

JERNEH ASIA BERHAD  
(363984-X)

Jerneh Asia Berhad (363984-X)

ANNUAL REPORT 2007

JERNEH ASIA BERHAD (363984-X)

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ANNUAL REPORT **2007**

**Jerneh**  
ASIA BERHAD



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NOTICE IS HEREBY GIVEN that the 12TH ANNUAL GENERAL MEETING of the Company will be held at 19th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 27th May 2008 at 9.30 a.m. for the following purposes:-

1. To receive and adopt the Audited Accounts for the financial year ended 31st December 2007, and the Reports of the Directors' & Auditors' thereon.	RESOLUTION 1
2. To declare a Final Dividend of 5 sen per share less 26% Income Tax for the financial year ended 31st December 2007.	RESOLUTION 2
3. To approve the payment of Directors' Fees for the financial year ended 31st December 2007.	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 Dato' Lim Chee Wah	RESOLUTION 4
4.2 Mr Graham Hecond Wong.	RESOLUTION 5
5. To re-appoint Moores Rowland as Auditors of the Company and authorise the Directors to fix their remuneration.	RESOLUTION 6
<b>SPECIAL BUSINESS</b>	
To consider, and if thought fit, pass the following Resolutions:-	
6. <b>ORDINARY RESOLUTION:</b>	
<b>AUTHORITY TO ISSUE AND ALLOT SHARES</b>	
"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 7
7. <b>SPECIAL RESOLUTION:</b>	
<b>PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION</b>	
"THAT the proposed amendments to the Articles of Association of the Company as set out in Appendix I of the Circular to Shareholders of the Company dated 30th April 2008 be hereby approved and that the Articles of Association of the Company as amended be adopted as the Articles of Association of the Company."	
	RESOLUTION 8
8. To transact any other business of which due notice has been given.	
By Order of the Board	
<b>CHOY CHIEW LING</b> Company Secretary	
Kuala Lumpur 30th April 2008	

**NOTES :**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies, to attend and vote in his/her stead. A proxy may but need not be a member of the Company. Where a member appoints more than one proxy, 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.

Explanatory Notes on Special Business

**1. 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 AGM of the Company.

**2. Proposed amendments to the Articles of Association**

The proposed amendments to the Articles of Association, if passed, will incorporate the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad and the Companies Act, 1965.

## Statement Accompanying Notice of Annual General Meeting

Further details of the Directors who are standing for re-election, namely, Dato' Lim Chee Wah and Mr Graham Hecmond Wong, are set out on pages 6 to 7 of this Annual Report and the details of the Directors' interest in the securities of the Company and its subsidiaries are disclosed on pages 90 to 91 of this Annual Report.

## BOARD OF DIRECTORS

Dato' Lim Chee Wah - *Chairman*

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*

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*

Datuk Haron bin Siraj

Tam Chiew Lin

## MANAGEMENT COMMITTEE

Ahmad Riza bin Basir - *Chairman*

Tam Chiew Lin

## INVESTMENT COMMITTEE

Dato' Lim Chee Wah - *Chairman*

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

Moores 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 0816

## 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](http://www.jerneh.com.my)



## Jerneh ASIA BERHAD

GENERAL INSURANCE

REINSURANCE

LIFE INSURANCE

BROKING

TAKAFUL INSURANCE

HIRE PURCHASE & LEASING

INVESTMENT SERVICES

MANAGEMENT SERVICES

**Malaysia**

Jerneh Insurance Bhd

**Philippines**

Generali Pilipinas Insurance Company Inc. (JV with Generali and SM Group)

**Thailand**

Generali Insurance (Thailand) Co., Ltd. (JV with Generali and Tantipatpong family)

**Labuan**

Jerneh Asia Reinsurance Ltd.

**Philippines**

Generali Pilipinas Life Assurance Company, Inc. (JV with Generali and SM Group)

**Thailand**

Generali Life Assurance (Thailand) Co., Ltd. (JV with Generali and Tantipatpong Family)

**Indonesia**

PT Asuransi Jiwa ARTA Mandiri Prima

**Hong Kong**

Taishan Insurance Brokers Ltd.

**Philippines**

Taishan Insurance Brokers Philippines, Inc. KRM Reinsurance Brokers Philippines, Inc.

**Malaysia**

HSBC Amanah Takaful (M) Sdn Bhd

**Malaysia**

Jerneh Credit Leasing Sdn Bhd

**Malaysia**

- Jerneh Asia Capital Sdn Bhd
- Areca Capital Sdn Bhd

**Hong Kong**

Jerneh Investment (HK) Ltd. (previously known as Jerneh Insurance (HK) Ltd.)

**Malaysia**

Minsec Management Services Sdn Bhd

## DATO' LIM CHEE WAH

*(68 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 2007.

## MS TAM CHIEW LIN

*(57 years of age – Malaysian)  
Managing Director  
Member of Audit Committee, 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, HSBC Amanah Takaful (Malaysia) Sdn Bhd and Areca Capital 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 2007.

## YM RAJA DATO' SERI ABDUL AZIZ BIN RAJA SALIM

*(69 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, 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 2007.

**ENCIK AHMAD RIZA BIN BASIR**

*(47 years of age – Malaysian)  
Non-Independent Non-Executive Director  
Chairman of Management Committee and  
Member of 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 four out of the five Board Meetings held during the financial year ended 31st December 2007.

**MR GRAHAM HECMOND WONG**

*(52 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.

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 2007.

**DATUK HARON BIN SIRAJ**

*(63 years of age & Malaysian)  
Independent Non-Executive Director  
Chairman of Remuneration Committee and Member of Audit 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.

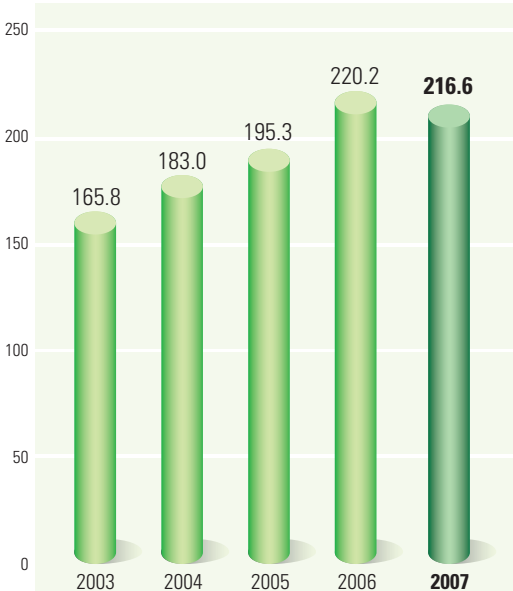
Datuk Haron does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended all the Board Meetings held during the financial year ended 31st December 2007.

		2006 RM'000	2007 RM'000	% CHANGE
<b>INCOME STATEMENT</b>	Operating revenue	220,160	<b>216,558</b>	(2)
	Profit before taxation	29,542	<b>45,414</b>	54
	Profit after taxation and minority interest	10,918	<b>19,083</b>	75
<b>BALANCE SHEET</b>	Total assets	821,624	<b>949,057</b>	16
	Shareholders' funds	294,393	<b>420,128</b>	43
<b>RATIOS</b> (Attributable to equity holders)	Basic earnings per share	Sen 10.01	<b>12.89</b>	29
	Net dividends per share	Sen 2.21	<b>4.50</b>	104
	Net assets per share	RM 2.69	<b>2.32</b>	(14)

<b>FIVE YEARS' GROUP STATISTICS</b> year ended 31st December		2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
	Operating revenue	165,753	182,978	195,270	220,160	<b>216,558</b>
	Operating profit	41,089	40,437	31,337	35,766	<b>54,003</b>
	Share of losses in associated companies (net of tax)	(6,348)	(6,689)	(7,049)	(12,254)	<b>(19,012)</b>
	Profit before taxation	34,940	33,922	26,408	29,542	<b>45,414</b>
	Profit after taxation and minority interest	23,411	20,971	14,678	10,918	<b>19,083</b>
	Dividends – net	6,175	6,243	3,917	2,393	<b>8,133</b>
	Issued share capital	107,202	108,389	108,802	109,274	<b>180,721</b>
	Shareholders' funds	256,865	274,107	284,876	294,393	<b>420,128</b>
	Total assets employed	612,663	658,126	735,848	821,624	<b>949,057</b>
	Net earnings per share	Sen 22.25	19.40	17.68	10.01	<b>12.89</b>
	Share price					
	High	RM 2.55	2.51	2.39	2.10	<b>2.17</b>
	Low	RM 1.95	2.13	2.02	1.85	<b>1.45</b>

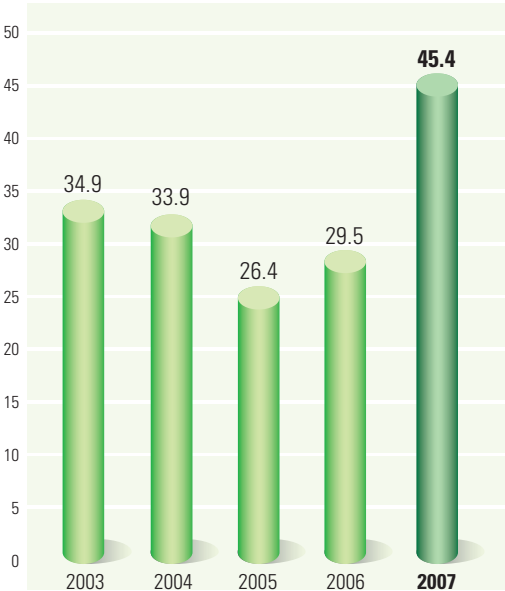
## OPERATING REVENUE

(RM Million)



## PROFIT BEFORE TAXATION

(RM Million)



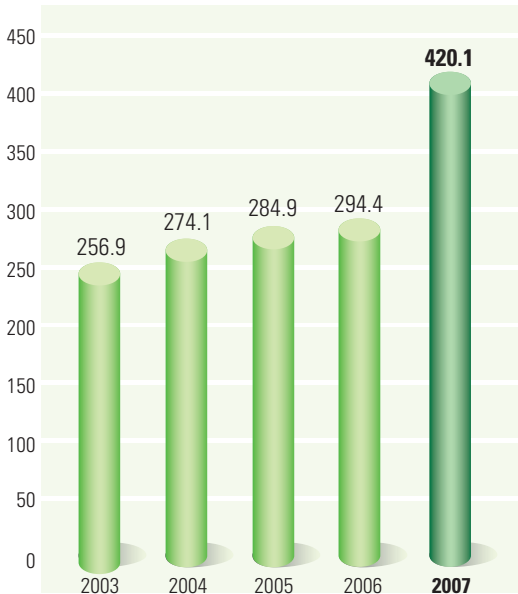
## TOTAL ASSETS EMPLOYED

(RM Million)



## SHAREHOLDERS' FUNDS

(RM Million)



On behalf of the Board of Directors, it is my pleasure to present the annual results of **Jerneh Asia Berhad** and its subsidiaries and associated companies for the year ended 31st December 2007.

## PERFORMANCE FOR 2007

The Group generated a pre-tax profit of RM45.4 million for the year, representing an increase of 53.7% against 2006 results of RM29.5 million. After accounting for taxes of RM18.2 million and minority interests of RM8.1 million, profit attributable to shareholders for the year was RM19.1 million, representing an increase of 74.8% as compared to RM10.9 million in 2006. Upon completion of the Rights Issue and Special Issue which resulted in an enlarged share capital base, the Group's net assets decreased 13.8% from RM2.69 per share to RM2.32 per share.

The Group's overall improved results was largely due to an increase in investment income and better risk management in the general insurance operations of Jerneh Insurance Berhad. The results from the broking business in Philippines and Hong Kong have all contributed positively to the Group's performance. Under the Ninth Malaysian Plan, there will be pockets of growth for credit leasing operations as the government accelerates economic growth through expansion of the manufacturing and service sectors.

The Group registered an increase in share of losses of associated companies from RM12.3 million to RM19.0 million as, in addition to Philippines and Thailand, the Group equity accounted the share of losses in the new Takaful business with HSBC Group and Areca Capital Sdn Bhd, a fund management company. We expect the share of losses from these associates to be reduced by 2009.

**Jerneh Insurance Bhd ("JIB")** recorded a total gross written premium of RM311.7 million (2006: RM279.0 million), an increase of 11.7% from the preceding year. This surpassed the registered Gross Domestic Product estimated growth of 6.3%, and the average industry growth of 4.07% (*Source: ISM statistics*). Despite the continual softening market rates of large commercial risks, of which JIB's portfolio is largely made up of, JIB recorded an increase in Underwriting surplus of RM9.2 million to RM14.6 million (2006: RM5.4 million) for the year.

Prudent underwriting policy coupled with better risk management practices and the release of reserves in preparation for the implementation of Risk Based Capital ("RBC") Framework improved financial results. JIB also registered lower net claims incurred of 58.8% compared to 67.8% in 2006.

During the financial year ended 31st December 2007, investment income improved by 62% at RM41.6 million from RM25.7 million recorded in the preceding year.

JIB closed the year with a profit after tax of RM40.6 million as compared to RM23.7 million from the previous year.

