attended the meetings upon invitation.

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

ACTIVITIES OF AUDIT COMMITTEE

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

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

1. Reviewed the Auditors' scope of work and audit plans for the financial year 2006.
2. Reviewed with the Auditors the results of the audit, the audit report and the management letter, including management's response.
3. Consideration and recommendation to the Board for approval of the audit fees payable to the Auditors as disclosed in Note 27 to the financial statements.
4. Reviewed the independence and objectivity of the Auditors and services provided, including non-audit services.
5. Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's response.
6. Recommended to the Board improvement opportunities in internal control, procedures and risk management.
7. Reviewed the quarterly and audited financial statements of the Company prior to submission to the Board for their consideration and approval.
8. Reviewed the related party transactions entered into by the Group.
9. Reviewed the inspection and examination reports issued by the regulatory authorities such as Bank Negara Malaysia and the appropriate remedial actions taken in respect of any findings.

During the year under review, Bank Negara Malaysia conducted an on-site review examination on Jerneh Insurance Berhad. The audit revealed some shortcomings in the areas of risk management and controls for anti-money laundering activities. Management is reviewing the procedures and controls in these areas with the aim to strengthen the weaknesses highlighted.

INTERNAL AUDIT FUNCTION

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

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

YM Raja Dato' Seri Abdul Aziz bin Raja Salim

Chairman

Independent Non-Executive Director



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DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2006

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31st December 2006.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiary companies are indicated in explanatory note 7 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
Net profit for the year attributable to equity holders of the Company	10,918	11,268
Retained profits brought forward		
As previously reported	143,719	71,443
Prior year adjustments	(2,122)	-
As restated	141,597	71,443
Retained profits available for appropriation	152,515	82,711
Dividends	(2,410)	(2,410)
Retained profits carried forward	150,105	80,301

DIVIDENDS

Since the end of the previous financial year, the Company paid a First and Final Dividend of 5% less tax at 28%, amounting to RM3,933,871 in respect of the financial year ended 31st December 2005.

In respect of the financial year under review, the Directors declared an interim dividend of 3% less 27% tax amounting to RM2,393,101 which was paid on 17th January 2007.

The Directors now recommend a Final dividend of 5% less tax at 27% amounting to RM4,174,907 in respect of the financial year under review.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the consolidated statement of changes in equity as set out on pages 38 to 39.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM108,802,003 to RM109,274,003 by the issue of 472,000 new ordinary shares of RM1 each for cash under the Company's Employee Share Option Scheme.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares.

The Company did not issue any debentures during the financial year under review.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

Details of the ESOS of the Company are set out in explanatory note 17 to the financial statements.

For the offer of options under the ESOS, the Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of the option holders who have been granted options of less than 100,000 shares. The name of the option holders who have been granted options of 100,000 shares and above is set out below:

Name of Option Holder	Number of Share Options
Tam Chiew Lin	175,000
Tan Yew Jin	175,000
Heng Kiah Ngan	125,000
Yong Chen Weng	125,000
Yong Weng Sing	125,000

DIRECTORS

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

Dato' Lim Chee Wah	<i>(Chairman)</i>
Tan Yew Jin	<i>(Deputy Chairman & Executive Director)</i>
Tam Chiew Lin	<i>(Managing Director)</i>
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	
Ahmad Riza bin Basir	
Anwarudin bin Hj Abdul Rahman	
Graham Hecmond Wong	
Datuk Haron bin Siraj	<i>(Appointed on 10th July 2006)</i>

In accordance with Article 101 of the Company's Articles of Association, Tam Chiew Lin 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.

In accordance with Article 108 of the Company's Articles of Association, Datuk Haron bin Siraj who was appointed to the Board subsequent to last Annual General Meeting retires at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

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

Name of Director	Ordinary shares of RM1 each			At 31.12.2006
	At 1.1.2006	Bought	Sold	
Dato' Lim Chee Wah				
- direct	30,000	-	-	30,000
Tan Yew Jin				
- direct	120,000	120,000	-	240,000
- indirect	155,250	-	-	155,250
Tam Chiew Lin				
- direct	10,000	100,000	-	110,000

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

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

Name of Director	Ordinary shares of RM1 each			
	At 1.1.2006	Bought	Sold	At 31.12.2006
YM Raja Dato' Seri Abdul Aziz bin Raja Salim				
- direct	60,000	-	-	60,000
Ahmad Riza bin Basir				
- indirect	17,169,407	303,500	-	17,472,907
Anwarudin bin Hj Abdul Rahman				
- direct	40,000	-	-	40,000

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

	Ordinary shares of RM1 each			
	At 1.1.2006	Bought	Sold	At 31.12.2006
Jerneh Insurance Berhad	80,000,000	-	-	80,000,000
Jerneh Credit Leasing Sdn Bhd	1,000,000	-	-	1,000,000
Jerneh Healthcare Services Sdn Bhd	250,000	-	-	250,000
Jerneh Asia Capital Sdn Bhd	2	-	-	2
Minsec Management Services Sdn Bhd	25,000	-	-	25,000

	Ordinary shares of HKD100 each			
	At 1.1.2006	Bought	Sold	At 31.12.2006
Jerneh Insurance (HK) Limited	500,000	-	-	500,000

	Ordinary shares of HKD1 each			
	At 1.1.2006	Bought	Sold	At 31.12.2006
Taishan Insurance Brokers Limited	1,000,000	-	-	1,000,000

	Ordinary shares of PHP100 each			
	At 1.1.2006	Bought	Sold	At 31.12.2006
KRM Reinsurance Brokers Phils., Inc.	480,000	-	-	480,000
Taishan Insurance Brokers Philippines, Inc.	480,000	-	-	480,000

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

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

	Ordinary shares of USD1 each			
	At 1.1.2006	Bought	Sold	At 31.12.2006
Jerneh Asia Reinsurance Limited	3,200,000	-	-	3,200,000

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

	Exercise price RM	No. of unissued shares of RM1 each under option				At 31.12.2006
		At 1.1.2006	Granted	Lapsed	Exercised	
Tam Chiew Lin	1.90	165,000	-	-	100,000	65,000
Tan Yew Jin	1.87	-	175,000	-	120,000	55,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER STATUTORY INFORMATION

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

- (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 the following:
 - contracts of insurance underwritten in the ordinary course of business by the subsidiary companies, namely, Jerneh Insurance Berhad and Jerneh Asia Reinsurance Limited.
 - the adjustment clause set out in an agreement with HSBC Insurance (Asia) Limited for the transfer of the insurance portfolio of Jerneh Insurance (HK) Limited to HSBC Insurance (Asia) Limited, which is described in greater detail in note 40(a) to the financial statements.
- (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 during the financial year have not been 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 which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

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

Signed on behalf of the Directors in accordance with a directors' resolution dated 5th April 2007

DATO' LIM CHEE WAH
Director

TAM CHIEW LIN
Director

Kuala Lumpur

REPORT OF THE AUDITORS

TO THE MEMBERS OF JERNEH ASIA BERHAD (INCORPORATED IN MALAYSIA)

We have audited the financial statements of the Group and of the Company set out on pages 36 to 85.

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

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31st December 2006 and of their results and cash flows for the year ended on that date; and
 - (ii) the matters required by section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have 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 7 to the financial statements.

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

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

MOORES ROWLAND
No. AF: 0539
Chartered Accountants

TANG KIN KHEONG
No. 1501/9/07 (J/PH)
Partner

Kuala Lumpur

Date: 5th April 2007

BALANCE SHEETS

AS AT 31ST DECEMBER 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
ASSETS					
Property, plant and equipment	4	25,540	27,216	95	162
Investment property	5	21,743	22,060	-	-
Intangible assets	6	2,546	2,689	-	-
Investment in subsidiary companies	7	-	-	107,236	107,236
Investment in associated companies	8	47,305	25,283	77,470	46,470
Amounts owing by subsidiary companies	9	-	-	76,260	78,339
Amount owing by associated company	10	31,598	15,703	31,598	16,860
Other investments	11	248,338	232,112	-	-
Deferred tax assets	12	4,291	5,014	-	-
Trade and other receivables	13	138,711	115,055	107	94
Current tax assets		3,968	6,396	3,703	2,833
Marketable securities	14	7,242	8,203	-	-
Deposits	15	258,504	246,569	2,185	4,080
Cash and bank balances	16	31,838	29,548	468	911
TOTAL ASSETS		821,624	735,848	299,122	256,985
Financed by:					
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	17	109,274	108,802	109,274	108,802
Share premium		27,000	26,508	27,000	26,508
Exchange fluctuation reserves (non-distributable)		5,249	4,052	-	-
Share option reserve		372	-	372	-
Retained profits	18	150,105	141,597	80,301	71,443
Dividend		2,393	3,917	2,393	3,917
		294,393	284,876	219,340	210,670
Minority interest		38,160	34,876	-	-
TOTAL EQUITY		332,553	319,752	219,340	210,670
LIABILITIES					
Provision for outstanding claims	19	214,386	188,583	-	-
Trade and other payables	20	78,722	88,123	1,705	820
Amounts owing to associated company	10	-	17	-	-
Unearned premium reserves	21	82,130	93,696	-	-
Bank borrowings	22	108,576	44,000	76,000	44,000
Deferred tax liabilities	23	2,077	1,495	2,077	1,495
Current tax liabilities		3,180	182	-	-
TOTAL LIABILITIES		489,071	416,096	79,782	46,315
TOTAL EQUITY AND LIABILITIES		821,624	735,848	299,122	256,985

Accounting policies and explanatory notes are set out on pages 42 to 85.

INCOME STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Operating revenue	24	220,160	195,270	-	-
Operating costs applicable to operating revenue	25	(145,222)	(124,763)	-	-
Gross profit		74,938	70,507	-	-
Other operating income	26	15,197	13,122	63	315
Operating expenses	27	(54,369)	(52,292)	(3,080)	(2,479)
Profit/(loss) from operations		35,766	31,337	(3,017)	(2,164)
Share of losses in associated companies (net of tax)		(12,254)	(7,049)	-	-
Investment income (net)	29	9,368	3,146	18,955	19,334
Finance costs		(3,338)	(1,026)	(2,782)	(1,026)
Profit before taxation		29,542	26,408	13,156	16,144
Taxation	30	(13,880)	(7,193)	(1,888)	(2,097)
Net profit for the year		15,662	19,215	11,268	14,047
Attributable to:					
Equity holders of the Company		10,918	14,678		
Minority interests		4,744	4,537		
		15,662	19,215		
Basic earnings per share (sen)	31	14.35	17.68		
Diluted earnings per share (sen)	31	14.32	17.64		
Dividend per share (net of tax) (sen)		2.19	3.60		

Accounting policies and explanatory notes are set out on pages 42 to 85.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2006

