



ANNUAL REPORT 2010

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



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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 15TH ANNUAL GENERAL MEETING of the Company will be held at 19th Floor, Wisma Jerneh, 38 Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 28th June 2011 at 9.30 a.m. for the following purposes :-

1. To receive the audited Financial Statements for the financial year ended 31st December 2010 and the Reports of the Directors' & Auditors' thereon. **(Resolution 1)**
2. To approve the payment of Directors' Fees for the financial year ended 31st December 2010. **(Resolution 2)**
3. To re-elect Tam Chiew Lin who retires by rotation in accordance with Article 101 of the Articles of Association of the Company. **(Resolution 3)**
4. To consider and if thought fit, pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965 :-
  - 4.1 **"THAT** pursuant to Section 129(6) of the Companies Act, 1965, Dato' Lim Chee Wah be hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **(Resolution 4)**
  - 4.2 **"THAT** pursuant to Section 129(6) of the Companies Act, 1965, YM Raja Dato' Seri Abdul Aziz bin Raja Salim be hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **(Resolution 5)**
5. To re-appoint Messrs Mazars as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

## AS SPECIAL BUSINESS

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

### 6. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT 1965**

**"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 of the Company."

**(Resolution 7)**

### 7. **TO RENEW THE AUTHORITY FOR SHARE BUY-BACK**

**"THAT**, subject to the Companies Act, 1965, the Company's Memorandum and Articles of Association, the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approvals of all relevant government and/or regulatory authorities (if any), the Company be and is hereby authorised to purchase such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Board of Directors of the Company ("**Board**") from time to time through Bursa Securities upon such terms and conditions as the Board may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company;

**AND THAT** the maximum amount of funds to be utilised for the purpose of the Share Buy-Back shall not exceed the Company's aggregate retained profits and/or share premium account;

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

**AND THAT** at the discretion of the Board, the shares of the Company to be purchased may be cancelled and/or retained as treasury shares and/or distributed as dividends and /or resold on Bursa Securities;

**AND THAT** such approval shall take effect upon the passing of this ordinary resolution and will continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next Annual General Meeting is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders at a general meeting;

whichever is the earlier but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Main Market Listing Requirements of Bursa Malaysia or any other relevant authorities;

**AND FURTHER THAT** the Directors be and are hereby authorised to do all such acts and things (including executing any relevant documents) for and on behalf of the Company, as they may consider expedient or necessary to complete and give effect to the aforesaid authorisation."

(Resolution 8)

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

By Order of the Board

**CHOY CHIEW LING (MAICSA: 7012415)**

Company Secretary

Kuala Lumpur  
6th June 2011

Notes :

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

Explanatory Notes

1. **RE-APPOINTMENT OF DIRECTORS PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT 1965**

Pursuant to Section 129(6) of the Companies Act, 1965, a person of or over the age of 70 years who is proposed for appointment as a Director of the Company, shall be appointed by a resolution passed by a majority of not less than three-fourths of the members of the Company present and voting in person or by proxy at a general meeting, and if so appointed, the Director shall hold office until the next annual general meeting of the Company.

The proposed Resolutions **4 and 5**, if passed, will enable Dato' Lim Chee Wah and YM Raja Dato' Seri Abdul Aziz bin Raja Salim to hold office until the next Annual General Meeting of the Company.

2. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT 1965**

The authority to issue shares, once granted by the shareholders, would also facilitate the issuance of new ordinary share in the Company arising from the exercise of warrants by warrant holders wherein each warrant will entitles the registered holder to subscribe for one (1) new ordinary share in the Company at an exercise price of RM1.60.

The proposed **Resolution 7** would enable the Directors to avoid delay and cost of convening further general meetings to approve the issue of such shares for such purposes. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this notice, 2,471,086 new ordinary shares of RM1.00 each were issued pursuant to the mandate granted at the last Annual General Meeting held on 26th May 2010.

3. **TO RENEW THE AUTHORITY FOR SHARE BUY-BACK**

The proposed **Resolution 8**, if passed, will enable the Group to utilise surplus financial resources to purchase its own shares of up to ten percent (10%) of the issued and paid-up capital of the Company.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Dato' Lim Chee Wah	<i>Chairman</i>
Tam Chiew Lin	<i>Managing Director</i>
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	<i>Independent Non-Executive Director</i>
Ahmad Riza bin Basir	<i>Non-Independent Non-Executive Director</i>
Datuk Haron bin Siraj	<i>Independent Non-Executive Director</i>
Cheang Kwan Chow	<i>Non-Independent Non-Executive Director</i>

## AUDIT COMMITTEE

YM Raja Dato' Seri Abdul Aziz  
Bin Raja Salim *Chairman*  
Datuk Haron bin Siraj  
Cheang Kwan Chow

## REGISTERED OFFICE

18th Floor, Wisma Jerneh  
38 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Telephone : 03-2141 4255  
Facsimile : 03-2145 4255

## REGISTRARS

PPB Corporate Services Sdn Bhd  
17th Floor, Wisma Jerneh  
38 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Telephone : 03-2117 0888  
Facsimile : 03-2117 0999

## MANAGEMENT COMMITTEE

Ahmad Riza bin Basir *Chairman*  
Tam Chiew Lin  
Cheang Kwan Chow

## PRINCIPAL BANKER

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

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
(Main Board)  
Sector : Finance  
Stock Number : 6394  
ISIN : MYL639400000  
Reuters Code : JNEH.KL

## REMUNERATION COMMITTEE

Datuk Haron bin Siraj *Chairman*  
Tam Chiew Lin  
Cheang Kwan Chow

## AUDITORS

Mazars  
*Chartered Accountants*  
7th Floor, South Block  
Wisma Selangor Dredging  
142-A Jalan Ampang  
50450 Kuala Lumpur

## WEBSITE

[www.jab.com.my](http://www.jab.com.my)

## COMPANY SECRETARY

Choy Chiew Ling MAICSA : 7012415

# CORPORATE STRUCTURE



## GENERAL INSURANCE

### PHILIPPINES

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

### THAILAND

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

## REINSURANCE

### LABUAN

Jerneh Asia Reinsurance Ltd

## LIFE INSURANCE

### INDONESIA

PT Asuransi Jiwa Generali Indonesia

### PHILIPPINES

Generali Pilipinas Life Assurance Company Inc  
(JV with Generali and BDO/SM Group)

### THAILAND

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

## BROKING

### HONG KONG

Taishan Insurance Brokers Ltd

### PHILIPPINES

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

## TAKAFUL

### MALAYSIA

HSBC Amanah Takaful (M) Sdn Bhd

## HIRE PURCHASE & LEASING

### MALAYSIA

Jerneh Credit Leasing Sdn Bhd

## INVESTMENT SERVICES

### MALAYSIA

Jerneh Asia Capital Sdn Bhd  
Areca Capital Sdn Bhd

### HONG KONG

Jerneh Investment (HK) Ltd

## MANAGEMENT SERVICES

### MALAYSIA

Minsec Management Services Sdn Bhd

## PROFILE OF THE BOARD OF DIRECTORS

### **Dato' Lim Chee Wah**

(71 years of age - Malaysian)  
*Chairman/Non-Independent  
Non-Executive Director*

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 Malayan Sugar Manufacturing Co. Bhd. He sits on the Board of Malaysian Bulk Carriers Berhad, Kuok Foundation Berhad (a charitable organisation) 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 2010.

### **Tam Chiew Lin**

(60 years of age - Malaysian)  
*Managing Director  
Member of Management Committee  
Member Remuneration Committee*

Madam 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.

Madam Tam also sits on the Board of several other subsidiaries and associates of the Jerneh Group, HSBC Amanah Takaful (Malaysia) Sdn Bhd, Areca Capital Sdn Bhd and Generali Group.

Madam 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 2010.

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

(72 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 Gamuda Berhad, Hong Leong Industries Bhd, K&N Kenanga Holdings Berhad, Kenanga Fund Management Berhad, Kenanga Investment Bank Berhad, Panasonic Manufacturing Malaysia Berhad, PPB Group Berhad and Southern Steel Berhad. He also serves on the Board of 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 2010.

## PROFILE OF THE BOARD OF DIRECTORS (cont'd)

### **Ahmad Riza bin Basir**

(50 years of age - Malaysian)

*Non-Independent Non-Executive Director  
Chairman of Management 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 Algotech (M) Sdn Bhd, a director of Manulife Holdings Berhad, United Plantations Berhad and EON Capital Berhad. He also sits on the Board of several other private limited companies in Malaysia.

Encik Riza and persons connected with him are major shareholders of the Company. He has had no conviction for any offences within the past 10 years. He attended four out of the five Board Meetings held during the financial year ended 31st December 2010.

### **Datuk Haron bin Siraj**

(66 years of age - Malaysian)

*Independent Non-Executive Director  
Chairman of Remuneration Committee  
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 including at Ministry of International Trade and Industry Malaysia (MITI) and the Permanent Mission of Malaysia in Geneva, Switzerland. His last held position was Secretary General, Ministry of Primary Industries until December 2000. In 2001, he assumed the position of Chief Executive Office of Malaysian Palm Oil Promotion Council, until his retirement in January 2006. He also sits on the Board of Scomi Group Berhad, Kulim (Malaysia) Berhad, EON Capital 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 2010.

### **Cheang Kwan Chow**

(58 years of age - Malaysian)

*Non-Independent Non-Executive Director  
Member of Audit Committee  
Member of Management Committee  
Member of Remuneration Committee*

Mr Cheang Kwan Chow was appointed as a Director of Jerneh Asia Berhad on 15th December 2008. He is a Member of Chartered Institute of Arbitrators, London, United Kingdom and sits on the Panel of Arbitrators of The Palm Oil Refiners Association of Malaysia. In 1976, he received his Diploma in Marketing, United Kingdom from Redditch College, Worcestershire, England and in 1978, he received his Postgraduate Diploma in Export Marketing and Diploma in Export from Buckinghamshire College, Buckinghamshire, England. He obtained his Master of Arts Communications Management from University of South Australia in 1999.

Mr Cheang joined the Kuok Group of Companies in 1980 and had over the years, held several various senior management positions in various companies within the Kuok Group. Mr Cheang was appointed as Deputy Managing Director of PGEO Group/Marketing Sdn. Bhd. in July 2002, the position he held until December 2007.

Mr Cheang does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for any offences within the past 10 years. He attended four out of the five Board Meetings held during the financial year ended 31st December 2010.

# GROUP FINANCIAL HIGHLIGHTS

	2009 RM'000	* 2010 RM'000	% CHANGE	
<b>INCOME STATEMENT</b>				
Operating revenue	261,096	322,241	23	
Profit before taxation	53,553	75,757	41	
Profit/(Loss) after taxation and minority interest	29,180	278,818	856	
<b>BALANCE SHEET</b>				
Total assets	1,285,044	850,216	(34)	
Shareholders' funds	434,952	716,847	65	
<b>RATIOS</b> (Attributable to equity holders)				
Basic earnings per share	Sen	16.14	153.47	851
Net dividends per share	Sen	6.00	3.73	38
Net assets per share	RM	2.41	3.95	64

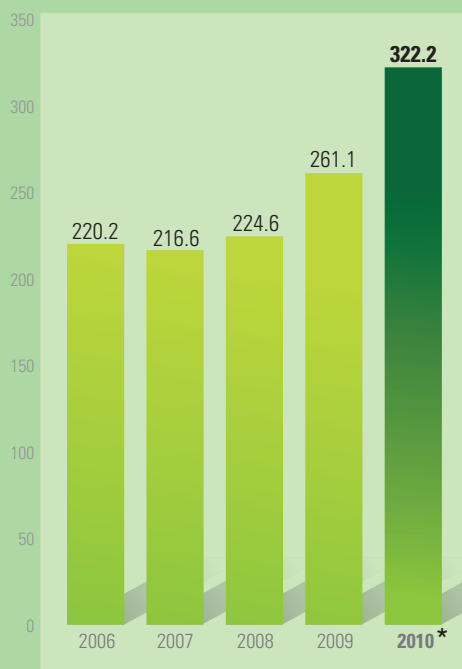
## FIVE YEARS' GROUP STATISTICS *year ended 31st December*

		2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	* 2010 RM'000
Operating revenue		220,160	216,558	224,594	261,096	322,241
Operating profit		35,766	54,003	36,815	51,274	75,379
Share of losses in associated companies (net of tax)		(12,254)	(19,012)	(14,054)	(12,925)	(8,001)
Profit before taxation		29,542	45,414	9,721	53,553	75,757
Profit after taxation and minority interest		10,918	19,083	(3,190)	29,180	278,818
Dividends - net		2,393	8,133	6,687	10,843	6,777
Issued share capital		109,274	180,721	180,721	180,721	181,487
Shareholders' funds		294,393	420,128	408,825	434,952	716,847
Total assets employed		821,624	949,057	964,482	1,285,044	850,216
Net earnings per share	Sen	10.01	12.89	(1.77)	16.14	153.47
Share price						
High	RM	2.10	2.17	1.67	2.13	3.46
Low	RM	1.85	1.45	1.02	0.79	1.98

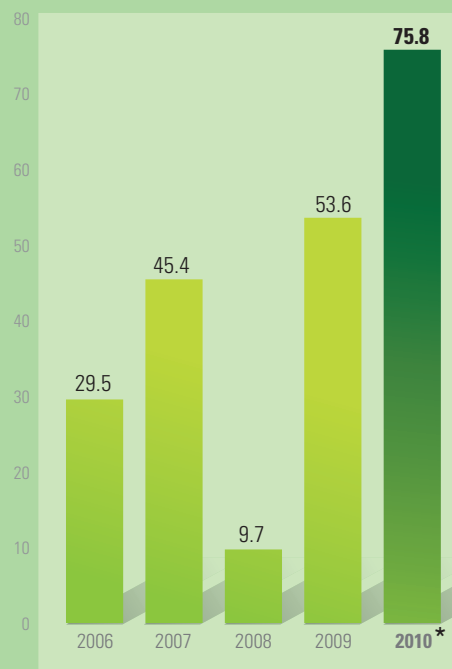
\* For the purpose of comparison, 2010 figures include both continuing and discontinued operations.

# FIVE-YEAR GROUP PERFORMANCE CHARTS

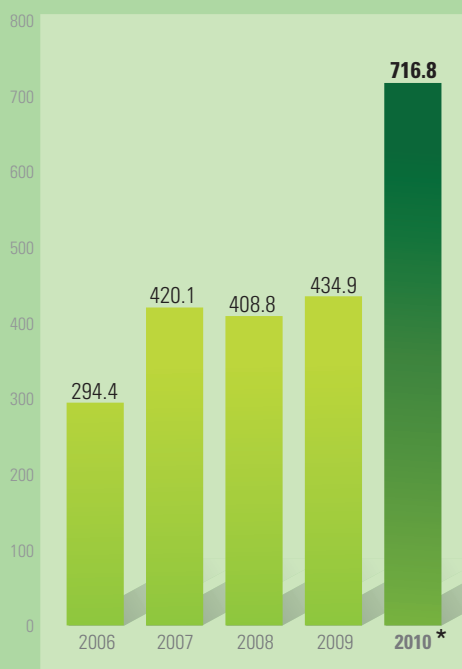
## OPERATING REVENUE (RM Million)



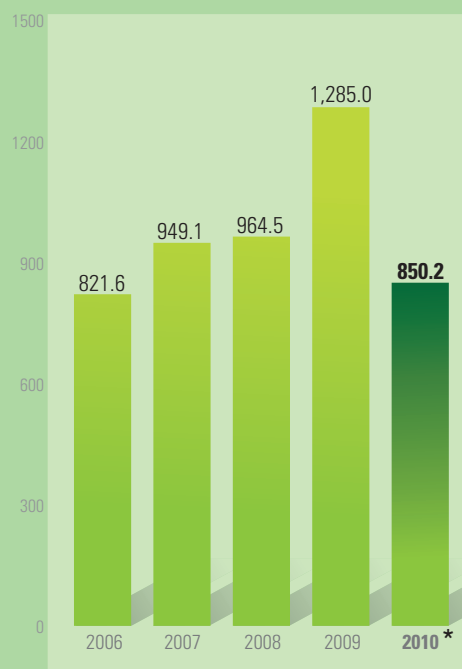
## PROFIT BEFORE TAXATION (RM Million)



## SHAREHOLDER' FUNDS (RM Million)



## TOTAL ASSETS EMPLOYED (RM Million)



\* For the purpose of comparison, 2010 figures include both continuing and discontinued operations.

# CHAIRMAN'S STATEMENT

**2010** - A year of significant change in the history of Jerneh Asia Berhad Group as we saw the divestment of our core insurance arm, Jerneh Insurance Berhad to ACE INA International Holdings, Ltd.

**On behalf of the Board of Directors**, it is my pleasure to present the annual results of Jerneh Asia Berhad Group ("JAB Group") for the year ended 31st December 2010.