## OVERSEAS INVESTMENT

**Generali Philippines** ended the year with total combined gross premiums of PHP2,373 million. New business from Life Division grew 24% with business growth from individual single pay premium and group life. Property and Casualty premiums achieved a 27% growth rate and this is commendable in an industry whose growth rate averaged only 5%. Motor accounted for the significant growth rate of 34%.

Generali Philippines had a negative setback in the fourth quarter last year with the Motor and Commercial - Industrial line business incurring higher net claims. The life division operating results finished 15% lower than projected results due to a few large claims from Group Medical. In addition, lower investment income and unrealized forex losses resulting from the Peso's appreciation against the US Dollar also exacerbated the losses. Generali Philippines needs to contain and manage the claims experience more prudently. Prospects are good for volume growth, but breakeven could be set back if there should be further unexpected increases in claims. Risk management processes are already in place to contain the claims experience.

**Generali Thailand** ended the year with gross written premiums of Baht1,369 million. This represented a growth of 79% in the life business and 84% growth in the property and casualty class business. In 2007, the telemarketing business performed particularly well and was ahead with a 133% premium growth rate. In 2007, the combined ratio was 137%. With the level of growth trend experienced in the last one year, combined ratio is expected to improve to below 110% for the current financial year.

## OVERSEAS INVESTMENT (cont'd)

**HSBC Takaful** completed its full year of operations in 2007 with RM189.8 million gross written premiums. During the year, the priorities were the distribution of first class competitive protection solutions to HSBC clients, product development in life (linked and non-linked) policies and developing employees' skills set and competencies, and building a comprehensive online sales support infrastructure. The company also focused on the setting up of the Insurance Centre of Excellence (ICOE) in Cyberjaya which is now fully operational. ICOE was set up to fully support insurance operations within the HSBC group which can be leveraged by HSBC Takaful for operational efficiencies and scalability to cope with forecast volume increases. Expected gestation losses were in line with budget.

In line with the broader economy and the insurance (life) industry, momentum in the takaful industry remains positive.

## PROSPECTS

Moving forward, the Board is cautiously optimistic and hopeful of better economic and market conditions. Beyond the current financial year, Jerneh must be prepared to face the rapidly changing landscape with the impending market liberalization. Bank Negara Malaysia's Risk Based Capital Framework is scheduled for full implementation on 1st January 2009. JIB has been conducting parallel runs since 1st January 2007. During the parallel runs, JIB's Capital Adequacy Ratio level has been consistently above BNM's supervisory target of 130% confidence level. The Board is confident that JIB has the financial resilience and with a sound risk management framework in place that commensurates with its business risk profiles, JIB is ready for the full implementation of the RBC framework.

On the regional front, together with our partners, the Board remains committed to selectively pursue opportunities for expansion with a view to maintaining growth and profitability as well as enhancing shareholders' value.

## DIVIDENDS

Your Board of Directors is pleased to recommend a Final Dividend of 5% less income tax of 26% per ordinary share for the financial year ended 31st December 2007. Together with the Interim Dividend declared of 3% less income tax of 27% which was paid on 24th December 2007, the Company has declared a total dividend of 8% for the financial year ended 31st December 2007.

## 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 Revised Code on Corporate Governance.

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to put on record our appreciation to Mr Tan Yew Jin and Encik Anwarudin bin Hj Abdul Rahman for their invaluable contributions to the Group.

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, to our shareholders, we thank you for your unwavering support and continuous faith in the Group.

**Dato' Lim Chee Wah**  
Chairman

## 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 risk management services together with a wide range of insurance products 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. JIB focuses on product development and offers private customers tailor-made risk management insurance solutions. As for the corporate customers, JIB provides loss prevention and loss control solutions which helps businesses to manage their resources efficiently thus minimizing impact on the environment and maximizing business productivity. In 2008, JIB will review the 5-year IT initiatives which started in 2003 to ensure commitment to full integration to meet customers’ needs and expectations.

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 2007, JIB launched a new product called Biz ForSure, a special comprehensive package covering 9 classes of insurance to cater for the needs of SME and SMIs. Apart from this, JIB also jointly launched a Foreign Maid Insurance Scheme with 3 other insurance and takaful partners to provide protection for foreign domestic helpers in the country. In addition, there are several other specially tailored products launched through intermediaries for targeted groups and market sectors.

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

Currently, JIB has about 1,500 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.

## FUND MANAGEMENT

**Areca Capital Sdn Bhd**, which was incorporated in July 2006, is a licensed Fund Manager and an associate company of JAB. Areca provides versatile investment solutions, with active focus on personalized needs and investment objectives. It also provides diversified investment options within two types of asset classes; equity and non-equity, through private investment mandates and various unit trusts products.

## AFFILIATED BUSINESSES

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

**Jerneh Asia Reinsurance Ltd. ("JAR")** an offshore composite reinsurer which underwrites reinsurance business primarily from ASEAN countries. It also operates as a captive reinsurer for JIB. JAR's line of business includes Fire, Marine, Engineering, General Accident and Medical insurance.

**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 will leverage on the Government's move to develop a competitive, innovative and technologically strong SME sector, that is able to contribute to the growth of the economy, and target increased growth in this area of credit financing 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.

### **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 2007 marked the 7th 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 2007 marked its 5th year of operation.

On 11th December 2007, Generali N.V. acquired PT Asuransi Jiwa Arta Mandiri Prima, a life insurance company in Indonesia. Operations will commence in 2008.

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, BNM 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.

The Board of Directors of Jerneh Asia Berhad ("JAB") is committed to ensuring that a high standard of corporate governance is 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 and the composition of the Audit 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.

With the recent resignation of Encik Anwarudin bin Haji Abdul Rahman, an Independent Director, who is also a member of the Audit Committee ("AC"), the Board has appointed Ms Tam Chiew Lin, the Managing Director of the Company in place thereof. The Board takes cognizance of the heavy responsibilities borne by Directors serving on the AC, as the said committee also serves as the AC of Jerneh Insurance Berhad, which comes under the purview of Bank Negara Malaysia. Therefore, a replacement with extensive financial-related experience will be selected to join and strengthen the AC. The Board will ensure that the independence of the AC shall not be compromised and the recommended practice of having all AC members being Non-Executive Directors will be put in place.

## 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 shareholders' value. In carrying out this responsibility, the Board is empowered to decide on all matters relating to the Company's business and to delegate these powers accordingly. Where appropriate, it has set up Committees, all of which have terms of reference to govern their responsibilities. All Board Committees report to the Board.

### Board Balance

At the date of this statement, the Board has six (6) members comprising one (1) Managing Director, three (3) Non-Independent Non-Executive Directors (including the Chairman) and two (2) Independent Non-Executive Directors. The 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 6 to 7 of this Annual Report.

The roles of the Chairman and the Managing 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 is responsible for the implementation of policies and decisions of the Board, overseeing as well as coordinating the development and implementation of business and corporate strategies.

## BOARD OF DIRECTORS (cont'd)

### Board Balance (cont'd)

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. 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.

### 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 2007, 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 2007 is as follows:-

Directors	Attended
Dato' Lim Chee Wah	5 of 5 meetings held
Mr Tan Yew Jin ( <i>resigned on 31st December 2007</i> )	5 of 5 meetings held
Ms Tam Chiew Lin	5 of 5 meetings held
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	5 of 5 meetings held
Encik Ahmad Riza bin Basir	4 of 5 meetings held
Encik Anwarudin bin Haji Abdul Rahman ( <i>resigned on 15th April 2008</i> )	4 of 5 meetings held
Mr Graham Hecmond Wong	5 of 5 meetings held
Datuk Haron bin Siraj	5 of 5 meetings held

## BOARD OF DIRECTORS (cont'd)

### 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.

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) Risk Management Committee (*under Jerneh Insurance Berhad*)
- (d) Investment Committee
- (e) Remuneration Committee

## BOARD OF DIRECTORS (cont'd)

### Board Committees (cont'd)

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:-

- Encik Ahmad Riza bin Basir (*Chairman*)
- Ms Tam Chiew Lin
- Mr Tan Yew Jin (*resigned as member on 30th November 2007*)

This Committee was established on 21st January 1998. On 30th November 2007, Mr Tan Yew Jin relinquished his position as Chairman of the Management Committee and Encik Ahmad Riza bin Basir was re-designated as the Chairman of the Management Committee accordingly. The other member of the said committee is the Managing Director of the Company.

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 2007, this Committee had five (5) 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.

### Risk Management Committee

The Group's principal subsidiary, Jerneh Insurance Berhad, being a licensed insurer operates under a highly regulated environment. In line with Bank Negara Malaysia's requirements to ensure insurers manage their risks, the Risk Management Committee was established by Jerneh Insurance Berhad on 26th August 2003 to oversee and monitor management's initiatives of managing key risks areas and to ensure that the risk management processes and Enterprise Risk Management Framework are in place and functioning effectively.

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

- YM Raja Dato' Seri Abdul Aziz bin Raja Salim (*Chairman*)
- Encik Ahmad Riza bin Basir
- Dato' (Dr) Teo Chiang Quan (*Director of Jerneh Insurance Berhad*)
- Ms Tam Chiew Lin
- Mr Tan Yew Jin (*resigned as member on 30th November 2007*)

## BOARD OF DIRECTORS (cont'd)

### Investment Committee

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

- Dato' Lim Chee Wah (*Chairman*)
- Ms Tam Chiew Lin
- Encik Ahmad Riza bin Basir
- Mr Tan Yew Jin (*resigned on 30th November 2007*)

This Committee was established on 11th May 2001 and is primarily responsible for the management of the Group's investment funds including the Policyholders Fund of Jerneh Insurance Berhad.

The following are the broad objectives of the Investment Committee:-

- (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 2007, this Committee had seven (7) meetings which were attended by a 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 Hecmond 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 2007, the Remuneration Committee met once and the meeting was attended by all the members.

## DIRECTORS' REMUNERATION (cont'd)

### 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	-	13	1,215 *	1,228
Non-Executive Directors	196 **	-	-	196

\* Includes payment to Mr Tan Yew Jin, an Executive Director, who resigned as Director of JAB on 31st December 2007.

\*\* Includes payment to Encik Anwarudin bin Haji Abdul Rahman who resigned on 15th April 2008.

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 **	-

\* Includes payment to Encik Anwarudin bin Haji Abdul Rahman who resigned on 15th April 2008.

\*\* Includes payment to Mr Tan Yew Jin, an Executive Director, who resigned as Director of JAB on 31st December 2007.

## 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](http://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.

### SHAREHOLDERS' RELATION (cont'd)

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

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

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

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

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

### CORPORATE SOCIAL RESPONSIBILITIES

The Group subscribes to a risk management philosophy and believes in creating risk awareness among the community. To this end, prior to festive seasons, the Group has carried out blood donation drives as well as work closely with the Polis Diraja Malaysia, New Pantai Expressway and Besraya (M) Sdn Bhd to launch "Drive Safety Road Campaigns". Visitations to Rumah Solehah, which houses HIV positive children, were also part of our community support efforts. Preservation of the environment is another important policy of the Group, hence the Group has also embarked on campaigns to promote and create awareness in recycling of materials.

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 2007 set out on pages 30 to 87 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 24th April 2008.

as at 31st December 2007

## Share Buy-backs

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

## Options, Warrants or Convertible Securities

A total of 1,292,000 options were exercised by the employees of the Company during the financial year ended 31st December 2007.

None of the 66,339,602 outstanding detachable warrants were exercised during the financial year.

The Company did not issue any convertible securities.

## 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

Other than the following, there were no other non-audit fees paid to the external auditors for the financial year ended 31st December 2007:-

Auditors	Services	Amount Paid (RM)
Moores Rowland	Professional services in connection with the Proposed Rights Issue and Special Bumiputra Issue	21,000

## Variation in Results

There were no material variations between the audited results for the financial year ended 31st December 2007 and the unaudited results for the financial quarter ended 31st December 2007 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.

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.
- In accordance with the requirements of *JPI/GPI 27 - Guidelines on Anti-Money Laundering Measures* ("AML") for Jerneh Insurance Berhad, the Company has formalized the appointment of Compliance Officers for both its Head Office and branches. On-going trainings are conducted for all executives as well as Branch Managers. AML training are also tailored for junior and front-line staff to assist them in detecting possible money laundering activities.
- In line with Bank Negara Malaysia's call for all insurers to have in place a Risk Based Capital ("RBC") Framework by 1st January 2009, the Board of Jerneh Insurance Berhad has endorsed the timeline for Management to carry out the various tasks under the Enterprise Risk Management Framework which will encapsulate the RBC Framework.

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### **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 24th April 2008.

## 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 2007 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*
- **Datuk Haron bin Siraj (appointed on 7th November 2007)**  
~ *Independent Non-Executive Director*
- **Mdm Tam Chiew Lin (appointed on 15th April 2008)**  
~ *Managing Director*
- **Mr Tan Yew Jin (resigned on 7th November 2007)**  
~ *Executive Director*  
~ *A member of the Malaysian Institute of Accountants*
- **Encik Anwarudin bin Hj Abdul Rahman (resigned on 15th April 2008)**  
~ *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.

**TERMS OF REFERENCE** (cont'd)

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.
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) 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.

## MEETINGS AND MINUTES

For the financial year ended 31st December 2007, 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 Managers 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. Reports reviewed by the Committee 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 2007.
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 26 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.