Group	Note	Attributable to equity holders of the Company									
		Non distributable					Distributable				
		Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Exchange fluctuation reserves RM'000	Share option reserve RM'000	Retained profits RM'000	Dividend RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1st January 2005											
- as previously reported		108,389	26,140	160	623	-	132,552	6,243	274,107	32,243	306,350
- prior year adjustments	3	-	-	(160)	-	-	(1,696)	-	(1,856)	(464)	(2,320)
At 1st January 2005, restated		108,389	26,140	-	623	-	130,856	6,243	272,251	31,779	304,030
Net gain not recognised											
in income statement											
- currency translation											
difference		-	-	-	3,429	-	-	-	3,429	-	3,429
Net profit for the year		-	-	-	-	-	14,678	-	14,678	4,537	19,215
Issue of shares											
pursuant to ESOS	17	413	368	-	-	-	-	-	781	-	781
Dividends paid	32	-	-	-	-	-	(20)	(6,243)	(6,263)	(1,440)	(7,703)
Dividend declared	32	-	-	-	-	-	(3,917)	3,917	-	-	-
Balance at 31st December 2005		108,802	26,508	-	4,052	-	141,597	3,917	284,876	34,876	319,752
At 1st January 2006											
- as previously reported		108,802	26,508	856	4,052	-	143,719	3,917	287,854	35,620	323,474
- prior year adjustments	3	-	-	(856)	-	-	(2,122)	-	(2,978)	(744)	(3,722)
At 1st January 2006, restated		108,802	26,508	-	4,052	-	141,597	3,917	284,876	34,876	319,752
Net gain not recognised											
in income statement											
- currency translation difference		-	-	-	1,197	-	-	-	1,197	-	1,197
Net profit for the year		-	-	-	-	-	10,918	-	10,918	4,744	15,662
Share options granted											
under ESOS		-	-	-	-	449	-	-	449	-	449
Issue of shares pursuant											
to ESOS	17	472	492	-	-	(77)	-	-	887	-	887
Dividend paid	32	-	-	-	-	-	(17)	(3,917)	(3,934)	(1,460)	(5,394)
Dividend declared	32	-	-	-	-	-	(2,393)	2,393	-	-	-
Balance at 31st December 2006		109,274	27,000	-	5,249	372	150,105	2,393	294,393	38,160	332,553

Accounting policies and explanatory notes are set out on pages 42 to 85.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

Company	Note	Non-distributable			Retained profits RM'000	Dividend RM'000	Total RM'000
		Share Capital RM'000	Share Premium RM'000	Share Option reserves RM'000			
At 1st January 2005		108,389	26,140	-	61,333	6,243	202,105
Net profit for the year		-	-	-	14,047	-	14,047
Issue of shares pursuant to ESOS	17	413	368	-	-	-	781
Dividend paid		-	-	-	(20)	(6,243)	(6,263)
Dividend	32	-	-	-	(3,917)	3,917	-
Balance at 31st December 2005		108,802	26,508	-	71,443	3,917	210,670
Net profit for the year		-	-	-	11,268	-	11,268
Share options granted under ESOS		-	-	449	-	-	449
Issue of shares pursuant to ESOS	17	472	492	(77)	-	-	887
Dividend paid	32	-	-	-	(17)	(3,917)	(3,934)
Dividend	32	-	-	-	(2,393)	2,393	-
Balance at 31st December 2006		109,274	27,000	372	80,301	2,393	219,340

Accounting policies and explanatory notes are set out on pages 42 to 85.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2006

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	29,542	26,408	13,156	16,144
Adjustments for:				
Accretion of discounts (net)	(754)	(289)	-	-
(Write-back)/Allowance for diminution in value of other investments (net)	(1,917)	1,854	-	-
Allowance for /(Write back of) doubtful debts (net)	466	(1,523)	-	-
Amortisation of intangible assets	1,242	1,094	-	-
Bad debts (recovered)/written off	(311)	176	-	-
Change in unearned premium reserves	(10,856)	13,306	-	-
Depreciation	2,787	3,022	71	94
Dividend income	(6,008)	(5,293)	(16,058)	(17,423)
Gain on sale of other investments (net)	(11,036)	(8,718)	-	-
Interest expense	3,338	1,026	2,782	1,026
Interest income	(21,184)	(16,977)	(2,897)	(1,911)
(Gain)/Loss on disposal of property, plant and equipment	(47)	574	-	-
(Gain)/Loss on foreign exchange - unrealised	(11)	246	286	29
Loss retained in associated companies	12,254	7,049	-	-
Property, plant and equipment written off	7	-	-	-
Reversal of cost previously over-capitalised in property, plant and equipment	-	82	-	-
Share options granted under ESOS	449	-	72	-
Write down of marketable securities to net realisable value	144	1,562	-	-
Net unrealised gain on marketable securities	(539)	(8)	-	-
Operating (loss)/profit before changes in working capital	(2,434)	23,591	(2,588)	(2,041)
Change in fixed deposits	68,408	57,933	-	-
Proceeds from sale of other investments	80,527	54,868	-	-
Purchase of other investments	(81,365)	(103,768)	-	-
Change in trade receivables	(21,457)	(21,023)	-	-
Change in other receivables	(2,820)	(1,988)	(15)	54
Change in marketable securities	1,070	(3,478)	-	-
Change in provision for outstanding claims	27,929	18,397	-	-
Change in trade payables	(10,754)	13,022	-	-
Change in other payables	(156)	759	(57)	8
Cash generated from/(used in) operations	58,948	38,313	(2,660)	(1,979)
Income tax (paid)/refunded	(5,887)	(7,151)	(16)	123
Interest received	18,742	14,206	-	-
Dividends received	3,643	3,464	4,742	-
Net cash generated from/(used in) operating activities	75,446	48,832	2,066	(1,856)

Accounting policies and explanatory notes are set out on pages 42 to 85.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances to associated companies	(15,895)	(10,862)	(15,055)	(10,862)
Proceeds from sale of other investments	22,139	35,153	-	-
Proceeds from disposal of property, plant and equipment	57	246	-	-
Purchase of property, plant and equipment (Note 33)	(318)	(3,293)	(4)	(6)
Purchase of intangible assets (Note 34)	(718)	(6)	-	-
Purchase of other investments	(24,776)	(30,209)	-	-
Acquisition of a new associated company	(31,000)	-	(31,000)	-
Interest received	2,902	2,451	2,899	1,918
Repayment from/(Advances to) subsidiary companies	-	-	11,643	(10,763)
Dividends received	1,101	720	-	-
Net cash used in investing activities	(46,508)	(5,800)	(31,517)	(19,713)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	887	781	887	781
Repayment to subsidiary companies	-	-	-	(23)
(Repayment to)/Advances from associated company	(17)	17	-	-
Drawdown of bank loan	64,576	20,200	32,000	20,200
Interest paid	(2,021)	(1,064)	(1,840)	(1,064)
Dividends paid to shareholders of the Company	(3,934)	(6,263)	(3,934)	(6,263)
Dividend paid to a minority shareholder of a subsidiary company	(1,460)	(1,440)	-	-
Net cash generated from financing activities	58,031	12,231	27,113	13,631
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	86,969	55,263	(2,338)	(7,938)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	102,948	47,490	4,991	12,929
EFFECT OF EXCHANGE RATE CHANGES	(798)	195	-	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD	189,119	102,948	2,653	4,991
Represented by:				
Cash and bank balances	31,838	29,548	468	911
Deposits	157,281	73,400	2,185	4,080
	189,119	102,948	2,653	4,991

Accounting policies and explanatory notes are set out on pages 42 to 85.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements comply with applicable approved accounting standards for entities other than private entities, namely, Financial Reporting Standards ("FRSs"), issued by the Malaysian Accounting Standards Board and with the provisions of the Companies Act, 1965. Further, the financial statements of a subsidiary company, namely, Jerneh Insurance Berhad which have been consolidated with the Company's financial statements also comply with the provisions of the Insurance Act, 1996 and circulars/guidelines issued by Bank Negara Malaysia.

The measurement bases applied in the preparation of the financial statements include cost, recoverable value, realisable value and fair value. Estimates are used in measuring these values.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

(b) Changes in accounting policies

The significant accounting policies adopted are consistent with those of the previous financial statements for the year ended 31st December 2005 except for the following changes in accounting policies:

(i) Adoption of new/revised FRSs

Adoption of new/revised FRSs which are effective

On 1st January 2006, the Group and the Company adopted the following new/revised FRSs which are relevant to its operations and are effective for financial periods beginning on or after 1st January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above FRSs does not have significant financial impact on the Group and the Company except as disclosed in note 3 to the financial statements.

(ii) *New/revised FRSs and amendments to FRSs that are not yet effective and not early adopted*

The Group and the Company has not adopted the following new/revised FRSs and amendments to FRSs that have been issued but which are only effective for the financial periods beginning on or after:

1st October 2006

FRS 117	Leases
FRS 124	Related Party Disclosures

1st January 2007

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 119 ₂₀₀₄	Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Changes in accounting policies (cont'd)

Effective date yet to be announced

FRS 139 Financial Instruments: Recognition and Measurement

By virtue of the exemption in paragraph 67B of *FRS 117*, paragraph 22A of *FRS 124* and paragraph 103AB of *FRS 139*, the impact of applying *FRS 117*, *FRS 124* and *FRS 139* on the financial statements upon first adoption as required by paragraph 30(b) of *FRS 108* has not been disclosed.

FRS 6 and amendments to *FRS 119*₂₀₀₄ are not applicable to the Group and the Company.

(c) Significant accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in the process of the applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the balance sheet date, and the reported amounts of income and expenses during the financial year.

Although these estimates are based on management's best knowledge of current events and actions, historical experiences and various other factors, including expectations for future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in the respective accounting policies.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and of all its subsidiary companies made up to the end of the financial year. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only.

All subsidiary companies are consolidated on the purchase method of accounting from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries acquired from the effective date of acquisition. The excess of Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities recognised, over the Group's cost of business combination is recognised immediately in the income statement after reassessment.

Minority interests represent the portion of profit or loss and net assets of subsidiaries, not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from Group's shareholders' equity.

(e) Subsidiary companies

A subsidiary company is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, are considered when assessing whether the Company has the power to govern the financial and operating policies of another entity.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Subsidiary companies (cont'd)

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less impairment losses. Impairment losses are charged to the income statement.

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

(f) Associated companies

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

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

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

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

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

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency with accounting policies of the Group.

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

(g) Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the assets. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Property, plant and equipment (cont'd)

(ii) Depreciation

Freehold land is not depreciated. Depreciation is calculated to write off the cost of other property, plant and equipment on a straight line basis to their residual values over their expected useful lives. Depreciable amount of a property, plant and equipment is determined by deducting the residual value from the cost of the property, plant and equipment.

The principal annual rates used for this purpose are:

Buildings	2% - 2 1/2%
Computers	20% - 33 1/3%
Office equipment, furniture and fittings	10% - 20%
Motor vehicles	20%
Office renovation	10% - 33 1/3%

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

(h) Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business.

(i) Measurement basis

Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of investment properties includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the asset will flow to the Group and the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from their disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(ii) Depreciation

Freehold land is not depreciated. Depreciation is calculated to write off the cost of investment properties on a straight line basis to their residual values over their expected useful lives. The annual depreciation rate used is 2%. The residual values, useful lives and depreciation method are reviewed and adjusted if appropriate, at each balance sheet date.

(i) Intangible Assets

Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with infinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an infinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Other investments

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

Quoted investments are stated at the lower of cost and market value determined on an aggregate basis by category of investments except that if any decline in value of a particular investment is regarded as other than temporary, an allowance for diminution in value is made against the value of that investment. The allowance for diminution in value is charged to the income statement.

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

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

(k) Marketable securities

Marketable securities comprising quoted securities are stated at the lower of cost and market value, determined on an aggregate basis by category of investment in the case of Jerneh Asia Capital Sdn Bhd and are stated at fair value in the case of Jerneh Insurance (HK) Limited. The financial effects of the difference in the accounting policies of these two subsidiary companies are not considered material and therefore no adjustment is made to align the policies. Changes in the carrying amount of the securities are recognised in the income statement. On disposal, the difference between the net sales proceeds and the carrying amounts is taken to the income statement.