## PERFORMANCE FOR 2010

The Group generated a total comprehensive income for the year of RM274 million. Out of this, RM239 million was gain on the sale of its 80% stake in Jerneh Insurance Berhad ("**JIB**"). Arising from the sale of its core business, the accounts of JAB Group have been segregated into continuing operations and discontinued operations; the discontinued operations being the revenue, profits and losses of JIB and Jerneh Asia Reinsurance Ltd.

The continuing operating units of the Group generated RM651,000 in pre-tax profits as compared to a loss of RM3.1 million in 2009. This was backed by an increase in operating revenue of RM65 million, representing an increase of 55% over 2009. The Group's share of losses of associated companies were also further reduced to RM8.0 million in 2010 from RM12.9 million in 2009.

At the Company level, with the gain on sale of JIB, the Company made a profit of RM403.7 million thereby increasing total retained earnings to RM462.2 million, which is available for distribution as dividends to the shareholders of the Company.

All subsidiary companies in 2010, notably Jerneh Insurance Berhad and Jerneh Credit Leasing Sdn Bhd, turned in better than expected operating results on an improved macro backdrop and recovery in economic activities.

Jerneh Insurance Bhd recorded a gross written premium of RM414.8 million as at the cutoff date of 30 November 2010. For the full twelve (12) month period, JIB wrote a total gross written premium of RM434.1 million, topping RM433.3 million achieved in 2009, marking yet another record high in the history of the company. JIB achieved an operating pretax profit of RM51.9 million in 2010, an increase of 23% over 2009. We wish JIB well and hope that the company will continue to grow and prosper under the new shareholder.

## OVERSEAS INVESTMENT IN THE GENERALI GROUP

The life and non life insurance investment in the Generali Group of companies in Phillipines, Thailand and Indonesia was a long term investment strategy of the Jerneh Group when it was first mooted in 1999. Its aim then was to grow as a regional financial institution. With the sale of JIB, its core insurance business, and the proposed injection of a new asset class into JAB, the nature of the investments in Generali Group and other investments in insurance broking and takaful have changed immeasurably. As such, in line with the requirements of FRS 136 on Impairment of Assets, the Company has written down the value of its investment in Generali Group by an impairment provision of RM42.6 million due to losses incurred in the non life and the previous years' losses in the life operations of Thailand and Phillipines.

### Generali Phillipines ("GP")

The Life division ended the year with total gross premium of PHP1.7 billion, a drop of 51.6% from the previous year. The drop was largely due to the group's decision to exit from single pay premium business. The new strategy of channeling focus on regular pay products yielded positive result with GP Life ending the year on PHP407.7 million profit as opposed to a loss of PHP240 million in 2009.

The non life company continues to underperform with premiums confined only to captive business and management of past claims. The company is still in the midst of clearing up the past two years major typhoon and flood claims which has affected the company's ability to write more business without new capital injection.

## CHAIRMAN'S STATEMENT (cont'd)

### Generali Philippines ("GP") (cont'd)

The Insurance Commissioner of the Philippines has called for new capital injection across the board to further strengthen the industry in order to ensure that it will be more resilient.

Including the impact from the loss-making nonlife operation, our share of profit was PHP79.2 million for the year of 2010, which was a marked improvement from the PHP101.7 million losses recorded in the corresponding period last year.

### Generali Thailand

The Life section registered a net profit of BHT9.1 million against premiums written of BHT1.2 billion. This represents a growth of 17.4%. Telemarketing channel continues to deliver the growth impetus. In the longer term however, the Board of Generali Insurance Thailand is still of the view that a bancassurance model complemented by an agency distribution would be the preferred model. The company is still in the search for a suitable bancassurance partner. Growth therefore is currently confined to the efficiency and sustainability of telemarketing.

Losses from the property and casualty division deepened to BHT28.6 million as compared to BHT18.9 million in 2009. Motor claims continue to haunt the company even as the strategic move not to write motor business was implemented.

Due to the major losses incurred in the non-life business, it is expected that the Insurance Commissioner may call for further capital injection into Generali Thailand.

### Investment in HSBC Amanah Takaful

For the year 2010, HSBC Amanah Takaful stayed on course the strategy of improving operation efficiency and building sales support framework whilst focusing on developing Takaful products that suit customers' needs. As a result of these initiatives, Family Takaful grew 275% year-on-year and General Takaful 35%. The Takaful Company managed to turn profitable ahead of schedule with a profit after tax of RM7.9 million for 2010.

Growth prospects in the takaful industry remain extremely encouraging and we continue to remain very positive in this company.

## PROSPECTS

By now, you will be aware that our prospects are inextricably bound to the proposed regularisation plan that we have undertaken which involves among others, the acquisition of Sagajuta (Sabah) Sdn Bhd.

Upon the disposal of JIB, JAB has been classified under the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") as a Practice Note 16 - Cash Company as well as a Practice Note 17 - An affected listed issuer without a core business. JAB has 12 months up to 1st December 2011 to submit a regularisation plan. Periodic announcements have been made to Bursa Malaysia and to the public on the status of the regularisation plan and we hope our shareholders have been kept up to date on the status. The Memorandum of Understanding ("**MOU**") signed on 21st April 2011 with Generasi Cipta Sdn Bhd to acquire Sagajuta (Sabah) Sdn Bhd and subsequent announcement on the 24th May 2011 spells some of the salient terms of the MOU. As at the date of going to print, the Company is still in the midst of undertaking a Due Diligence exercise on the assets to be injected.

## DIVIDENDS

The Board remains committed to reward its shareholders despite the restrictions of a Cash Company under PN16 of the Listing Requirements. To this end, we have been in constant consultation with Bursa Malaysia to seek their indulgence for a variation to the requirements of PN16 to enable the Company to pay out dividends.

We are pleased to table for your approval the payment of a Final Dividend of 8% less income tax of 25% per share and a Special Dividend ranging from RM1.79 (assuming all warrants are exercised) to RM2.44 (assuming none of the warrants are exercised). The dividend payment is subject to the approvals of the shareholders and Bursa Malaysia.

## CHAIRMAN'S STATEMENT (cont'd)

### **CORPORATE GOVERNANCE**

The Group subscribes to 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**

In a year of change, there are many groups of people whom I would like to record my thanks and appreciation.

First and foremost, I would like to extend my deepest appreciation and gratitude to my fellow Board of Directors, the Management and staff of the Group whose hard work, dedication and loyalty has transformed the Group into what it is today.

I would like to make a special mention of our appreciation to the CEO, management and staff of Jerneh Insurance Berhad, whose hard work, determination and team spirit forged the growth of the company to be one that is recognised for its integrity, commitment and professionalism and not forgetting our valued customers, business associates, agents, brokers and reinsurers for their continued support and assistance, even throughout the sale process of JIB.

I would also like to thank Bank Negara Malaysia, Persatuan Insurans Am Malaysia and the other relevant authorities for their guidance.

To the shareholders, we thank you for your unwavering support and trust through the highs and lows of our corporate journey. It has been our honour to serve as your Board of Directors and we look forward to your continued support and loyalty to the Company in the days ahead.

**Dato' Lim Chee Wah**  
Chairman

# BUSINESS PROFILE

## OVERVIEW

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

### 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 insurance needs of businesses from retail to industrial as well as individuals looking for personal cover.

Established in 1971, **Jerneh Insurance Berhad (“JIB”)** has distinguished itself as a specialist/leader in the larger scale risks of industrial property, marine and engineering class. 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 valued clients.

JIB focuses on offering comprehensive tailor-made risk management insurance solutions. For its corporate customers, JIB also 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.

The comprehensive range of general insurance products and services offered include property and pecuniary insurance, liability insurance, marine hull and cargo insurance, personal accident insurance, medical insurance, motor insurance, construction and engineering insurance, FWCS and its associated FWIG.

JIB also provides “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 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 equipped with a wide spread of insurance products customized to serve clients in all respective areas.

On 1st December 2010, ACE INA International Holdings, Ltd (“ACE”) acquired JIB from JAB and is now a member of the ACE group of company. ACE is listed on the New York Stock Exchange and is a component of the S&P 500 stock index.

### 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.

**Taishan Insurance Brokers Limited (“TIBL”)** has been a significant captive insurance broker in Hong Kong and China since 1993. The TIBL insurance specialists are renowned for their innovative approach to developing integrated insurance products and alternative risk transfer solutions to meet the insurance needs of the Kuok Group business interests in Asia. TIBL also cooperates with other large international brokers to service group business in Asian Pacific region and Europe.

## BUSINESS PROFILE (cont'd)

**Taishan Insurance Brokers Phils, Inc. ("TIBP") and KRM Reinsurance Brokers Phils., Inc. ("KRMR")** are wholly-owned subsidiaries of the Group in the Philippines. TIBP, aside from being a risk management advisor to the Group in the Philippines since 1995, is also a direct insurance intermediary handling customized general insurance and employee benefits requirements of business and industrial entities as well as of individuals who require comprehensive yet reasonably priced insurance covers. KRMR, likewise established in 1995, handles both facultative and treaty reinsurance requirements of a large number of Philippine-based insurance companies which require the services of a professional reinsurance intermediary offering solid and proven reinsurance security available in reinsurance centers such as Lloyds, Singapore, HK and North America. KRMR is one of the top ranking reinsurance brokers in terms of brokerage income and premium production in the Philippines.

### FUND MANAGEMENT

**JAB associate company Areca Capital Sdn Bhd ("Areca")** was incorporated in July 2006. Areca is a licensed fund management company principally involved in the management of private and unit trust funds. It specializes in providing versatile and personalized investment solutions to meet individuals' investment objectives and through its' products, Areca offers diversified investment options within two types of asset classes; equity and non-equity.

### 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. With the sale of JIB to ACE, JAR has downsized its portfolio and shall be liquidated or sold in due course.

**Jerneh Credit Leasing Sdn Bhd ("JCL")** offers hire purchase and lease financing of capital equipment covering small scale industrial, agricultural, manufacturing, transportation, construction and medical sectors. We are one of the growing capital equipment financing companies providing facilities to businesses and organizations of all size with cost-effective alternatives for capital acquisition to grow their businesses. JCL has an expanding client base ranging from sole-proprietorship and partnership to large corporations.

### PARTNERSHIP WITH GENERALI

JAB's strategic partnership with Assicurazioni Generali S.p.A., ("Generali"), the largest composite insurer in Italy, is through a joint venture investment holding company; Generali Asia N.V.

The Group has, through Generali Asia N.V., entered into a joint venture with the SM Group and Banco De Oro Banking Group of the Philippines to establish Generali Pilipinas Holding Inc. for investments in wholly-owned Generali Pilipinas Life Assurance Company Inc. and Generali Pilipinas Insurance Company Inc. The year 2010 marked the 10th full year of operations 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 2009 marked its 7th year of operation.

On 11th December 2007, Generali N.V. acquired PT Asuransi Jiwa Arta Mandiri Prima, a life insurance company in Indonesia. Operations has commenced in 2009.

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

### PARTNERSHIP WITH HSBC

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

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

# CORPORATE GOVERNANCE

The Board of Directors of Jerneh Asia Berhad ("JAB") is committed to ensuring that 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.

The Board is of the opinion that there is currently no necessity for the establishment of a Nominating Committee. Rather, the Board has always assumed the role of reviewing the performance of its members as well as identifying new appointment of Directors to the Board whenever the need arises.

## PRINCIPLES STATEMENT

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

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

## BOARD OF DIRECTORS

### Board Responsibilities

The Board of Directors of JAB takes full responsibility for the performance of the Group. The Board provides the Company with the stewardship of its direction and operations, and ultimately the enhancement of long-term 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 Main Market 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.

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.

## CORPORATE GOVERNANCE (cont'd)

### BOARD OF DIRECTORS (cont'd)

#### Board Balance (cont'd)

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in Section 1.01 of the Main Market 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 2010, 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 2010 is as follows :-

Directors	Attended
Dato' Lim Chee Wah	5 of 5 meetings held
Tam Chiew Lin	5 of 5 meetings held
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	5 of 5 meetings held
Ahmad Riza bin Basir	4 of 5 meetings held
Datuk Haron bin Siraj	5 of 5 meetings held
Cheang Kwan Chow	4 of 5 meetings held

#### Supply of Information

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

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

## BOARD OF DIRECTORS (cont'd)

### 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. Seminars held during the financial year ended 31st December 2010 were as follows :-

Seminar Topics	No. of Hours
The Competition Act 2010, its objectives, application and compliance	1½
The impending Goods and Services Tax, and potential implications on the businesses of PPB Group companies and affiliates	1
An overview of the economic recovery and outlook, globally as well as in Malaysia and the surrounding region	1
Sustainable palm oil; the issues, challenges and opportunities	1
Protocol in the business world	1½
BNM FIDE Program on Risk Management	16

### 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) Remuneration Committee.

Up to 1st December 2010, there were two (2) other committees, namely the Investment Committee and Risk Management Committee which were constituted under Jerneh Insurance Berhad.

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 25 to 28.

## CORPORATE GOVERNANCE (cont'd)

### BOARD OF DIRECTORS (cont'd)

#### Management Committee

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

- Ahmad Riza bin Basir (*Chairman*)
- Tam Chiew Lin
- Cheang Kwan Chow

This Committee was established on 21st January 1998 and tasked with the responsibility of 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 2010, this Committee had four (4) meetings which were attended by majority of its members together with the Senior Management of the Group.

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

#### Risk Management Committee (up to 1st December 2010)

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*)
- Ahmad Riza bin Basir
- Tam Chiew Lin
- Dato' (Dr) Teo Chiang Quan (*Director of Jerneh Insurance Berhad*)

#### Investment Committee (up to 1st December 2010)

The members of the Investment Committee during the year, up to 1st December 2010, were :-

- Dato' Lim Chee Wah (*Chairman*)
- Tam Chiew Lin
- Ahmad Riza bin Basir
- Dato' (Dr) Teo Chiang Quan (*Director of Jerneh Insurance Berhad*)

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.

Up to 1st December 2010, this Committee had five (5) meetings which were attended by a majority of its members as well as the Chief Investment Officer of Jerneh Insurance Berhad.

## BOARD OF DIRECTORS (cont'd)

### Remuneration Committee

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

- Datuk Haron bin Siraj (*Chairman*)
- Tam Chiew Lin
- Cheang Kwan Chow

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.

During the financial year ended 31st December 2010, the Remuneration Committee met once and the meeting was attended by all the members.

## 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 and Senior Management personnel of the Company and its major subsidiaries. The Remuneration Committee also recommends the annual bonus and salary increment of the Managing Director and Senior Management personnel.

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.

### 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 Director	-	-	865	865
Non-Executive Directors	215	-	-	215

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 Director	Non-Executive Directors
Less than RM50,000	-	4
RM50,001 to RM900,000	1	1

## CORPORATE GOVERNANCE (cont'd)

### 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.jab.com.my](http://www.jab.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 :-

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

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*Senior Independent Non-Executive Director*

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Telephone Number : 03 – 2145 0485

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Facsimile Number : 03 – 2143 2817

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2. Choy Chiew Ling

---

*Company Secretary*

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Telephone Number : 03 – 2141 4255

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Facsimile Number : 03 – 2145 4255

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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.

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 25 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

Managing risk is a central part of the Group corporate strategies and we believe in raising level of awareness in the community. As part of our corporate philosophy of being a model in corporate social responsibility, the management and staff of the Group continually supports the efforts by participating in the yearly blood donation campaign involving the National Blood Bank. The Group also organised a health talk on bone cancer to educate the staff. Daily commodities and monetary donations were also raised and donated to selected charity home namely Rumah Anak Yatim Nurhikmah.

# ADDITIONAL COMPLIANCE INFORMATION

as at 31ST DECEMBER 2010

## Share Buy-backs

There were no share buy-backs by the Company during the financial year.

## Options, Warrants or Convertible Securities

During the financial year, a total of 766,391 warrants were exercised pursuant to the Company's Warrants 2007/2012.

The Company did not issue any options or convertible securities during the financial year.

## Status of utilisation of proceeds

The status of utilisation of proceeds from Renounceable Rights Issue is as follows :

	Approved utilisation by Securities Commission RM'000	Actual utilisation RM'000	Reallocation RM'000	Balance yet to be utilised RM'000
Repayment of borrowings	57,000	(57,000)	-	-
Overseas investments in insurance business	30,000	(25,513)	1,013	5,500
Local investments in Insurance business	-	(6,200)	6,200	-
Working capital	17,543	(257)	(6,916)	10,370
Expenses in relation to the Rights Issue with Warrants	1,600	(1,303)	(297)	-
Total	106,143	(90,273)	-	15,870

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

The Company did not sponsor any ADR or GDR programme during the financial year.

## Imposition of Sanctions and/or Penalties

There was no sanction and/or penalty imposed on the Company and/or its subsidiaries, Directors or Management by the relevant regulatory bodies.

