(c) Significant accounting judgements and estimates

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

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

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

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

(d) Basis of consolidation

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

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

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

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

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

(e) Subsidiary companies

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

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

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

(f) Associated companies

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

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

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

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

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

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

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

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

(g) Property, plant and equipment

(i) *Measurement basis*

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

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

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

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

(ii) *Depreciation*

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

The principal annual rates used for this purpose are:

Buildings	2% - 2.5%
Computers	20% - 33 1/3%
Office equipment, furniture and fittings	10% - 20%
Motor vehicles	20%
Office renovation	10% - 33 1/3%

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

(h) Investment properties

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

(i) *Measurement basis*

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

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

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

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

(ii) *Depreciation*

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

(i) Intangible Assets

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

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

(j) Other investments

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

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

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

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

(k) Marketable securities

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

(l) Impairment of assets

(i) *Goodwill*

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

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

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

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

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

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

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

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

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

(m) Receivables

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

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

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

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

(n) Equity instruments

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

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

(o) Borrowing costs

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

(p) Payables

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

(q) General insurance underwriting results

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

(i) *Premium income*

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

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

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

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

(iii) *Provision for claims*

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

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

(r) Recognition of revenue

(i) Insurance premium income is recognised as disclosed under explanatory note 1(q).

(ii) Interest income from government securities, bonds and loan stocks, fixed deposits and term loans receivable is recognised on an accrual basis.

(iii) Interest income from hire purchase and leasing transactions is recognised on a time proportion basis after taking into account the effective yield of the assets. When an account becomes non-performing, the recognition of interest income is suspended until it is realised on a cash basis. An account is deemed to be non-performing when repayment is in arrears for more than three months.

(iv) Dividend income is recognised when the right to receive has been established.

(v) Revenue from property management and consultancy services is recognised upon services being rendered.

(vi) Brokerage fee income is recognised when the insurance policy is accepted by the insurer.

(vii) Rental income is recognised on a straight line basis over the specific periods of the respective leases.

(s) Foreign currencies

(i) *Transactions in foreign currencies*

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

(ii) *Translation of foreign currency financial statements*

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

(t) Employee benefits

(i) *Short term benefits*

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

(ii) *Post-employment benefits*

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

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

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

(u) Taxation

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

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

(i) goodwill, or

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

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

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

(v) Cash equivalents

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

(w) Financial instruments

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

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

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

(x) Fair value of financial instruments

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

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Underwriting risk

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

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

Reinsurance risk

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

Interest rate risk

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

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

Credit risk

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

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

Foreign currency risk

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

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

Liquidity and cash flow risk

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

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

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

(a) FRS 116 - Property, Plant and Equipment

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

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

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

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

(b) FRS 140 - Investment Property

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

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

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

	31 December 2005 RM'000
Decrease in investment property	1,861
Increase in deferred tax asset	77
Decrease in revaluation reserve	159
Decrease in retained profits	1,268
Decrease in minority interest	357

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

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

	31 December 2005 RM'000
Increase in property, plant and equipment	17,333
Decrease in investment property	18,579
Decreased in retained profits	997
Decrease in minority interest	249

(c) FRS 138 - Intangible Assets

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

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

	31 December 2005 RM'000
Decrease in property, plant and equipment	2,689
Increase in intangible assets	2,689

(d) Restatement of comparatives - summary

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

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

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

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

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

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

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

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

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

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

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

4. PROPERTY, PLANT AND EQUIPMENT

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

Group 2005	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
Cost							
At 1.1.2005	7,417	15,141	8,287	5,164	1,894	2,905	40,808
Additions	-	226	1,519	439	673	25	2,882
Disposals	-	-	(12)	(592)	(330)	(530)	(1,464)
Reversal of cost previously over-capitalised	-	-	-	(81)	-	(11)	(92)
Write-offs	-	-	(4)	-	-	-	(4)
Reclassifications	-	-	1	(1)	-	-	-
Foreign exchange adjustments	-	100	(3)	61	18	36	212
At 31.12.2005	7,417	15,467	9,788	4,990	2,255	2,425	42,342
Accumulated depreciation							
At 1.1.2005	-	1,266	6,174	2,850	942	1,804	13,036
Charge for the year	-	377	1,200	428	400	300	2,705
Disposals	-	-	(8)	(201)	(270)	(165)	(644)
Reversal of cost previously over-capitalised	-	-	-	(8)	-	(2)	(10)
Write-offs	-	-	(4)	-	-	-	(4)
Foreign exchange adjustments	-	10	(3)	19	10	7	43
At 31.12.2005	-	1,653	7,359	3,088	1,082	1,944	15,126
Net book value							
At 31.12.2005	7,417	13,814	2,429	1,902	1,173	481	27,216