(l) Impairment of assets

(i) Goodwill

Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from synergies of the business combination.

An impairment loss is recognised in the income statement when the carrying amount of the cash-generating unit, including the goodwill exceeds the recoverable amount of the cash-generating unit. The recoverable amount of the cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and value in use.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit pro-rata on the basis of the carrying amount of each asset in the cash-generating unit.

Impairment loss recognised for goodwill is not reversed in subsequent period.

(ii) Property, plant and equipment, investment property, intangible assets, investment in subsidiary companies and associated companies

These assets are assessed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are charged to the income statement.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets (cont'd)

(ii) *Property, plant and equipment, investment property, intangible assets, investment in subsidiary companies and associated companies* (cont'd)

Any reversal of impairment loss as a result of a subsequent increase in recoverable amount should not exceed the carrying amount that would have been determined (net of amortisation or depreciation, if applicable) had no impairment loss been previously recognised for the asset.

(m) Receivables

Receivables are initially recognised at their costs when the contractual right to receive cash and another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Known bad debts are written off and allowances are made for any receivables considered to be doubtful of collection.

In addition to the above, all motor premiums outstanding for more than 30 days and non-motor premiums outstanding for more than six months from the inception date of the policy are fully provided for in accordance with Bank Negara Malaysia's guidelines on the determination of allowance for doubtful debts.

(n) Equity instruments

Ordinary shares are recorded at nominal value and proceeds received in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Costs incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the income statement.

Dividends to shareholders are recognised as a reduction of equity in the period in which they are declared.

(o) Borrowing costs

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

(p) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(q) General insurance underwriting results

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

(i) Premium income

Premium is recognised in a financial period in respect of risks assumed during that particular financial period. Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

(ii) Unearned premium reserves ("UPR")

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

	Jerneh Insurance Berhad	Jerneh Asia Reinsurance Limited	Jerneh Insurance (HK) Limited
Direct and facultative transit business	25% method	40% method	1/24th method
Inward treaty business	1/24th method	40% method	1/8th or 1/4th method

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) General insurance underwriting results (cont'd)

(ii) Unearned premium reserves ("UPR") (cont'd)

	Jerneh Insurance Berhad	Jerneh Asia Reinsurance Limited	Jerneh Insurance (HK) Limited
Overseas inward facultative business	1/8th method	40% method	1/24th method
All other direct business	1/24th method	40% method	1/24th method
	(other than transit business)		

(iii) Provision for claims

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

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

(r) Recognition of revenue

- (i) Insurance premium income is recognised as disclosed under explanatory note 1(q).
- (ii) Interest income from government securities, bonds and loan stocks, fixed deposits and term loans receivable is recognised on an accrual basis.
- (iii) Interest income from hire purchase and leasing transactions is recognised on a time proportion basis after taking into account the effective yield of the assets. When an account becomes non-performing, the recognition of interest income is suspended until it is realised on a cash basis. An account is deemed to be non-performing when repayment is in arrears for more than three months.
- (iv) Dividend income is recognised when the right to receive has been established.
- (v) Revenue from property management and consultancy services is recognised upon services being rendered.
- (vi) Brokerage fee income is recognised when the insurance policy is accepted by the insurer.
- (vii) Rental income is recognised on a straight line basis over the specific periods of the respective leases.

(s) Foreign currencies

(i) Transactions in foreign currencies

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

(ii) Translation of foreign currency financial statements

For consolidation purposes, all assets and liabilities, including fair values adjustments of foreign subsidiary companies are translated at the exchange rates ruling at the balance sheet date. Income and expense items are translated at exchange rates approximating those ruling on transaction dates. All exchange differences arising from the translation of the financial statements are dealt with through the exchange fluctuation reserve account.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Employee benefits

(i) Short term benefits

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as expenses in the period in which the associated services are rendered by employees of the Group and the Company.

(ii) Post-employment benefits

The Company and its Malaysian subsidiaries pay fixed contributions to the Employees Provident Fund Board ("EPF") which is a defined contribution plan.

The legal or constructive obligations of the Company and its Malaysian subsidiaries are limited to the amount that they agree to contribute to the EPF. Contributions to the EPF are charged to the income statement in the period to which they relate.

Some of the foreign subsidiary companies make contributions to their respective countries' statutory pension schemes which are recognised as an expense in the income statement as incurred.

(u) Taxation

The tax expense in the income statement represents the aggregate amount of current tax and deferred tax included in the determination of net profit or loss for the year.

On the balance sheet, a deferred tax liability is recognised for taxable temporary differences while a deferred tax asset is only recognised for deductible temporary differences, unutilised tax losses and unutilised tax credits to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences, tax losses and tax credits can be utilised. No deferred tax is recognised for temporary differences arising from the initial recognition of:

- (i) goodwill, or
- (ii) an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured based on tax consequences that would follow from the manner in which the asset or liability is expected to be recovered or settled, and based on the tax rates enacted or substantively enacted by the balance sheet date that are expected to apply to the period when the asset is realised or when the liability is settled.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, whether in the same or a difference period, directly to equity.

(v) Cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(w) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Group's financial instruments which are recognised in balance sheet comprise cash and bank balances, deposits, investments, marketable securities, bank borrowings, ordinary shares, receivables and payables. These financial instruments are recognised when a contractual relationship has been established. The accounting policies and methods adopted, including the basis of measurement applied, are disclosed above where relevant. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes below, where applicable.

There were no financial instruments not recognised in the balance sheet, other than the insurance contracts entered into by the Group in the ordinary course of business.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Fair value of financial instruments

Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. This is best evidenced by a quoted market price, if one exists. Quoted market price may not be available for certain financial instruments. Under these circumstances, fair value presented are estimates derived using present value or other valuation techniques. In addition, the calculation of estimated fair value is based on market conditions at the balance sheet date.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The objective of risk management is to ensure that the Group's overall risk is managed at an acceptable level and that appropriate return is earned for the level of risk assumed.

A risk management policy is in place to identify and measure significant areas of business risk and to effectively manage those risks by establishing internal controls, systems, policies and procedures. Systems are designed to provide reasonable assurance that the assets are safeguarded, insurance risk exposure is within desired limits, reinsurance protection is adequate and counterparties are subject to security assessment. The risk management framework is reviewed on a periodic basis.

The general insurance portfolios are reviewed by professional actuaries and the review takes into account the adequacy of reserves to meet liabilities.

Subsidiaries and affiliates engaged in the insurance business comply with their specific Insurance Acts and Regulations in their respective jurisdictions.

Underwriting risk

Although the Group has in place underwriting guidelines which ensure that underwriting risks undertaken adhere to proper control procedures, the Group may be exposed to potential financial liabilities resulting from incurring higher claim costs than expected. This is due to the random nature of claims and their unpredictable frequency and severity and the risk of changes in legal or economic conditions affecting insurance pricing and conditions of insurance or reinsurance cover.

The underwriting and claims monitoring programme incorporates standards for underwriting procedures, policy retention limits, the use of reinsurance and the setting of claim reserves. Underwriting standards are established to manage the initial insurability of customers. Renewal underwriting standards are in place for business that renews on a periodic basis.

Reinsurance risk

In the normal course of business, the Group limits the amount of loss on any one policy/event by reinsuring certain levels of risk with other reinsurers/insurers. Reinsurance does not discharge the Group's liability as the primary insurer. Failure of reinsurers to honour their obligations could also result in losses to the Group. In order to minimise losses from reinsurance insolvencies, the Group only deals with the most creditworthy counterparties.

Interest rate risk

The Group's earnings are affected by changes in market interest rates due to the impact such changes have on interest income from cash and cash equivalents and investments. Strict investment guidelines are in place and reviewed regularly to provide the general direction for the Group's investment funds and to monitor the risk undertaken.

In respect of the unsecured revolving loan, the Group has maintained the funding on floating rates that allows it to take advantage of cheaper funding in a low interest rate environment. To minimise exposure to future interest rate hikes, the Group has an option to switch the funding to fixed rate terms.

Credit risk

Other than the credit criteria observed in respect of the reinsurers and insurance companies, credit risk does arise in the ordinary course of business if customers, counterparties or intermediaries are unable or unwilling to fulfil their payment obligations.

The Group has a credit policy in place and the exposure to credit risk is monitored and controlled on an on-going basis within approved guidelines and procedures.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

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

Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. As the transactions are not material in the context of each operating unit's risk profile, the Group will consider hedging only in limited circumstances.

The Group's foreign currency translation exposures are represented by the net asset value of the Group's foreign currency equity in its subsidiary and associated companies. These are mainly held as long-term investments and ostensibly carry long gestation periods. The Group's investments are in Thailand, Philippines, Hong Kong and Labuan. Gains and losses on foreign currency exposure are taken to reserves.

Liquidity and cash flow risk

The Group manages its liquidity and cash flow profiles to ensure that business operations maintain optimum levels of liquidity at all times sufficient to meet contractual obligations as and when they fall due. All operating insurance units within the Group have met the margin of solvency minimum requirements.

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs

The changes in accounting policies and the effects arising from adoption of new and revised FRSs are as follows:

(a) FRS 116 - Property, Plant and Equipment

Prior to 1st January 2006, freehold land and buildings held under property, plant and equipment were stated at valuation. The increase in revaluation was taken to equity as a revaluation surplus.

During the year, upon the adoption of FRS 116, the Group opted to state such land and buildings at cost less depreciation and impairment loss (one of 2 options permitted under FRS 116).

This change in accounting policy has been accounted for retrospectively and the effect of restatement of comparative figures arising from the retrospective change in accounting policy is as follows:

	31st December 2005
	RM'000
Decrease in property, plant and equipment	849
Increase in deferred tax asset	131
Decrease in revaluation reserve	697
Increase in retained profits	143
Decrease in deferred tax liabilities	26
Decrease in minority interest	138

(b) FRS 140 - Investment Property

(i) Prior to 1st January 2006, investment property was stated at valuation. The increase in revaluation was taken to equity as a revaluation surplus.

During the year, upon the adoption of FRS 140, the Group opted to state investment property at cost less depreciation and impairment loss (one of 2 options permitted under FRS 140).

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (cont'd)

(b) FRS 140 - Investment Property (cont'd)

This change in accounting policy has been accounted for retrospectively and the effect of restatement of comparative figures arising from the retrospective change in accounting policy is as follows:

31st December 2005
RM'000

Decrease in investment property	1,861
Increase in deferred tax asset	77
Decrease in revaluation reserve	159
Decrease in retained profits	1,268
Decrease in minority interest	357

(ii) Prior to 1st January 2006, investment property included property that was owner-occupied.

Upon the application of FRS 140, the Group has reclassified the owner-occupied property to property, plant and equipment. This reclassification has been applied retrospectively and the effect of restatement of comparative figures arising from the retrospective is as follows:

31st December 2005
RM'000

Increase in property, plant and equipment	17,333
Decrease in investment property	18,579
Decreased in retained profits	997
Decrease in minority interest	249

(c) FRS 138 - Intangible Assets

Prior to 1st January 2006, computer software were included as property, plant and equipment.