## Non-Audit Fees

During the financial year ended 31st December 2010, the amount of non-audit fees paid/payable to the External Auditors of the Company in respect of the corporate exercise relating to the disposal of the Company's 80% equity interest in Jerneh Insurance Berhad amounted to RM53,256.00

## Variation in Results

There were no material variations between the audited results for the financial year ended 31st December 2010 and the unaudited results for the financial quarter ended 31st December 2010 of the Group.

## Profit Guarantee

There were no profit guarantees given by the Company during the financial year.

## Material Contracts

There was no material contract 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.

## RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

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

In preparing the financial statements for the year ended 31st December 2010 set out on pages 30 to 111 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 26th May 2011.

# STATEMENT OF INTERNAL CONTROL

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

## BOARD RESPONSIBILITY

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

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

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

## THE KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL ARE DESCRIBED BELOW :-

- The Board maintains an organisation structure with clearly defined authorities and responsibilities and appropriate reporting procedures of the Board, Committee and Management of the Group. The Group consists of several companies, each of which has its own management and internal control structures. Operating management of each business unit bears responsibility for the identification and mitigation of major business risks and each maintains controls and procedures appropriate to its own business environment.
- Detailed budgeting process requiring all business units to prepare budgets annually which are reviewed by the Board. Monthly management reports are drawn up for the review of the Managing Director. 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, which was a subsidiary of the Company up to 1st December 2010, the Company has formalised 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 trainings are also tailored for junior and front-line staff to assist them in detecting possible money laundering activities.

## STATEMENT OF INTERNAL CONTROL (cont'd)

### THE KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL ARE DESCRIBED BELOW (cont'd):-

- In line with the requirements of Bank Negara Malaysia, Jerneh Insurance Berhad has implemented a Risk Based Capital Framework, which will be subject to periodic review. The general insurance portfolios are reviewed by professional actuaries to ensure that the reserves are adequate to meet liabilities.

### 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 26th May 2011.

# REPORT OF THE AUDIT COMMITTEE

## COMPOSITION

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

## MEMBERS OF THE COMMITTEE

The Members of the Committee for the financial year ended 31st December 2010 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  
~ *Independent Non-Executive Director*
- Cheang Kwan Chow  
~ *Non-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.

## REPORT OF THE AUDIT COMMITTEE (cont'd)

### TERMS OF REFERENCE (cont'd)

#### Duties

The duties of the AC are to :-

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

## REPORT OF THE AUDIT COMMITTEE (cont'd)

### TERMS OF REFERENCE (cont'd)

#### Duties (cont'd)

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 2010, 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, Mazars 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.

## REPORT OF THE AUDIT COMMITTEE (cont'd)

### 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 2010.
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*

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# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 31ST DECEMBER 2010

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 2010.

### PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiary companies are indicated in Note 5 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
Loss after tax from continuing operations	(2,622)	(52,086)
Profit after tax from discontinued operations	291,147	455,846
Profit after tax	288,525	403,760
Attributable to:		
Shareholders of the Company	278,818	403,760
Minority interest	9,707	-
	288,525	403,760

### DIVIDENDS

The Company paid a final dividend of 5% less 25% tax amounting to RM6,777,023 in respect of the financial year ended 31st December 2009 on 22nd June 2010.

The Directors now recommend a final dividend of 8% less 25% income tax amounting to RM10,971,579 (based on share capital of 182,859,646 as of 22nd April 2011) 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 41.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its paid up capital from 180,720,605 to 181,486,996 by the issuance of 766,391 new ordinary shares of RM1.00 each, for cash arising from the exercise of 766,391 units of Warrants at an exercise price of RM1.60 per Warrant.

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

### 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.

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)**

**WARRANTS (cont'd)**

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.

During the financial year, 766,391 units of Warrants were exercised and converted into ordinary shares. The total unexercised Warrants as of 31st December 2010 are 65,573,211 units.

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.

**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	
Datuk Haron bin Siraj	
Cheang Kwan Chow	

In accordance with Article 101 of the Company's Articles of Association, Madam Tam Chiew Lin and Mr Cheang Kwan Chow retire by rotation at the forthcoming Annual General Meeting ("AGM"). Madam Tam Chiew Lin, being eligible, offers herself for re-election while Mr Cheang Kwan Chow has decided not to seek re-election.

Dato' Lim Chee Wah and YM Raja Dato' Seri Abdul Aziz bin Raja Salim, being over seventy years of age, retire in accordance with Section 129(2) of the Companies Act, 1965 and offer themselves for re-appointment pursuant to Section 129(6) of the Act to hold office until the conclusion of the next Annual General Meeting.

**DIRECTORS' INTERESTS IN SHARES**

According to the register required to be kept under Section 134 of the Companies Act 1965, the Directors' interest in shares in the Company are as follows:

Name of Director	Ordinary shares of RM1 each				At 31.12.2010
	At 1.1.2010	Exercise of Warrants	Bought	Sold	
Dato' Lim Chee Wah					
- direct	72,000	27,000	-	-	99,000
Tam Chiew Lin					
- direct	284,700	-	-	-	284,700
YM Raja Dato' Seri Abdul Aziz bin Raja Salim					
- direct	96,000	-	-	-	96,000
Ahmad Riza bin Basir					
- direct	345,000	-	-	-	345,000
- indirect	27,956,651	-	-	-	27,956,651

**DIRECTORS'  
REPORT**  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**DIRECTORS' INTERESTS IN SHARES (cont'd)**

By virtue of his interest in the shares of the Company, Encik Ahmad Riza bin Basir is also deemed to be interested in the shares of all the subsidiaries 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 1.1.2010	Bought	Sold	At 31.12.2010
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

\* Jerneh Insurance Berhad has ceased to be a subsidiary of the Company with effect from 1st December 2010.

	Ordinary shares of HKD100 each			
	At 1.1.2010	Bought	Sold	At 31.12.2010
Jerneh Investment (HK) Limited	500,000	-	-	500,000

	Ordinary shares of HKD1 each			
	At 1.1.2010	Bought	Sold	At 31.12.2010
Taishan Insurance Brokers Limited	1,000,000	-	-	1,000,000

	Ordinary shares of PHP100 each			
	At 1.1.2010	Bought	Sold	At 31.12.2010
KRM Reinsurance Brokers Phils., Inc.	480,000	-	-	480,000
Taishan Insurance Brokers Philippines, Inc.	480,000	-	-	480,000

	Ordinary shares of USD1 each			
	At 1.1.2010	Bought	Sold	At 31.12.2010
Jerneh Asia Reinsurance Limited	3,200,000	-	-	3,200,000

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)**

**DIRECTORS' INTERESTS IN SHARES (cont'd)**

The following Directors had interest in warrants during the financial year, as follows:

Warrants	No. of Warrants to Subscribe for New Ordinary Shares of RM1 each				At 31.12.2010
	At 1.1.2010	Bought	Sold	Exercised	
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

**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 statement of comprehensive income and statement of financial position 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.

**DIRECTORS'  
REPORT**  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent, or
  - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading, or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Company or its subsidiary companies which has arisen since the end of the financial year which secures the liabilities of any other person, or
  - (ii) any contingent liability of the Company or its subsidiary company which has arisen since the end of the financial year other than those arising from the contracts of insurance underwritten in the ordinary course of business by the subsidiary company, namely, Jerneh Asia Reinsurance Limited.
- (d) No contingent or other liability of the Company or its subsidiary companies has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the disposal of Jerneh Insurance Berhad as disclosed in Note 31 to the financial statements, 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.

**SIGNIFICANT EVENTS DURING THE YEAR**

The significant events during the financial year are disclosed in Note 31 and Note 40 to the financial statements.

**SUBSEQUENT EVENTS**

The subsequent events during the financial year are disclosed in Note 41 to the financial statements.

**DIRECTORS'**  
**REPORT**  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**AUDITORS**

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

Signed on behalf of the Directors in accordance with a resolution of the Directors dated 26th April 2011

**DATO' LIM CHEE WAH**

Director

**TAM CHIEW LIN**

Director

Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF JERNEH ASIA BERHAD (Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Jerneh Asia Berhad, which comprise the statements of financial position of the Group and of the Company as at 31st December 2010, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 45 to 111.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the Director determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 31st December 2010 and their financial performance and cash flows for the year then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under section 174(3) of the Act.

INDEPENDENT  
**AUDITORS' REPORT**  
TO THE MEMBERS OF JERNEH ASIA BERHAD (Incorporated in Malaysia) (cont'd)

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**OTHER REPORTING RESPONSIBILITY**

The supplementary information set out in Note 17(b) to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**MAZARS**

No. AF: 1954  
Chartered Accountants

**YAP CHING SHIN**

No. 2022/03/12 (J)  
Partner

Kuala Lumpur  
Date: 26th April 2011

# STATEMENTS OF FINANCIAL POSITION

31ST DECEMBER 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>ASSETS</b>					
Property, plant and equipment	2	2,319	21,054	141	207
Investment property	3	-	22,024	-	-
Intangible assets	4	-	148	-	-
Investment in subsidiary companies	5	-	-	43,935	107,236
Investment in associated companies	6	58,042	64,743	88,622	118,717
Amounts owing by subsidiary companies	7	-	-	50,599	54,010
Amount owing by an associated company	8	6,312	-	6,312	-
Investments	9	109,179	342,227	83,665	10,000
Deferred tax assets	10	2,089	2,229	86	197
Reinsurance assets	11	-	227,580	-	-
Insurance receivables	12	-	62,761	-	-
Trade and other receivables	13	116,247	107,093	25,385	130
Current tax assets		600	744	256	207
Deposits	14	496,855	388,571	480,000	52,140
Cash and bank balances	15	58,573	45,870	735	3,040
<b>TOTAL ASSETS</b>		<b>850,216</b>	<b>1,285,044</b>	<b>779,736</b>	<b>345,884</b>
<b>EQUITY</b>					
Share capital	16	181,487	180,721	181,487	180,721
Share premium		69,795	69,335	69,795	69,335
Fair value reserves		8,809	-	-	-
Exchange translation reserves		(8,869)	9,889	-	-
Retained earnings	17	465,625	175,007	462,205	64,733
Equity attributable to equity holders of the Company		716,847	434,952	713,487	314,789
Minority interest		-	54,880	-	-
<b>TOTAL EQUITY</b>		<b>716,847</b>	<b>489,832</b>	<b>713,487</b>	<b>314,789</b>
<b>LIABILITIES</b>					
Insurance contract liabilities	18	-	577,228	-	-
Insurance payables	19	15,426	73,386	-	-
Trade and other payables	20	42,050	52,363	36,249	1,077
Amount owing to a subsidiary company	7	-	-	-	18
Bank borrowings	21	75,800	90,600	30,000	30,000
Deferred tax liabilities	22	-	-	-	-
Current tax liabilities		93	1,635	-	-
<b>TOTAL LIABILITIES</b>		<b>133,369</b>	<b>795,212</b>	<b>66,249</b>	<b>31,095</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>850,216</b>	<b>1,285,044</b>	<b>779,736</b>	<b>345,884</b>

Notes to and forming part of the financial statements are set out on pages 45 to 111  
Auditors' Report - pages 36 and 37

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2010

	Note	2010 RM'000	Group 2009 RM'000 (Restated)	2010 RM'000	Company 2009 RM'000 (Restated)
<b>CONTINUING OPERATIONS</b>					
Operating revenue	23	65,383	42,024	27,224	17,118
Operating costs applicable to operating revenue	24	( 39,535)	(18,564)	(22,243)	-
Gross profit		25,848	23,460	4,981	17,118
Other income	25	3,871	2,289	189	26
Other expenses	26	(18,408)	(13,484)	(54,813)	(21,287)
Share of losses in associated companies (net of tax)		( 8,001)	(12,925)	-	-
Net investment income	28	486	585	-	-
Finance costs	29	(3,145)	(3,073)	(1,057)	(1,015)
Profit/(Loss) before tax		651	(3,148)	(50,700)	(5,158)
Tax expense	30 (a)	(3,273)	(1,977)	(1,386)	(1,268)
Loss for the year from continuing operations		(2,622)	(5,125)	(52,086)	(6,426)
<b>DISCONTINUED OPERATIONS</b>					
Profit for the year from discontinued operations, net of tax	31	51,980	42,082	-	-
Gain on sale of discontinued operation	31 (g)/(i)	239,167	-	455,846	-
Profit/(Loss) for the year		288,525	36,957	403,760	(6,426)
Other comprehensive income:					
Net gain on available-for-sale investments					
- Gain on fair value changes		1,469	-	-	-
- Realisation on disposal of a subsidiary		( 2,393)	-	-	-
- Share of other comprehensive income of associated companies, net of tax		5,568	-	-	-
Foreign currency translation		(18,758)	2,321	-	-
Other comprehensive income for the year, net of tax		(14,114)	2,321	-	-
Total comprehensive income/(loss) for the year		274,411	39,278	403,760	(6,426)

STATEMENTS  
**OF COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

	Note	2010 RM'000	Group 2009 RM'000 (Restated)	2010 RM'000	Company 2009 RM'000 (Restated)
Profit attributable to:					
Equity holders of the Company		278,818	29,180	403,760	(6,426)
Minority interest		9,707	7,777	-	-
		288,525	36,957	403,760	(6,426)
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		264,411	31,501	403,760	(6,426)
Minority interest		10,000	7,777	-	-
		274,411	39,278	403,760	(6,426)
			<b>SEN</b>	<b>SEN</b>	
Basic earnings/(loss) per share					
	32				
- Loss from continuing operations		(1.44)	(2.84)		
- Profit from discontinued operations		154.91	18.98		
		153.47	16.14		
Diluted earnings/(loss) per share					
	32				
- Loss from continuing operations		(1.24)	-		
- Profit from discontinued operations		133.07	-		
		131.83	-		
Dividend per share (net of tax)					
		3.73	6.00		

Notes to and forming part of the financial statements are set out on pages 45 to 111  
 Auditors' Report - pages 36 and 37

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2010

	Attributable to equity holders of the Company								
	Non-distributable								
	Note	Share capital RM'000	Share premium RM'000	Exchange translation reserves RM'000	Fair value reserves RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1st January 2009		180,721	69,335	7,568	-	156,670	414,294	48,603	462,897
Total comprehensive income for the year		-	-	2,321	-	29,180	31,501	7,777	39,278
Dividends paid	33	-	-	-	-	(10,843)	(10,843)	(1,500)	(12,343)
Balance at 31st December 2009		180,721	69,335	9,889	-	175,007	434,952	54,880	489,832
Balance at 1st January 2010, as perviously stated		180,721	69,335	9,889	-	175,007	434,952	54,880	489,832
Effects of adoption of FRS 139	45(b)	-	-	-	4,458	18,577	23,035	3,378	26,413
At 1st January 2010, restated		180,721	69,335	9,889	4,458	193,584	457,987	58,258	516,245
Issuance of shares due to conversion of warrants		766	460	-	-	-	1,226	-	1,226
Total comprehensive income for the year		-	-	(18,758)	4,351	278,818	264,411	10,000	274,411
Disposal of subsidiary		-	-	-	-	-	-	(68,258)	(68,258)
Dividend paid	33	-	-	-	-	(6,777)	(6,777)	-	(6,777)
Balance at 31st December 2010		181,487	69,795	(8,869)	8,809	465,625	716,847	-	716,847

Notes to and forming part of the financial statements are set out on pages 45 to 111  
Auditors' Report - pages 36 and 37

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2010

	Note	Non-distributable		Retained earnings RM'000	Total RM'000
		Share capital RM'000	Share premium RM'000		
At 1st January 2009		180,721	69,335	82,002	332,058
Total comprehensive loss for the year		-	-	(6,426)	(6,426)
Dividends paid	33	-	-	(10,843)	(10,843)
Balance at 31st December 2009		180,721	69,335	64,733	314,789
Balance at 1st January 2010, as perviously stated		180,721	69,335	64,733	314,789
Effects of adoption of FRS 139	45(b)	-	-	489	489
At 1st January 2010, restated		180,721	69,335	65,222	315,278
Issuance of shares due to conversion of warrants		766	460	-	1,226
Total comprehensive income for the year		-	-	403,760	403,760
Dividend paid	33	-	-	(6,777)	(6,777)
Balance at 31st December 2010		181,487	69,795	462,205	713,487

Notes to and forming part of the financial statements are set out on pages 45 to 111  
Auditors' Report - pages 36 and 37