Company 2006 Cost	Computers RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
At 1.1.2006	176	221	190	365	952
Additions	1	-	3	-	4
At 31.12.2006	177	221	193	365	956
Accumulated depreciation					
At 1.1.2006	161	157	190	282	790
Charge for the year	11	22	1	37	71
At 31.12.2006	172	179	191	319	861
Net book value At 31.12.2006	5	42	2	46	95
2005					
Cost					
At 1.1.2005	180	215	190	365	950
Additions	-	6	-	-	6
Write-offs	(4)	-	-	-	(4)
At 31.12.2005	176	221	190	365	952
Accumulated depreciation					
At 1.1.2005	152	135	168	245	700
Charge for the year	13	22	22	37	94
Write-offs	(4)	-	-	-	(4)
At 31.12.2005	161	157	190	282	790
Net book value At 31.12.2005	15	64	-	83	162

5. INVESTMENT PROPERTY

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

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

6. INTANGIBLE ASSETS

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

7. INVESTMENT IN SUBSIDIARY COMPANIES

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

The subsidiary companies are:

		Country of incorporation	Principal activities	Equity interest 2006 %	Equity interest 2005 %
	Jerneh Insurance Berhad ("JIB")	Malaysia	Underwriting of general insurance business	80	80
	Jerneh Credit Leasing Sdn Bhd ("JCL")	Malaysia	Hire purchase and leasing business	100	100
	Jerneh Asia Capital Sdn Bhd ("JAC")	Malaysia	Trading in marketable securities	100	100
	Jerneh Healthcare Services Sdn Bhd ("JHS")	Malaysia	Dormant	100	100
	Minsec Management Services Sdn Bhd ("MMS")	Malaysia	Management services	100	100
*	Jerneh Asia Reinsurance Limited ("JAR")	Labuan Malaysia	Offshore reinsurance	100	100
+	Jerneh Insurance (HK) Limited ("JIHK")	Hong Kong	Underwriting of general insurance business	100	100
+	Taishan Insurance Brokers Limited ("TIBL")	Hong Kong	Insurance broker	100	100
*	Taishan Insurance Brokers Philippines, Inc. (" TIBP")	Philippines	Insurance broker	100	100
*	KRM Reinsurance Brokers Phils., Inc. ("KRMR")	Philippines	Reinsurance broker	100	100

\+ *Audited by an associate of Moores Rowland*

* *Not audited by Moores Rowland or its associates*

8. INVESTMENT IN ASSOCIATED COMPANIES

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

The associated companies are:

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

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

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

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

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

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

9. AMOUNTS OWING BY SUBSIDIARY COMPANIES

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

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

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

10. AMOUNT OWING BY/TO ASSOCIATED COMPANY

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

11. OTHER INVESTMENTS

	Group 2006 RM'000	Group 2005 RM'000
Quoted investments		
Malaysian government securities, at cost	28,767	29,625
Amortisation of premiums	(1,816)	(2,330)
	26,951	27,295
Shares in corporation, at cost:		
- quoted in Malaysia	87,199	83,457
Unit trust of corporations quoted in Malaysia, at cost	7,101	1,925
Allowance for diminution in value of investment	(20)	-
	7,081	1,925
Bonds and loan stocks of corporations, at cost		
- quoted in Malaysia	3,077	1,731
- quoted outside Malaysia	2,753	4,111
Amortisation of premiums	(21)	(208)
	5,809	5,634
Unquoted investments		
Bonds and loan stocks of corporations, at cost		
- In Malaysia	102,971	100,556
- Outside Malaysia	15,078	11,236
Accretion of discounts	2,773	1,523
	120,822	113,315
Unquoted shares, at cost	605	603
Allowance for diminution in value of investment	(129)	(117)
	476	486
	248,338	232,112

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

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

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

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

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

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

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

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

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

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

12. DEFERRED TAX ASSETS

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

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

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

	Group	
	2006	2005
	RM'000	RM'000
Provision for retirement benefits	75	118
Allowance for doubtful debts	4,258	4,608
Accruals for bonus	708	760

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

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

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

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

13. TRADE AND OTHER RECEIVABLES

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Outstanding premium including insureds, agents, brokers and co-insurer balances	44,149	49,386	-	-
Amount due from reinsurers and ceding companies	17,129	20,490	-	-
	61,278	69,876	-	-
Allowance for doubtful debts	(10,266)	(11,542)	-	-
	51,012	58,334	-	-