Upon the application of FRS 138, the Group has reclassified the computer software to intangible assets. This reclassification has been applied retrospectively and the effect of restatement of comparative figures arising from the retrospective reclassification is as follows:

31st December 2005
RM'000

Decrease in property, plant and equipment	2,689
Increase in intangible assets	2,689

(d) Restatement of comparatives - summary

The restatement to the balance sheet comparative figures arising from (a), (b) and (c) above are summarised as follows:

	Previously stated RM'000	Increase/(Decrease)				Restated RM'000
		(a) RM'000	(b)(i) RM'000	(b)(ii) RM'000	(c) RM'000	
Property, plant and equipment	13,421	(849)	-	17,333	(2,689)	27,216
Investment property	42,500	-	(1,861)	(18,579)	-	22,060
Intangible assets	-	-	-	-	2,689	2,689
Deferred tax asset	4,806	131	77	-	-	5,014

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSS (cont'd)

(d) Restatement of comparatives - summary (cont'd)

	Previously stated RM'000	Increase/(Decrease)			(c) RM'000	Restated RM'000
		(a) RM'000	(b)(i) RM'000	(b)(ii) RM'000		
Revaluation reserves	856	(697)	(159)	-	-	-
Retained profits	143,719	143	(1,268)	(997)	-	141,597
Deferred tax liabilities	1,521	(26)	-	-	-	1,495
Minority interest	35,620	(138)	(357)	(249)	-	34,876

The restatement to the income statement comparative figures arising from (a), (b) and (c) above are summarised as follows:

	Previously stated RM'000	Increase/(Decrease)			(c) RM'000	Restated RM'000
		(a) RM'000	(b)(i) RM'000	(b)(ii) RM'000		
Operating expenses	51,750	(24)	317	249	-	52,292

(e) Summary of effects of changes in accounting policies and adopting new and revised FRSS on the current year's financial statements.

The following tables provide estimates of the extent to which each of the items in the balance sheet and income statement for the year ended 31st December 2006 is higher or lower than it would have been had the previous policies been applied in the current year.

(i) Effects on balance sheet as at 31st December 2006

	Increase/(Decrease)				Total RM'000
	(a) RM'000	(b)(i) RM'000	(b)(ii) RM'000	(c) RM'000	
Property, plant and equipment	1,830	-	(18,579)	2,689	(14,060)
Investment property	-	1,861	18,579	(2,689)	17,751
Deferred tax asset	(131)	(77)	-	-	(208)
Revaluation reserves	696	160	-	-	856
Retained profits	(208)	1,648	1,296	-	2,736
Deferred tax liabilities	26	-	-	-	26
Minority interest	135	294	199	-	628

(ii) Effects on income statement for the year ended 31st December 2006

	Increase/(Decrease)				Total RM'000
	(a) RM'000	(b)(i) RM'000	(b)(ii) RM'000	(c) RM'000	
Operating expenses	249	(317)	(249)	-	(317)

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Buildings	Computers	Office equipment, furniture and fittings	Motor vehicles	Renovations	Total
2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1.1.2006	7,417	15,467	9,788	4,990	2,255	2,425	42,342
Additions	-	1	368	235	182	31	817
Disposals	-	-	(20)	(18)	(114)	-	(152)
Write-offs	-	-	(141)	(171)	-	-	(312)
Foreign exchange adjustments	-	22	(36)	(32)	5	(42)	(83)
At 31.12.2006	7,417	15,490	9,959	5,004	2,328	2,414	42,612
Accumulated depreciation							
At 1.1.2006	-	1,653	7,359	3,088	1,083	1,944	15,127
Charge for the year	-	302	1,229	414	396	129	2,470
Disposals	-	-	(17)	(12)	(114)	-	(143)
Write-offs	-	-	(140)	(165)	-	-	(305)
Foreign exchange adjustments	-	35	(35)	(34)	2	(45)	(77)
At 31.12.2006	-	1,990	8,396	3,291	1,367	2,028	17,072
Net book value							
At 31.12.2006	7,417	13,500	1,563	1,713	961	386	25,540

Group	Freehold land	Buildings	Computers	Office equipment, furniture and fittings	Motor vehicles	Renovations	Total
2005	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1.1.2005	7,417	15,141	8,287	5,164	1,894	2,905	40,808
Additions	-	226	1,519	439	673	25	2,882
Disposals	-	-	(12)	(592)	(330)	(530)	(1,464)
Reversal of cost previously over-capitalised	-	-	-	(81)	-	(11)	(92)
Write-offs	-	-	(4)	-	-	-	(4)
Reclassifications	-	-	1	(1)	-	-	-
Foreign exchange adjustments	-	100	(3)	61	18	36	212
At 31.12.2005	7,417	15,467	9,788	4,990	2,255	2,425	42,342

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group				Office equipment, furniture and fittings	Motor vehicles	Renovations	Total
2005	Freehold land RM'000	Buildings RM'000	Computers RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation							
At 1.1.2005	-	1,266	6,174	2,850	942	1,804	13,036
Charge for the year	-	377	1,200	428	400	300	2,705
Disposals	-	-	(8)	(201)	(270)	(165)	(644)
Reversal of cost previously over-capitalised	-	-	-	(8)	-	(2)	(10)
Write-offs	-	-	(4)	-	-	-	(4)
Foreign exchange adjustments	-	10	(3)	19	10	7	43
At 31.12.2005	-	1,653	7,359	3,088	1,082	1,944	15,126
Net book value							
At 31.12.2005	7,417	13,814	2,429	1,902	1,173	481	27,216
Company							
2006			Computers	Office equipment, furniture and fittings	Motor vehicles	Renovations	Total
Cost			RM'000	RM'000	RM'000	RM'000	RM'000
At 1.1.2006			176	221	190	365	952
Additions			1	-	3	-	4
At 31.12.2006			177	221	193	365	956
Accumulated depreciation							
At 1.1.2006			161	157	190	282	790
Charge for the year			11	22	1	37	71
At 31.12.2006			172	179	191	319	861
Net book value							
At 31.12.2006			5	42	2	46	95

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	2005				
Cost	Computers RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
At 1.1.2005	180	215	190	365	950
Additions	-	6	-	-	6
Write-offs	(4)	-	-	-	(4)
At 31.12.2005	176	221	190	365	952
Accumulated depreciation					
At 1.1.2005	152	135	168	245	700
Charge for the year	13	22	22	37	94
Write-offs	(4)	-	-	-	(4)
At 31.12.2005	161	157	190	282	790
Net book value					
At 31.12.2005	15	64	-	83	162

5. INVESTMENT PROPERTY

	Group	
	2006 RM'000	2005 RM'000
Freehold land and building, at cost		
At 1st January/31st December	23,645	23,645
Accumulated depreciation		
At 1st January	1,585	1,268
Charge for the year	317	317
At 31st December	1,902	1,585
Net book value	21,743	22,060

The directors' estimate the fair value of the investment property as at 31st December 2006 is RM23,800,000 based on independent professional valuation on the open market value basis. The independent professional valuation was carried out by Mr Ho Sek Chuen, FISM, registered valuer, of Raine & Horne International Zaki & Partners Sdn Bhd on 14th October 2004.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

6. INTANGIBLE ASSETS

Computer software	Group	
	2006 RM'000	2005 RM'000
Cost		
At 1st January	6,238	6,232
Additions	1,099	6
At 31st December	7,337	6,238
Accumulated amortisation		
At 1st January	3,549	2,455
Charge for the year	1,242	1,094
At 31st December	4,791	3,549
Net book value	2,546	2,689

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Group	
	2006 RM'000	2005 RM'000
Unquoted shares, at cost	107,236	107,236

The subsidiary companies are:

	Country of incorporation	Principal activities	Equity interest	
			2006 %	2005 %
Jerneh Insurance Berhad ("JIB")	Malaysia	Underwriting of general insurance business	80	80
Jerneh Credit Leasing Sdn Bhd ("JCL")	Malaysia	Hire purchase and leasing business	100	100
Jerneh Asia Capital Sdn Bhd ("JAC")	Malaysia	Trading in marketable securities	100	100
Jerneh Healthcare Services Sdn Bhd ("JHS")	Malaysia	Dormant	100	100
Minsec Management Services Sdn Bhd ("MMS")	Malaysia	Management services	100	100

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

7. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

The subsidiary companies are: (cont'd)

	Country of incorporation	Principal activities	Equity interest	
			2006 %	2005 %
* Jerneh Asia Reinsurance Limited ("JAR")	Labuan Malaysia	Offshore reinsurance	100	100
+ Jerneh Insurance (HK) Limited ("JIHK")	Hong Kong	Underwriting of general insurance business	100	100
+ Taishan Insurance Brokers Limited ("TIBL")	Hong Kong	Insurance broker	100	100
* Taishan Insurance Brokers Philippines, Inc. ("TIBP")	Philippines	Insurance broker	100	100
* KRM Reinsurance Brokers Phils., Inc. ("KRMR")	Philippines	Reinsurance broker	100	100

+ Audited by an associate of Moores Rowland

* Not audited by Moores Rowland or its associates

8. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unquoted shares, at cost	77,470	46,470	77,470	46,470
Share of post-acquisition losses	(37,477)	(25,223)	-	-
Effect of exchange rate changes	7,312	4,036	-	-
	47,305	25,283	77,470	46,470

The associated companies are:

	Country of incorporation	Principal activities	Equity interest	
			2006 %	2005 %
HSBC Amanah Takaful (M) Sdn Bhd	Malaysia	Managing of family takaful and general takaful businesses	31	-
Generali Asia N.V.	Netherlands	Investment holding	40	40

The financial year end of the associated companies is 31st December.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

8. INVESTMENT IN ASSOCIATED COMPANIES (cont'd)

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

	Country of incorporation	Principal activities	Equity interest	
			2006 %	2005 %
Generali Pilipinas Insurance Company, Inc	Philippines	Underwriting of general insurance business	60	60
Generali Pilipinas Life Assurance Company, Inc	Philippines	Underwriting of life insurance business	60	60
Generali Insurance (Thailand) Co., Ltd	Thailand	Underwriting of general insurance business	75	75
Generali Life Assurance (Thailand) Co., Ltd	Thailand	Underwriting of life insurance business	75	75

The Group's share of total assets and liabilities and results in the associated companies are as follows:

	2006 RM'000	2005 RM'000
Assets and liabilities		
Total assets	285,435	183,360
Total liabilities	175,927	101,185
Results		
Revenue	37,962	23,944
Loss for the year	(12,254)	(6,855)

9. AMOUNTS OWING BY SUBSIDIARY COMPANIES

The amounts owing by the subsidiary companies are unsecured with no fixed repayment terms. Included in the amount owing by subsidiary companies are advances totalling RM60.08 million (2005: RM65.88 million) which bear interest at 0.5% (2005: 0.5%) per annum above the cost of funds of a reference bank. The effective interest rate of those advances at the balance sheet date was 4.55% (2005: 4.10%) per annum.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

9. AMOUNTS OWING BY SUBSIDIARY COMPANIES (cont'd)

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

	Company	
	2006 RM'000	2005 RM'000
- RM	67,344	71,821
- United States Dollar	3,560	3,788
- Hong Kong Dollar	3,366	1,233
- Philippine Peso	1,990	1,497
	76,260	78,339

10. AMOUNT OWING BY/TO ASSOCIATED COMPANY

The amount owing by/to the associated company is denominated in Euro, unsecured and interest free with no fixed repayment terms.