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2010

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(Loss) before tax				
Continuing operations	651	(3,148)	(50,700)	(5,158)
Discontinued operations	314,273	56,701	455,846	-
Adjustments for:				
Accretion of discounts	(1,282)	(1,333)	-	-
Amortisation of premiums	93	119	-	-
Allowance for diminution in value of investments	-	(25,447)	-	-
Allowance for/(Write-back of) doubtful debts	1,041	(1,772)	-	-
Amortisation of intangible assets	285	621	-	-
Bad debts written off	201	2,003	-	-
Changes in unearned premium reserves	-	24,261	-	-
Depreciation	2,029	2,185	91	89
Dividend income	(5,768)	(5,339)	-	(14,074)
Gain on sale of investments	(13,131)	(6,884)	(807)	-
Fair value gain on investments				
- held for trading	(15,592)	-	(465)	-
Interest expense	3,145	3,073	1,057	1,015
Interest income	(25,666)	(24,487)	(3,678)	(2,997)
Impairment loss of investment in associated company	4,378	2,447	42,553	18,311
Impairment loss of investment in a subsidiary company	-	-	6,947	-
Gain on disposal of property, plant and equipment	(163)	(89)	-	(26)
Gain on disposal of a subsidiary company	(239,167)	-	(455,846)	-
Loss on disposal of property, plant and equipment	1	-	-	-
Unrealised loss on foreign exchange	5,005	697	1,795	354
Share of losses in associated companies	8,001	12,925	-	-
Property, plant and equipment written off	19	5	-	-
Writedown of marketable securities to net realisable value	-	1,426	-	-
Operating profit/(loss) before changes in working capital	38,353	37,964	(3,207)	(2,486)
Changes in fixed deposits	224,063	(28,842)	-	-
Proceeds from sale of investments	86,202	85,851	-	-
Purchase of investments	(139,144)	(106,469)	-	-
Changes in reinsurance assets	(56,542)	-	-	-
Changes in insurance receivables	(11,280)	(1,819)	-	-
Changes in trade receivables	8,997	22,863	-	-
Changes in other receivables	(3,654)	(1,151)	(26)	(2)
Changes in insurance contract liabilities	60,759	-	-	-
Changes in provision for outstanding claims	-	21,992	-	-
Changes in insurance payables	8,427	6,173	-	-
Changes in trade payables	340	(463)	-	-
Changes in other payables	2,086	12,955	299	325
Cash generated from/(used in) operations	218,607	49,054	(2,934)	(2,163)
Income tax (paid)/refunded	(17,743)	(9,306)	(325)	368
Interest received	21,320	21,380	-	-
Dividends received	3,935	3,755	3,645	13,024
Net cash generated from operating activities	226,119	64,883	386	11,229

STATEMENTS  
**OF CASH FLOWS**  
 FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Advances to associated companies	(6,312)	-	(6,312)	-
Acquisition of additional shares in associated company	(14,251)	(7,794)	(14,251)	(7,794)
Proceeds from disposal of a subsidiary company	203,920	-	523,200	-
Proceeds from sale of investments	78,315	41,803	23,050	-
Proceeds from disposal of property, plant and equipment	226	95	57	26
Purchase of property, plant and equipment	(2,530)	(598)	(81)	(4)
Purchase of intangible assets	(522)	(50)	-	-
Purchase of investments	(114,650)	(30,090)	(94,953)	-
Interest received	3,047	3,245	2,449	2,976
Dividends received	1,214	1,020	-	-
(Advances to)/Repayment from subsidiary companies	-	-	(1,234)	16,112
Cash received for transfer of insurance business portfolio <i>(Note 34)</i>	592	1,777	-	-
Net cash generated from investing activities	149,049	9,408	431,925	11,316
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares	1,226	-	1,226	-
(Repayments to)/Advances from subsidiary company	-	-	(18)	1
Drawdown of bank borrowings	-	-	-	-
Repayments of bank borrowings	(14,800)	-	-	-
Interest paid	(3,120)	(3,081)	(1,057)	(1,024)
Dividends paid to shareholders of the Company	(6,907)	(10,688)	(6,907)	(10,688)
Dividend paid to a minority shareholder of a subsidiary company	(750)	(750)	-	-
Net cash used in financing activities	(24,351)	(14,519)	(6,756)	(11,711)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	350,817	59,772	425,555	10,834
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	205,261	145,709	55,180	44,346
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	(4,873)	(220)	-	-
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	551,205	205,261	480,735	55,180
Represented by:				
Cash and bank balances	58,573	45,870	735	3,040
Deposits	492,632	159,391	480,000	52,140
	551,205	205,261	480,735	55,180

Notes to and forming part of the financial statements are set out on pages 45 to 111  
 Auditors' Report - pages 36 and 37

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2010

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements comply with applicable approved Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB"), the provisions of the Companies Act, 1965.

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 policy

The significant accounting policies adopted by the Group and the Company are consistent with those of the previous financial year except for the adoption of the following new/revised FRSs, Issues Committee Interpretations ("IC Interpretations") and Amendments to FRSs (including their consequential amendments) which are effective for the financial periods beginning 1st January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Royalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to FRS 2	Share-based payment – Vesting Conditions and Cancellations
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Statement of Cash Flows
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events after the Reporting Period
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 127	Consolidated and Separate Financial Statements
Amendment to FRS 128	Investments in Associates
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendment to FRS 131	Interests in Joint Ventures
Amendment to FRS 132	Financial Instruments: Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 138	Intangible Assets
Amendment to FRS 140	Investment Property

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

**(b) Changes in accounting policy (cont'd)**

The adoption of the above FRSs, Amendments to FRSs and IC Interpretations did not have significant financial impact on the Group and the Company except for the following:

*FRS 4 - Insurance Contracts*

The adoption of FRS 4 does not have any significant impact on the financial statements of the Group other than expanded disclosure requirements. Certain comparative figures have been restated to comply with FRS 4. The effects arising from the adoption of FRS 4 on the comparative statement of financial position as at 31st December 2009 are discussed in Note 45 to the financial statements.

*FRS 7 - Financial Instruments: Disclosures*

Prior to 1st January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31st December 2010.

*FRS 8 - Operating Segments*

FRS 8, which replaces FRS 114, Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business segments, which is also the basis of presenting its monthly internal management reports. The basis of measurement of segment results, segment assets and segment liabilities are the same as the basis of measurement for external reporting. These disclosures are shown in Note 42 to the financial statements.

*FRS 101 - Presentation of Financial Statements (Revised)*

The revised FRS 101 requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (ie. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

The Group and the Company have elected to present the statement of comprehensive income in one statement. As a result, the Group and the Company have presented all owner changes in equity in the statement of changes in equity whilst all non-owner changes in equity have been presented in the statement of comprehensive income. There is no impact on the results of the Group and the Company since these changes affects only the presentation of items of income and expense.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This has not been presented as there is no significant impact to the Group and the Company.

The revised FRS 101 also requires the Group and Company to make new disclosures to enable users of the financial statements to evaluate the Group's and the Company's objective, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

NOTES  
**TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)**

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

**(b) Changes in accounting policy (cont'd)**

*FRS 139 - Financial Instruments: Recognition and Measurement*

FRS 139 sets out the principles for recognising and measuring financial assets and financial liabilities. The Group and the Company have adopted FRS 139 prospectively on 1st January 2010 in accordance with the transitional provisions. The comparatives as at 31st December 2009 are not restated. Instead, the effects arising from the adoption of FRS 139 have been accounted for by adjusting the opening retained earnings as at 1st January 2010. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed in Note 45 to the financial statements.

**(c) New/revised FRSs, Issues Committee Interpretations ("IC Interpretations") and Amendments to FRSs that have been issued but are not yet effective**

<b>New/revised FRSs and IC Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
FRS 1	First-time Adoption of Financial Reporting Standards (revised) 1st July 2010
FRS 3	Business Combinations (revised) 1st July 2010
FRS 124	Related Party Disclosures 1st January 2012
FRS 127	Consolidated and Separate Financial Statements (revised) 1st July 2010
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters 1st January 2011
Amendments to FRS 1	Additional Exemptions for First-time Adopters 1st January 2011
Amendments to FRS 2	Share-based Payment 1st July 2010
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions 1st January 2011
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations 1st July 2010
Amendments to FRS 7	Improving Disclosures about Financial Instruments 1st January 2011
Amendments to FRS 101	Presentation of Financial Statements 1st January 2011
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates 1st January 2011
Amendments to FRS 128	Investments in Associates 1st January 2011
Amendments to FRS 131	Interests in Joint Ventures 1st January 2011
Amendments to FRS 132	Financial Instruments: Presentation 1st March 2010
Amendments to FRS 134	Interim Financial Reporting 1st January 2011
Amendments to FRS 138	Intangible assets 1st July 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement 1st January 2011
IC Interpretation 4	Determining Whether an Arrangement contains a Lease 1st January 2011
IC Interpretation 12	Service Concession Arrangements 1st July 2010
IC Interpretation 15	Agreements for the Construction of Real Estate 1st January 2012
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operations 1st July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners 1st July 2010
IC Interpretation 18	Transfer of Assets from Customers 1st January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments 1st July 2011
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives 1st July 2010
Amendments to IC Interpretation 14	Prepayment of a Funding Requirement 1st July 2011

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

**(c) New/revised FRSs, Issues Committee Interpretations ("IC Interpretations") and Amendments to FRSs that have been issued but are not yet effective (cont'd)**

The above new/revised FRSs, IC Interpretations and Amendments to FRSs are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes arising from the adoption of revised FRS 3 and the Amendments to FRS 127. The nature of the impending changes arising from the adoption of the revised FRS 3 and the Amendments to FRS 127 are discussed below:

*FRS 3 - Business Combinations (revised) and Amendments to FRS 127 - Consolidated and Separate Financial Statements*

The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1st July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Total comprehensive income will be proportionally allocated to minority interests, even if it results in the minority interests to be in a deficit position.

The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

**(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 end of the reporting period, and the reported amounts of income and expenses during the financial year.

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

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

**(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 reporting period. 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.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

**(e) Basis of consolidation (cont'd)**

The excess of the acquisition cost over the fair values of the identifiable assets, liabilities, contingent liabilities acquired is retained in the statement of financial position as goodwill, while the shortfall is immediately credited to the profit or loss.

Goodwill arising on the acquisition of subsidiary companies is presented separately in the consolidated statement of financial position.

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 profit or loss.

On disposal, the difference between the net disposal proceeds and the carrying amount of the subsidiary disposed of is taken to the profit or loss.

**(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 profit or loss.

On disposal, the difference between the net disposal proceeds and the carrying amount of the associated company disposed of is taken to the profit or loss.

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 other comprehensive income of the associated companies are recognised in the profit or loss and other comprehensive income of the Group, 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.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

**(g) Associated companies (cont'd)**

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 Note 1(l)(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.

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 profit or loss during the financial year in which they are incurred.

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

*(ii) Depreciation*

Freehold land is not depreciated.

Depreciation is calculated to write off the depreciable amount of other property, plant and equipment on a straight line basis 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.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

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

*(ii) Depreciation (cont'd)*

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	10% - 20%
Office renovation	2.5% - 33 1/3%

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

**(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 profit or loss during the financial year in which they are incurred.

Investment properties are derecognised upon disposal or when they 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 profit or loss.

*(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 useful lives and depreciation method are reviewed and adjusted if appropriate, at end of each reporting period.

**(j) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. 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 intangible assets with finite useful lives are reviewed at least at end of each reporting period.

The computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The costs are amortised over their estimated useful life of 3 years.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

**(k) 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.

Arising from the adoption of *FRS 139 Financial Instruments: Recognition and Measurement*, with effect from 1st January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1st January 2010, different accounting policies were applied. The financial impact is discussed in Note 45 to the financial statements.

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instruments.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Financial assets are either classified as financial assets at fair value through profit or loss, loans and receivable or available-for-sale financial assets, as appropriate. Management determines the classification of the financial assets as set out below upon initial recognition.

*Financial assets at fair value through profit or loss*

This category includes financial assets held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition are classified as financial assets at fair value through profit or loss. On initial recognition, these financial assets are recognised at fair value.

Subsequent measurement of financial assets in this category is at fair values with the gain or loss recognised in the profit or loss.

*Available-for-sale financial assets*

This category comprises investments in equity and debt securities that are not held for trading or designated at fair value through profit or loss.

The subsequent measurement of financial assets in this category is at fair value unless the fair value cannot be measured reliably, in which case they are measured at cost less impairment loss.

Any gains or losses arising from changes in fair value of an investment in this category are recognised directly in the other comprehensive income, except for impairment losses, until the investment is derecognised, at which time the cumulative gain or loss previously reported in other comprehensive income is recognised in the profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in the profit or loss.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

**(k) Financial Instruments (cont'd)**

(ii) Financial instrument categories and subsequent measurement (cont'd)

*Loans and receivables*

Loans and receivables category comprises trade and other receivables and cash and cash equivalents. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Subsequent measurements are at amortised cost using the effective interest method, less allowance for impairment loss. Any gain or losses arising from de-recognition or impairment, and through the amortisation process of loans and receivables are recognised in the profit or loss.

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

Financial liabilities

All financial liabilities are measured at amortised cost using the effective interest method.

(iii) De-recognition of financial assets and liabilities

A financial asset or part of it is de-recognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset.

On de-recognition of a financial asset, the difference between the carrying amount and the sum of the consideration received together with any cumulative gain or loss that has been recognised in the other comprehensive income is recognised in the profit or loss.

A financial liability or part of it is de-recognised, when the obligation specified in the contract is discharged, cancelled or expired.

On de-recognition of financial liabilities, the difference between the carrying amount and the consideration paid, including and non-cash assets transferred or assumed, is recognised in the profit or loss.

**(l) Impairment of non-financial 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 profit or loss 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.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

**(l) Impairment of non-financial assets (cont'd)**

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

These assets are assessed at end of each reporting period 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.

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 profit or loss.

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

**(m) Impairment of financial assets**

All financial assets except for financial assets categorised as fair value through profit or loss, are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in fair value below its cost is an objective evidence of impairment.

- (i) *Assets carried at amortised cost*

If there is an objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying amount of the financial asset.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

- (ii) *Available-for-sale financial assets*

An impairment loss is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from other comprehensive income and recognised in the profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in the profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

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

*(ii) Available-for-sale financial assets (cont'd)*

Impairment losses recognised in the profit or loss in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in the profit or loss.

**(n) 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 profit or loss on a straight line basis over the period of the lease.

**(o) 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 profit or loss.

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

**(p) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

All other borrowing costs are charged to the profit or loss in the period which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

**(q) 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.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

**(r) 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*

Premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

*(ii) Reinsurance premium*

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

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

Provision for unearned premiums is the higher of:

- (a) the aggregate of the Unearned Premium Reserve ("UPR") for all line of business, or;
- (b) the best estimate value of the Unexpired Risk Reserve ("URR") at the required risk margin for adverse deviation

UPR represents the unexpired portion of gross premium of insurance policies written net premiums ceded to qualified reinsurers at the end of the financial year. In determining UPR at end of the reporting period, the method that most accurately reflects the actual unearned premium used is as follows:

- (i) 25% method for marine cargo, aviation cargo and transit business within Malaysia;
- (ii) 1/24<sup>th</sup> method for all other classes of Malaysian policies reduced by the permitted deductions;
- (iii) 1/8 method for all classes of overseas business with a deduction of 20% for acquisition cost;
- (iv) Time apportionment basis for policies with significant insurance premium periods of more than 12 months.

The UPR calculation is adjusted for additional UPR in respect of premium ceded to unqualified (overseas and offshore) reinsurers as required under the Risk-Based Capital Framework issued by BNM.

Under the Insurance Regulation 1996, the permitted deduction is the lower of actual acquisition cost (actual percentage of accounted gross direct business commission and agency related expenses) or the maximum permitted deduction as follows:

- |  |     |
|--|-----|
| (a) Motor, bonds and foreign workers' compensation scheme                                      | 10% |
| (b) Fire, engineering, marine hull, marine cargo, aviation and transit, and medical and health | 15% |
| (c) Other classes  | 25% |

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

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

*(iv) Insurance contract liabilities*

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise of provision for outstanding claims and unearned premiums.

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position, whether reported or not, together with the related claims handling expenses. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the end of the reporting period. The liability is calculated at reporting date using a range of standard actuarial claim projection techniques based such as Chain Ladder and Bornheutter-Ferguson.

The Group's historical claims development experience is used to project future claims development and ultimate claim costs. These methods extrapolate the development of paid and incurred losses, average costs per claim and claims numbers based on the observed development of earlier years and expected loss ratios. Historical claim development is mainly analysed by accident years. Large claims are addressed separately, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (example, to reflect remote occurrences, changes in market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decision and legislation, as well as internal factors such as portfolio mix, policy features and claim handling procedures) in order to arrive at the estimated ultimate cost of claim that present the likely outcome from the range of possible outcomes, taking into consideration of all the uncertainties involved.

*(v) Acquisition costs*

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

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are amortised to the period according to the original policies which give rise to income. Amortisation is recognised in profit or loss.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss.

*(vi) Claims and Expenses*

A liability of outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the reporting date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at reporting date, using standard actuarial valuation methods described in Note 1(r)(iv).

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

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

*(vii) Reinsurance*

The Group ceded insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from obligation to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss.

Gains or losses on buying reinsurance are recognised in profit or loss immediately at the date of purchase and are not amortised.