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Loans and advances	79,651	50,815	-	-
Allowance for doubtful debts	(4,128)	(3,735)	-	-
	126,535	105,414	-	-
Brokerage fees receivable	792	756	-	-
	127,327	106,170	-	-
Trade receivables	131	-	-	-
Other receivables	8,152	5,498	43	30
Allowance for doubtful debts	(1,497)	(1,466)	-	-
	134,113	110,202	43	30
Interest receivable	2,409	2,877	-	2
Prepayments and deposits	2,189	1,976	64	62
	138,711	115,055	107	94

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

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

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

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

14. MARKETABLE SECURITIES

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

The currency exposure profile of marketable securities is as follows:

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

15. DEPOSITS

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

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

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

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

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

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

All the deposits have maturities of 12 months or less.

16. CASH AND BANK BALANCES

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

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

17. SHARE CAPITAL

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

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

(a) The Option Committee appointed by the Board of Directors to administer the ESOS may from time to time offer options to eligible employees of the Group, including Executive Directors, to subscribe for new ordinary shares of RM1 each in the Company.

(b) In aggregate, the maximum number of new shares to be allotted pursuant to the exercise of options granted under the ESOS shall not exceed 10% of the issued and paid up share capital of the Company at any point of time during the existence of the ESOS, save and except in the subsequent event of a reduction in the issued and paid up share capital of the Company by virtue of the Company purchasing its own shares which may cause the aforesaid limit to be exceeded.

(c) The price at which the option holder is entitled to subscribe for a new share under an option shall be the higher of:

   (i) the weighted average market price of the shares as shown in the Daily Official List issued by Bursa Malaysia for the five (5) market days immediately preceding the date of offer with a discount of 10% if deemed appropriate by the Option Committee; or

   (ii) the par value of the shares.

(d) No option shall be granted for less than 1,000 shares and more than 500,000 shares to any eligible employee or Director. The allocation to eligible Executive Directors and senior management shall not exceed 50% of the new shares available under the scheme. In addition, not more than 10% of the new shares available under the scheme should be allocated to any individual Executive Director or employee who, either singly or collectively, through his associates (as defined in the Act), holds 20% or more of the issued and paid up capital of the Company.

(e) Options granted under the ESOS carry no rights to dividends and voting. The employees' entitlements to the options are not subject to any vesting conditions. Shares issued pursuant to the ESOS rank pari passu in all respect with existing ordinary shares of the Company.

(f) The persons to whom the options have been granted shall not be eligible to participate by virtue of the options in any share issue of any other company.

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

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

Year ended 31.12.2005			------ No. of unissued shares of RM1 each under option --------				
Date option granted	Date of expiry	Exercise price RM	At 1.1.2005	Granted	Lapsed	Exercised	At 31.12.2005
31.1.2002	14.1.2007	1.90	2,192,000	-	148,000	323,000	1,721,000
1.7.2002	14.1.2007	1.94	161,000	-	-	38,000	123,000
3.3.2003	14.1.2007	1.80	116,000	-	-	52,000	64,000
28.7.2003	14.1.2007	1.94	65,000	-	-	-	65,000
			2,534,000	-	148,000	413,000	1,973,000

Details of options exercised during the year are as follows:

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

(i) Share options exercised during the year

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

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

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

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

18. RETAINED PROFITS

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

19. PROVISION FOR OUTSTANDING CLAIMS

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

Movement of claims is analysed as follows:

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

20. TRADE AND OTHER PAYABLES

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

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

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

21. UNEARNED PREMIUM RESERVES

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

22. BANK BORROWINGS

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

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

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

23. DEFERRED TAX LIABILITES

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

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

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

24. OPERATING REVENUE

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

25. OPERATING COSTS APPLICABLE TO OPERATING REVENUE

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

26. OTHER OPERATING INCOME

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

27. OPERATING EXPENSES

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

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

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

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

28. DIRECTORS' REMUNERATION

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

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

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

29. INVESTMENT INCOME (net)

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Gross dividends from				
- subsidiary companies	-	-	16,058	17,423
- shares quoted in Malaysia	1,318	753	-	-
- unquoted shares	116	197	-	-
- unit trust	46	-	-	-
Interest income from				
- advances to subsidiary companies	-	-	2,739	1,732
- fixed deposits	2,742	2,182	158	179
- unquoted bonds and loan stocks in Malaysia	160	269	-	-
Amortisation of premiums on other investments	(7)	(66)	-	-
Gain on sale of other investments	3,076	1,665	-	-
Allowance for diminution in value of other investments	(4)	(1,854)	-	-
Write-back of provision of diminution in value of other investments	1,921	-	-	-
	9,368	3,146	18,955	19,334