11. OTHER INVESTMENTS

	Group	
	2006 RM'000	2005 RM'000
Quoted investments		
Malaysian government securities, at cost	28,767	29,625
Amortisation of premiums	(1,816)	(2,330)
	26,951	27,295
Shares in corporation, at cost:		
- quoted in Malaysia	87,199	83,457
Unit trust of corporations quoted in Malaysia, at cost	7,101	1,925
Allowance for diminution in value of investment	(20)	-
	7,081	1,925
Bonds and loan stocks of corporations, at cost		
- quoted in Malaysia	3,077	1,731
- quoted outside Malaysia	2,753	4,111
Amortisation of premiums	(21)	(208)
	5,809	5,634

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

11. OTHER INVESTMENTS (cont'd)

	Group	
	2006 RM'000	2005 RM'000
Unquoted investments		
Bonds and loan stocks of corporations, at cost		
- in Malaysia	102,971	100,556
- outside Malaysia	15,078	11,236
Accretion of discounts	2,773	1,523
	120,822	113,315
Unquoted shares, at cost	605	603
Allowance for diminution in value of investment	(129)	(117)
	476	486
	248,338	232,112

	Group	
	2006 RM'000	2005 RM'000
Market value of quoted investments		
Malaysian government securities	27,170	27,748
Shares quoted in Malaysia	98,112	84,147
Unit trust of corporations quoted in Malaysia, at cost	7,351	2,292
Bonds and loan stocks of corporations		
- quoted in Malaysia	5,100	1,567
- quoted outside Malaysia	2,720	4,080
	140,453	119,834

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

	Group	
	2006 RM'000	2005 RM'000
Unquoted bonds and loan stocks		
- in Malaysia	109,410	104,559
- outside Malaysia	14,897	11,583

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

11. OTHER INVESTMENTS (cont'd)

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

	Group	
	2006 %	2005 %
Malaysian government securities	4.00 to 8.60	4.00 to 8.60
Bonds and loan stocks of corporations	1.96 to 8.40	3.50 to 8.40

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

	Group	
	2006 RM'000	2005 RM'000
Malaysian government securities		
- within 1 year	7,019	5,018
- within 2 to 5 years	19,932	18,296
- after 5 years	-	3,981
	26,951	27,295

	Group	
	2006 RM'000	2005 RM'000
Bonds and loan stocks of corporations		
- within 1 year	35,108	25,390
- within 2 to 5 years	67,397	63,970
- after 5 years	24,126	29,589
	126,631	118,949

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

	Group	
	2006 RM'000	2005 RM'000
- RM	230,022	216,792
- United States Dollar	15,101	10,528
- Hong Kong Dollar	373	1,956
- Philippine Peso	2,786	66
- Australian Dollar	56	2,770
	248,338	232,112

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

12. DEFERRED TAX ASSETS

	Group	
	2006 RM'000	2005 RM'000
At beginning of the year	5,014	4,663
(Recognised)/Reversed in the income statement	(729)	313
Foreign exchange adjustments	6	38
At end of the year	4,291	5,014

The Group has recognised deferred tax assets arising from deductible temporary differences of certain subsidiary companies as it is probable that their existing businesses would generate sufficient taxable profits in the future against which the deferred tax assets can be utilised.

The net deferred tax assets on temporary differences recognised in the financial statements are as follows:

	Group	
	2006 RM'000	2005 RM'000
Provision for retirement benefits	75	118
Allowance for doubtful debts	4,258	4,608
Accruals for bonus	708	760
Unabsorbed capital allowances	406	316
Accumulated amortisation of premiums	804	834
Diminution in value of investment	13	552
Excess of capital allowance over accumulated depreciation on property, plant and equipment	(1,005)	(1,259)
Accumulated accretion of discounts	(612)	(635)
Unrealised foreign exchange losses/(gain)	6	(14)
Lease rental receivable	(174)	(210)
Dividend receivable	(177)	(170)
Other temporary differences	(11)	114
Net deferred tax assets	4,291	5,014

The temporary differences and unabsorbed tax losses for which deferred tax assets have not been recognised in the financial statements as at 31st December are as follows:

	Group	
	2006 RM'000	2005 RM'000
Unabsorbed tax losses	2,312	2,788
Unabsorbed capital allowances	-	28
Accrual for bonus	95	32
Excess of capital allowance claimed on property, plant and equipment over accumulated depreciation	-	(307)
Other temporary differences	49	-

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

12. DEFERRED TAX ASSETS (cont'd)

The tax losses are available for offset against future taxable profits of the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of others subsidiaries in the Group. They have arisen in companies that have past losses.

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Outstanding premium including insureds, agents, brokers and co-insurer balances	44,149	49,386	-	-
Amount due from reinsurers and ceding companies	17,129	20,490	-	-
	61,278	69,876	-	-
Allowance for doubtful debts	(10,266)	(11,542)	-	-
	51,012	58,334	-	-
Loans and advances	79,651	50,815	-	-
Allowance for doubtful debts	(4,128)	(3,735)	-	-
	126,535	105,414	-	-
Brokerage fees receivable	792	756	-	-
	127,327	106,170	-	-
Trade receivables	131	-	-	-
Other receivables	8,152	5,498	43	30
Allowance for doubtful debts	(1,497)	(1,466)	-	-
	134,113	110,202	43	30
Interest receivable	2,409	2,877	-	2
Prepayments and deposits	2,189	1,976	64	62
	138,711	115,055	107	94

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

13. TRADE AND OTHER RECEIVABLES (cont'd)

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
- RM	136,669	106,707	107	66
- United States Dollar	8,486	12,169	-	28
- Hong Kong Dollar	3,593	4,519	-	-
- Philippine Peso	4,928	7,397	-	-
- Singapore Dollar	650	582	-	-
- Brunei Dollar	111	90	-	-
- Thai Baht	132	60	-	-
- Japanese Yen	11	272	-	-
- Indonesian Rupiah	2	-	-	-
- EURO	18	-	-	-
- Nigerian Naira	2	2	-	-
	154,602	131,798	107	94

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

The effective interest rates of the loans and advances at balance sheet date ranged from 3.15% to 11.25% (2005 : 3.15% to 11.25%) per annum.

14. MARKETABLE SECURITIES

	Group	
	2006 RM'000	2005 RM'000
Securities quoted in Malaysia		
- at cost	2,967	480
- at market value	565	2,993
Securities quoted outside Malaysia, at market value	3,710	4,730
	7,242	8,203
Market value of securities quoted in Malaysia	4,818	3,566

The currency exposure profile of marketable securities is as follows:

	Group	
	2006 RM'000	2005 RM'000
- RM	3,532	3,473
- Hong Kong Dollar	2,392	1,344
- Singapore Dollar	1,318	3,386
	7,242	8,203

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

15. DEPOSITS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Fixed and call deposits with				
- licensed financial institutions in Malaysia	215,903	209,455	2,185	4,080
- licensed banks outside Malaysia	42,601	37,114	-	-
	258,504	246,569	2,185	4,080

Deposits with licensed banks outside Malaysia totaling RM576,000 (2005:Nil) have been pledged to secure bank term loan referred to note 22 below.

The currency exposure profile of the deposits is referred to as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
- RM	206,510	184,012	2,185	4,080
- United States Dollar	20,448	43,129	-	-
- Hong Kong Dollar	26,764	13,336	-	-
- Philippine Peso	4,327	3,571	-	-
- Singapore Dollar	455	455	-	-
- Japanese Yen	-	2,062	-	-
- Australian Dollar	-	4	-	-
	258,504	246,569	2,185	4,080

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

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Fixed and call deposits with				
- licensed financial institutions in Malaysia	2.70 to 5.00	0.03 to 9.00	3.30 to 3.33	2.50 to 2.85
- licensed banks outside Malaysia	1.75 to 7.00	1.75 to 7.00	-	-

All the deposits have maturities of 12 months or less.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

16. CASH AND BANK BALANCES

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
- RM	11,050	20,672	468	911
- United States Dollar	11,165	1,888	-	-
- Hong Kong Dollar	2,682	3,122	-	-
- Philippine Peso	1,982	699	-	-
- Singapore Dollar	9	75	-	-
- Japanese Yen	4,758	3,084	-	-
- Australian Dollar	192	8	-	-
	31,838	29,548	468	911

17. SHARE CAPITAL

	2006 RM'000	2005 RM'000
Authorised:		
500,000,000 ordinary shares of RM1 each	500,000	500,000
Issued and fully paid:		
Ordinary shares of RM1 each		
At beginning of the year	108,802	108,389
Shares issued pursuant to ESOS	472	413
At end of the year	109,274	108,802

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

- (a) The Option Committee appointed by the Board of Directors to administer the ESOS may from time to time offer options to eligible employees of the Group, including Executive Directors, to subscribe for new ordinary shares of RM1 each in the Company.
- (b) In aggregate, the maximum number of new shares to be allotted pursuant to the exercise of options granted under the ESOS shall not exceed 10% of the issued and paid up share capital of the Company at any point of time during the existence of the ESOS, save and except in the subsequent event of a reduction in the issued and paid up share capital of the Company by virtue of the Company purchasing its own shares which may cause the aforesaid limit to be exceeded.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

17. SHARE CAPITAL (cont'd)

- (c) The price at which the option holder is entitled to subscribe for a new share under an option shall be the higher of:
- the weighted average market price of the shares as shown in the Daily Official List issued by Bursa Malaysia for the five (5) market days immediately preceding the date of offer with a discount of 10% if deemed appropriate by the Option Committee; or
 - 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 or Director. The allocation to eligible Executive Directors and senior management shall not exceed 50% of the new shares available under the scheme. In addition, not more than 10% of the new shares available under the scheme should be allocated to any individual Executive Director or employee who, either singly or collectively, through his associates (as defined in the Act), holds 20% or more of the issued and paid up capital of the Company.
- (e) Options granted under the ESOS carry no rights to dividends and voting. The employees' entitlements to the options are not subject to any vesting conditions. Shares issued pursuant to the ESOS rank pari passu in all respect with existing ordinary shares of the Company.
- (f) The persons to whom the options have been granted shall not be eligible to participate by virtue of the options in any share issue of any other company.

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

Year ended 31.12.2006			No. of unissued shares of RM1 each under option				
Date option granted	Date of expiry	Exercise price RM	At 1.1.2006	Granted	Lapsed	Exercised	At 31.12.2006
31.1.2002	14.1.2007	1.90	1,721,000	-	46,000	134,000	1,541,000
1.7.2002	14.1.2007	1.94	123,000	-	-	5,000	118,000
3.3.2003	14.1.2007	1.80	64,000	-	-	3,000	61,000
28.7.2003	14.1.2007	1.94	65,000	-	-	-	65,000
10.1.2006	14.1.2007	1.87	-	2,028,000	100,000	330,000	1,598,000
			1,973,000	2,028,000	146,000	472,000	3,383,000

Year ended 31.12.2005			No. of unissued shares of RM1 each under option				
Date option granted	Date of expiry	Exercise price RM	At 1.1.2006	Granted	Lapsed	Exercised	At 31.12.2005
31.1.2002	14.1.2007	1.90	2,192,000	-	148,000	323,000	1,721,000
1.7.2002	14.1.2007	1.94	161,000	-	-	38,000	123,000
3.3.2003	14.1.2007	1.80	116,000	-	-	52,000	64,000
28.7.2003	14.1.2007	1.94	65,000	-	-	-	65,000
			2,534,000	-	148,000	413,000	1,973,000

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

17. SHARE CAPITAL (cont'd)

Details of options exercised during the year are as follows:

Exercise date	Fair value of shares at issue date RM/Share	Exercise price RM/Share	- Number of shares - issued	
			2006 '000	2005 '000
January 2005 - June 2005	2.17 - 2.35	1.80	-	52
January 2005 - June 2005	2.17 - 2.35	1.90	-	266
January 2005 - June 2005	2.16 - 2.17	1.94	-	38
July 2005 - December 2005	2.10 - 2.20	1.90	-	57
January 2006 - June 2006	2.17 - 2.35	1.80	3	-
January 2006 - June 2006	2.17 - 2.35	1.90	134	-
January 2006 - June 2006	2.16 - 2.17	1.94	5	-
January 2006 - June 2006	2.02 - 2.05	1.87	330	-
July 2006 - December 2006	2.10 - 2.20	1.90	-	-
			472	413

(i) Share options exercised during the year

Options exercised during the financial year resulted in the issuance of 472,000 (2005 : 413,000) new ordinary shares at an average price of RM1.88 (2005 : RM1.89) each. The related weighted average share price at the dates of exercise was RM2.10 (2005: RM2.24).