The Group also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

**(s) Income recognition**

- (i) Insurance premium income is recognised as disclosed under Note 1(r)(i) above.
- (ii) Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.
- (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.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

**(t) 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 end of the reporting period 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 profit or loss for the period.

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

*(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 end of the reporting period.

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 via other comprehensive income. On the disposal of a foreign operation, the exchange translation differences relating to that foreign operation are recognised in the profit or loss as part of the gain or loss on disposal.

**(u) 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.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

**(u) Employee benefits (cont'd)**

*(iii) 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 profit or loss 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 profit or loss as incurred.

**(v) Taxation**

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

On the statement of financial position, 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 difference and unutilised 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 end of the reporting period 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 other comprehensive income if the tax relates to items that are credited or charged, whether in the same or a different period, directly to other comprehensive income.

**(w) 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.

**(x) Segment reporting**

Segment reporting in the financial statements are presented on the same basis as it is used by the management internally for evaluating operating segment performance and in deciding how to allocate resources to operating segments. Operating segments are distinguishable components of the Group that engage in business activities from which it may earn revenues and incur expenses that relate to transactions with any of the Group's other components. An operating segment is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance, for which discrete financial information is available.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Segment reporting (cont'd)

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.

2. PROPERTY, PLANT AND EQUIPMENT

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>2010</b>							
<b>Cost</b>							
At 1.1.2010	7,000	14,707	6,547	4,487	2,250	2,237	37,228
Additions	-	-	780	532	1,066	152	2,530
Disposals	-	-	(279)	(44)	(559)	-	(882)
Write-offs	-	-	(302)	(472)	-	(245)	(1,019)
Disposal of a subsidiary ( <i>Note 31</i> )	(7,000)	(12,407)	(6,195)	(3,127)	(1,953)	(1,368)	(32,050)
Foreign exchange adjustments	-	(118)	(17)	(64)	(20)	(36)	(255)
At 31.12.2010	-	2,182	534	1,312	784	740	5,552
<b>Accumulated depreciation</b>							
At 1.1.2010	-	2,931	6,076	3,508	1,738	1,921	16,174
Charge for the year	-	272	504	382	451	114	1,723
Disposals	-	-	(262)	(40)	(516)	-	(818)
Write-offs	-	-	(302)	(456)	-	(242)	(1,000)
Disposal of a subsidiary ( <i>Note 31</i> )	-	(2,614)	(5,565)	(2,232)	(1,022)	(1,269)	(12,702)
Foreign exchange adjustments	-	(28)	(15)	(56)	(19)	(26)	(144)
At 31.12.2010	-	561	436	1,106	632	498	3,233
<b>Net carrying value</b>							
At 31.12.2010	-	1,621	98	206	152	242	2,319

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

2. 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>2009</b>							
<b>Cost</b>							
At 1.1.2009	7,000	14,664	7,773	4,492	2,541	2,234	38,704
Additions	-	-	463	135	-	-	598
Disposals	-	-	(166)	(7)	(298)	-	(471)
Write-offs	-	-	(1,163)	(168)	-	-	(1,331)
Transfer to intangible assets ( <i>Note 4</i> )	-	-	(358)	16	-	-	(342)
Foreign exchange adjustments	-	43	(2)	19	7	3	70
At 31.12.2009	7,000	14,707	6,547	4,487	2,250	2,237	37,228
<b>Accumulated depreciation</b>							
At 1.1.2009	-	2,617	7,031	3,300	1,669	1,814	16,431
Charge for the year	-	305	721	357	361	106	1,850
Disposals	-	-	(161)	(6)	(298)	-	(465)
Write-offs	-	-	(1,162)	(164)	-	-	(1,326)
Transfer to intangible assets ( <i>Note 4</i> )	-	-	(351)	9	-	-	(342)
Foreign exchange adjustments	-	9	(2)	12	6	1	26
At 31.12.2009	-	2,931	6,076	3,508	1,738	1,921	16,174
<b>Net carrying value</b>							
At 31.12.2009	7,000	11,776	471	979	512	316	21,054

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

Company	Computers RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
<b>2010</b>					
<b>Cost</b>					
At 1.1.2010	202	223	398	365	1,188
Additions	78	3	-	-	81
Disposals	(38)	(10)	(86)	-	(134)
Write-offs	(80)	-	-	-	(80)
At 31.12.2010	162	216	312	365	1,055
<b>Accumulated depreciation</b>					
At 1.1.2010	187	212	217	365	981
Charge for the year	9	5	77	-	91
Disposals	(25)	(10)	(43)	-	(78)
Write-offs	(80)	-	-	-	(80)
At 31.12.2010	91	207	251	365	914
Net carrying value					
At 31.12.2010	71	9	61	-	141
<b>2009</b>					
<b>Cost</b>					
At 1.1.2009	198	223	588	365	1,374
Additions	4	-	-	-	4
Disposals	-	-	(190)	-	(190)
At 31.12.2009	202	223	398	365	1,188
<b>Accumulated depreciation</b>					
At 1.1.2009	183	207	327	365	1,082
Charge for the year	4	5	80	-	89
Disposals	-	-	(190)	-	(190)
At 31.12.2009	187	212	217	365	981
Net carrying value					
At 31.12.2009	15	11	181	-	207

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**3. INVESTMENT PROPERTY**

	Group	
	2010 RM'000	2009 RM'000
Freehold land and building, at cost		
At 1st January	24,912	24,912
Disposal of a subsidiary ( <i>Note 31</i> )	(24,912)	-
At 31st December	-	24,912
Accumulated depreciation and impairment		
At 1st January	2,888	2,553
Charge for the year	306	335
Disposal of a subsidiary ( <i>Note 31</i> )	(3,194)	-
At 31st December	-	2,888
Net carrying value	-	22,024

The directors estimate the fair value of the investment property as at 31st December 2009 was RM33,630,000. The fair value was arrived at by reference to market evidence of transaction prices of similar properties and was 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.

**4. INTANGIBLE ASSETS**

	Group	
	2010 RM'000	2009 RM'000
<b>Computer software</b>		
Cost		
At 1st January	7,054	7,581
Additions	522	50
Disposal	(15)	-
Write-offs	(75)	(919)
Transfer from property, plant and equipment ( <i>Note 2</i> )	-	342
Disposal of a subsidiary ( <i>Note 31</i> )	(7,486)	-
At 31st December	-	7,054

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

4. INTANGIBLE ASSETS (cont'd)

Computer software (cont'd)	Group	
	2010 RM'000	2009 RM'000
Accumulated amortisation		
At 1st January	6,906	6,862
Charge for the year	285	621
Disposal	(15)	-
Write-offs	(75)	(919)
Transfer from property, plant and equipment (Note 2)	-	342
Disposal of a subsidiary (Note 31)	(7,101)	-
At 31st December	-	6,906
Net carrying value	-	148

5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2010 RM'000	2009 RM'000
Unquoted shares, at cost	107,236	107,236
Disposal of a subsidiary (Note 31 (i))	(56,354)	-
	50,882	107,236
Impairment losses	(6,947)	-
	43,935	107,236

The subsidiary companies are:

	Country of incorporation	Principal activities	Equity interest	
			2010 %	2009 %
Jerneh Insurance Berhad ("JIB")	Malaysia	Underwriting of general insurance business	-	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

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

5. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

	Country of incorporation	Principal activities	Equity interest	
			2010 %	2009 %
Jerneh Healthcare Services Sdn Bhd ("JHS")	Malaysia	Under member's voluntary liquidation	100	100
Minsec Management Services Sdn Bhd ("MMS")	Malaysia	Management services	100	100
Jerneh Asia Reinsurance Limited ("JAR")	Labuan, Malaysia	Offshore reinsurance	100	100
+ Jerneh Investment (HK) Limited ("JIHK")	Hong Kong	Trading in 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 Mazars*

\* *Not audited by Mazars or its associates*

The Company disposed its 80% equity interest in Jerneh Insurance Berhad on 1st December 2010 for a total consideration of RM547,200,000. The subsidiary was previously reported as part of the underwriting general insurance segment.

The effect of disposal to the financial position of the Group at the end of the reporting period is disclosed in Note 31 to the financial statements.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

6. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cost of investment	130,381	123,200	130,381	123,200
Capital contribution	19,105	13,828	19,105	13,828
Share of post-acquisition losses and reserves	(82,660)	(83,468)	-	-
Effect of exchange rate changes	(1,959)	13,630	-	-
	64,867	67,190	149,486	137,028
Accumulated impairment losses	(6,825)	(2,447)	(60,864)	(18,311)
	58,042	64,743	88,622	118,717

The associated companies are:

	Country of incorporation	Principal activities	Equity interest	
			2010 %	2009 %
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	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.

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

	Country of incorporation	Principal activities	Equity interest	
			2010 %	2009 %
PT Asuransi Jiwa Generali Indonesia	Indonesia	Underwriting of life insurance business	93	88
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

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

6. INVESTMENT IN ASSOCIATED COMPANIES (cont'd)

	Country of incorporation	Principal activities	Equity interest	
			2010 %	2009 %
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:

	2010 RM'000	2009 RM'000
<b>Assets and liabilities</b>		
Total assets	591,142	552,925
Total liabilities	455,429	409,744
<b>Results</b>		
Revenue	170,565	146,173
Loss for the year	(8,001)	(12,925)

7. AMOUNTS OWING BY/TO 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 RM50.01 million (2009: RM48.38 million) which bear interest at 0.75% (2009: between 0.5% and 0.75%) per annum above the cost of funds of a reference bank. The effective interest rate of those advances range between 3.22% and 3.75% (2009: between 3.17% and 4.25%) per annum.

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

	Company	
	2010 RM'000	2009 RM'000
- RM	30,077	52,446
- Philippine Peso	210	1,561
- Hong Kong Dollar	20,312	3
	50,599	54,010

The amount owing to the subsidiary company represents unsecured interest free advance which is payable on demand.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**8. AMOUNT OWING BY ASSOCIATED COMPANY**

The amount owing by the associated company represents unsecured interest free advances with no fixed repayment terms.

**9. INVESTMENTS**

**2010**

	<b>Group RM'000</b>	<b>Company RM'000</b>
<i>Held-for-trading investments</i>		
Quoted shares in Malaysia at market value	16,616	-
Quoted shares outside Malaysia at market value	8,898	-
Unit trust in Malaysia at market value	83,615	83,615
	109,129	83,615
<i>Available-for-sale investments</i>		
Unquoted shares in Malaysia at cost	50	50
	109,179	83,665

**2009**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Quoted investments:		
- Unit trust in Malaysia	9,359	-
- Shares in Malaysia	113,068	-
- Shares outside Malaysia	5,834	-
- Warrant in Malaysia	169	-
Unquoted investments:		
- Unit trust in Malaysia	10,000	10,000
- Bonds and loan stocks in Malaysia	198,686	-
- Shares in Malaysia	420	-
Malaysian government securities	4,691	-
	342,227	10,000

Prior to 1st January 2010, investments were carried at lower of cost and market value.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**9. INVESTMENTS (cont'd)**

The effective interest rates of the fixed interest-bearing investments at the end of the reporting period are as follows:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	%	%
Malaysian government securities	-	0.0
Unquoted bonds and loan stocks in Malaysia	-	0.0 to 8.4

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

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	RM'000	RM'000	RM'000	RM'000
- RM	100,281	336,788	83,665	10,000
- Hong Kong Dollar	4,474	2,831	-	-
- Philippine Peso	84	93	-	-
- Singapore Dollar	3,725	2,515	-	-
- Indonesian Rupiah	615	-	-	-
	109,179	342,227	83,665	10,000

**10. DEFERRED TAX ASSETS**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	RM'000	RM'000	RM'000	RM'000
At beginning of the year	2,229	2,281	197	163
(Reversal)/ Originating during the year	(105)	(64)	(111)	34
Foreign exchange adjustments	(35)	12	-	-
At end of the year	2,089	2,229	86	197

The Group and the Company 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.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Allowance for doubtful debts	1,244	3,594	-	-
Accruals for bonus	226	1,920	226	123
Unabsorbed capital allowances	781	710	-	-
Excess of accumulated depreciation over capital allowance on property, plant and equipment	3	67	(22)	(14)
Accumulated accretion of discounts	-	(1,032)	-	-
Unrealised foreign exchange losses	4	90	-	89
Lease rental receivable	(274)	(460)	-	-
Other temporary differences	105	(2,660)	(118)	(1)
<b>Net deferred tax assets</b>	<b>2,089</b>	<b>2,229</b>	<b>86</b>	<b>197</b>

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	
	2010 RM'000	2009 RM'000
Unutilised tax losses	10,248	15,457
Unabsorbed capital allowances	30	240
Others	-	(12)
	10,278	15,685

**11. REINSURANCE ASSETS**

	Group	
	2010 RM'000	2009 RM'000
Reinsurance of insurance contracts		
Claims liabilities	-	164,985
Premium liabilities	-	62,595
	-	227,580

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**12. INSURANCE RECEIVABLES**

	2010 RM'000	Group 2009 RM'000
Outstanding premium including insureds, agents, brokers and co-insurer balances	-	64,138
Amount due from reinsurers and ceding companies	-	8,509
	-	72,647
Allowance for doubtful debts	-	(9,886)
	-	62,761

The currency exposure profile of gross insurance receivables are as follows:

	2010 RM'000	Group 2009 RM'000
- RM	-	68,730
- United States Dollar	-	3,274
- Hong Kong Dollar	-	44
- Philippine Peso	-	132
- Singapore Dollar	-	365
- Brunei Dollar	-	78
- Thai Baht	-	12
- Japanese Yen	-	12
	-	72,647

**13. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Loans and advances	91,410	100,493	-	-
Allowance for doubtful debts	(4,982)	(4,882)	-	-
	86,428	95,611	-	-
Brokerage fee receivable	2,511	2,616	-	-
Allowance for doubtful debts	(89)	(147)	-	-
Net trade receivables	88,850	98,080	-	-

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

13. TRADE AND OTHER RECEIVABLES (cont'd)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net trade receivables	88,850	98,080	-	-
Other trade receivables	129	7	-	-
Other receivables	26,943	6,690	24,027	-
Allowance for doubtful debts	(1,689)	(1,681)	-	-
	114,233	103,096	24,027	-
Interest receivable	1,312	2,367	1,296	67
Proceeds receivable from disposal of marketable securities	-	681	-	-
Prepayments and deposits	702	949	62	63
	116,247	107,093	25,385	130

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
- RM	117,040	107,838	25,323	67
- United States Dollar	121	129	-	-
- Hong Kong Dollar	1,847	828	-	-
- Philippine Peso	2,902	3,652	-	-
- Thai Baht	-	14	-	-
- Japanese Yen	-	5	-	-
- European Euro	76	-	-	-
- Indonesian Rupiah	-	2	-	-
- Chinese Renminbi	309	386	-	-
- Mongolian Tugrug	10	-	-	-
	122,305	112,854	25,323	67

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

Other trade receivables represent management and security fees receivables which are due at the beginning of the month. The credit period may be extended to 30 days at the discretion of management.

The effective interest rates of the loans and advances at the end of the reporting period ranged from 3.00% to 9.25% (2009: 3.00% to 9.25%) per annum.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**14. DEPOSITS**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed and call deposits with				
- licensed financial institutions in Malaysia	486,533	362,327	480,000	52,140
- licensed banks outside Malaysia	10,322	26,244	-	-
	496,855	388,571	480,000	52,140

The currency exposure profile of the deposits are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
- RM	482,310	357,645	480,000	52,140
- United States Dollar	5,060	21,245	-	-
- Hong Kong Dollar	1	2	-	-
- Philippine Peso	9,287	9,137	-	-
- Singapore Dollar	197	542	-	-
	496,855	388,571	480,000	52,140

The effective interest rates of the deposits at the end of the reporting period were as follows:

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Fixed and call deposits with				
- licensed financial institutions in Malaysia	0.20 to 3.20	0.20 to 3.23	1.85 to 3.20	1.85 to 3.23
- licensed banks outside Malaysia	0.50 to 4.00	0.01 to 11.00	-	-

All the deposits have maturities of 12 months or less.

**15. CASH AND BANK BALANCES**

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
- RM	12,494	13,957	735	3,040
- United States Dollar	24,647	9,306	-	-
- Hong Kong Dollar	19,034	20,388	-	-
- Philippine Peso	2,266	1,994	-	-
- Singapore Dollar	-	119	-	-
- Australian Dollar	34	36	-	-
- European Euro	98	70	-	-
	58,573	45,870	735	3,040

NOTES  
**TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**16. SHARE CAPITAL**

	2010		2009	
	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 1st January	180,721	180,721	180,721	180,721
Exercise of warrant	766	766	-	-
At 31st December	181,487	181,487	180,721	180,721

Warrants 2007/2012

The salient terms of the Warrants 2007/2012 are as follows:-

- (a) The Warrants are constituted by a Deed Poll executed on 11th April 2007.
- (b) The Warrants are traded separately.
- (c) 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.
- (d) Each Warrant entitles the registered holder to subscribe for one new ordinary share ("Shares") in the Company.
- (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.