## 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 Plan 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 IAD followed up on the implementation of all findings and recommendations in its review process.

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

*Chairman*

*Independent Non-Executive Director*



# Financial Statements

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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 2007.

## PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiary companies are indicated in explanatory note 6 to the financial statements.

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

## RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to shareholders of the Company	19,083	11,173
Retained profit brought forward	150,105	80,301
Profit available for appropriation	169,188	91,474
Transfer from reserve	23	23
Dividends	(8,133)	(8,133)
Retained profit carried forward	161,078	83,364

## DIVIDENDS

During the financial year, the Company paid the following dividends:

- a) an interim dividend of 3% less 27% tax amounting to RM2,393,101 in respect of financial year ended 31st December 2006,
- b) a final dividend of 5% less 27% tax amounting to RM4,174,907 in respect of the financial year ended 31st December 2006, as recommended in the directors' report for that year, and
- c) an interim dividend of 3% less 27% tax amounting to RM3,957,781 in respect of the financial year ended 31st December 2007.

The Directors now recommend a final dividend of 5% less 26% tax amounting to RM6,686,663 (based on the share capital of 180,720,605 as of 31st December 2007) in respect of the year under review.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increase its paid up share capital by the issuance of the following:

- (i) 1,292,000 new ordinary shares of RM1.00 each, for cash arising from the exercise of Employees' Share Option Scheme ("ESOS") at a weighted average exercise price of RM1.89 per ordinary share;
- (ii) 3,815,000 new ordinary shares of RM1.00 each, for cash pursuant to Special Issue Shares to identified Bumiputera Investors, at an issue price of RM1.60 per ordinary share; and
- (iii) 66,339,602 new ordinary shares ("Rights Shares") of RM1.00 each, for cash pursuant to a Rights Issue on the basis of 3 Rights Shares for every 5 existing shares held, with 66,339,602 free detachable Warrants on the basis of 1 free Warrant for every 1 Rights Shares subscribed, at an issue price of RM1.60 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

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

## WARRANTS

On 11th April 2007, the Company executed a Deed Poll pertaining to the creation and issuance of 66,339,602 2007/2012 Warrants ("Warrants").

On 29th June 2007, the Company issued 66,339,602 units of free detachable Warrants on the basis of 1 free Warrant for every 1 Rights Share subscribed. The exercise price of the Warrants is fixed at RM1.60 per Warrant.

The Warrants entitle the holders to subscribe for new ordinary shares of RM1.00 each within five years from the date of issuance of the Warrants to the expiry date on 26th July 2012 and any Warrants not exercised by that date shall thereafter lapse and cease to be valid.

None of the above Warrants were exercised during the year.

The Warrants are listed on the Bursa Malaysia Securities Berhad.

The main features of the Warrants are set out in note 16 to the financial statements.

## EMPLOYEE SHARE OPTION SCHEME ("ESOS")

Details of the ESOS of the Company are set out in explanatory note 16 to the financial statements.

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 Holders	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

All ESOS expired on 14th January 2007.

## DIRECTORS

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

Dato' Lim Chee Wah	(Chairman)
Tam Chiew Lin	(Managing Director)
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	
Ahmad Riza bin Basir	
Graham Hecmond Wong	
Datuk Haron bin Siraj	
Tan Yew Jin	(Resigned on 31st December 2007)
Anwarudin bin Hj Abdul Rahman	(Resigned on 15th April 2008)

In accordance with Article 101 of the Company's Articles of Association, Dato' Lim Chee Wah and Graham Hecmond Wong retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

### DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

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

Name of Director	Ordinary shares of RM1 each			
	At 1.1.2007	Bought	Sold	At 31.12.2007
Dato' Lim Chee Wah				
- direct	30,000	42,000	-	72,000
Tam Chiew Lin				
- direct	110,000	174,700	-	284,700
YM Raja Dato' Seri Abdul Aziz bin Raja Salim				
- direct	60,000	36,000	-	96,000
Ahmad Riza bin Basir				
- direct	-	1,000,000	655,000	345,000
- indirect	17,472,907	10,483,744	-	27,956,651
Anwarudin bin Hj Abdul Rahman				
- direct	40,000	24,000	-	64,000

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 1.1.2007	Bought	Sold	At 31.12.2007
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 1.1.2007	Bought	Sold	At 31.12.2007
Jerneh Investment (HK) Limited <i>(formerly known as Jerneh Insurance (HK) Limited)</i>	500,000	-	-	500,000

	Ordinary shares of HKD1 each			
	At 1.1.2007	Bought	Sold	At 31.12.2007
Taishan Insurance Brokers Limited	1,000,000	-	-	1,000,000

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

	Ordinary shares of PHP100 each			
	At 1.1.2007	Bought	Sold	At 31.12.2007
KRM Reinsurance Brokers Phils., Inc.	480,000	-	-	480,000
Taishan Insurance Brokers Philippines, Inc.	480,000	-	-	480,000

	Ordinary shares of USD1 each			
	At 1.1.2007	Bought	Sold	At 31.12.2007
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 and warrants during the financial year, as follows:

ESOS	Exercise price RM	No. of unissued shares of RM1 each under ESOS				At 31.12.2007
		At 1.1.2007	Granted	Exercised	Lapsed	
Tam Chiew Lin	1.90	65,000	-	65,000	-	-

Warrants	No. of Warrants to Subscribe for New Ordinary Shares of RM1 each					
	At 1.1.2007	Allotted	Bought	Sold	Exercised	At 31.12.2007
Dato' Lim Chee Wah						
- direct	-	27,000	-	-	-	27,000
Tam Chiew Lin						
- direct	-	109,700	-	-	-	109,700
YM Raja Dato' Seri Abdul Aziz bin Raja Salim						
- direct	-	36,000	-	-	-	36,000
Ahmad Riza bin Basir						
- indirect	-	10,483,744	-	-	-	10,483,744
Anwarudin bin Hj Abdul Rahman						
- direct	-	24,000	-	-	-	24,000

## 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 or the fixed salary of a full-time employee of the Company) 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.
- (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 Investment (HK) Limited (*formerly known as Jerneh Insurance (HK) Limited*) to HSBC Insurance (Asia) Limited, which is described in greater detail in note 34 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.

**OTHER STATUTORY INFORMATION** (cont'd)

(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 resolution of the Directors dated 24th April 2008

**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)

JERNEH ASIA BERHAD 363984-X

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We have audited the financial statements of the Group and of the Company set out on pages 37 to 87.

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 standards on auditing in Malaysia. 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 state of affairs of the Group and of the Company at 31st December 2007 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 6 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

**GAN MORN GHUAT**  
No. 1499/5/09 (J)  
Partner

Kuala Lumpur

Date: 24th April 2008

# Balance Sheets

as at 31st December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>ASSETS</b>					
Property, plant and equipment	3	24,574	25,540	289	95
Investment property	4	21,426	21,743	-	-
Intangible assets	5	1,305	2,546	-	-
Investment in subsidiary companies	6	-	-	107,236	107,236
Investment in associated companies	7	77,340	47,305	121,105	77,470
Amount owing by subsidiary companies	8	-	-	72,365	76,260
Amount owing by an associated company	9	4,056	31,598	4,056	31,598
Other investments	10	290,017	248,338	-	-
Deferred tax assets	11	3,493	4,291	228	-
Trade and other receivables	12	181,103	138,711	119	107
Current tax assets		942	3,968	927	3,703
Marketable securities	13	18,166	7,242	-	-
Deposits	14	292,150	258,504	57,671	2,185
Cash and bank balances	15	34,485	31,838	1,543	468
<b>TOTAL ASSETS</b>		<b>949,057</b>	<b>821,624</b>	<b>365,539</b>	<b>299,122</b>
<b>EQUITY</b>					
Share capital	16	180,721	109,274	180,721	109,274
Share premium		69,335	27,000	69,335	27,000
Exchange fluctuation reserves (non-distributable)		8,994	5,249	-	-
Share option reserve		-	372	-	372
Retained profits	17	161,078	150,105	83,364	80,301
Dividend		-	2,393	-	2,393
Equity attributable to equity holders of the Company		420,128	294,393	333,420	219,340
Minority interest		44,090	38,160	-	-
<b>TOTAL EQUITY</b>		<b>464,218</b>	<b>332,553</b>	<b>333,420</b>	<b>219,340</b>
<b>LIABILITIES</b>					
Provision for outstanding claims	18	203,799	214,386	-	-
Trade and other payables	19	99,494	78,722	2,119	1,705
Unearned premium reserves	20	91,403	82,130	-	-
Bank borrowings	21	85,042	108,576	30,000	76,000
Deferred tax liabilities	22	-	2,077	-	2,077
Current tax liabilities		5,101	3,180	-	-
<b>TOTAL LIABILITIES</b>		<b>484,839</b>	<b>489,071</b>	<b>32,119</b>	<b>79,782</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>949,057</b>	<b>821,624</b>	<b>365,539</b>	<b>299,122</b>

Notes to and forming part of the financial statements are set out on pages 43 to 87.

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# Income Statements

for the year ended 31st December 2007

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	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Operating revenue	23	216,558	220,160	-	-
Operating costs applicable to operating revenue	24	(116,365)	(145,222)	-	-
Gross profit		100,193	74,938	-	-
Other operating income	25	14,728	15,197	70	63
Operating expenses	26	(60,918)	(54,369)	(3,326)	(3,080)
Profit from operations		54,003	35,766	(3,256)	(3,017)
Share of losses in associated companies (net of tax)		(19,012)	(12,254)	-	-
Investment income (net)	28	15,581	9,368	21,156	18,955
Finance costs		(5,158)	(3,338)	(3,081)	(2,782)
Profit before taxation		45,414	29,542	14,819	13,156
Tax expense	29	(18,211)	(13,880)	(3,646)	(1,888)
Profit for the year		27,203	15,662	11,173	11,268
Attributable to:					
Equity holders of the Company		19,083	10,918		
Minority interest		8,120	4,744		
		27,203	15,662		
Basic earnings per share (sen)	30	12.89	10.01		
Diluted earnings per share (sen)	30	12.32	9.98		
Dividend per share (net of tax) (sen)		4.50	2.21		

Notes to and forming part of the financial statements are set out on pages 43 to 87.  
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# Statements of Changes in Equity

for the year ended 31st December 2007

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Group	Note	Attributable to equity holders of the Company									
		Non distributable					Retained profits	Dividend	Total	Minority interest	Total equity
		Share capital	Share premium	Exchange fluctuation reserves	Share option reserve	RM'000					
At 1st January 2006		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	
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	16	472	492	-	(77)	-	-	887	-	887	
Dividends paid	31	-	-	-	-	(17)	(3,917)	(3,934)	(1,460)	(5,394)	
Dividend	31	-	-	-	-	(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	
Net gain not recognised in income statement											
- currency translation difference		-	-	3,745	-	-	-	3,745	-	3,745	
Profit for the year		-	-	-	-	19,083	-	19,083	8,120	27,203	
Issue of shares pursuant to ESOS	16	1,292	242	-	(132)	-	-	1,402	-	1,402	
Issue of shares pursuant to Rights Issue	16	66,340	39,804	-	-	-	-	106,144	-	106,144	
Issue of shares pursuant to Special Issue	16	3,815	2,289	-	-	-	-	6,104	-	6,104	
ESOS lapsed		-	-	-	(240)	23	-	(217)	-	(217)	
Dividends paid	31	-	-	-	-	(8,133)	(2,393)	(10,526)	(2,190)	(12,716)	
Balance at 31st December 2007		180,721	69,335	8,994	-	161,078	-	420,128	44,090	464,218	

Notes to and forming part of the financial statements are set out on pages 43 to 87.  
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Statements of Changes in Equity  
for the year ended 31st December 2007

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Company	Note	Non-distributable			Retained profits RM'000	Dividend RM'000	Total RM'000
		Share capital RM'000	Share premium RM'000	Share Option reserve RM'000			
At 1st January 2006		108,802	26,508	-	71,443	3,917	210,670
Profit for the year		-	-	-	11,268	-	11,268
Share options granted under ESOS		-	-	449	-	-	449
Issue of shares pursuant to ESOS	16	472	492	(77)	-	-	887
Dividends paid		-	-	-	(17)	(3,917)	(3,934)
Dividend	31	-	-	-	(2,393)	2,393	-
Balance at 31st December 2006		109,274	27,000	372	80,301	2,393	219,340
Profit for the year		-	-	-	11,173	-	11,173
Issue of shares pursuant to ESOS	16	1,292	242	(132)	-	-	1,402
Issue of shares pursuant to Rights Issue	16	66,340	39,804	-	-	-	106,144
Issue of shares pursuant to Special Issue	16	3,815	2,289	-	-	-	6,104
ESOS lapsed		-	-	(240)	23	-	(217)
Dividends paid	31	-	-	-	(8,133)	(2,393)	(10,526)
Balance at 31st December 2007		180,721	69,335	-	83,364	-	333,420