(ii) Fair value of share options granted during the year

The fair value of options granted during the year is RM0.2326 each. The fair value is estimated as at the date of grant using the *Black-Scholes* option pricing model, taking into account the terms and conditions upon which the options were granted. The inputs to the model are as follows:

Dividend yield	2.40%
Historical volatility	10.00%
Risk-free interest rate	3.25%
Expected life of option	1 year
Closing share price	RM2.08

18. RETAINED PROFITS

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

19. PROVISION FOR OUTSTANDING CLAIMS

	Group	
	2006 RM'000	2005 RM'000
Provision for outstanding claims	341,477	300,545
Recoverable from reinsurers	(127,091)	(111,962)
Net outstanding claims	214,386	188,583

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

19. PROVISION FOR OUTSTANDING CLAIMS (cont'd)

Movement of claims is analysed as follows:

	Group	
	2006 RM'000	2005 RM'000
Gross claims paid less salvage	168,166	136,557
Reinsurance recoveries	(68,446)	(49,682)
Net claims paid	99,720	86,875
Net outstanding claims:		
At end of the year	214,386	188,583
At beginning of the year	(188,583)	(170,221)
Foreign exchange adjustments	2,126	17
Insurance claims incurred	127,649	105,254

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Amounts due to insureds, agents, brokers and co-insurers	13,792	15,800	-	-
Amounts due to reinsurers and ceding companies	41,402	50,207	-	-
Other payables	18,777	16,766	1,085	234
Accruals	4,751	5,350	620	586
	78,722	88,123	1,705	820

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
- RM	68,187	72,183	1,705	820
- United States Dollar	4,415	7,245	-	-
- Hong Kong Dollar	2,278	3,067	-	-
- Philippine Peso	3,638	5,432	-	-
- Singapore Dollar	154	141	-	-
- Thai Baht	3	3	-	-
- Indian Rupee	9	10	-	-
- Danish Krone	14	16	-	-
- EURO	15	16	-	-
- British Pound	7	8	-	-
- Indonesian Rupiah	2	2	-	-
	78,722	88,123	1,705	820

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

21. UNEARNED PREMIUM RESERVES

	Group	
	2006 RM'000	2005 RM'000
At beginning of the year	93,696	80,450
(Decrease)/Increase for the year	(10,856)	13,306
	82,840	93,756
Foreign exchange adjustments	(710)	(60)
At end of the year	82,130	93,696

22. BANK BORROWINGS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Term loan - secured	576	-	-	-
Revolving credits - unsecured	108,000	44,000	76,000	44,000
	108,576	44,000	76,000	44,000

The term loan bears interest at 9.135% per annum and are denominated in Philippine Peso.

The revolving credits, which are denominated in RM, bear interest at 0.5% per annum (2005: 0.5%) above the cost of funds of a lending bank. The effective interest rate of the revolving credits at the balance sheet date was 4.55% (2005 : 4.10%) per annum.

23. DEFERRED TAX LIABILITIES

	Group and Company	
	2006 RM'000	2005 RM'000
At beginning of the year	1,495	2,660
Recognised/(Reversed) in the income statement	582	(1,165)
At end of the year	2,077	1,495

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

23. DEFERRED TAX LIABILITIES (cont'd)

The net deferred tax liabilities on temporary differences recognised in the financial statements are as follows:

	Group and Company	
	2006 RM'000	2005 RM'000
Unabsorbed capital allowances	(8)	(108)
Accruals for bonus	(15)	(114)
Unabsorbed tax losses	-	(557)
Excess of capital allowance claimed over accumulated depreciation on property, plant and equipment	17	32
Interest receivable	-	2
Dividend receivable	2,160	2,240
Other temporary difference	(77)	-
Net deferred tax liabilities	2,077	1,495

24. OPERATING REVENUE

	Group	
	2006 RM'000	2005 RM'000
Gross written premium less returns	296,859	307,954
Reinsurance outwards	(127,370)	(131,561)
Changes in unearned premium reserves (note 21)	10,856	(13,305)
	180,345	163,088
Brokerage fee income	7,456	7,122
Proceeds from sale of marketable securities held for trading	9,467	5,523
Security service income	121	140
Interest income from		
- fixed and call deposits	4,533	3,435
- Malaysian government securities	1,574	1,787
- unquoted bond and loan stocks	4,126	3,828
- loan and advances	4,891	2,938
Gross dividend income from		
- shares quoted in Malaysia	4,231	4,280
- unit trust quoted in Malaysia	117	14
Income from investment property		
- rental income	1,679	1,718
- parking income	222	307
Accretion of discounts on other investments	1,398	1,090
	220,160	195,270

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

25. OPERATING COSTS APPLICABLE TO OPERATING REVENUE

	Group	
	2006 RM'000	2005 RM'000
Insurance claims incurred (<i>note 19</i>)	127,649	105,254
Net commission expense	8,605	11,461
Cost of marketable securities sold	8,106	4,994
Write down of marketable securities to net realisable value	144	1,562
Building management expenses	33	756
Amortisation of premiums on other investments	685	736
	145,222	124,763

26. OTHER OPERATING INCOME

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income from other investments				
- gain on disposal	7,966	7,077	-	-
- accretion of discounts	48	1	-	-
- interest income				
● bonds and loan stocks				
- quoted outside Malaysia	352	163	-	-
- unquoted in Malaysia	103	107	-	-
● fixed deposits	2,545	2,118	-	-
● treaty premium reserve withheld	158	150	-	-
- gross dividend income from shares outside Malaysia	180	49	-	-
Service fee income	149	158	-	-
Management fee income	-	-	63	63
Allowance for doubtful debts written back	-	2,115	-	-
Bad debts recovered	1,258	1	-	-
Gain on disposal of property, plant and equipment	50	49	-	-
Gain on foreign exchange				
- realised	106	97	-	4
- unrealised	11	-	-	-
Net unrealised gain on marketable securities	539	8	-	-
Commission income	1,053	318	-	-
Others	679	711	-	248
	15,197	13,122	63	315

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

27. OPERATING EXPENSES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Marketing costs	15,857	14,344	-	-
Administrative and general expenses	37,847	36,243	2,794	2,450
Loss on sale of other investments	6	24	-	-
Realised loss on foreign exchange	597	1,384	-	-
Unrealised loss on foreign exchange	-	246	286	29
Interest payable on bond policies	62	51	-	-
	54,369	52,292	3,080	2,479

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other operating expenses include:				
Staff costs (excluding Executive Directors' remuneration) *	28,759	28,203	1,014	838
Auditors' remuneration				
- current year	323	290	30	30
- overprovision in prior year	(5)	(6)	-	-
Depreciation	2,787	3,022	71	94
Direct operating expenses of revenue				
generating from investment property	1,230	1,369	-	-
Property, plant and equipment written off	7	-	-	-
Amortisation of intangible assets	1,242	1,094	-	-
Directors' remuneration ** (note 28)	1,755	1,611	1,126	1,010
Hire of equipment	615	566	-	-
Loss on disposal of property, plant and equipment	3	623	-	-
Allowance for doubtful debts	466	592	-	-
Bad debts written off	947	176	-	-
Rental of premises	1,496	1,484	-	203
The number of employees (including Executive Directors) as at the end of the financial year	479	483	15	15

* Include contributions to defined contributions plans amounting to RM3,106,000 (2005 : RM2,985,000) for the Group and RM104,000 (2005 : RM105,000) for the Company.

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

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

28. DIRECTORS' REMUNERATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-executive Directors				
- fees				
● current year	347	347	192	192
● under/(over)provision in prior year	8	(7)	-	-
- other emoluments	10	10	-	-
Executive Directors				
- salaries and bonuses	1,240	1,119	812	705
- EPF contributions	150	142	122	113
	1,755	1,611	1,126	1,010
Executive Director				
- benefits-in-kind	27	12	27	12
	1,782	1,623	1,153	1,022

The share options granted to Directors, with executive functions, under the ESOS were granted on the same term and conditions as those offered to other employees of the Group (see explanatory note 17 above). Details as follows:

Date of option granted	Date of expiry	Exercise price RM	No. of unissued shares of RM1 each under option				
			At 1.1.2006	Granted	Lapsed	Exercised	At 31.12.2006
31.1.2002	14.1.2007	1.90	165,000	-	-	100,000	65,000
10.1.2006	14.1.2007	1.87	-	175,000	-	120,000	55,000

29. INVESTMENT INCOME (net)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Gross dividends from				
- subsidiary companies	-	-	16,058	17,423
- shares quoted in Malaysia	1,318	753	-	-
- unquoted shares	116	197	-	-
- unit trust	46	-	-	-
Interest income from				
- advances to subsidiary companies	-	-	2,739	1,732
- fixed deposits	2,742	2,182	158	179
- unquoted bonds and loan stocks in Malaysia	160	269	-	-

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

29. INVESTMENT INCOME (net) (cont'd)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Amortisation of premiums on other investments	(7)	(66)	-	-
Gain on sale of other investments	3,076	1,665	-	-
Allowance for diminution in value of other investments	(4)	(1,854)	-	-
Write-back of provision of diminution in value of other investments	1,921	-	-	-
	9,368	3,146	18,955	19,334

30. TAXATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Malaysian taxation based on the results for the year				
- current	11,094	8,469	1,158	3,210
- deferred	1,121	(1,170)	579	(1,165)
Foreign taxation based on the results for the year				
- current	988	733	171	98
- deferred	144	(236)	-	-
	13,347	7,796	1,908	2,143
Under/(Over)provision in prior years				
- current	487	(531)	(23)	(46)
- deferred	46	(72)	3	-
	13,880	7,193	1,888	2,097

The provision for taxation differs from the amount of taxation determined by applying the applicable statutory tax rates to the profit before tax as a result of the following differences:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Accounting profit (excluding share of results in associated companies)	41,796	33,457	13,156	16,144

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

30. TAXATION (cont'd)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Taxation at applicable tax rates	11,522	7,286	3,684	4,520
Tax effect of:				
- non-deductible expenses	2,646	1,625	334	164
- non-taxable income	(1,165)	(859)	(2,256)	(2,639)
- utilisation of previously unrecognised tax losses	573	-	-	-
- different tax rates in foreign countries	(152)	(751)	-	-
- change in tax rate	(25)	(46)	(77)	-
(Reversal of)/Deferred tax assets not recognised during the year	(290)	448	-	-
Foreign tax paid	171	98	171	98
Others	67	(5)	52	-
Under/(Over)provision in prior years	533	(603)	(20)	(46)
Tax at effective rate	13,880	7,193	1,888	2,097

31. EARNINGS PER SHARE

(i) Basic earnings per share

The basic earnings per share has been calculated by dividing the Group's net profit for the year of RM15,662,000 (2005 : RM19,215,000) by the weighted average number of shares in issue of 109,112,000 (2005 : 108,694,000) during the year.