30. TAXATION

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

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

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Accounting profit (excluding share of results in associated companies)	41,796	33,457	13,156	16,144
Taxation at applicable tax rates	11,522	7,286	3,684	4,520
Tax effect of:				
- non-deductible expenses	2,646	1,625	334	164
- non-taxable income	(1,165)	(859)	(2,256)	(2,639)
- utilisation of previously unrecognised tax losses	573	-	-	-
- different tax rates in foreign countries	(152)	(751)	-	-
- change in tax rate	(25)	(46)	(77)	-
(Reversal of)/Deferred tax assets not recognised during the year	(290)	448	-	-
Foreign tax paid	171	98	171	98
Others	67	(5)	52	-
Under/(Over)provision in prior years	533	(603)	(20)	(46)
Tax at effective rate	13,880	7,193	1,888	2,097

31. EARNINGS PER SHARE

(i) Basic earnings per share

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

(ii) Diluted earnings per share

The diluted earnings per share has been calculated by dividing the Group's net profit for the year of RM15,662,000 (2005 : RM19,215,000) by the weighted average number of ordinary shares that would have been in issue upon full exercise of the remaining options under the ESOS and adjusted for the shares that would have been issued at fair value calculated as follows:

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

32. DIVIDENDS

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

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

33. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

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

34. PURCHASE OF INTANGIBLE ASSETS

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

35. RELATED PARTY TRANSACTIONS

Significant transactions during the financial year were as follows:

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

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

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

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

36. CONTINGENT LIABILITIES

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

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

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

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

37. COMMITMENTS

(i) Capital commitments

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

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

(ii) Non-cancellable operating lease commitments

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

38. FINANCIAL INSTRUMENTS

(a) *Credit risk*

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

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

(b) *Fair value*

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

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

39. SEGMENTAL REPORTING

(a) By business segment

2006	Underwriting general insurance business RM'000	Insurance brokerage RM'000	Credit and leasing RM'000	Trading in marketable securities RM'000	Administration and management services RM'000	Investment holding RM'000	Elimination RM'000	Consolidated RM'000
REVENUE								
External sales	197,987	7,456	4,891	9,705	121	-	-	220,160
Inter-segment sales	267	65	-	-	90	-	(422)	-
Total revenue	198,254	7,521	4,891	9,705	211	-	(422)	220,160
RESULTS								
Segment result	30,402	2,929	4,247	1,428	66	(3,017)	(289)	35,766
Interest income	1,933	376	-	421	14	158		2,902
Dividend income	1,480	-	-	-	-	-		1,480
Gain on sale of other investments	3,076	-	-	-	-	-		3,076
Allowance for diminution in value	1,921	(4)	-	-	-	-		1,917
Amortisation of premiums	-	-	-	(7)	-	-		(7)
Share of losses in associated companies	-	-	-	-	-	(12,254)		(12,254)
Finance costs	-	-	-	-	-	(3,338)		(3,338)
Profit before taxation								29,542
Taxation								(13,880)
Profit after taxation								15,662
Minority interest								(4,744)
Net profit for the year								10,918

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

(a) By business segment 2005

	Underwriting general insurance business RM'000	Insurance brokerage RM'000	Credit and leasing RM'000	Trading in marketable securities RM'000	Administration and management services RM'000	Investment holding RM'000	Elimination RM'000	Consolidated RM'000
REVENUE								
External sales	179,325	7,122	2,938	5,745	140	-	-	195,270
Inter-segment sales	269	27	-	-	90	-	(386)	-
Total revenue	179,594	7,149	2,938	5,745	230	-	(386)	195,270
RESULTS								
Segment result	30,289	1,986	2,115	(832)	54	(2,162)	(113)	31,337
Interest income	1,624	326	6	370	13	1,910	(1,798)	2,451
Dividend income	950	-	-	-	-	17,423	(17,423)	950
Gain on sale of other investments	1,665	-	-	-	-	-	-	1,665
Allowance for diminution in value	(1,853)	(1)	-	-	-	-	-	(1,854)
Amortisation of premiums	(59)	-	-	(7)	-	-	-	(66)
Share of losses in associated companies	-	-	-	-	-	(7,049)	-	(7,049)
Finance costs	-	-	-	-	-	(1,026)	-	(1,026)
Profit before taxation								26,408
Taxation								(7,193)
Profit after taxation								19,215
Minority interest								(4,537)
Net profit for the year								14,678

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

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

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

40. POST BALANCE SHEET EVENTS

(a) On 25 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 1 January 2007.