Notes to and forming part of the financial statements are set out on pages 43 to 87.  
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# Cash Flow Statements

for the year ended 31st December 2007

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	45,414	29,542	14,819	13,156
Adjustments for:				
Accretion of discounts (net)	(674)	(754)	-	-
Allowance for/(Write-back of) diminution in value of other investments (net)	2,098	(1,917)	-	-
Allowance for doubtful debts (net)	1,851	466	-	-
Amortisation of intangible assets	1,241	1,242	-	-
Bad debts written off/(recovered)	340	(311)	-	-
Changes in unearned premium reserves	13,239	(10,856)	-	-
Depreciation	2,729	2,787	126	71
Dividend income	(8,957)	(6,008)	(17,485)	(16,058)
Gain on sale of other investments (net)	(20,621)	(11,036)	-	-
Interest expense	5,158	3,338	3,081	2,782
Interest income	(25,379)	(21,184)	(3,671)	(2,897)
Gain on disposal of property, plant and equipment	(1)	(47)	-	-
Loss/(Gain) on foreign exchange - unrealised	892	(11)	424	286
Loss retained in associated companies	19,012	12,254	-	-
Property, plant and equipment written off	-	7	-	-
Share options granted under ESOS	-	449	-	72
Writeback/(down) of marketable securities to net realisable value	(220)	(395)	-	-
Operating profit/(loss) before changes in working capital	36,122	(2,434)	(2,706)	(2,588)
Changes in fixed deposits	(41,913)	68,408	-	-
Proceeds from sale of other investments	83,431	80,527	-	-
Purchase of other investments	(104,952)	(81,365)	-	-
Changes in trade receivables	(47,032)	(21,457)	-	-
Changes in other receivables	(364)	(2,820)	29	(15)
Changes in marketable securities	(11,212)	1,070	-	-
Changes in provision for outstanding claims	3,911	27,929	-	-
Changes in trade payables	9,522	(10,754)	-	-
Changes in other payables	12,573	(156)	288	(57)
Cash (used in)/generated from operations	(59,914)	58,948	(2,389)	(2,660)
Income tax (paid)/refunded	(12,588)	(5,887)	222	(16)
Interest received	21,686	18,742	-	-
Dividends received	5,150	3,643	14,772	4,742
Net cash (used in)/generated from operating activities	(45,666)	75,446	12,605	2,066

Notes to and forming part of the financial statements are set out on pages 43 to 87.

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Cash Flow Statements  
for the year ended 31st December 2007

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	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Advances to associated companies	(12,794)	(15,895)	(12,794)	(15,055)
Proceeds from sale of other investments	39,369	22,139	-	-
Proceeds from disposal of property, plant and equipment	1	57	-	-
Purchase of property, plant and equipment (Note 32)	(1,166)	(318)	(320)	(4)
Purchase of intangible assets (Note 33)	(381)	(718)	-	-
Purchase of other investments	(40,527)	(24,776)	-	-
Acquisition of a new associated company	(3,600)	(31,000)	(3,600)	(31,000)
Interest received	3,499	2,902	3,630	2,899
Dividends received	2,095	1,101	-	-
Repayment from subsidiary companies	-	-	3,110	11,643
Cash paid for transfer of insurance business portfolio (Note 34)	(17,359)	-	-	-
Net cash used in investing activities	(30,863)	(46,508)	(9,974)	(31,517)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares	113,410	887	113,410	887
Repayment to associated company	-	(17)	-	-
Drawdown of bank borrowings	22,532	64,576	-	32,000
Repayments of bank borrowings	(46,000)	-	(46,000)	-
Interest paid	(5,158)	(2,021)	(4,037)	(1,840)
Dividends paid to shareholders of the Company	(10,526)	(3,934)	(9,443)	(3,934)
Dividend paid to a minority shareholder of a subsidiary company	(2,190)	(1,460)	-	-
Net cash generated from financing activities	72,068	58,031	53,930	27,113
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,461)</b>	<b>86,969</b>	<b>56,561</b>	<b>(2,338)</b>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<b>189,119</b>	<b>102,948</b>	<b>2,653</b>	<b>4,991</b>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<b>(1,159)</b>	<b>(798)</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<b>183,499</b>	<b>189,119</b>	<b>59,214</b>	<b>2,653</b>
Represented by:				
Cash and bank balances	34,485	31,838	1,543	468
Deposits	149,014	157,281	57,671	2,185
	183,499	189,119	59,214	2,653

Notes to and forming part of the financial statements are set out on pages 43 to 87.  
Auditors' Report - Page 36.

**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. Unless otherwise indicated, the amounts in these financial statements have been rounded to the nearest thousand.

**(b) Changes in accounting policies**

The significant accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new/revised FRSs which are relevant to the Group and the Company's operation and are effective for financial periods beginning on or after 1st October 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of the above FRSs does not have significant financial impact on the Group and the Company.

**(c) New/revised FRSs that are not yet effective**

The Group and the Company have not adopted the following new/revised FRSs that have been issued and relevant to their operations but which are only effective for the financial periods beginning on or after 1st July 2007:

Amendment to FRS 121: The Effect of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The Group and the Company will apply these standards from the financial year beginning 1st January 2008.

The adoption of the above FRSs will not have any significant financial impact on the Group and the Company except for the amendment to *FRS 121*. The principal effects of the adoption of the amendment to *FRS 121* are as discussed below:

***Amendment to FRS 121: The Effect of Changes in Foreign Exchange Rates - Net investment in a Foreign Operation***

This amendment results in exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation to be recognised in equity irrespective of the currency in which the monetary item is denominated and of whether the monetary item results from a transaction with the Company or any of its subsidiary companies. Previously, exchange differences arising from such transactions between the Company and its subsidiary companies would be accounted for in the income statement or in equity depending on the currency of the monetary item.

***Effective date yet to be announced***

FRS 139	Financial Instruments: Recognition and Measurement
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**(d) Significant accounting judgements and estimates**

The preparation of financial statements requires management to exercise judgement in the process of 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.

**1. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(d) Significant accounting judgements and estimates** (cont'd)

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.

**(e) 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.

Under the purchase method of accounting, the cost of an acquisition is measured as the aggregate of the fair values of the assets given, liabilities incurred or assumed and equity instruments issued at the date of exchange, plus any costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their fair values at the acquisition date.

The excess of the acquisition cost over the fair values of the identifiable assets, liabilities, contingent liabilities acquired is retained in the balance sheet as goodwill, while the shortfall is immediately credited to the consolidated income statement. The goodwill is accounted for in accordance with the accounting policy set out in (m)(i).

Goodwill arising on the acquisition of subsidiary companies is presented separately in the balance sheet.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

Minority interests represent the portion of the profit or loss and net assets of subsidiary companies not held by the Group.

**(f) 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.

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.

**1. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(g) Associated companies**

An associated company is an entity in which the Group has significant influence and that is neither a subsidiary company nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

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

On disposal, the difference between the 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. Under the equity method, the investments in associated companies are initially recognised at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of the associated companies.

The Group's share of net profits or losses and changes recognised directly in the equity of the associated companies are recognised in the consolidated income statement and consolidated statement of changes in equity, respectively.

An investment in an associated company is accounted for using the equity method from the date on which the Group obtains significant influence until the date the Group ceases to have a significant influence over the associated company.

Premium relating to an associated company is included in the carrying value of the investment and it is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment in accordance with the accounting policy set out in (m)(ii).

Discount on acquisition is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

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.

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 legal or constructive obligations or made payments on behalf of the associated company.

The results and reserves of associated companies are accounted for in the consolidated financial statements based on audited and/or unaudited management financial statements made up to the end of the financial year and prepared using accounting policies that conform to those used by the Group for like transactions in similar circumstances.

**(h) 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.

**1. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(h) Property, plant and equipment** (cont'd)

*(i) Measurement basis* (cont'd)

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.

*(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% - 2.5%
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.

**(i) 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.

**(j) Intangible assets**

Intangible assets are carried at cost less accumulated amortisation and 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. The principal annual rate for amortisation of computer software is 20%.

**1. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(j) Intangible assets** (cont'd)

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.

**(k) 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.

**(l) 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 Investment (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.

**(m) 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 asset, or, if it is not possible, for the cash-generating unit to which the asset belongs.

**1. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(m) Impairment of assets** (cont'd)

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

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.

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.

**(n) Loans**

Loans which consist of mortgage loans and other secured loans are stated at cost less impairment.

**(o) Leases**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

*(i) Finance lease*

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

*(ii) Operating lease*

An operating lease is a lease other than a finance lease.

Operating lease income or operating lease rentals are credited or charged to the income statement on a straight line basis over the period of the lease.

**(p) 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.

**(q) Equity instruments**

Ordinary shares are recorded at nominal value and proceeds received in excess of the nominal value of shares issued, 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.

**(r) Borrowing costs**

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

**1. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(s) 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.

**(t) Provisions**

A provision is recognised if, as a result of a past event, the Group and the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

**(u) 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 year. Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers. Inwards facultative reinsurance premiums are recognised on inception date.

*(ii) Inward treaty business*

Underwriting results relating to reinsurance inward treaty transaction, regardless of the underwriting years to which they pertain, are included in current operations to the extent that such transactions are reported by the brokers and reinsurers in their statements of accounts received at the end of the financial year.

*(iii) Unearned premium reserves ("UPR")*

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

	<b>Jerneh Insurance Berhad</b>	<b>Jerneh Asia Reinsurance Limited</b>
Direct and facultative transit business	25% method	40% method
Inward treaty business	1/24th method	40% method
Overseas inward facultative business	1/8th method	40% method
All other direct business	1/24th method (other than transit business)	40% method

*(iv) 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 properly collected claim statistics in the case of Jerneh Asia Reinsurance Limited.

**1. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(u) General insurance underwriting results** (cont'd)

*(iv) Provision for claims* (cont'd)

The valuation of the provision for outstanding claim involves projection of the Group's future claims experience based on current and past claims experience and underwriting practice. As with all projection, there are elements of uncertainty and thus projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience and underwriting practice.

These uncertainties arise from changes in underlying risks, changes in spread of risks, claims settlement as well as uncertainties in the projection model and underlying assumptions.

*(v) Acquisition costs*

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

**(v) Income recognition**

- (i) Insurance premium income is recognised as disclosed under explanatory note u(i).
- (ii) Interest income from government securities, bonds and loan stocks, fixed deposits and term loans receivable is recognised on an accrual basis.
- (iii) Interest income from hire purchase and leasing transactions is recognised on a time proportion basis after taking into account the effective yield of the assets. 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.

**(w) Foreign currencies**

*(i) Functional currency*

Functional currency is the currency of the primary economic environment in which an entity operates.

The financial statements of each entity within the Group are measured using their respective functional currency.

*(ii) Transactions and balances in foreign currencies*

Transactions in currencies other than the functional currency ("foreign currencies") are translated to the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary items denominated in foreign currencies at the balance sheet date are translated at foreign exchange rates ruling at that date.

Non-monetary items which are measured in terms of historical costs denominated in foreign currencies are translated at foreign exchange rates ruling at the date of the transaction.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair values were determined.

Exchange differences arising on the settlement of monetary items and the translation of monetary items are included in the income statement for the period.

**1. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(w) Foreign currencies** (cont'd)

*(ii) Transactions and balances in foreign currencies* (cont'd)

When a gain or loss on a non-monetary item is recognised directly in equity, any corresponding exchange gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the income statement, any corresponding exchange gain or loss is recognised in income statement.

*(iii) Translation of foreign operations*

For consolidation purposes, all assets and liabilities of foreign operations that have a functional currency other than RM (including goodwill and fair value adjustments arising from the acquisition of the foreign operations) 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 transactions dates.

All exchange differences arising from the translation of the financial statements of foreign operations are dealt with through the exchange translation reserve account within equity. On the disposal of a foreign operation, the exchange translation differences relating to that foreign operation are recognised in the income statement as part of the gain or loss on disposal.

**(x) 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.

**(y) 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 and unutilised tax losses to the extent that it is probable that taxable profit will be available in future against which the deductible temporary different and tax losses 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 different period, directly to equity.

**1. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(z) 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.

**(aa) 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.

*(i) Financial instruments recognised in the balance sheet*

The Group's financial instruments which are recognised in the balance sheet comprise cash and cash equivalents, other investments, receivables, payables, bank borrowings, hire purchase liabilities and ordinary shares.

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, where applicable.

*(ii) Financial instruments not recognised in the balance sheet*

The Company has provided corporate guarantees to a bank for credit facilities granted to a subsidiary company which represent present obligations existing at the balance sheet date. The corporate guarantees are not recognised in the financial statements at inception because it is not probable that an outflow of economic benefits will be required to settle the obligations.

**(ab) Segment reporting**

Segment revenue, expense, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and a relevant portion that can be allocated on a reasonable basis to the segment.

Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

**(ac) Disclosure of fair value**

*Cash and cash equivalents, trade and other receivables, trade and other payables, short term investments and short term borrowings*

The carrying amounts of these financial instruments approximate fair values because of their short maturities.

*Long term investments*

The fair value of quoted investments is estimated based on quoted market price.

For unquoted investments, a reasonable estimate of fair value is not practical due to the lack of comparable quoted market prices and available market data for valuation. Therefore, such investments are valued at cost subject to review for diminution in value.

**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.

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

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.

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.

### *Interest rate risk*

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.

### *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 and Hong Kong. Gains and losses on foreign currency exposure are taken to reserves.