(ii) Diluted earnings per share

The diluted earnings per share has been calculated by dividing the Group's net profit for the year of RM15,662,000 (2005 : RM19,215,000) 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:

	Group	
	2006 '000	2005 '000
Weighted average number of ordinary shares as in (i) above	109,112	108,694
Weighted average number of unissued shares under the ESOS		
- based on exercise price	3,628	2,196
- based on average fair value	(3,354)	(1,990)
Weighted average number of ordinary shares that would have been in issue	109,386	108,900

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

32. DIVIDENDS

	2006 RM'000	2005 RM'000
Interim dividend of 3% less tax at 27%		
(2005 : first and final dividend of 5% less tax at 28%)	2,393	3,917
Additional dividend paid in respect of prior year following the issue of additional shares pursuant to ESOS	17	20
	2,410	3,937

The Directors now recommend a Final dividend of 5% less tax at 27% amounting to RM4,174,907 in respect of the financial year under review.

33. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current year's acquisition	817	2,882	4	6
Payment of previous year's acquisitions	94	1,080	-	-
Unpaid balance included under other payables	(593)	(669)	-	-
Cash paid during the year	318	3,293	4	6

34. PURCHASE OF INTANGIBLE ASSETS

	Group	
	2006 RM'000	2005 RM'000
Current year's acquisition	1,099	6
Unpaid balance included under other payables	(381)	-
Cash paid during the year	718	6

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

35. RELATED PARTY TRANSACTIONS

Significant transactions during the financial year were as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Gross premium received and receivable from a substantial shareholder, namely, Kuok Brothers Sdn Berhad ("KBSB") and KBSB's subsidiary, associated and major investee companies	26,633	30,158	-	-
Loan interest receivable from				
- JCL	-	-	1,881	1,026
- JAC	-	-	858	706
Internal audit fee receivable from JIB	-	-	423	480
Management fee income receivable from				
- JIHK	-	-	39	39
- TIBL	-	-	12	12
- JAR	-	-	12	12
Office rental payable to JIB	-	-	202	202
Secretarial fee payable to KBSB	42	42	18	18
Security fee payable to KBSB	97	110	-	-

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

Non-trade balances with related parties as at year end were as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Outstanding advances owing by subsidiary companies				
- JCL	-	-	39,812	44,111
- JAC	-	-	20,952	21,950
- JIB	-	-	6,579	5,760
- JAR	-	-	3,559	3,789
- JIHK	-	-	2,735	674
- TIBL	-	-	632	559
- TIBP	-	-	992	938
- KRMR	-	-	999	558
Outstanding advances owing by associated company				
- Generali Asia N.V.	31,598	15,703	31,598	16,860

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

36. CONTINGENT LIABILITIES

- (a) In 2005, JIB terminated a software development agreement entered into in 2003 with CMS I-Systems Berhad for the development of a general insurance software programme for a contract sum of RM2 million. JIB terminated the said agreement as a consequence of project delays and non-completion of deliverables.

CMS I-Systems Berhad has made a claim for breach of contract (without specifying any amount) and invoiced JIB RM5,466,968 for work performed up to the point of termination, which JIB, in turn, had disputed. The matter has been referred to arbitration proceedings which are on-going.

JIB's directors have been advised by counsel that JIB has a reasonable chance to defend the matter. Accordingly, no provision has been made in the financial statements for the said amount invoiced.

- (b) The Company has given guarantees amounting to RM16,045,000 (2005 : RM15,000,000) to secure bank guarantees given to certain third parties.

37. COMMITMENTS

(i) Capital commitments

Capital expenditure approved by directors but not provided for in the financial statements amounted to approximately:

	2006 RM'000	Group 2005 RM'000
Authorised and contracted for	713	713

(ii) Non-cancellable operating lease commitments

	2006 RM'000	Group 2005 RM'000
Future minimum rentals payable, not later than 1 year	-	164

38. FINANCIAL INSTRUMENTS

(a) Credit risk

The Group and the Company do not have any significant concentration of credit risk that may arise from exposure to a single customer or to a single group of customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Fair value

The carrying amounts of the financial assets and liabilities of the Group at the balance sheet date approximated their fair values due to their short maturities except for the unquoted equity investments.

It is not practical to estimate the fair value of the unquoted equity investments due to the lack of information on market value and inability to estimate the fair value without incurring excessive costs. However, the Group believes that the carrying amount fairly represents the recoverable value.

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

39. SEGMENTAL REPORTING (cont'd)

2006	Underwriting general insurance business RM'000	Insurance brokerage RM'000	Credit and leasing RM'000	Trading in marketable securities RM'000	Administration and management services RM'000	Investment holding RM'000	Consolidated RM'000
OTHER INFORMATION							
Segment assets	110,476	9,951	77,852	6,671	258	32,267	237,475
Investing assets	21,743	-	-	-	-	-	21,743
Associated companies	-	-	-	-	-	47,305	47,305
Tax assets	2,580	610	1,244	110	12	3,703	8,259
Other investments	245,773	56	-	2,509	-	-	248,338
Deposits	239,781	6,645	-	9,555	338	2,185	258,504
Consolidated total assets							821,624
Segment liabilities	369,342	3,665	421	6	99	1,705	375,238
Tax liabilities	2,948	232	-	-	-	2,077	5,257
Bank borrowings	76,000	576	32,000	-	-	-	108,576
Consolidated total liabilities							489,071
Capital expenditure	541	166	106	-	-	4	817
Depreciation	2,095	276	28	-	-	71	2,470

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

39. SEGMENTAL REPORTING (cont'd)

2005	Underwriting general insurance business RM'000	Insurance brokerage RM'000	Credit and leasing RM'000	Trading in marketable securities RM'000	Administration and management services RM'000	Investment holding RM'000	Consolidated RM'000
OTHER INFORMATION							
Segment assets	104,976	11,742	48,893	15,742	191	16,870	198,414
Investing assets	22,060	-	-	-	-	-	22,060
Associated companies	-	-	-	-	-	25,283	25,283
Tax assets	6,469	748	1,041	282	38	2,832	11,410
Other investments	229,530	66	-	2,516	-	-	232,112
Deposits	236,837	4,880	-	311	460	4,081	246,569
Consolidated total assets							735,848
Segment liabilities	363,887	5,462	179	7	49	835	370,419
Tax liabilities	20	162	-	-	-	1,495	1,677
Bank borrowings	-	-	-	-	-	44,000	44,000
Consolidated total liabilities							416,096
Capital expenditure	2,200	666	10	-	-	6	2,882
Depreciation	2,232	372	7	-	-	94	2,705

(b) By geographical segment	Revenue RM'000	Carrying amount of segment assets RM'000	Capital expenditure RM'000
2006			
Malaysia	200,317	215,640	645
Hong Kong	14,933	13,455	9
Philippines	4,910	8,380	163
	220,160	237,475	817
2005			
Malaysia	176,425	172,508	2,216
Hong Kong	14,163	16,613	-
Philippines	4,682	9,293	666
	195,270	198,414	2,882

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

ACCOUNTING POLICIES AND EXPLANATORY NOTES

FOR THE YEAR ENDED 31ST DECEMBER 2006 (cont'd)

40. POST BALANCE SHEET EVENTS

- (a) On 25th January 2007, the Company and JIHK entered into an agreement with HSBC Insurance (Asia) Limited ("HSBC Insurance") for the transfer of JIHK's entire insurance business portfolio to HSBC Insurance, retrospective to 1st January 2007.

The transfer involves the assumption by HSBC Insurance of JIHK's Insurance liabilities as at 31st December 2006 and the transfer of insurance assets totalling an equivalent amount to HSBC Insurance.

According to an adjustment clause set out in the agreement, JIHK undertakes to pay HSBC Insurance any shortfall in the assets transferred to run off the insurance liabilities assumed. Under the agreement, the Company guarantees HSBC Insurance the payment of any shortfall in Claims Reserve which is not met by JIHK.

Conversely, any surplus assets will be refunded to JIHK.

Upon the completion of the transfer, JIHK will cease to carry on its insurance business and will engage in the trading of marketable securities.

As at the date of this report the transfer is still in progress.

- (b) At an extraordinary general meeting held on 15th February 2007, the Company resolved that the Directors be empowered to allot and issue 66,339,602 new ordinary shares of RM1.00 each ("Rights Shares") at an issue price of RM1.60 per Rights Share with 66,339,602 free new detachable warrants ("Warrant") on the basis of three Rights Shares with three free Warrants for every five existing ordinary shares of RM1.00 each in the Company held on a date to be determined.

At the same meeting, the Company also resolved that the Directors be empowered to allot and issue 3,815,000 new ordinary shares of RM1.00 each ("Special Issue Shares") at an issue price of RM1.60 per Special Issue Share to identified Bumiputera investors.

41. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 5th April 2007 by the Board of Directors.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 36 to 85 are drawn up:

- (a) so as to give a true and fair view of the state of affairs of the Group and of the Company at 31st December 2006 and of their results and cash flows for the year then ended on that date;
- (b) in accordance with applicable MASB Approved Accounting Standards for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Directors in accordance with a directors' resolution dated 5th April 2007

DATO' LIM CHEE WAH
Director

TAM CHIEW LIN
Director

Kuala Lumpur

SHAREHOLDINGS STATISTICS

AS AT 31ST MARCH 2007

Authorised Share Capital	-	RM500,000,000
Issued and Fully Paid up Capital	-	RM110,566,003
Class of Shares	-	Ordinary Shares of RM1.00 each fully paid
Voting Rights	-	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital
Less than 100	41	1.42	1,001	0.00
100 - 1,000	485	16.84	413,078	0.37
1,001 - 10,000	1,958	67.99	6,763,891	6.12
10,001 - 100,000	351	12.19	9,659,452	8.74
100,001 to less than 5% of issued shares	41	1.42	26,448,144	23.92
5% and above of issued shares	4	0.14	67,280,437	60.85
	2,880	100.00	110,566,003	100.00

DIRECTORS' INTERESTS IN SHARES

In the Company	Direct Interest		Deemed Interest	
	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
Dato' Lim Chee Wah	45,000	0.04	-	-
Tan Yew Jin	295,000	0.27	155,250	0.14
Tam Chiew Lin	175,000	0.16	-	-
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	60,000	0.05	-	-
Ahmad Riza bin Basir	-	-	17,472,907	15.80
Anwarudin bin Hj Abdul Rahman	40,000	0.04	-	-
Graham Hecmond Wong	-	-	-	-
Datuk Haron bin Siraj	-	-	-	-

SHAREHOLDINGS STATISTICS

AS AT 31ST MARCH 2007 (cont'd)

IN RELATED CORPORATIONS

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

	No. of Ordinary Shares of RM1.00 each	% of Issued Capital
Jerneh Insurance Bhd	80,000,000	80
Jerneh Credit Leasing Sdn Bhd	1,000,000	100
Jerneh Healthcare Services Sdn Bhd	250,000	100
Jerneh Asia Capital Sdn Bhd	2	100
Minsec Management Services Sdn Bhd	25,000	100
	No. of Ordinary Shares of HKD100 each	% of Issued Capital
Jerneh Insurance (HK) Limited	500,000	100
	No. of Ordinary Shares of HKD1.00 each	% of Issued Capital
Taishan Insurance Brokers Limited	1,000,000	100
	No. of Ordinary Shares of PHP100 each	% of Issued Capital
KRM Reinsurance Brokers Phils., Inc	480,000	100
Taishan Insurance Brokers Philippines, Inc	480,000	100
	No. of Ordinary Shares of USD1.00 each	% of Issued Capital
Jerneh Asia Reinsurance Limited	3,200,000	100