During the financial year, 766,391 units of Warrants were exercised and converted into ordinary shares of RM1 each. The total unexercised Warrants as of 31st December 2010 is 65,573,211 units. The new ordinary shares ranked pari passu in all respects with the existing shares of the Company.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**17. RETAINED EARNINGS**

- (a) Subject to agreement with the Inland Revenue Board and the prevailing tax rate applicable to dividends, the Company has sufficient tax credits and tax exempt income available to frank approximately RM133.4 million from the Company's retained earnings.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1st January 2007. As such, the remaining Section 108 tax credit as at 31st December 2010 will be available to the Company until such time the credit is fully utilised or upon expiry of the 6th-year transitional period on 31st December 2013, whichever is earlier. Under the single tier company tax system, the entire retained earnings of the Company is available for distribution by way of dividend without incurring additional tax liabilities.

- (b) On 25th March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The following analysis of realised and unrealised retained earnings is prepared in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements* as issued by the Malaysian Institute of Accountants.

	2010	
	Group RM'000	Company RM'000
Total retained earnings:		
- Realised earnings	740,025	464,413
- Unrealised earnings/(losses)	3,961	(2,208)
	743,986	462,205
Total share of accumulated losses from associated companies:		
- Realised	(91,450)	-
- Unrealised	(19)	-
	652,517	-
Less: Consolidation adjustments	(186,892)	-
	465,625	462,205

The disclosure of realised and unrealised profits above is prepared solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

NOTES  
**TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**18. INSURANCE CONTRACT LIABILITIES**

	<b>2010</b>	<b>Group</b>
	<b>RM'000</b>	<b>2009</b>
		<b>RM'000</b>
Provision for outstanding claims	-	386,336
Provision for unearned premiums	-	188,387
Provision for liability adequacy	-	2,505
	-	577,228

**19. INSURANCE PAYABLES**

	<b>2010</b>	<b>Group</b>
	<b>RM'000</b>	<b>2009</b>
		<b>RM'000</b>
Amounts due to insureds, agents, brokers and co-insurers	15,426	26,885
Amounts due to reinsurers and ceding companies	-	46,501
	15,426	73,386

The currency exposure profile of insurance payables are as follows:

	<b>2010</b>	<b>Group</b>
	<b>RM'000</b>	<b>2009</b>
		<b>RM'000</b>
- RM	15,426	68,960
- United States Dollar	-	4,267
- Hong Kong Dollar	-	22
- Philippine Peso	-	51
- Singapore Dollar	-	53
- Thai Baht	-	2
- Indian Rupee	-	8
- Danish Kroner	-	15
- Britain Pound	-	6
- Indonesian Rupiah	-	2
	15,426	73,386

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**20. TRADE AND OTHER PAYABLES**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Amounts due to insureds, agents, brokers and co-insurers	616	920	-	-
Amounts due to reinsurers and ceding companies	2,674	2,228	-	-
Other payables	37,909	46,746	36,122	-
Dividend payables	52	932	52	182
Interest payable	202	177	75	65
Accruals	597	1,360	-	830
	42,050	52,363	36,249	1,077

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
- RM	37,156	47,629	36,249	1,077
- United States Dollar	112	-	-	-
- Hong Kong Dollar	1,444	614	-	-
- Philippine Peso	3,256	4,005	-	-
- Chinese Renminbi	97	115	-	-
- Japanese Yen	(15)	-	-	-
	42,050	52,363	36,249	1,077

**21. BANK BORROWINGS**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revolving credits - unsecured	75,800	90,600	30,000	30,000

The revolving credits, which are denominated in RM, bears interest at 0.75% (2009: between 0.5% and 0.75%) per annum above the cost of funds of a lending bank. The effective interest rates ranges between 3.16% and 4.19% (2009: between 3.17% and 4.25%) per annum.

**22. DEFERRED TAX LIABILITIES**

	Group	
	2010 RM'000	2009 RM'000
At beginning of the year	-	701
Effect of adopting FRS 139	319	-
Reversal during the year	(319)	(701)
At end of the year	-	-

NOTES  
**TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**23. OPERATING REVENUE**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross dividends from subsidiary companies	-	-	-	14,074
Interest income from				
- advances to subsidiary companies	-	-	1,644	1,934
- advances to an associated company	112	-	112	-
- fixed deposits	1,921	1,063	1,921	1,063
Brokerage fee income	10,505	11,702	-	-
Proceeds from sale of held-for-trading investments	42,040	19,821	23,050	-
Fair value gain on held-for-trading investments	2,506	-	465	-
Management consultancy fees	8	-	32	47
Security service income	85	85	-	-
Interest income from				
- fixed and call deposits	166	156	-	-
- loan and advances	7,470	8,674	-	-
Gross dividend income from	-	-	-	-
- shares quoted in Malaysia	289	341	-	-
- shares quoted outside Malaysia	281	182	-	-
	65,383	42,024	27,224	17,118

**24. OPERATING COSTS APPLICABLE TO OPERATING REVENUE**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cost of held-for-trading investments sold	38,667	16,309	22,243	-
Write down of investments to net realisable value*	-	1,426	-	-
Building management expenses	868	829	-	-
	39,535	18,564	22,243	-

\* Prior to 1 January 2010, investments were carried at lower of cost and market value.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**25. OTHER INCOME**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Allowance for doubtful debts written back	-	2	-	-
Gain on disposal of property, plant and equipment	-	26	-	26
Gain on foreign exchange - realised	225	48	-	-
Reimbursement of staff costs	64	-	-	-
Commission income	350	367	-	-
Net claims recovered together with interest				
on claim reserves ( <i>Note 34</i> )	592	1,777	-	-
Others	247	69	189	-
Gain on available-for-sale investments				
realised on disposal of a subsidiary	2,393	-	-	-
	3,871	2,289	189	26

**26. OTHER EXPENSES**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Administrative and general expenses	11,687	10,560	3,512	2,611
Loss on foreign exchange				
- realised	544	121	6	11
- unrealised	1,795	354	1,795	354
Allowance for diminution in value of investments *	-	2	-	-
Fair value loss of held-for-trading investments	4	-	-	-
Impairment loss of investment in				
- associated companies	4,378	2,447	42,553	18,311
- a subsidiary company	-	-	6,947	-
	18,408	13,484	54,813	21,287

\* Prior to 1st January 2010, investments were carried at lower of cost and market value.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

26. OTHER EXPENSES (cont'd)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other expenses include:				
Employee benefits expense (excluding Directors' remunerations)				
- salaries, bonuses and allowances	6,762	6,195	1,737	1,142
- defined contribution plan	621	509	263	168
Auditors' remuneration				
- current year	171	168	35	35
- underestimated in prior year	5	47	6	-
Depreciation of property, plant and equipment	375	441	91	89
Property, plant and equipment written off	4	-	-	-
Loss on disposal of property, plant and equipment	1	-	-	-
Directors' remuneration * (Note 27)	2,091	1,951	1,075	1,075
Allowance for doubtful debts	284	208	-	-
Bad debts written off	-	39	-	-
Rental of premises	608	463	200	203

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

27. DIRECTORS' REMUNERATION

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors of the Company				
- fees	210	215	210	215
- other emoluments	865	860	865	860
	1,075	1,075	1,075	1,075
Directors' of the subsidiary companies				
- fees	-	4	-	-
- other emoluments	1,016	872	-	-
	1,016	876	-	-
- benefit-in-kind	7	7	-	-
	1,023	883	-	-
	2,098	1,958	1,075	1,075

The directors' remuneration does not include directors' remuneration of the discontinued operations.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**28. INVESTMENT INCOME**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest income from				
- fixed deposits	485	585	-	-
- unquoted bonds and loan stocks in Malaysia	1	-	-	-
	486	585	-	-

**29. FINANCE COSTS**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest on revolving credits	3,145	3,073	1,057	1,015

**30. TAX EXPENSE**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(a) Continuing operations				
Malaysian tax based on the results for the year				
- current	2,097	341	1,263	1,322
- deferred	(42)	(16)	22	(155)
Foreign tax based on the results for the year				
- current	1,120	1,462	-	17
- deferred	3	(88)	-	-
	3,178	1,699	1,285	1,184
Under/(Over) estimated in prior years				
- current	9	51	12	(37)
- deferred	86	227	89	121
	3,273	1,977	1,386	1,268

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TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

30. TAX EXPENSE (cont'd)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(b) Discontinued operations ( <i>Note 31</i> )				
Malaysian tax based on the results for the year				
- current	15,313	15,314	-	-
- deferred	2,261	(2,973)	-	-
	17,574	12,341	-	-
Under/(Over) estimated in prior years				
- current	2,449	65	-	-
- deferred	3,103	2,213	-	-
	23,126	14,619	-	-
<b>Total income tax expense</b>	<b>26,399</b>	<b>16,596</b>	<b>1,386</b>	<b>1,268</b>

The provision for tax 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Accounting profit/(loss)				
(excluding share of results in associated companies) from:				
- continuing operations	8,652	9,777	(50,700)	(5,158)
- discontinued operations ( <i>Note 31</i> )	75,106	56,701	455,846	-
	83,758	66,478	405,146	(5,158)

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

30. TAX EXPENSE (cont'd)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Taxation at applicable tax rates	20,939	16,620	101,287	(1,290)
Tax effect of:				
- non-deductible expenses	4,114	2,998	13,197	4,930
- non-taxable income	(2,616)	(2,419)	(114,226)	(2,473)
- tax exempt income	(1,234)	-	-	-
- different tax rates in foreign countries	(215)	(151)	-	-
- change in tax rate	(39)	(43)	-	-
Origination of deferred tax assets not recognised	-	(570)	-	-
Utilisation of previously unrecognised tax losses	(627)	-	-	-
Foreign tax paid	-	17	-	17
Effect of opening balance restatement	-	(2,279)	-	-
Others	430	(133)	1,027	-
Under estimated in prior year	5,647	2,556	101	84
<b>Tax at effective rate</b>	<b>26,399</b>	<b>16,596</b>	<b>1,386</b>	<b>1,268</b>
Represented by:				
Continuing operations	3,273	1,977	1,386	1,268
Discontinued operations	23,126	14,619	-	-
	26,399	16,596	1,386	1,268

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**31. DISCONTINUED OPERATIONS**

On 18th May 2010, the Company submitted an application to Bank Negara Malaysia ("BNM") for the approval of the Ministry of Finance ("MOF") pursuant to Section 67 of the Insurance Act, 1996 to enter into an agreement with a potential buyer for the disposal of its entire 80% equity interest in Jerneh Insurance Berhad ("JIB").

On 14th September 2010, the MOF through BNM approved the application by the Company for the disposal of its entire 80% equity interest in JIB to ACE INA International Holdings, Ltd ("ACE INA") for a total cash consideration of RM523.2 million ("Proposed Disposal").

On 7th October 2010, the Company and Paramount Global Assets Sdn Bhd, a wholly-owned subsidiary of Paramount Corporation Berhad ("PGA") entered into the Conditional share purchase agreement with ACE INA in relation to the disposal of JIB to ACE INA for a total cash consideration of RM654.0 million.

On 1st December 2010, the Company announced the completion of the Proposed Disposal ("Completion Date"). Arising therefrom, JIB ceased to be a subsidiary of the Company.

The results of JIB are disclosed under discontinued operations in the financial year ended 31st December 2010 and the comparative results have been restated accordingly.

The results of the discontinued operations are as follows:

	2010 RM'000	Group 2009 RM'000
Operating revenue ( <i>Note 31(a)</i> )	256,858	219,072
Operating costs applicable to operating revenue ( <i>Note 31(b)</i> )	(152,110)	(140,254)
Gross profit	104,748	78,818
Other income ( <i>Note 31(c)</i> )	15,738	16,414
Other expenses ( <i>Note 31(d)</i> )	(56,418)	(56,223)
Profit from operations	64,068	39,009
Net investment income ( <i>Note 31(f)</i> )	11,038	17,692
Profit before tax	75,106	56,701
Tax expense ( <i>Note 30 (b)</i> )	(23,126)	(14,619)
Profit after tax from discontinued operations	51,980	42,082
Minority interest	(9,707)	(7,777)
Profit after tax from discontinued operations attributable to equity holders of the Company	42,273	34,305

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**31. DISCONTINUED OPERATIONS (cont'd)**

(a) Operating revenue

	<b>2010</b>	<b>Group</b>
	<b>RM'000</b>	<b>2009</b>
		<b>RM'000</b>
Gross written premium less returns	413,261	431,875
Reinsurance outwards	(172,690)	(202,601)
Changes in unearned premium reserves	(6,459)	(29,776)
Changes in liabilities adequacy	2,505	567
	236,617	200,065
Interest income from		
- fixed and call deposits	4,946	4,334
- Malaysian government securities	-	88
- unquoted bond and loan stocks	8,234	7,653
Gross dividend income from		
- shares quoted in Malaysia	3,180	2,763
- unit trust quoted in Malaysia	748	815
Income from investment property		
- rental income	1,676	1,828
- parking income	175	196
Accretion of discounts on other investments	1,282	1,330
	256,858	219,072

(b) Operating costs applicable to operating revenue

	<b>2010</b>	<b>Group</b>
	<b>RM'000</b>	<b>2009</b>
		<b>RM'000</b>
Insurance claims incurred	141,952	133,258
Net commission expense	10,888	7,714
Building management expenses	(823)	(837)
Amortisation of premiums on other investments	93	119
	152,110	140,254

NOTES  
**TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**31. DISCONTINUED OPERATIONS (cont'd)**

(c) Other income

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Income from investments:		
- gain on disposal	5,396	2,524
- fair value gain on held-for-trading investments	9,275	-
- accretion of discounts	-	3
Allowance for diminution in value written back*	-	11,503
Interest income:		
- bonds and loan stocks quoted outside Malaysia	-	77
- fixed deposits	365	74
- treaty premium reserve withheld	358	179
Gross dividend income from quoted shares outside Malaysia	56	11
Allowance for doubtful debts written back	-	1,978
Bad debts recovered	48	-
Gain on disposal of property, plant and equipment	163	63
Gain on foreign exchange – realised	77	-
Others	-	2
	15,738	16,414

\* Prior to 1st January 2010, investments were carried at lower of cost and market value.

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TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**31. DISCONTINUED OPERATIONS (cont'd)**

(d) Other expenses

	<b>2010</b>	<b>Group</b>
	<b>RM'000</b>	<b>2009</b>
		<b>RM'000</b>
Marketing costs	22,736	22,902
Administrative and general expenses	29,369	32,828
Loss on sale of other investments	43	-
Loss on foreign exchange		
- realised	817	-
- unrealised	3,210	343
Interest payable on bond policies	243	83
Allowance for diminution in value of investments	-	67
	56,418	56,223

Marketing, administrative and general expenses include:

Employee benefits expense (excluding Directors' remunerations)		
- salaries, bonuses and allowances	26,570	27,672
- defined contribution plan	3,957	3,956
Auditors' remuneration	116	140
Depreciation of property, plant and equipment	1,351	1,409
Depreciation of investment property	306	335
Direct operating expenses of revenue generating from investment property	1,349	1,481
Property, plant and equipment written off	15	5
Amortisation of intangible assets	285	621
Directors' remuneration ( <i>Note 31(e)</i> )	181	175
Hire of equipment	563	582
Allowance for doubtful debts	757	-
Bad debts written off	380	1,964
Rental of premises	434	755
Interest on premium reserve	205	220

NOTES  
**TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**31. DISCONTINUED OPERATIONS (cont'd)**

(e) Directors' remuneration

	<b>2010</b>	<b>Group</b>
	<b>RM'000</b>	<b>2009</b>
		<b>RM'000</b>
Directors of discontinued operations		
- fees	166	161
- other emoluments	15	14
	181	175

(f) Investment income

	<b>2010</b>	<b>Group</b>
	<b>RM'000</b>	<b>2009</b>
		<b>RM'000</b>
Gross dividends from		
- shares quoted in Malaysia	1,101	1,048
- unquoted shares	66	92
- unit trust	47	87
Interest income from fixed deposits	1,608	1,604
Gain on sale of investments	4,405	848
Fair value gain on held-for-trading investments	3,811	-
Write-back of allowance for diminution in value of investments*	-	14,013
	11,038	17,692

\* Prior to 1st January 2010, investments were carried at lower of cost and market value.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**31. DISCONTINUED OPERATIONS (cont'd)**

(g) The carrying value of the assets and liabilities disposed were as follows:

	<b>Group 2010 RM'000</b>
Property, plant and equipment	19,348
Investment property	21,718
Intangible assets	385
Investments	374,074
Insurance receivables	72,952
Reinsurance assets	284,122
Other receivables	11,222
Deposits	307,068
Cash and bank balances	12,212
Deferred tax liability	(6,172)
Insurance contract liabilities	(637,987)
Insurance payables	(66,387)
Other payables	(47,160)
Current tax liability	(4,104)
Net assets disposed	341,291
Minority interest	(68,258)
Group's share of carrying value of net assets	273,033
Total disposal proceeds	547,200
Gross gain on sale of a subsidiary	274,167
Expenses related to disposal of a subsidiary	(35,000)
Net gain on disposal to the Group	239,167
Disposal proceeds settled by:	
Cash	523,200
Other receivable being adjustment to the purchase consideration ( <i>Note 41</i> )	24,000
	547,200
Cash inflow arising on disposal:	
Cash consideration	523,200
Cash and cash equivalents of subsidiary disposed	(319,280)
Net cash inflow on disposal	203,920

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**31. DISCONTINUED OPERATIONS (cont'd)**

(h) Cash flows from discontinued operations

	<b>2010 RM'000</b>	<b>Group 2009 RM'000</b>
Cash flows from operating activities	5,958	8,557
Cash flows from investing activities	(2,319)	(548)
Cash flows from financing activities	(3,750)	(3,750)
Net cash (used in)/generated from discontinued operations	(111)	4,259

(i) Gain on sale of JIB

	<b>Company 2010 RM'000</b>
Total disposal proceeds	547,200
Cost of investment	(56,354)
Expenses related to the disposal	(35,000)
Net gain on disposal to the Company	455,846

**32. EARNINGS PER SHARE**

(i) Basic earnings per share

The basic earnings per share have been calculated based on the consolidated profit for the year divided by the weighted average number of ordinary shares in issue during the year as follows:

	<b>2010 RM'000</b>	<b>Group 2009 RM'000</b>
Attributable to the equity holders of the Company		
- Loss from continuing operations	(2,622)	(5,125)
- Profit from discontinued operations	281,440	34,305
	278,818	29,180
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares	181,487	180,721
	<b>SEN</b>	<b>SEN</b>
Basic earnings/(loss) per share		
- Loss from continuing operations	(1.44)	(2.84)
- Profit from discontinued operations	154.91	18.98
	153.47	16.14

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**32. EARNINGS PER SHARE (cont'd)**

(ii) Diluted earnings per share

	2010 '000	Group 2009 '000
Weighted average number of ordinary shares as in (i)	181,487	*
Effect of warrants on issue	30,008	*
Weighted average number of ordinary shares that would have been in issue after exercise of warrants at fair value	211,495	*
Diluted earnings/(loss) per share (sen)		
- Loss from continuing operations	(1.24)	*
- Profit from discontinued operations	133.07	*
	131.83	*

\* The diluted earnings per ordinary share for the financial year ended 31st December 2009 is not presented as the average market value of the ordinary shares of the Company is lower than the exercise price for the outstanding warrants and it is anti-dilutive.

**33. DIVIDENDS**

	2010 RM'000	2009 RM'000
<i>In respect of the year ended 31st December 2008</i>		
Final dividend of 5% less tax at 25%	-	6,777
<i>In respect of the year ended 31st December 2009</i>		
Interim dividend of 3% less tax at 25%	-	4,066
<i>In respect of the year ended 31st December 2009</i>		
Final dividend of 5% less tax at 25%	6,777	-
	6,777	10,843

The Directors now recommend a final dividend of 8% less 25% income tax amounting to RM10,971,579 (based on share capital of 182,859,646 as of 22nd April 2011) in respect of the year under review.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**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 run off contract with HSBC Insurance has expired on 31st December 2009. According to Section 2 of the Sales and Purchase and the Conditions of the Agreement, HSBC Insurance is obliged to continue running off the portfolio from Jerneh until conclusion of all outstanding claims. On the other hand, according to the Section 4 (C) - Adjustment, HSBC Insurance is no longer entitled to claim any progressive cash payments from Jerneh Asia Berhad, the Guarantor after the third anniversary of the Transfer Date, ie 1st January 2010.

During the year, a net claims recovery and an interest income on claim reserves totaling RM592,000 (2009: RM1,777,000) were recovered from HSBC Insurance. This amount has been recognised as other operating income in the current financial year.

**35. RELATED PARTY DISCLOSURES**

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

	Transaction value				Balance outstanding			
	Group		Company		Group		Company	
	2010	2009	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Transaction with a</i>								
<i>substantial shareholder</i>								
<i>namely Kuok Brothers</i>								
<i>Sdn Bhd ("KBSB") and</i>								
<i>KBSB's subsidiary and</i>								
<i>associated and major</i>								
<i>investee companies</i>								
Gross premium received								
or receivable	-	26,342	-	-	-	2,163	-	-
Rental income	-	1,685	-	-	-	-	-	-
Secretarial fee paid	-	20	18	18	-	-	-	-
Security fee received								
and receivable	-	67	-	-	-	6	-	-

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

35. RELATED PARTY DISCLOSURES (cont'd)

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

	Transaction value				Balance outstanding			
	Group		Company		Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<i>Transaction with subsidiary companies</i>								
Loan interest receivable from								
- JCL	-	-	1,057	1,316	-	-	77	66
- JAC	-	-	314	618	-	-	-	-
- JIHK	-	-	272	-	-	-	272	-
Internal audit fee received from								
- JIB*	-	-	654	596	-	-	-	-
- JAR	-	-	-	21	-	-	-	-
- TIBP	-	-	-	25	-	-	-	-
- KRMP	-	-	-	17	-	-	-	-
<i>Transaction with subsidiary companies</i>								
Management fee income receivable from								
- JIHK	-	-	10	24	-	-	10	3
- TIBL	-	-	10	11	-	-	10	-
- JAR	-	-	12	12	-	-	-	-
Office rental paid to JIB*	-	-	186	203	-	-	-	-
<i>Transaction with associated companies</i>								
- HSBC Amanah Takaful - interest receivable	112	-	112	-	112	-	112	-

\* Jerneh Insurance Berhad has ceased to be a related party to the Group and the Company with effect from 1st December 2010.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

(b) Key management personnel compensation

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<i>Directors</i>				
Fees and other remunerations	1,086	1,087	955	956
Post-employment benefits				
- EPF	120	119	120	119
	1,206	1,206	1,075	1,075
<i>Other key management personnel</i>				
Salaries, allowances and bonuses	2,320	2,220	-	-
Estimated monetary value of benefits-in-kind	55	47	-	-
Total short-term employee benefits	2,375	2,267	-	-
Post-employment benefits - EPF	169	152	-	-
	2,544	2,419	-	-
Total compensation	3,750	3,625	1,075	1,075

**36. CONTINGENT LIABILITIES**

Guarantees amounting to RM8,700,000 (2009: RM13,575,000) given to a bank in respect of certain customers of the Group.

**37. CAPITAL COMMITMENT**

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

	Group	
	2010 RM'000	2009 RM'000
Approved but not contracted for	-	8,027

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**38. OPERATING LEASE COMMITMENTS**

(a) *The Group as lessee*

The Group leases premises from various parties under operating leases. These leases are non-cancellable and typically run for a period of 2 to 3 years with the option to renew the leases after the expiry date. None of the leases includes contingent rentals. There are no restrictions placed upon the Group by entering into these leases.

At the end of the reporting period, the Group had total future aggregate minimum lease payments under non-cancellable operating leases, which are payables as follows:

	2010 RM'000	Group 2009 RM'000
Not later than 1 year	194	299
Later than 1 year but not later than 3 years	260	393
	454	692

(b) *The Group as lessor*

The Group leases out its investment properties under non-cancellable operating lease. The leases typically run for a period of 2 to 3 years with the option to renew the leases after the expiry date.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the end of the reporting period but not recognised as assets are as follows:

	2010 RM'000	Group 2009 RM'000
Within one year	-	2,088

**39. FINANCIAL INSTRUMENTS**

Certain comparative figures have not been presented as at 31st December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

(a) Classification of financial instruments

Group 2010	Available- for-sale RM'000	Loans and receivables RM'000	Financial assets held for trading at fair value through profit or loss RM'000	Total RM'000
<b>FINANCIAL ASSETS</b>				
Investments	50	-	109,129	109,179
Receivables	-	128,617	-	128,617
Deposits	-	496,855	-	496,855
Cash and bank balances	-	58,573	-	58,573
Total financial assets	50	684,045	109,129	793,224

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

39. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

<b>Group 2010</b>	<b>Financial liabilities at amortised cost RM'000</b>
<b>FINANCIAL LIABILITIES</b>	
Payables	57,476
Bank borrowings	75,800
Total financial liabilities	133,276

<b>Company 2010</b>	<b>Available- for-sale RM'000</b>	<b>Loans and receivables RM'000</b>	<b>Financial assets held for trading at fair value through profit or loss RM'000</b>	<b>Total RM'000</b>
<b>FINANCIAL ASSETS</b>				
Investments	50	-	83,615	83,665
Receivables	-	82,234	-	82,234
Deposits	-	480,000	-	480,000
Cash and bank balances	-	735	-	735
Total financial assets	50	562,969	83,615	646,634

<b>Company 2010</b>	<b>Financial liabilities at amortised cost RM'000</b>	<b>Total RM'000</b>
<b>FINANCIAL LIABILITIES</b>		
Payables	36,249	36,249
Bank borrowings	30,000	30,000
Total financial liabilities	66,249	66,249

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**39. FINANCIAL INSTRUMENTS (cont'd)**

(b) *Fair value of financial instruments*

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The carrying amounts of the financial assets and liabilities of the Group and of the Company at the end of the reporting date approximated or were at their fair values due to their short maturities. The fair value of quoted equity investments are determined directly by reference to its published market bid price at the financial year end.

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.

(c) *Credit risk*

The Group 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.

As at end of the reporting period, 69.15% or RM56,911,000 (2009 : 99.76% or RM54,010,000) of the Company's total receivables were due from subsidiary companies and associated company.

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

**40. SIGNIFICANT EVENTS**

- (a) The Company disposed of its 80% equity interest comprising 80,000,000 ordinary shares of RM1.00 each in Jerneh Insurance Berhad ("JIB") to ACE INA International Holdings, Ltd (formerly known as Cigna International Holdings, Ltd) during the financial year (refer to *Note 31* for further details).
- (b) Following the completion of the Proposed Disposal as disclosed in *Note 31* to the financial statements, the Company made an announcement on 1st December 2010 of it being considered an affected listed issuer pursuant to Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad where the Company has ceased its major business or operations as a result of the disposal of JIB.
- (c) On 15th December 2010, Bursa Malaysia Securities Berhad classified the Company as a "Cash Company" pursuant to Practice Note 16 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad where the total assets of the Company, on a consolidated basis, consist of 70% or more in cash and short term investments.

**41. SUBSEQUENT EVENTS**

- (a) On 26th January 2011, the Company appointed AmInvestment Bank Berhad (a member of AmInvestment Bank Group) as its Main Adviser in respect of the Regularisation Plan to regularise its financial condition in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- (b) On 3rd March 2011, the Company received an additional RM24 million from ACE INA, being the adjustment to the purchase consideration after taking into account the results of JIB for the period up to the Completion Date (*Note 31 (g)*).
- (c) The Company had on 21st April 2011, signed a Memorandum of Understanding ("MOU") with Generasi Cipta Sdn Bhd ("GENCIP") (the Company and GENCIP to be collectively referred to as "Parties" hereon) to record the understanding of the Parties in relation to the proposed acquisition of Sagajuta (Sabah) Sdn Bhd which will form an essential part of the regularisation plan of the Company pursuant to Practice Note 16 and Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**42. SEGMENTAL REPORTING**

For management's purposes, the Group is organised into business units based on their services, and has six reportable operating segments as follows:

(i) Insurance brokerage

The insurance and reinsurance broking segment is carried out by the Group's wholly owned subsidiaries in Hong Kong, China and the Philippines to provide insurance solutions to corporate clients on insurance and risk management services.

(ii) Credit and leasing

This operating segment is carried out by the Group's wholly owned subsidiary and is involved in the business of providing hire purchase and lease financing of capital equipment to small scale industries and organisations.

(iii) Trading in marketable securities

This segment is involved in trading in equity investments mainly listed in Bursa Malaysia and the Hong Kong Stock Exchange.

(iv) Administration and management services

The administration and management services segment involves the business of managing the premises within Wisma Jerneh to tenants as well as operating the car park at Wisma Jerneh.

(v) Investment holding

Investment holding, comprising revenue from interest, dividend income and provision of management services is carried out by the Company to its subsidiary companies.

(vi) Underwriting general insurance business

The Group's underwriting of general insurance business is carried out by its subsidiary, Jerneh Insurance Berhad, which provides general insurance products to its customers. This segment has been classified as discontinued operations during the financial year (*Note 31*).

The Group's operations are carried out in Malaysia, Hong Kong, China and Philippines.

Transactions between segments are entered into in the normal course of business and are established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. The effects of such inter-segmental transactions are eliminated on consolidation.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

42. SEGMENTAL REPORTING (cont'd)

(a) By business segment	Continuing operations						Elimination RM'000	Consolidated 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			
<b>2010</b>								
<b>REVENUE</b>								
External sales	10,505	7,470	21,768	92	27,224	(1,676)		65,383
Inter-segment sales	-	-	-	83	-	(83)		-
Total revenue	10,505	7,470	21,768	175	27,224	(1,759)		65,383
<b>RESULTS</b>								
Segment result	3,803	6,768	5,247	51	(49,643)	45,085		11,311
Interest income	377	62	38	9	-	-		486
Gain on sale of a subsidiary	-	-	-	-	455,846	(455,846)		-
Finance costs	-	(3,138)	(594)	-	(1,057)	1,644		(3,145)
Share of losses in associated companies								(8,001)
Profit before tax								651
Tax expense								(3,273)
Loss for the year								(2,622)

NOTES  
**TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

	<b>Discontinued operations</b>		
	<b>Underwriting general insurance business RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>(a) By business segment</b>			
<b>2010</b>			
<b>REVENUE</b>			
External sales	256,858	-	256,858
Inter-segment sales	238	(238)	-
Total revenue	257,096	(238)	256,858
<b>RESULTS</b>			
Segment result	64,068	-	64,068
Interest income	1,608	-	1,608
Dividend income	1,214	-	1,214
Gain on sale of investments	4,405	-	4,405
Fair value gain on held-for-trading investments	3,811	-	3,811
Profit before tax			75,106
Tax expense			(23,126)
Profit after tax			51,980
Minority interest			(9,707)
Profit for the year			42,273
Gain on sale of discontinued operation			239,167
			<u>281,440</u>

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

42. SEGMENTAL REPORTING (cont'd)

(a) By business segment	Continuing operations					Consolidated 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	
<b>2010</b>						
<b>OTHER INFORMATION</b>						
Segment assets	22,429	93,725	44,975	837	630,208	792,174
Associated companies						58,042
Consolidated total assets						850,216
Segment liabilities	4,614	46,900	365	62	81,428	133,369
Consolidated total liabilities						133,369
Capital expenditure	342	31	21	-	81	475
Amortisation and depreciation	248	25	8	1	91	373
<b>2010</b>						
						<b>Discontinued operations Underwriting general insurance business RM'000</b>
<b>OTHER INFORMATION</b>						
Segment assets						-
Consolidated total assets						-
Segment liabilities						-
Consolidated total liabilities						-
Capital expenditure						2,577
Amortisation and depreciation						1,941

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

42. SEGMENTAL REPORTING (cont'd)

(a) By business segment	Continuing operations							Consolidated 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	Elimination RM'000		
<b>2009</b>								
<b>REVENUE</b>								
External sales	11,702	8,674	20,500	85	17,118	(16,055)		42,024
Inter-segment sales	-	-	-	90	-	(90)		-
Total revenue	11,702	8,674	20,500	175	17,118	(16,145)		42,024
<b>RESULTS</b>								
Segment result	5,286	8,093	4,107	26	(4,143)	(1,104)		12,265
Interest income	427	40	107	11	-	-		585
Finance costs	-	(3,373)	(619)	-	(1,015)	1,934		(3,073)
Share of losses in associated companies								(12,925)
Loss before tax								(3,148)
Tax expense								(1,977)
Loss for the year								(5,125)

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

42. SEGMENTAL REPORTING (cont'd)

(a) By business segment	Discontinued operations		
	Underwriting general insurance business RM'000	Elimination RM'000	Consolidated RM'000
<b>2009</b>			
<b>REVENUE</b>			
External sales	219,072	-	219,072
Inter-segment sales	260	(260)	-
Total revenue	219,332	(260)	219,072
<b>RESULTS</b>			
Segment result	38,286	723	39,009
Interest income	1,604	-	1,604
Dividend income	1,227	-	1,227
Gain on sale of investments	848	-	848
Write back of allowance for diminution in value of investments*	14,013	-	14,013
Profit before tax			56,701
Tax expense			(14,619)
Profit after tax			42,082
Minority interest			(7,777)
Profit for the year			34,305

\* Prior to 1st January 2010, investments were carried at lower of cost and market value.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

42. SEGMENTAL REPORTING (cont'd)

(a) By business segment	Continuing operations					Consolidated 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	
<b>2009</b>						
<b>OTHER INFORMATION</b>						
Segment assets	22,164	105,663	34,504	756	65,922	229,009
Associated companies						64,743
Consolidated total assets						293,752
Segment liabilities	4,553	61,613	397	77	31,077	97,717
Consolidated total liabilities						97,717
Capital expenditure	24	-	-	-	4	28
Amortisation and depreciation	316	25	10	1	89	441
<b>2009</b>						
<b>Discontinued operations Underwriting general insurance business RM'000</b>						
Segment assets						991,292
Consolidated total assets						991,292
Segment liabilities						697,495
Consolidated total liabilities						697,495
Capital expenditure						620
Amortisation and depreciation						2,365

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

42. SEGMENTAL REPORTING (cont'd)

(b) By geographical segment	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
<b>REVENUE</b>			
<b>2010</b>			
Malaysia	46,268	256,858	303,126
Hong Kong	13,286	-	13,286
Philippines	5,829	-	5,829
	65,383	256,858	322,241
<b>2009</b>			
Malaysia	23,512	219,072	242,584
Hong Kong	12,262	-	12,262
Philippines	6,250	-	6,250
	42,024	219,072	261,096

(b) By geographical segment	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
<b>CARRYING AMOUNT OF SEGMENT ASSETS</b>			
<b>2010</b>			
Malaysia	727,919	-	727,919
Hong Kong	47,382	-	47,382
Philippines	16,873	-	16,873
	792,174	-	792,174
<b>2009</b>			
Malaysia	189,434	991,292	1,180,726
Hong Kong	21,678	-	21,678
Philippines	17,897	-	17,897
	229,009	991,292	1,220,301

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

42. SEGMENTAL REPORTING (cont'd)

(b) By geographical segment (cont'd)	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
<b>CAPITAL EXPENDITURE</b>			
<b>2010</b>			
Malaysia	113	2,577	2,690
Hong Kong	149	-	149
Philippines	213	-	213
	475	2,577	3,052
<b>2009</b>			
Malaysia	4	620	624
Hong Kong	11	-	11
Philippines	13	-	13
	28	620	648

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

*Underwriting risk*

Although the Group has in place underwriting guidelines which ensure that underwriting risks undertaken adhere to proper control procedures, the Group may be exposed to potential financial liabilities resulting from 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.