### *Market risk*

The Group and the Company's investment portfolio is generally exposed to fluctuation in market prices. The risk is managed via setting diversification requirement and investment limits of each investee groups, which is in accordance to BNM guidelines or admitted assets. Risk and return are constantly monitored and reviewed by the investment Committee.

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

### 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. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Buildings	Computers	Office equipment, furniture and fittings	Motor vehicles	Renovations	Total
2007	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>							
At 1.1.2007	7,417	15,490	9,959	5,004	2,328	2,414	42,612
Additions	-	-	423	146	475	118	1,162
Disposals	-	-	-	(8)	-	-	(8)
Write-offs	-	-	(317)	(440)	(120)	(505)	(1,382)
Foreign exchange adjustments	-	253	(51)	47	56	(13)	292
At 31.12.2007	7,417	15,743	10,014	4,749	2,739	2,014	42,676
<b>Accumulated depreciation</b>							
At 1.1.2007	-	1,990	8,396	3,291	1,367	2,028	17,072
Charge for the year	-	290	1,056	428	477	161	2,412
Disposals	-	-	-	(8)	-	-	(8)
Write-offs	-	-	(317)	(440)	(120)	(505)	(1,382)
Foreign exchange adjustments	-	76	(51)	(15)	33	(35)	8
At 31.12.2007	-	2,356	9,084	3,256	1,757	1,649	18,102
Net book value At 31.12.2007	7,417	13,387	930	1,493	982	365	24,574

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
<b>Cost</b>							
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

**3. PROPERTY, PLANT AND EQUIPMENT** (cont'd)

Group	Freehold land RM'000	Buildings RM'000	Computers RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
<b>2006</b>							
<b>Accumulated depreciation</b>							
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
<b>Company</b>							
<b>2007</b>			Computers RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
<b>Cost</b>							
At 1.1.2007			177	221	193	365	956
Additions			9	2	309	-	320
At 31.12.2007			186	223	502	365	1,276
<b>Accumulated depreciation</b>							
At 1.1.2007			172	179	191	319	861
Charge for the year			6	21	62	37	126
At 31.12.2007			178	200	253	356	987
Net book value At 31.12.2007			8	23	249	9	289

(cont'd)

**3. PROPERTY, PLANT AND EQUIPMENT** (cont'd)

Company	<b>Office equipment, furniture and fittings</b>					<b>Motor vehicles</b>	<b>Renovations</b>	<b>Total</b>
2006	<b>Computers</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>								
At 1.1.2006	176	221	190	365	952			
Additions	1	-	3	-	4			
At 31.12.2006	177	221	193	365	956			
<b>Accumulated depreciation</b>								
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			

**4. INVESTMENT PROPERTY**

	<b>2007</b>	<b>Group</b>
	<b>RM'000</b>	<b>2006</b>
		<b>RM'000</b>
<b>Freehold land and building, at cost</b>		
At 1st January/31st December	23,645	23,645
<b>Accumulated depreciation</b>		
At 1st January	1,902	1,585
Charge for the year	317	317
At 31st December	2,219	1,902
Net book value	21,426	21,743

The directors' estimate the fair value of the investment property as at 31st December 2007 is RM28,000,000 (2006 : RM23,800,000). The fair value is arrived by reference to market evidence of transaction prices of similar properties and is performed by a registered independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

**5. INTANGIBLE ASSETS**

<b>Computer software</b>	<b>Group</b>	
	<b>2007 RM'000</b>	<b>2006 RM'000</b>
Cost		
At 1st January	7,337	6,238
Additions	-	1,099
At 31st December	7,337	7,337
Accumulated amortisation		
At 1st January	4,791	3,549
Charge for the year	1,241	1,242
At 31st December	6,032	4,791
Net book value	1,305	2,546

**6. INVESTMENT IN SUBSIDIARY COMPANIES**

	<b>Company</b>	
	<b>2007 RM'000</b>	<b>2006 RM'000</b>
Unquoted shares, at cost	107,236	107,236

**The subsidiary companies are:**

	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Equity interest</b>	
			<b>2007 %</b>	<b>2006 %</b>
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
* Jerneh Asia Reinsurance Limited ("JAR")	Labuan Malaysia	Offshore reinsurance	100	100

(cont'd)

**6. INVESTMENT IN SUBSIDIARY COMPANIES** (cont'd)

	Country of incorporation	Principal activities	Equity interest	
			2007 %	2006 %
+ Jerneh Investment (HK) Limited ("JIHK") <i>(formerly known as Jerneh Insurance (HK) Limited)</i>	Hong Kong	Trading of marketable securities	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

**7. INVESTMENT IN ASSOCIATED COMPANIES**

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted shares, at cost	121,105	77,470	121,105	77,470
Share of post-acquisition losses	(56,489)	(37,477)	-	-
Effect of exchange rate changes	12,724	7,312	-	-
	77,340	47,305	121,105	77,470

The associated companies are:

	Country of incorporation	Principal activities	Equity interest	
			2007 %	2006 %
Generali Asia N.V.	Netherlands	Investment holding	40	40
HSBC Amanah Takaful (M) Sdn Bhd	Malaysia	Managing of family takaful and general takaful businesses	31	31
Areca Capital Sdn Bhd	Malaysia	Fund managers	30	-

The financial year end of all associated companies is 31st December except for Areca Capital Sdn Bhd, which end on 30th April.

For the purpose of applying the equity method of accounting, audited financial statements made up to the end of the financial year have been used except for Areca Capital Sdn Bhd where management financial statements made up to 31st December, have been used.

**7. INVESTMENT IN ASSOCIATED COMPANIES** (cont'd)

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

	Country of incorporation	Principal activities	Equity interest	
			2007 %	2006 %
PT Asuransi Jiwa Arta Mandiri Prima	Indonesia	Underwriting of life insurance business	80	-
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
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

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

	2007 RM'000	2006 RM'000
<b>Assets and liabilities</b>		
Total assets	410,881	285,435
Total liabilities	257,124	175,927
<b>Results</b>		
Revenue	116,197	37,962
Loss for the year	(19,012)	(12,254)

**8. 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 totaling RM63.83 million (2006: RM60.08 million) which bear interest at 0.5% (2006: 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 range between 4.54% and 4.65% (2006: 4.55%) per annum.

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

	Company	
	2007 RM'000	2006 RM'000
- RM	64,755	67,344
- United States Dollar	6,635	3,560
- Hong Kong Dollar	10	3,366
- Philippine Peso	965	1,990
	72,365	76,260

## 9. AMOUNT OWING BY ASSOCIATED COMPANY

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

## 10. OTHER INVESTMENTS

	Group			
	2007		2006	
	Carrying Value RM'000	Market Value RM'000	Carrying Value RM'000	Market Value RM'000
Quoted investments				
Malaysian government securities, at cost	21,119		28,767	
Amortisation of premiums	(1,414)		(1,816)	
	19,705	19,773	26,951	27,170
Shares in corporations quoted in Malaysia, at cost	100,169		87,199	
Allowance for diminution in value	(106)		-	
	100,063	144,420	87,199	98,112
Unit trust of corporations quoted in Malaysia, at cost	9,793		7,101	
Allowance for diminution in value	-		(20)	
	9,793	12,039	7,081	7,351
Bonds and loan stocks of corporations, at cost				
- quoted in Malaysia	*	113	3,077	5,100
- quoted outside Malaysia	2,366	2,228	2,753	2,720
Amortisation of premiums	-	-	(21)	-
	2,366	2,341	5,809	7,820
Unquoted investments				
Bonds and loan stocks of corporations, at cost				
- In Malaysia	154,875		102,971	
- Outside Malaysia	-		15,078	
Accretion of discounts	2,723		2,773	
	157,598	#	120,822	#

10. OTHER INVESTMENTS (cont'd)

	Group			
	2007		2006	
	Carrying Value RM'000	Market Value RM'000	Carrying Value RM'000	Market Value RM'000
Unquoted shares, at cost	626		605	
Allowance for diminution in value of investment	(134)		(129)	
	492	**	476	**
	290,017		248,338	

\* RM380

\*\* It is not practical to estimate the fair value of the unquoted shares in corporations without incurring excessive costs.

# 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	
	2007 RM'000	2006 RM'000
Unquoted bonds and loan stocks		
- in Malaysia	159,459	109,410
- outside Malaysia	-	14,897

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

	Group	
	2007 %	2006 %
Malaysian government securities	3.9 to 7.6	4.0 to 8.6
Bonds and loan stocks of corporations	3.0 to 8.4	2.0 to 8.4

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

	Group	
	2007 RM'000	2006 RM'000
Malaysian government securities		
- within 1 year	10,385	7,019
- within 2 to 5 years	9,320	19,932
	19,705	26,951
Bonds and loan stocks of corporations		
- within 1 year	30,370	35,108
- within 2 to 5 years	53,502	67,397
- after 5 years	76,092	24,126
	159,964	126,631

(cont'd)

## 10. OTHER INVESTMENTS (cont'd)

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

	Group	
	2007 RM'000	2006 RM'000
- RM	280,817	230,022
- United States Dollar	5,585	15,101
- Hong Kong Dollar	640	373
- Philippine Peso	72	2,786
- Australia Dollar	2,903	56
	290,017	248,338

## 11. DEFERRED TAX ASSETS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At beginning of the year	4,291	5,014	-	-
(Reversal)/Originating during the year	(875)	(729)	228	-
Foreign exchange adjustments	77	6	-	-
At end of the year	3,493	4,291	228	-

The Group and the Company have recognised deferred tax assets arising from deductible temporary differences 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 deferred tax assets on temporary differences recognised in the financial statements are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Provision for retirement benefits	152	75	-	-
Allowance for doubtful debts	4,734	4,258	-	-
Accruals for bonus	1,295	708	95	-
Unabsorbed capital allowances	660	406	-	-
Accumulated amortisation of premiums	368	804	-	-
Diminution in value of investments	530	13	-	-
Excess of accumulated depreciation over capital allowance on property, plant and equipment	588	-	-	-
Excess of capital allowance over accumulated depreciation on property, plant and equipment	(538)	(1,005)	(7)	-
Accumulated accretion of discounts	(1,362)	(612)	-	-
Unrealised foreign exchange losses	147	6	88	-
Lease rental receivable	(1,193)	(174)	-	-
Dividend receivable	(36)	(177)	-	-
Other temporary differences	(1,852)	(11)	52	-
Net deferred tax assets	3,493	4,291	228	-

**11. DEFERRED TAX ASSETS** (cont'd)

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	
	2007 RM'000	2006 RM'000
Unabsorbed tax losses	9,502	2,312
Unabsorbed capital allowances	256	-
Accrual for bonus	-	95
Other temporary differences	-	49
	9,758	2,456

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.

**12. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Outstanding premium including insureds, agents, brokers and co-insurer balances	62,416	44,149	-	-
Amount due from reinsurers and ceding companies	11,501	17,129	-	-
	73,917	61,278	-	-
Allowance for doubtful debts	(11,496)	(10,266)	-	-
	62,421	51,012	-	-
Loans and advances	110,105	79,651	-	-
Allowance for doubtful debts	(4,462)	(4,128)	-	-
	168,064	126,535	-	-
Brokerage fees receivable	1,290	792	-	-
	169,354	127,327	-	-
Trade receivables	22	131	-	-
Other receivables	9,335	8,152	-	43
Allowance for doubtful debts	(1,784)	(1,497)	-	-
	176,927	134,113	-	43
Interest receivable	2,603	2,409	41	-
Prepayments and deposits	1,573	2,189	78	64
	181,103	138,711	119	107

## 12. TRADE AND OTHER RECEIVABLES (cont'd)

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
- RM	187,259	136,669	119	107
- United States Dollar	3,774	8,486	-	-
- Hong Kong Dollar	1,421	3,593	-	-
- Philippine Peso	5,486	4,928	-	-
- Singapore Dollar	734	650	-	-
- Brunei Dollar	73	111	-	-
- Thai Baht	98	132	-	-
- Japanese Yen	-	11	-	-
- Indonesian Rupee	-	2	-	-
- EURO	-	18	-	-
- Nigeria Naira	-	2	-	-
	198,845	154,602	119	107

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 3.00% to 6.50% (2006 : 3.15% to 11.25%) per annum.

## 13. MARKETABLE SECURITIES

	Group	
	2007 RM'000	2006 RM'000
Securities quoted in Malaysia		
- at cost	6,222	2,967
- at market value	1,416	565
Securities quoted outside Malaysia, at market value	10,528	3,710
	18,166	7,242
Market value of securities quoted in Malaysia	8,912	4,818

The currency exposure profile of marketable securities is as follows:

	Group	
	2007 RM'000	2006 RM'000
- RM	7,638	3,532
- Hong Kong Dollar	6,363	2,392
- Singapore Dollar	4,165	1,318
	18,166	7,242

#### 14. DEPOSITS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fixed and call deposits with				
- licensed financial institutions in Malaysia	273,788	215,903	57,671	2,185
- licensed banks outside Malaysia	18,362	42,601	-	-
	292,150	258,504	57,671	2,185

Deposits with licensed banks outside Malaysia totaling RM641,600 (2006 : RM576,000) have been pledged to secure bank term loan referred to note 21.