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

SHAREHOLDINGS STATISTICS

AS AT 31ST MARCH 2007 (cont'd)

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
Kuok Brothers Sdn Berhad	41,766,030	37.77	60,000	0.05
BHR Enterprise Sdn Bhd	17,472,907	15.80	-	-
Sable Investment Corporation	8,076,360	7.30	-	-
Ahmad Riza bin Basir	-	-	17,472,907	15.80
Tan Sri Dato' Haji Basir bin Ismail (deceased)	-	-	17,472,907	15.80
Puan Sri Hamidah bt Abdul Rahman	60,000	0.05	17,472,907	15.80
Roshayati bt Basir	-	-	17,472,907	15.80
Rosilawati bt Basir	-	-	17,472,907	15.80
Rozanazetti bt Basir	-	-	17,472,907	15.80
Frank Tsao Wen King	-	-	8,076,360	7.30

THE THIRTY LARGEST SHAREHOLDERS (As per Record of Depositors)

Name of Shareholders	No. of Shares	% of Issued Capital
1. Kuok Brothers Sdn Berhad	41,766,030	37.77
2. BHR Enterprise Sdn Bhd	9,472,907	8.57
3. HLG Nominee (Asing) Sdn Bhd <i>Exempt AN for UOB Kay Hian (Hong Kong) Limited</i>	8,041,500	7.27
4. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for BHR Enterprise Sdn Bhd</i>	8,000,000	7.24
5. Citigroup Nominees (Asing) Sdn Bhd <i>CB LDN for The Miller Insurance Group Limited</i>	4,075,680	3.69
6. Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB for Dato' Seri Ismail Farouk bin Abdullah</i>	3,790,000	3.43
7. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>PHEIM Asset Management Sdn Bhd for Employees Provident Fund Board</i>	3,489,600	3.16
8. Ophir Holdings Berhad	3,484,125	3.15

SHAREHOLDINGS STATISTICS

AS AT 31ST MARCH 2007 (cont'd)

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

Name of Shareholders	No. of Shares	% of Issued Capital
9. Key Development Sdn Berhad	1,091,800	0.99
10. Gan Teng Siew Realty Sdn Berhad	806,100	0.73
11. Adora Holdings Sdn Bhd	697,230	0.63
12. TA Nominees (Tempatan) Sdn Bhd	631,200	0.57
<i>Pledged Securities Account for Oh Kim Sun</i>		
13. HLG Nominee (Asing) Sdn Bhd	554,000	0.50
<i>UOB Kay Hian (Hong Kong) Limited for Dalex Investments Limited</i>		
14. Chinchoo Investment Sdn Berhad	502,000	0.45
15. HDM Nominees (Tempatan) Sdn Bhd	481,400	0.44
<i>Pledged Securities Account for Oh Kim Sun</i>		
16. Lim Tean Kau	480,000	0.43
17. Gan Teng Siew Realty Sdn Berhad	449,000	0.41
18. Sai Yee @ Sia Say Yee	405,000	0.37
19. BHLB Trustee Berhad	360,700	0.33
<i>For Pacific Recovery Fund</i>		
20. Quarry Lane Sdn Bhd	318,000	0.29
21. Olive Lim Swee Lian	300,000	0.27
22. Vintage Forte Sdn Bhd	300,000	0.27
23. Tan Siow Koon @ Tan Yew Jin	295,000	0.27
24. Mikdavid Sdn Bhd	289,000	0.26
25. Neoh Choo Ee & Company, Sdn Berhad	275,000	0.25
26. Citigroup Nominees (Asing) Sdn Bhd	265,700	0.24
<i>CBNY for DFA Emerging Markets Fund</i>		
27. Malaysia Nominees (Tempatan) Sendirian Berhad	262,800	0.24
<i>Pledged Securities Account for Melval Holdings Sdn Bhd</i>		
28. HSBC Nominees (Asing) Sdn Bhd	214,600	0.19
<i>TNTC for Utopia Core Fund</i>		
29. Yong Kiow Ying	204,577	0.19
30. JF Apex Nominees (Tempatan) Sdn Bhd	200,000	0.18
<i>Pledged Securities Account for Teo Kwee Hock</i>		
	91,502,949	82.76

LIST OF PROPERTIES

AS AT 31ST MARCH 2007

Registered Owner	Description/ Location	Tenure	Approximate Building Age (Years)	Approximate Land Area (Sq. Metres)	Net Book Value at 31st December 2006 (RM)	Date of Acquisition
Jerneh Insurance Bhd	2 storey shophouse located at 1&1A Jalan SG 10/4 Sri Gombak 68100 Batu Caves Selangor Darul Ehsan Held under H.S.(D) No. 12096 P.T. No. 9370 Pekan of Batu District of Gombak Selangor Darul Ehsan	Freehold	20	184.69	343,000	01.07.1995
Jerneh Insurance Bhd	2 storey shophouse located at No. S-135 Taman Intan 3 Jalan Kuantan 27000 Jerantut Pahang Darul Makmur Held under H.S.(M) 2071 P.T. No. 366/16 Mukim of Pedah District of Jerantut Pahang Darul Makmur	Freehold	17	153.29	172,000	11.02.1999
Jerneh Insurance Bhd	18 storey office building located at 38 Jalan Sultan Ismail 50250 Kuala Lumpur Held under H.S.(D) 83191 P.T. No. 30, Section 57 Town and District of Kuala Lumpur Federal Territory	Freehold	19	1,632	38,826,000	01.07.2001
Jerneh Insurance Bhd	2 units of 3 storey office building located at No. 266 & 268 Victoria Street, 10300 Penang Held under H.S.(D) Nos. 42,44,45 & 47 Lot Nos. 000675, 000677 000678 and 000680 Section 23 Town of Georgetown North East District, Penang	Freehold	34	522.00	1,450,000	25.05.2001

PROXY FORM



I/We (full name in BLOCK LETTERS) _____

of (address) _____

being a member(s) of **JERNEH ASIA BERHAD**, hereby appoint (full name and IC No.) _____

of (address) _____

or failing him/her, (full name and IC No.) _____

of (address) _____

and/or failing him/her *THE CHAIRMAN OF THE MEETING as my/our proxy/proxies to vote for me/us on my/our behalf, at the 11th Annual General Meeting of the Company, to be held on Thursday, 24th May 2007 at 9.30 a.m. and at any adjournment thereof, as indicated below:

		FOR	AGAINST
Resolution 1	To adopt the Directors' Report and Accounts		
Resolution 2	To approve the payment of a Final Dividend		
Resolution 3	To approve the payment of Directors' Fees		
Resolution 4	To re-elect Ms Tam Chiew Lin as Director		
Resolution 5	To re-elect YM Raja Dato' Seri Abdul Aziz bin Raja Salim as Director		
Resolution 6	To re-elect Datuk Haron bin Siraj as Director		
Resolution 7	To re-appoint Moores Rowland as Auditors		
Resolution 8	To authorise the Directors to issue and allot shares		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

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

The proportion of my / our holding to be represented by my / our proxies are as follows:-

	Number of shares
First proxy	
Second proxy	
Total	

Dated this day of 2007.

Signature

NOTES :

- A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote in his/her stead. A proxy may but need not be a member of the Company. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
- The instrument appointing the proxy, in the case of an individual, shall be signed by the appointer, or his attorney duly authorised in writing and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing the proxy, must be deposited at the Registered Office of the Company at 18th Floor, Wisma Jerneh, 38, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

please fold here

affix
stamp

The Company Secretary

JERNEH ASIA BERHAD (363984-X)

18th Floor, Wisma Jerneh

38 Jalan Sultan Ismail

50250 Kuala Lumpur

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CORPORATE DIRECTORY

JERNEH ASIA BERHAD

16th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : (603) 2145 0485 Fax : (603) 2143 2817
URL : www.jerneh.com.my

Tan Yew Jin (yjtan@ppb.com.my)
Deputy Chairman & Executive Director

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

Teoh Boon Kiaw (bkteoh@jerneh.com.my)
Finance & Corporate Services - Assistant Manager

JERNEH CREDIT LEASING SDN. BHD.

8th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : (603) 2141 1646 Fax : (603) 2144 8425

Andy Au Yin Yun (ygyau@jerneh.com.my)
Senior Manager

MINSEC MANAGEMENT SERVICES SDN. BHD.

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

Irene Chhoo (smlai@jerneh.com.my)
Director

JERNEH INSURANCE BERHAD

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

Lim Sun (slim@jerneh.com.my)
Chief Executive Officer

Michael Heng Kiah Ngan (knheng@jerneh.com.my)
Sales & Marketing - GM

Wan Mohd Fauzi Bin Wan Nawang (wwanmohd@jerneh.com.my)
Branch Coordination - AGM

Irene Yong Kiow Ying (kyyong@jerneh.com.my)
Office & Methods - AGM

Tan Yoke Leong (yltan@jerneh.com.my)
Underwriting - AGM

Peter Yong Weng Sing (wsyong@jerneh.com.my)
Broking and Corporate Business - AGM

Aven Yong Chen Weng (cwyong@jerneh.com.my)
Branch Coordination & Training - AGM

Jimmy Goh Chong Jen (cjgoh@jerneh.com.my)
IT - Chief Information Officer

Yeow Toh Siang (tsyewow@jerneh.com.my)
Investment - Chief Investment Officer

Jessica Teng Mee Nguk (mnteng@jerneh.com.my)
Finance - Manager

JERNEH ASIA REINSURANCE LIMITED

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

Chin Chee Kee
Resident Director

Jane Justene Loh (syloh@jerneh.com.my)
Resident Manager

KRM REINSURANCE BROKERS PHILS., INC.

Suite 1804, 88 Corporate Center
Sedeno cor. Valero Sts.
Salcedo Village, Makati City, Philippines
Tel: (632) 889 6858 Fax: (632) 889 6758
URL : www.krmre.com

Ruben M. Rubio (rmrubio@krmre.com)
Vice President

Joselito S. Villamil (jsv@krmre.com)
General Manager

TAISHAN INSURANCE BROKERS PHILS., INC.

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

Ruben M. Rubio (rmrubio@taishanphils.com)
Vice President

Pat Obsuna (pmobsuna@taishanphils.com)
General Manager

JERNEH INSURANCE (HK) LIMITED

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

Angela Chan (angelachan@jerneh.com.hk)
Acting General Manager

TAISHAN INSURANCE BROKERS LIMITED

Room 1403, 14/F China Resources Building
26 Harbour Road, Wanchai
Hong Kong
Tel: (852) 2877 0893 Fax: (852) 2802 3158

Peters Shum (petersshum@taishanhk.com)
General Manager

GENERALI LIFE ASSURANCE (THAILAND) CO., LTD

GENERALI INSURANCE (THAILAND) CO., LTD

Unit 1601-5, 16th Floor
CRC Tower, All Seasons Place
87/2 Wireless Road, Lumpini, Patumwan
Bangkok 10330, Thailand
Tel : (66) 2 685 3828 Fax : (66) 2 685 3829
URL : www.generalithailand.com

Somchai Trongwisalpattana
Executive Vice President

GENERALI PILIPINAS LIFE ASSURANCE COMPANY, INC.

GENERALI PILIPINAS INSURANCE COMPANY, INC.

5th Floor, Gercon Plaza Building, 7901 Makati Avenue
Makati City 1227, Philippines
Tel : (63) 2 886 5258 Fax : (63) 2 886 5238
URL : www.generalicom.ph

Daniel T. Daly
Chief Executive Officer

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

Tel: 03 2145 0485 Fax: 03 2143 2817

www.jerneh.com.my