NOTES  
**TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

*Reinsurance risk*

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

*Interest rate risk*

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

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

The table below demonstrates the sensitivity to a reasonably possible change in interest rates of 100 basis points higher/lower with all other variables including tax rate being held constant, of the Group's profit net of tax (through the impact on interest expense on floating rate borrowings). The assumed movement of basis points for interest rates sensitivity analysis is based on the currently observable market environment.

	<b>Group RM'000</b>	<b>Company RM'000</b>
Effect on profit net of tax:		
- increase 100 basis points	618	217
- decrease 100 basis points	(618)	(217)

*Foreign exchange 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 currency exposure profile of the assets and liabilities of the Group are disclosed in the respective notes to the financial statements.

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, Indonesia and Hong Kong. Gains and losses on foreign currency exposure are taken to exchange translation reserves via other comprehensive income.

NOTES  
**TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

*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.

At the end of the reporting period, the Group does not have any significant concentration of credit risk that may arise from exposure to a single debtor or group of debtors.

The ageing analysis of gross receivables of the Group as at 31st December 2010 which are trade in nature (gross receivables include of unearned interest and prepaid installments for the credit and leasing business) is as follows:

	<b>Gross RM'000</b>	<b>Impairment RM'000</b>
Less than 30 days past due	68,492	-
Between 31 and 90 days past due	31,809	-
More than 91 days past due	8,408	(5,071)
	<b>108,709</b>	<b>(5,071)</b>

Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

*Market risk*

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

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. Risk and return are constantly monitored and reviewed by the Investment Committee.

*Liquidity and cash flow risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. 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.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

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

	<b>Less than 1 year RM'000</b>	<b>Total RM'000</b>
<b>Group</b>		
Bank borrowings	75,800	75,800
Payables	57,476	57,476
	133,276	133,276
<b>Company</b>		
Bank borrowings	30,000	30,000
Payables	36,249	36,249
	66,249	66,249

**44. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and healthy capital ratios in order to support its business as a going concern and to maximise shareholder value.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. The Group may adjust the dividend payment to shareholders or issue new shares in order to maintain or adjust the capital structure. No changes were made in the objectives, policies or processes during the years ended 31st December 2010 and 31st December 2009.

**45. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW FRSs**

- (a) Certain items of assets and liabilities which were prepared on net basis previously have been now restated to gross basis upon the adoption of FRS 4. The effects of the adoption of FRS 4 on the comparative statement of financial position as at 31st December 2009 are summarised as follows:

	<b>As restated RM'000</b>	<b>Group As previously stated RM'000</b>
<b>Assets</b>		
Reinsurance assets	227,580	-
Insurance receivables	62,761	-
Trade and other receivables	107,093	169,854

NOTES  
TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2010 (cont'd)

**45. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW FRSs (cont'd)**

- (a) Certain items of assets and liabilities which were prepared on net basis previously have been now restated to gross basis upon the adoption of FRS 4. The effects of the adoption of FRS 4 on the comparative statement of financial position as at 31st December 2009 are summarised as follows: (cont'd)

	Group	
	As restated RM'000	As previously stated RM'000
<b>Liabilities</b>		
Insurance payables	73,386	-
Insurance contract liabilities	577,228	-
Provision for outstanding claims	-	221,351
Unearned premium reserve	-	128,297
Trade and other payables	52,363	125,749

- (b) The adoption of *FRS 139* has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. The adoption of *FRS 139* is with prospective effect, thus there are no restatements of comparative figures. Significant changes to accounting policies are as follows:

Investments

Prior to 1st January 2010, other investments are stated at cost less any diminution in value of the investments. The diminution in value was charged to the profit or loss.

With the adoption of *FRS 139*, investments are classified as financial assets held for trading at fair value through profit or loss or available-for-sale financial assets. These investments are measured in accordance with accounting policies set out in Note 1(k) to the financial statements above.

The changes in accounting policies above had the following financial impact on the opening statements of financial position of the Group and Company as at 1st January 2010 respectively:

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Investments	365,718	342,227	10,489	10,000
Investment in associated companies	67,984	64,743	-	-
Deferred tax liabilities	319	-	-	-
Fair value reserves	4,458	-	-	-
Retained earnings	193,584	175,007	65,222	64,733
Minority interest	58,258	54,880	-	-

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

These financial statements were authorised for issue on 26th April 2011 by the Board of Directors.

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 38 to 111 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 2010 and of their results and cash flows for the year then ended on that date;
- (b) in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965.

Signed on behalf of the Directors in accordance with a resolution of the Directors dated 26th April 2011

**DATO' LIM CHEE WAH**  
Director

**TAM CHIEW LIN**  
Director

# STATUTORY DECLARATION

I, Tam Chiew Lin, being the Director primarily responsible for the financial management of Jerneh Asia Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 38 to 111 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 26th April 2011 )

**TAM CHIEW LIN**

Before me:

**ARSHAD ABDULLAH**  
Commissioner for Oaths

Kuala Lumpur

# SHAREHOLDING STATISTICS

as at 6th MAY 2011

Authorised Share Capital	- RM500,000,000
Issued and Fully Paid up Capital	- RM182,859,646
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	102	2.48	1,703	0.00
100 - 1,000	463	11.23	380,542	0.21
1,001 - 10,000	2,521	61.17	11,320,503	6.19
10,001 - 100,000	923	22.40	28,479,940	15.57
100,001 to less than 5% of issued shares	108	2.62	35,028,259	19.16
5% and above of issued shares	4	0.10	107,648,699	58.87
	4,121	100.00	182,859,646	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	99,000	0.05	-	-
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	15.29
Datuk Haron bin Siraj	-	-	-	-
Cheang Kwan Chow	-	-	-	-

SHAREHOLDING  
**STATISTICS**  
as at 6th MAY 2011 (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 (up to 1st December 2010)	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	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 other related corporations of the Company.

SHAREHOLDING  
STATISTICS  
as at 6th MAY 2011 (cont'd)

**DISTRIBUTION OF WARRANTS**

Size of Holdings	No. of Holders	% of Holders	No. of Warrants	%
Less than 100	9	0.71	276	0.00
100 - 1,000	189	14.92	163,160	0.25
1,001 - 10,000	689	54.38	3,479,940	5.42
10,001 - 100,000	335	26.44	11,469,424	17.87
100,001 to less than 5% of issued warrants	43	3.39	13,544,399	21.10
5% and above of issued warrants	2	0.16	35,543,362	55.36
	1,267	100.00	64,200,561	100.00

**DIRECTORS' INTERESTS IN WARRANTS**

In the Company	Direct Interest		Deemed Interest	
	No. of Warrants	%	No. of Warrants	%
Dato' Lim Chee Wah	-	-	-	-
Tam Chiew Lin	109,700	0.17	-	-
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	36,000	0.06	-	-
Ahmad Riza bin Basir	-	-	10,483,744	16.32
Datuk Haron bin Siraj	-	-	-	-
Cheang Kwan Chow	-	-	-	-

**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	36.54	96,000	0.05
Subur Rahmat Sdn Bhd	27,956,651	15.29	-	-
Sable Investment Corporation	12,922,176	7.07	-	-
Ahmad Riza bin Basir	345,000	0.19	27,956,651	15.29
Frank Tsao Wen King	-	-	12,922,176	7.07

SHAREHOLDING  
STATISTICS  
as at 6th MAY 2011 (cont'd)

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

<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>% of Issued Capital</b>
1. Kuok Brothers Sdn Berhad	66,825,648	36.54
2. Subur Rahmat Sdn Bhd	14,356,651	7.85
3. Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank Berhad For Subur Rahmat Sdn Bhd</i>	13,600,000	7.44
4. HDM Nominees (Asing) Sdn Bhd <i>Exempt AN for UOB Kay Hian (Hong Kong) Limited (Clients)</i>	12,866,400	7.04
5. Ophir Holdings Berhad	5,574,600	3.05
6. Key Development Sdn Berhad	1,746,880	0.96
7. Gan Teng Siew Realty Sdn Berhad	1,484,760	0.81
8. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Exempt AN For Kumpulan Sentiasa Cemerlang Sdn Bhd</i>	1,394,000	0.76
9. Chinchoo Investment Sdn Berhad	1,142,900	0.63
10. Punidanathan a/l Velupillai	1,000,000	0.55
11. Dalex Investments Limited	886,400	0.49
12. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for Dimensional Emerging Markets Value Fund</i>	792,120	0.43
13. Gan Teng Siew Realty Sdn Berhad	718,400	0.39
14. Tan Siow Koon @ Tan Yew Jin	649,000	0.36
15. Neoh Choo Ee & Company, Sdn Berhad	605,000	0.33
16. HDM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Oh Kim Sun</i>	518,700	0.28
17. Tan Siew Bee	500,000	0.27
18. Eng Liat Kiang	473,000	0.26
19. Mikdavid Sdn Bhd	462,400	0.25
20. Lee Tack Chong	461,000	0.25
21. Public Invest Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chang Lee Hong</i>	400,000	0.22
22. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Kumpulan Sentiasa Cemerlang Sdn Bhd For RHB Insurance Berhad</i>	390,000	0.21
23. Rengo Malay Estate Sendirian Berhad	360,000	0.20
24. TYJ Sdn Bhd	351,050	0.19
25. M & A Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ahmad Riza Bin Basir</i>	345,000	0.19
26. TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Oh Kim Sun</i>	315,500	0.17
27. Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank For Low Keng Kok</i>	314,000	0.17
28. M & A Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account for Khor Siang Chew</i>	303,900	0.17
29. Cimsec Nominees (Asing) Sdn Bhd <i>CIMB For Teo Joo Kim</i>	300,000	0.16
30. Mayban Nominees (Tempatan) Sdn Bhd <i>DBS Bank For Deva Dassan Solomon</i>	299,800	0.16
	129,437,109	70.78

SHAREHOLDING  
STATISTICS  
as at 6th MAY 2011 (cont'd)

**THE THIRTY LARGEST WARRANT HOLDERES (As per Record of Depositors)**

<b>Name of Warrant Holders</b>	<b>No. of Warrants</b>	<b>%</b>
1. Kuok Brothers Sdn Berhad	25,059,618	39.03
2. Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank Berhad For Subur Rahmat Sdn Bhd</i>	10,483,744	16.33
3. Ophir Holdings Berhad	2,090,475	3.26
4. HDM Nominees (Asing) Sdn Bhd <i>Exempt AN for UOB Kay Hian (Hong Kong) Limited (Clients)</i>	1,404,084	2.19
5. Leong Kok Tai	692,500	1.08
6. Key Development Sdn Berhad	655,080	1.02
7. Gan Kong Hiok	633,000	0.99
8. Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Chia Kwoon Meng</i>	554,600	0.86
9. TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Oh Kim Sun</i>	518,600	0.81
10. Gan Teng Siew Realty Sdn Berhad	483,660	0.75
11. Nazimah Binti Syed Majid	425,500	0.66
12. Lee Tian Chye	410,000	0.64
13. Lee Seng Pin	350,000	0.54
14. HDM Nominees (Asing) Sdn Bhd <i>UOB Kay Hian (Hong Kong) Limited For Dalex Investments Limited</i>	332,400	0.52
15. Chinchoo Investment Sdn Berhad	301,200	0.47
16. Gan Teng Siew Realty Sdn Berhad	269,400	0.42
17. Tailami A/P Palaniandy	203,600	0.32
18. Chong Mei Ngor	200,000	0.31
19. Cimsec Nominees (Asing) Sdn Bhd <i>CIMB for Teo Joo Kim</i>	200,000	0.31
20. Low Chit Sin	200,000	0.31
21. RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Beng Teck</i>	200,000	0.31
22. RHB Nominees (Tempatan) Sdn Bhd <i>RHB Investment Management Sdn Bhd for Ng Siong Ket</i>	199,100	0.31
23. Ng Liu Sie	193,000	0.30
24. Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ooi Khoon Im</i>	189,700	0.30
25. Universal Trustee (Malaysia) Berhad <i>For TA High Growth Fund</i>	189,000	0.29
26. Ch'ng Mun Lee	174,000	0.27
27. Mikdavid Sdn Bhd	173,400	0.27
28. Chan Siew Kuen	173,000	0.27
29. Dan Su Wei	168,000	0.26
30. HDM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Oh Kim Sun</i>	160,000	0.25
	47,286,661	73.65

# LIST OF PROPERTIES

as at 6th MAY 2011

<b>Registered Owner</b>	<b>Description/ Location</b>	<b>Tenure</b>	<b>Approximate Building Age (Years)</b>	<b>Approximate Land Area (Sq. Metres)</b>	<b>Net Book Value at 31st December 2010 (RM)</b>	<b>Date of Acquisition</b>
KRM Reinsurance Brokers Phils., Inc.	1 unit of condominium located at Suite 1804 88 Corporate Center Sedeno Cor. Valero Sts. Salcedo Village Makati City  Held under Certificate of Title No. 88014 City of Makati Philippines	Freehold	12	238.98	904,142	02.03.1999
Taishan Insurance Brokers Philippines, Inc.	1 unit of condominium located at Suite 1801 88 Corporate Center Sedeno Cor. Valero Sts. Salcedo Village Makati City  Held under Certificate of Title No. 88026 City of Makati Philippines	Freehold	12	238.98	717,132	02.03.2001

# Notes

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# PROXY FORM



I/We (the 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 15th Annual General Meeting of the Company, to be held on Tuesday, 28th June 2011 at 9.30 a.m. and at any adjournment thereof, as indicated below :

RESOLUTION	FOR	AGAINST
1. To receive the audited Financial Statements for the financial year ended 31st December 2010.		
2. To approve the payment of Directors' Fees.		
3. To re-elect Tam Chiew Lin as a Director.		
4. To re-appoint Dato' Lim Chee Wah as a Director.		
5. To re-appoint YM Raja Dato' Seri Abdul Aziz bin Raja Salim as a Director.		
6. To re-appoint Messrs Mazars as Auditors.		
7. To authorise the Directors to issue and allot shares.		
8. To renew the authority for share buy-back.		

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 \_\_\_\_\_ 2011

\_\_\_\_\_  
Signature

## NOTES :

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

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Stamp

The Company Secretary  
**JERNEH ASIA BERHAD** 363984-X  
18th Floor, Wisma Jerneh  
38 Jalan Sultan Ismail  
50250 Kuala Lumpur

*please fold here*

**Jerneh Asia Berhad** (363984-X)

16th Floor, Wisma Jerneh  
38 Jalan Sultan Ismail  
50250 Kuala Lumpur

**Tel** 03 2145 0485

**Fax** 03 2143 2817

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