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
- RM	251,951	206,510	57,671	2,185
- United States Dollar	16,027	20,448	-	-
- Hong Kong Dollar	17,917	26,764	-	-
- Philippine Peso	5,794	4,327	-	-
- Singapore Dollar	461	455	-	-
	292,150	258,504	57,671	2,185

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

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Fixed and call deposits with				
- licensed financial institutions in Malaysia	2.0 to 4.7	2.7 to 5.0	3.3 to 3.4	3.3
- licensed banks outside Malaysia	1.8 to 7.0	1.8 to 7.0	-	-

All the deposits have maturities of 12 months or less.

#### 15. CASH AND BANK BALANCES

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
- RM	19,418	11,050	1,543	468
- United States Dollar	6,514	11,165	-	-
- Hong Kong Dollar	1,928	2,682	-	-
- Philippine Peso	1,516	1,982	-	-
- Singapore Dollar	12	9	-	-
- Japanese Yen	4,722	4,758	-	-
- Australian Dollar	375	192	-	-
	34,485	31,838	1,543	468

## 16. SHARE CAPITAL

	2007		2006	
	No. of shares '000	RM'000	No. of shares '000	RM'000
Authorised:				
Ordinary shares of RM1 each	500,000	500,000	500,000	500,000
Issued and fully paid:				
Ordinary shares of RM1 each				
At beginning of the year	109,274	109,274	108,802	108,802
Shares issued pursuant to ESOS	1,292	1,292	472	472
Shares issued pursuant to Special Issue	3,815	3,815	-	-
Shares issued pursuant to Rights Issue	66,340	66,340	-	-
At end of the year	180,721	180,721	109,274	109,274

During the financial year, the Company increased its issued and paid-up share capital from RM109,274,003 to RM180,720,605 through the following:

- (a) Issue of 1,292,000 new ordinary shares of RM1.00 each arising from the exercise of option granted under the Company's Employees' Shares Option Scheme ("ESOS") at a weighted average price of RM1.89 per ordinary share;
- (b) Issue of 3,815,000 new ordinary shares of RM1.00 each pursuant to a Special Issue of shares to identified Bumiputera investors, at an issue price of RM1.60 per ordinary share; and
- (c) Rights Issue of 66,339,602 new ordinary shares ("Rights Shares") of RM1.00 each at an issue price of RM1.60 per Rights Share on the basis of 3 Rights Shares for every 5 existing shares held, together with 66,339,602 free detachable warrants ("Warrants") on the basis of 1 free Warrant for every 1 Rights Share subscribed.

### Employees' Share Option Scheme ("ESOS")

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.
- (c) The price at which the option holder is entitled to subscribe for a new share under an option shall be the higher of:
  - (i) the weighted average market price of the shares as shown in the Daily Official List issued by 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
  - (ii) the par value of the shares.

**16. SHARE CAPITAL** (cont'd)

**Employees' Share Option Scheme ("ESOS")** (cont'd)

- (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 31.12.2007			No. of unissued shares of RM 1 each under ESOS				
Date option granted	Date of expiry	Exercise price RM	At 1.1.2007	Granted	Lapsed	Exercised	At 31.12.2007
31.1.2002	14.1.2007	1.90	1,541,000	-	898,000	643,000	-
1.7.2002	14.1.2007	1.94	118,000	-	58,000	60,000	-
3.3.2003	14.1.2007	1.80	61,000	-	43,000	18,000	-
28.7.2003	14.1.2007	1.94	65,000	-	65,000	-	-
10.1.2006	14.1.2007	1.87	1,598,000	-	1,027,000	571,000	-
			3,383,000	-	2,091,000	1,292,000	-

Year ended 31.12.2006			No. of unissued shares of RM1 each under ESOS				
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

**16. SHARE CAPITAL** (cont'd)

**Employees' Share Option Scheme ("ESOS")** (cont'd)

Details of ESOS exercised during the year are as follows:

Exercise date	Fair value of shares at share issue date RM/Share	Exercise Price RM/Share	Number of shares issued	
			2007 '000	2006 '000
1st January 2006 - 30th June 2006	2.17 - 2.35	1.80	-	3
1st January 2006 - 30th June 2006	2.17 - 2.35	1.90	-	134
1st January 2006 - 30th June 2006	2.16 - 2.17	1.94	-	5
1st January 2006 - 30th June 2006	2.02 - 2.05	1.87	-	330
1st July 2006 - 30th December 2006	2.10 - 2.20	1.90	-	-
1st January 2007 - 14th January 2007	2.12 - 2.13	1.80	18	-
1st January 2007 - 14th January 2007	2.12 - 2.13	1.90	3	-
1st January 2007 - 14th January 2007	2.33 - 2.38	1.87	173	-
1st January 2007 - 14th January 2007	2.33 - 2.38	1.90	57	-
1st January 2007 - 14th January 2007	2.29 - 2.30	1.87	398	-
1st January 2007 - 14th January 2007	2.29 - 2.30	1.90	583	-
1st January 2007 - 14th January 2007	2.29 - 2.30	1.94	60	-
			1,292	472

(i) **ESOS exercised during the year**

ESOS exercised during the financial year resulted in the issuance of 1,292,000 (2006 : 472,000) new ordinary shares at an average price of RM1.89 (2006 : RM1.88) each. The related weighted average share price at the dates of exercise was RM2.30 (2006: RM2.10).

(ii) **Fair value of ESOS**

There were no ESOS granted during the year. The fair value of ESOS granted in 2006 was RM0.2326 each. The fair value was estimated at grant date 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

**Warrants 2007/2012**

As at 31st December 2007, the entire 66,339,602 Warrants issued during the year remained unexercised. The salient terms of the Warrants 2007/2012 are as follows:-

- The Warrants are constituted by a Deed Poll executed on 11th April 2007.
- The Warrants are traded separately.
- The Warrants can be exercised any time during the tenure of 5 years commencing from the date of issue 27th July 2007 to 26th July 2012 ("Exercise Period"). Warrants not exercised during the Exercise Period will lapse and cease to be valid.
- Each Warrant entitles the registered holder to subscribe for one new ordinary share ("Shares") in the Company.

**16. SHARE CAPITAL** (cont'd)

**Warrants 2007/2012** (cont'd)

- (e) RM1.60 is payable in respect of each new Share upon exercise of the Warrants ("the Exercise Price"). The Exercise Price and the number of outstanding Warrants shall be subjected to the adjustments in accordance with the terms and provisions of the Deed Poll during the Exercise Period.
- (f) Subject to the provisions in the Deed Poll, the Exercise Price and the number of Warrants held by each Warrant holder shall be adjusted by the Directors in consultation with the adviser, in the event of alteration to the share capital of the Company.
- (g) Subject to the provisions in the Deed Poll, the Company is free to issue shares to shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as the Company sees fit but the Warrant holders will not have any participating rights in such issues unless otherwise resolved by the Company in general meeting.

**17. RETAINED PROFITS**

Subject to agreement with the Inland Revenue Board and the prevailing tax rate applicable to dividends, the Company has sufficient tax credits available to frank the entire unappropriated profit of the Company.

**18. PROVISION FOR OUTSTANDING CLAIMS**

	<b>2007</b> <b>RM'000</b>	<b>Group</b> <b>2006</b> <b>RM'000</b>
Provision for outstanding claims	301,459	341,477
Recoverable from reinsurers	(97,660)	(127,091)
<b>Net outstanding claims</b>	<b>203,799</b>	<b>214,386</b>

Movement of claims is analysed as follows:

	<b>2007</b> <b>RM'000</b>	<b>Group</b> <b>2006</b> <b>RM'000</b>
Gross claims paid less salvage	133,674	168,166
Reinsurance recoveries	(40,792)	(68,446)
<b>Net claims paid</b>	<b>92,882</b>	<b>99,720</b>
<b>Net outstanding claims:</b>		
At end of the year	203,799	214,386
Transfer of insurance business portfolio (note 34)	14,559	-
At beginning of the year	(214,386)	(188,583)
Foreign exchange adjustments	(61)	2,126
<b>Insurance claims incurred</b>	<b>96,793</b>	<b>127,649</b>

## 19. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Amounts due to insureds, agents, brokers and co-insurers	22,331	13,792	-	-
Amounts due to reinsurers and ceding companies	42,607	41,402	-	-
Other payables	32,816	18,777	1,222	1,085
Accruals	1,740	4,751	897	620
	99,494	78,722	2,119	1,705

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
- RM	90,554	68,187	2,119	1,705
- United States Dollar	3,124	4,415	-	-
- Hong Kong Dollar	1,489	2,278	-	-
- Philippine Peso	4,193	3,638	-	-
- Singapore Dollar	129	154	-	-
- Thai Baht	3	3	-	-
- Indian Rupee	2	9	-	-
- Danish Kroner	-	14	-	-
- EURO	-	15	-	-
- Britain Pound	-	7	-	-
- Indonesian Rupee	-	2	-	-
	99,494	78,722	2,119	1,705

## 20. UNEARNED PREMIUM RESERVES

	Group	
	2007 RM'000	2006 RM'000
At beginning of the year	82,130	93,696
Increase/(Decrease) for the year	13,239	(10,856)
Transfer of insurance business portfolio ( <i>note 34</i> )	(3,962)	-
	91,407	82,840
Foreign exchange adjustments	(4)	(710)
At end of the year	91,403	82,130

## 21. BANK BORROWINGS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Term loan - secured	642	576	-	-
Revolving credits - unsecured	84,400	108,000	30,000	76,000
	85,042	108,576	30,000	76,000

The term loan bears interest at 9.135% (2006: 9.135%) per annum and are denominated in Philippine Peso.

The revolving credits, which are denominated in RM, bear interest at 0.5% (2006: 0.5%) per annum above the cost of funds of a lending bank. The effective interest rates ranges between 4.56% and 4.57% (2006 : 4.55%) per annum.

## 22. DEFERRED TAX LIABILITIES

	Group and Company	
	2007 RM'000	2006 RM'000
At beginning of the year	2,077	1,495
(Reversal)/Originating during the year	(2,077)	582
At end of the year	-	2,077

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

	Group and Company	
	2007 RM'000	2006 RM'000
Unabsorbed capital allowances	-	(8)
Accruals for bonus	-	(15)
Excess of capital allowance claimed over accumulated depreciation on property, plant and equipment	-	17
Dividend receivable	-	2,160
Other temporary difference	-	(77)
Net deferred tax liabilities	-	2,077

### 23. OPERATING REVENUE

	Group	
	2007 RM'000	2006 RM'000
Gross written premium less returns	310,418	296,859
Reinsurance outwards	(140,677)	(127,370)
Changes in unearned premium reserves ( <i>note 20</i> )	(13,239)	10,856
	156,502	180,345
Brokerage fee income	9,485	7,456
Proceeds from sale of marketable securities held for trading	20,455	9,467
Security service income	89	121
Interest income from		
- fixed and call deposits	6,271	4,533
- Malaysian government securities	1,295	1,574
- unquoted bond and loan stocks	5,139	4,126
- loan and advances	7,617	4,891
Gross dividend income from		
- shares quoted in Malaysia	5,920	4,231
- unit trust quoted in Malaysia	460	117
Income from investment property		
- rental income	1,830	1,679
- parking income	207	222
Accretion of discounts on other investments	1,288	1,398
	216,558	220,160

### 24. OPERATING COSTS APPLICABLE TO OPERATING REVENUE

	Group	
	2007 RM'000	2006 RM'000
Insurance claims incurred ( <i>note 18</i> )	96,793	127,649
Net commission expense	4,298	8,605
Cost of marketable securities sold	14,877	8,106
Write (back)/down of marketable securities to net realisable value	(220)	144
Building management expenses	(16)	33
Amortisation of premiums on other investments	633	685
	116,365	145,222

## 25. OTHER OPERATING INCOME

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Income from other investments:				
- gain on disposal	11,234	7,966	-	-
- accretion of discounts	26	48	-	-
- interest income:				
• bonds and loan stocks:				
- quoted outside Malaysia	486	352	-	-
- unquoted in Malaysia	-	103	-	-
• fixed deposits	832	2,545	-	-
• treaty premium reserve withheld	158	158	-	-
- gross dividend income from quoted shares outside Malaysia	5	180	-	-
Service fee income	-	149	-	-
Management fee income	-	-	70	63
Allowance for doubtful debts written back	57	-	-	-
Bad debts recovered	3	1,258	-	-
Gain on disposal of property, plant and equipment	1	50	-	-
Gain on foreign exchange				
- realised	351	106	-	-
- unrealised	591	11	-	-
Write back of marketable securities to net realisable value	-	539	-	-
Commission income	437	1,053	-	-
Others	547	679	-	-
	14,728	15,197	70	63

## 26. OPERATING EXPENSES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Marketing costs	17,217	15,857	-	-
Administrative and general expenses	39,489	37,847	2,902	2,794
Loss on sale of other investments	-	6	-	-
Realised loss on foreign exchange	553	597	-	-
Unrealised loss on foreign exchange	1,483	-	424	286
Interest payable on bond policies	30	62	-	-
Allowance for diminution in value of other investment	2,146	-	-	-
	60,918	54,369	3,326	3,080

**26. OPERATING EXPENSES** (cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other operating expenses include:				
Employee benefits expense (excluding Directors' remunerations)				
- salaries, bonuses and allowances	27,968	25,653	1,062	910
- defined contribution plan	3,556	3,106	140	104
- fair value of ESOS	33	408	33	31
Auditors' remuneration				
- current year	253	323	35	30
- under/(over)estimated in prior year	15	(5)	4	-
Depreciation	2,729	2,787	126	71
Direct operating expenses of revenue generating from investment property	1,332	1,230	-	-
Property, plant and equipment written off	-	7	-	-
Amortisation of intangible assets	1,241	1,242	-	-
Directors' remuneration * (note 27)	2,923	1,796	1,407	1,167
Hire of equipment	554	615	-	-
Loss on disposal of property, plant and equipment	-	3	-	-
Allowance for doubtful debts	1,908	466	-	-
Bad debts written off	343	947	-	-
Rental of premises	1,383	1,496	203	203

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

**27. DIRECTORS' REMUNERATION**

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors of the Company				
- fees	362	322	192	192
- other emoluments	1,215	975	1,215	975
	1,577	1,297	1,407	1,167
- benefit-in-kind	13	27	13	27
	1,590	1,324	1,420	1,194
Director of the subsidiary companies				
- fees	25	25	-	-
- other emoluments	1,321	474	-	-
	1,346	499	-	-
- benefit-in-kind	7	-	-	-
	1,353	499	-	-
	2,943	1,823	1,420	1,194

**27. DIRECTORS' REMUNERATION** (cont'd)

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 16). Details as follows:

Date of option granted	Date of expiry	Exercise price RM	No. of unissued shares of RM1 each under ESOS				At 31.12.2007
			At 1.1.2007	Granted	Exercised	Lapsed	
31.1.2002	14.1.2007	1.90	65,000	-	65,000	-	-

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

**28. INVESTMENT INCOME (NET)**

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Gross dividends from				
- subsidiary companies	-	-	17,485	16,058
- shares quoted in Malaysia	2,402	1,318	-	-
- unquoted shares	99	116	-	-
- unit trust	71	46	-	-
Interest income from				
- advances to subsidiary companies	-	-	2,832	2,739
- fixed deposits	3,431	2,742	839	158
- unquoted bonds and loan stocks in Malaysia	150	160	-	-
Amortisation of premiums on other investments	(7)	(7)	-	-
Gain on sale of other investments	9,387	3,076	-	-
Allowance for diminution in value of other investments	-	(4)	-	-
Write-back of provision for diminution in value of other investments	48	1,921	-	-
	15,581	9,368	21,156	18,955

**29. TAX EXPENSE**

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Malaysian taxation based on the results for the year				
- current	20,890	11,094	5,472	1,158
- deferred	(3,953)	1,121	(2,252)	579

**29. TAX EXPENSE** (cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Foreign taxation based on the results for the year				
- current	1,334	988	103	171
- deferred	(113)	144	-	-
	18,158	13,347	3,323	1,908
Under/(Over) estimated in prior years				
- current	(2,811)	487	376	(23)
- deferred	2,864	46	(53)	3
	18,211	13,880	3,646	1,888

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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Accounting profit				
(excluding share of results in associated companies)	64,426	41,796	14,819	13,156
Taxation at applicable tax rates	18,113	11,522	4,001	3,684
Tax effect of:				
- non-deductible expenses	1,606	2,646	653	334
- non-taxable income	(2,402)	(1,165)	(1,427)	(2,256)
- different tax rates in foreign countries	(43)	(152)	-	-
- change in tax rate	80	(25)	(9)	(77)
Origination of deferred tax assets not recognised	701	283	-	-
Foreign tax paid	103	171	103	171
Others	-	67	2	52
(Over)/underprovision in prior year	53	533	323	(20)
Tax at effective rate	18,211	13,880	3,646	1,888

### 30. EARNINGS PER SHARE

#### (i) Basic earnings per share

The basic earnings per share have been calculated based on the consolidated profit for the year of RM19,083,000 (2006 : RM10,918,000) and on 148,088,000 (2006 : 109,112,000) weighted average number of ordinary shares in issue during the year as follows:

	Group	
	2007 '000	2006 '000
Number of ordinary shares at 1st January	109,274	108,802
Effects of shares issued pursuant to		
- ESOS	1,194	310
- Special Issue	2,090	-
- Rights Issue	35,530	-
Weighted average number of ordinary shares	148,088	109,112

#### (ii) Diluted earnings per share

The diluted earnings per share has been calculated based on the consolidated profit of RM19,083,000 (2006 : RM10,918,000) and on the weighted average number of ordinary shares that would had been in issue upon full exercise of remaining 66,399,602 Warrants and adjusted for the shares that would had been issued at fair value calculated as follows:

	Group	
	2007 '000	2006 '000
Weighted average number of ordinary shares as in (i)	148,088	109,112
Number of unissued shares under the ESOS		
- based on exercise price	-	3,628
- based on average fair value	-	(3,354)
Number of unissued shares under Warrants		
- based on exercise price	66,340	-
- based on average fair value	(59,564)	-
Weighted average number of ordinary shares that would have been in issue after exercise of warrants at fair value	154,864	109,386

### 31. DIVIDENDS

	2007 RM'000	2006 RM'000
<i>In respect of the year ended 31st December 2005</i>		
Additional dividend paid for the issuance of additional shares pursuant to ESOS	-	17
<i>In respect of the year ended 31st December 2006</i>		
Interim dividend of 3% less tax at 27%	-	2,393
Final dividend of 5% less tax at 27%	4,175	-
<i>In respect of the year ended 31st December 2007</i>		
Interim dividend of 3% less tax at 27%	3,958	-
	8,133	2,410

The Directors now recommend a final dividend of 5% less 26% tax amounting to RM6,686,663 (based on the share capital of 180,720,605 as of 31st December 2007) in respect of the year under review.

### 32. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current year's acquisition	1,162	817	320	4
Payment of previous year's acquisitions	593	94	-	-
Unpaid balance included under other payables	(589)	(593)	-	-
Cash paid during the year	1,166	318	320	4

### 33. PURCHASE OF INTANGIBLE ASSETS

	Group	
	2007 RM'000	2006 RM'000
Current year's acquisition	-	1,099
Payment of previous year's acquisitions	381	-
Unpaid balance included under other payables	-	(381)
Cash paid during the year	381	718

#### 34. TRANSFER OF INSURANCE BUSINESS PORTFOLIO

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 involved the assumption by HSBC Insurance of JIHK's insurance liabilities as at 31st December 2006 and the transfer of insurance assets totaling 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.

The analysis of assets and insurance liabilities transferred is as follows:-

	2007 RM'000	2006 RM'000
Trade and other receivables	2,114	-
Provision for outstanding claims	(14,559)	-
Unearned premium reserves	(3,962)	-
Trade and other payables	(952)	-
	(17,359)	-
Assets transferred by cash consideration	(17,359)	-
	-	-

Subsequent to the transfer, further claims reserves of RM5,279,000 were estimated by JIHK and accordingly provided for in the financial statements as an additional provision for claims during the year.

The Directors are of the opinion that the amount of assets transferred and the further provision for claims reserves made to date are sufficient to meet the insurance liabilities assumed by HSBC Insurance.

Notwithstanding the above, the Group is liable for any further shortfall in the assets transferred. It is presently impracticable to estimate the further claims payable, if any.

### 35. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions during the financial year were as follows:

	Transaction value				Balance outstanding			
	Group		Company		Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<i>Transaction with</i>								
<i>a substantial shareholder namely</i>								
<i>Kuok Brothers Sdn Bhd ("KBSB")</i>								
<i>and KBSB's subsidiary and</i>								
<i>associated and major</i>								
<i>invested companies</i>								
Gross premium received and receivable	39,038	26,633	-	-	4,765	3,592	-	-
Secretarial fee paid	42	42	18	18	-	-	-	-
Security fee received and receivable	67	97	-	-	8	6	-	-
<i>Transaction with</i>								
<i>subsidiary companies</i>								
Loan interest received and receivable from								
- JCL	-	-	1,995	1,881	-	-	126	694
- JAC	-	-	837	858	-	-	139	71
Internal audit fee receivable from JIB	-	-	642	423	-	-	642	423
Management fee income received and receivable from								
- JIHK	-	-	39	39	-	-	10	10
- TIBL	-	-	12	12	-	-	-	4
- JAR	-	-	12	12	-	-	1	1
Office rental paid to JIB	-	-	202	202	-	-	-	-

(b) Key management personnel compensation

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<i>Directors</i>				
Fees and other remunerations	1,374	1,134	1,204	1,004
Estimated monetary value of benefits-in-kind	13	27	13	27
Total short-term employee benefits	1,387	1,161	1,217	1,031
Post-employment benefits				
- EPF	170	122	170	122
Fair value of ESOS	33	41	33	41
	1,590	1,324	1,420	1,194

**35. RELATED PARTY TRANSACTIONS** (cont'd)

(b) Key management personnel compensation (cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<i>Other key management personnel</i>				
Salaries, allowances and bonuses	1,809	924	-	-
Estimated monetary value of benefits-in-kind	32	25	-	-
Total short-term employee benefits	1,841	949	-	-
Post-employment benefits - EPF	136	68	-	-
Fair value of ESOS	23	17	-	-
	2,000	1,034	-	-
Total compensation	3,590	2,358	1,420	1,194

Movements in share options granted under the ESOS to key management personnel during the financial year are as follows:

	Group		Company	
	2007 '000	2006 '000	2007 '000	2006 '000
<i>Directors</i>				
At beginning of the year	120	165	120	165
Granted	-	175	-	175
Exercised	(120)	(220)	(120)	(220)
Lapsed	-	-	-	-
At end of the year	-	120	-	120
<i>Other key management personnel</i>				
At beginning of the year	150	150	-	-
Granted	-	-	-	-
Exercised	(75)	-	-	-
Lapsed	(75)	-	-	-
At end of the year	-	150	-	-

### 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 RM13,150,000 (2006 : RM16,045,000) 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:

	2007 RM'000	Group 2006 RM'000
Authorised and contracted for	-	713

#### (ii) Non-cancellable operating lease commitments

	2007 RM'000	Group 2006 RM'000
Future minimum rentals payable,		
not later than 1 year	336	-
later than 1 year but not later than 5 year	459	-
	795	-

### 38. FINANCIAL INSTRUMENTS

#### (a) Credit risk

The Group and the Company does 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.



(cont'd)

**39. SEGMENTAL REPORTING** (cont'd)

2007	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
<b>OTHER INFORMATION</b>							
Segment assets	130,199	11,098	108,501	13,312	100	479	263,689
Investing assets	21,426	-	-	-	-	-	21,426
Associated companies	-	-	-	-	-	77,340	77,340
Tax assets	1,065	800	1,386	-	29	1,155	4,435
Other investments	287,443	72	-	2,502	-	-	290,017
Deposits	220,029	8,382	-	5,521	547	57,671	292,150
Consolidated total assets							949,057
Segment liabilities	386,260	5,182	854	185	96	2,119	394,696
Tax liabilities	4,698	332	25	46	-	-	5,101
Bank borrowings	30,000	642	54,400	-	-	-	85,042
Consolidated total liabilities							484,839
Capital expenditure	597	215	5	22	3	320	1,162
Depreciation	1,910	334	27	15	-	126	2,412



(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
<b>OTHER INFORMATION</b>							
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
<b>Consolidated total assets</b>							<b>821,624</b>
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
<b>Consolidated total liabilities</b>							<b>489,071</b>
Capital expenditure	541	166	106	-	-	4	817
Depreciation	2,095	276	28	-	-	71	2,470

**39. SEGMENTAL REPORTING** (cont'd)

<b>(b) By geographical segment</b>	<b>Revenue RM'000</b>	<b>Carrying amount of segment assets RM'000</b>	<b>Capital expenditure RM'000</b>
<b>2007</b>			
Malaysia	205,925	238,164	925
Hong Kong	4,835	16,910	147
Philippines	5,798	8,615	90
	216,558	263,689	1,162
<b>2006</b>			
Malaysia	200,317	215,640	645
Hong Kong	14,933	13,455	9
Philippines	4,910	8,380	163
	220,160	237,475	817

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

**40. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue on 24th April 2008 by the Board of Directors.

# Statement by Directors

JERNEH ASIA BERHAD 363984-X

Pursuant to Section 169 (15) of the Companies Act, 1965

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In the opinion of the Directors, the financial statements set out on pages 37 to 87 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 2007 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 resolution of the Directors dated 24th April 2008

**DATO' LIM CHEE WAH**  
Director

**TAM CHIEW LIN**  
Director

Kuala Lumpur

# Statutory Declaration

Pursuant to Section 169 (16) of the Companies Act, 1965

I, Tam Chiew Lin, being the Director primarily responsible for the financial management of Jerneh Asia Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 37 to 87 are correct.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at )  
Kuala Lumpur in the Federal Territory )  
this 24th April 2008 ) **TAM CHIEW LIN**

Before me:

**ROBERT LIM HOCK KEE**  
Commissioner for Oaths

Kuala Lumpur

# Shareholdings Statistics

as at 31st March 2008

JERNEH ASIA BERHAD 363984-X

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Authorised Share Capital	-	RM500,000,000
Issued and Fully Paid up Capital	-	RM180,720,605
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	55	1.77	853	0.00
100 - 1,000	297	9.54	239,427	0.13
1,001 - 10,000	2,099	67.40	8,470,445	4.69
10,001 - 100,000	576	18.50	16,128,936	8.93
100,001 to less than 5% of issued shares	83	2.66	49,232,245	27.24
5% and above of issued shares	4	0.13	106,648,699	59.01
	3,114	100.00	180,720,605	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	72,000	0.04	-	-
Tam Chiew Lin	284,700	0.16	-	-
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	96,000	0.05	-	-
Ahmad Riza bin Basir	345,000	0.19	27,956,651	15.47
Anwarudin bin Hj Abdul Rahman	64,000	0.04	-	-
Graham Hecmond Wong	-	-	-	-
Datuk Haron bin Siraj	-	-	-	-

## Shareholdings Statistics as at 31st March 2008

(cont'd)

### IN RELATED CORPORATIONS

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

	<b>No. of Ordinary Shares of RM1.00 each</b>	<b>% of Issued Capital</b>
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
	<b>No. of Ordinary Shares of HKD100 each</b>	<b>% of Issued Capital</b>
Jerneh Investment (HK) Limited <i>(formerly known as Jerneh Insurance (HK) Limited)</i>	500,000	100
	<b>No. of Ordinary Shares of HKD1.00 each</b>	<b>% of Issued Capital</b>
Taishan Insurance Brokers Limited	1,000,000	100
	<b>No. of Ordinary Shares of PHP100 each</b>	<b>% of Issued Capital</b>
KRM Reinsurance Brokers Phils., Inc	480,000	100
Taishan Insurance Brokers Philippines, Inc	480,000	100
	<b>No. of Ordinary Shares of USD1.00 each</b>	<b>% of Issued Capital</b>
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 2008

(cont'd)

JERNEH ASIA BERHAD 363984-X

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## DISTRIBUTION OF WARRANTS

Size of Holdings	No. of Holders	% of Holders	No. of warrants	%
Less than 100	2	0.13	140	0.00
100 - 1,000	368	23.62	307,271	0.46
1,001 - 10,000	928	59.56	3,588,811	5.41
10,001 - 100,000	215	13.80	5,716,663	8.62
100,001 to less than 5% of issued warrants	41	2.63	16,358,455	24.66
5% and above of issued warrants	4	0.26	40,368,262	60.85
	1,558	100.00	66,339,602	100.00

## DIRECTORS' INTERESTS IN WARRANTS

In the Company	Direct Interest		Deemed Interest	
	No. of Warrants	%	No. of Warrants	%
Dato' Lim Chee Wah	27,000	0.04	-	-
Tam Chiew Lin	109,700	0.17	-	-
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	36,000	0.05	-	-
Ahmad Riza bin Basir	-	-	10,483,744	15.80
Anwarudin bin Hj Abdul Rahman	24,000	0.04	-	-
Graham Hecmond Wong	-	-	-	-
Datuk Haron bin Siraj	-	-	-	-

## 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	66,825,648	36.98	96,000	0.05
BHR Enterprise Sdn Bhd	27,956,651	15.47	-	-
Sable Investment Corporation	12,922,176	7.15	-	-
Ahmad Riza bin Basir	345,000	0.19	27,956,651	15.47
Puan Sri Hamidah bt Abdul Rahman	96,000	0.05	27,956,651	15.47
Roshayati bt Basir	-	-	27,956,651	15.47
Rosilawati bt Basir	-	-	27,956,651	15.47
Rozanazetti bt Basir	-	-	27,956,651	15.47
Frank Tsao Wen King	-	-	12,922,176	7.15

# Shareholdings Statistics

## as at 31st March 2008

(cont'd)

### THE THIRTY LARGEST SHAREHOLDERS (As per Record of Depositors)

Name of Shareholders	No. of Shares	% of Issued Capital
1. Kuok Brothers Sdn Berhad	66,825,648	36.98
2. BHR Enterprise Sdn Bhd	15,156,651	8.39
3. HDM Nominees (Asing) Sdn Bhd <i>Exempt AN for UOB Kay Hian (Hong Kong) Limited</i>	12,866,400	7.12
4. CIMB Group Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for BHR Enterprise Sdn Bhd</i>	11,800,000	6.53
5. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>PHEIM Asset Management Sdn Bhd for Employees Provident Fund Board</i>	6,100,360	3.38
6. Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Dato' Seri Ismail Farouk bin Abdullah</i>	5,854,000	3.24
7. Ophir Holdings Berhad	5,574,600	3.08
8. Citigroup Nominees (Asing) Sdn Bhd <i>CB LDN for The Miller Insurance Group Limited</i>	4,075,680	2.26
9. Key Development Sdn Berhad	1,746,880	0.97
10. Gan Teng Siew Realty Sdn Berhad	1,289,760	0.71
11. HSBC Nominees (Asing) Sdn Bhd <i>TNTC for Utopia Core Fund</i>	1,176,260	0.65
12. TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Oh Kim Sun</i>	1,019,700	0.56
13. CIMB Group Nominees (Tempatan) Sdn Bhd <i>Scheinorthopaedics Sdn Bhd for BHR Enterprise Sdn Bhd</i>	1,000,000	0.55
14. Dalex Investments Limited	886,400	0.49
15. Chinchoo Investment Sdn Berhad	803,200	0.44
16. HDM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Oh Kim Sun</i>	753,000	0.42
17. Gan Teng Siew Realty Sdn Berhad	718,400	0.40
18. Lim Tean Kau	718,000	0.40
19. Adora Holdings Sdn Bhd	697,230	0.39
20. HSBC Nominees (Asing) Sdn Bhd <i>TNTC for Utopia Growth Fund</i>	696,100	0.39
21. HSBC Nominees (Asing) Sdn Bhd <i>TNTC for Utopia Core Conservative Fund</i>	694,200	0.38
22. JF Apex Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teo Kwee Hock</i>	649,400	0.36
23. BHLB Trustee Berhad <i>For Pacific Recovery Fund</i>	577,120	0.32
24. Sai Yee @ Sia Say Yee	549,700	0.30

## Shareholdings Statistics as at 31st March 2008

JERNEH ASIA BERHAD 363984-X

(cont'd)

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

Name of Shareholders	No. of Shares	% of Issued Capital
25. Quarry Lane Sdn Bhd	508,800	0.28
26. UOBM Nominees (Tempatan) Sdn Bhd <i>Exempt AN for Areca Capital Sdn Bhd</i>	500,000	0.28
27. Tan Siow Koon @ Tan Yew Jin	472,000	0.26
28. Mikdavid Sdn Bhd	462,400	0.26
29. Neoh Choo Ee & Company, Sdn Berhad	440,000	0.24
30. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for DFA Emerging Markets Fund</i>	425,120	0.24
	145,037,009	80.25

### THE THIRTY LARGEST WARRANT HOLDERS (As per Record of Depositors)

Name of Warrant holders	No. of Warrants	%
1. Kuok Brothers Sdn Berhad	25,059,618	37.77
2. BHR Enterprise Sdn Bhd	5,683,744	8.57
3. HDM Nominees (Asing) Sdn Bhd <i>Exempt AN for UOB Kay Hian (Hong Kong) Limited</i>	4,824,900	7.27
4. CIMB Group Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for BHR Enterprise Sdn Bhd</i>	4,800,000	7.24
5. Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Dato' Seri Ismail Farouk bin Abdullah</i>	2,274,000	3.43
6. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>PHEIM Asset Management Sdn Bhd for Employees Provident Fund Board</i>	2,093,760	3.16
7. Ophir Holdings Berhad	2,090,475	3.15
8. RHB Nominees (Tempatan) Sdn Bhd <i>RHB Investment Management Sdn Bhd for Ng Siong Ket</i>	715,400	1.08
9. Key Development Sdn Berhad	655,080	0.99
10. HLG Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yap Swee Hang</i>	537,200	0.81

## Shareholdings Statistics as at 31st March 2008

(cont'd)

### THE THIRTY LARGEST WARRANT HOLDERS (As per Record of Depositors) (cont'd)

Name of Warrant holders	No. of Warrants	%
11. Ho Kah Heng	536,000	0.81
12. Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Siong Ket</i>	496,200	0.75
13. Gan Teng Siew Realty Sdn Berhad	483,660	0.73
14. Twin Ritz Sdn Bhd	390,000	0.59
15. HLG Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teo Ah Seng</i>	384,600	0.58
16. TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Oh Kim Sun</i>	380,000	0.57
17. Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yong Nyen Yin</i>	338,000	0.51
18. HDM Nominees (Asing) Sdn Bhd <i>UOB Kay Hian (Hong Kong) Limited for Dalex Investments Limited</i>	332,400	0.50
19. Chinchoo Investment Sdn Berhad	301,200	0.45
20. Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for I-Wen Morsingh</i>	297,100	0.45
21. Gan Teng Siew Realty Sdn Berhad	269,400	0.41
22. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lu Yap Yang</i>	251,700	0.38
23. Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Yap Swee Hang</i>	250,400	0.38
24. JF Apex Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teo Kwee Hock</i>	223,400	0.34
25. Quarry Lane Sdn Bhd	190,800	0.29
26. Tan Siow Koon @ Tan Yew Jin	177,000	0.27
27. Mikdavid Sdn Bhd	173,400	0.26
28. Esteem Channel Sdn Bhd	165,700	0.25
29. Neoh Choo Ee & Company, Sdn Berhad	165,000	0.25
30. Leong Kok Tai	162,120	0.24
	54,702,257	82.46

# List of Properties

as at 31st March 2008

JERNEH ASIA BERHAD 363984-X

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Registered Owner	Description/ Location	Tenure	Approximate Building Age (Years)	Approximate Land Area (Sq. Metres)	Net Book Value at 31st December 2007 (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	21	184.69	337,843	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	18	153.29	168,587	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	20	1,632	38,259,911	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	35	522.00	1,442,257	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 12th Annual General Meeting of the Company, to be held on Tuesday, 27th May 2008 at 9.30 a.m. and at any adjournment thereof, as indicated below:

	FOR	AGAINST
<b>Resolution 1</b> To adopt the Directors' Report and Accounts		
<b>Resolution 2</b> To approve the payment of a Final Dividend		
<b>Resolution 3</b> To approve the payment of Directors' Fees		
<b>Resolution 4</b> To re-elect Dato' Lim Chee Wah as Director		
<b>Resolution 5</b> To re-elect Mr Graham Hecmond Wong as Director		
<b>Resolution 6</b> To re-appoint Moores Rowland as Auditors		
<b>Resolution 7</b> To authorise the Directors to issue and allot shares		
<b>Resolution 8</b> To approve the proposed amendments to the Articles of Association		

(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 ..... 2008

\_\_\_\_\_  
Signature

**NOTES :**

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

please fold here

affix  
stamp

The Company Secretary

**JERNEH ASIA BERHAD** (363984-X)

18th Floor, Wisma Jerneh

38 Jalan Sultan Ismail

50250 Kuala Lumpur

please fold here

## CORPORATE DIRECTORY

### JERNEH ASIA BERHAD

16th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : (6)03 2145 0485 Fax : (6)03 2143 2817  
URL : [www.jerneh.com.my](http://www.jerneh.com.my)

Dato' Lim Chee Wah ([lcw@msm.com.my](mailto:lcw@msm.com.my))  
Chairman

Tam Chiew Lin ([cltam@jerneh.com.my](mailto:cltam@jerneh.com.my))  
Managing Director

Teoh Boon Kiaw ([bkteoh@jerneh.com.my](mailto:bkteoh@jerneh.com.my))  
Finance & Corporate Services - Manager

### JERNEH INSURANCE BERHAD

12th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : (6)03 2116 3300 Fax : (6)03 2142 6672  
URL : [www.jerneh.com.my](http://www.jerneh.com.my)

Lim Sun ([slim@jerneh.com.my](mailto:slim@jerneh.com.my))  
Chief Executive Officer

Tan Yoke Leong ([yktan@jerneh.com.my](mailto:yktan@jerneh.com.my))  
Underwriting - AGM

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

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

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

Yeow Toh Siang ([tsyew@jerneh.com.my](mailto:tsyew@jerneh.com.my))  
Investment - Chief Investment Officer

Jessica Teng Mee Nguk ([mnteng@jerneh.com.my](mailto:mnteng@jerneh.com.my))  
Finance - Manager

### JERNEH CREDIT LEASING SDN. BHD.

8th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : (6)03 2141 1646 Fax : (6)03 2144 8425

Andy Au Yin Yun ([yayau@jerneh.com.my](mailto:yayau@jerneh.com.my))  
Director

### JERNEH ASIA REINSURANCE LIMITED

3rd Floor Bangunan Lucas Kong  
UO-185 Jalan Merdeka  
87000 Federal Territory of Labuan, Malaysia  
Tel : (6)087 427 818 Fax : (6)087 426 818

Chin Chee Kee  
Resident Director

Jane Justene Loh ([syloh@jerneh.com.my](mailto:syloh@jerneh.com.my))  
Resident Manager

### MINSEC MANAGEMENT SERVICES SDN. BHD.

14th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : (6)03 2148 4715 Fax : (6)03 2143 2817

Irene Lai Soo Mei ([smlai@jerneh.com.my](mailto:smlai@jerneh.com.my))  
Director

### KRM REINSURANCE BROKERS PHILS., INC.

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