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

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

Conversely, any surplus assets will be refunded to JIHK.

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

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

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

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

41. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

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

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 31 MARCH 2007

Jerneh
ASIA BERHAD

(Company No : 363984-X)
(Incorporated in Malaysia)

Quarterly Report On Consolidated Results
For The Year Ended 31 March 2007
(The figures have not been audited)

CONDENSED CONSOLIDATED BALANCE SHEET

	As At End of Current Quarter 31-Mar-2007 RM '000	As At Preceding Financial Year Ended 31-Dec-2006 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	24,772	25,540
Investment property	21,663	21,743
Intangible assets	2,546	2,546
Deferred tax assets	4,291	4,291
Investment in associated companies	46,908	47,305
Other investments	250,060	248,338
	350,240	349,763
CURRENT ASSETS		
Trade and other receivables	152,748	138,711
Amounts owing by associated company	40,060	31,598
Current tax assets	1,511	3,968
Marketable securities	8,696	7,242
Deposits	261,444	258,504
Cash and bank balances	26,385	31,838
	490,844	471,861
Assets of disposal group classified as held for sale	16,284	-
	507,128	471,861
TOTAL ASSETS	857,368	821,624
LIABILITIES		
NON-CURRENT LIABILITIES		
Deferred tax liabilities	2,077	2,077
CURRENT LIABILITIES		
Provision for outstanding claims	202,895	214,386
Trade and other payables	84,677	78,722
Bank borrowing (unsecured)	130,276	108,576
Current tax liability	238	3,180
Unearned premium reserves	83,141	82,130
	501,227	486,994
Liabilities of disposal group classified as held for sale	16,284	-
	517,511	486,994
TOTAL LIABILITIES	519,588	489,071
SHAREHOLDERS' EQUITY		
Equity attributable to equity holders of the parent		
Share capital	110,566	109,274
Share premium	28,279	27,000
Exchange fluctuation reserve	5,250	5,249
Retained profits	154,278	150,105
Dividend	-	2,393
	298,373	294,021
Minority Interest	39,407	38,160
Option reserves attributable to potential equity holders	-	372
TOTAL EQUITY	337,780	332,553
TOTAL EQUITY AND LIABILITIES	857,368	821,624
Net tangible assets per share (RM)	2.70	2.69

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 31 MARCH 2007 (CONT'D)

Jerneh
ASIA BERHAD

(Company No : 363984-X)
(Incorporated in Malaysia)

Quarterly Report On Consolidated Results
For The Year Ended 31 March 2007
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year 1st Quarter 31-Mar-2007 RM '000	Preceding Year Corresponding 1st Quarter 31-Mar-2006 RM '000	Current Year To date 31-Mar-2007 RM '000	Preceding Year Corresponding Period 31-Mar-2006 RM '000
Continuing Operations				
Operating revenue	47,215	50,546	47,215	50,546
Operating costs applicable to operating revenue	(29,251)	(35,574)	(29,251)	(35,574)
Gross profit	**17,964**	**14,972**	**17,964**	**14,972**
Other operating income	4,133	2,360	4,133	2,360
Other operating expenses	(13,137)	(14,296)	(13,137)	(14,296)
Profit from operations	**8,960**	**3,036**	**8,960**	**3,036**
Investment income (net)	4,307	1,914	4,307	1,914
Share of losses of associated companies	(3,998)	(1,181)	(3,998)	(1,181)
Finance cost	(988)	(501)	(988)	(501)
Profit before taxation	**8,281**	**3,268**	**8,281**	**3,268**
Taxation	(2,861)	(1,424)	(2,861)	(1,424)
Profit / (Loss) for the period	**5,420**	**1,844**	**5,420**	**1,844**
Attributable to:				
Equity holders of the parent	4,173	1,327	4,173	1,327
Minority interest	1,247	517	1,247	517
	5,420	**1,844**	**5,420**	**1,844**
Earnings / (Loss) per share:				
(i) Basic (ser) from continuing operations (based on 110,566,003 ordinary shares) (2006 : 109,123,336 ordinary shares)	3.77	1.20	3.77	1.20
(ii) Fully diluted (sen) from continuing operations (based on 110,566,003 ordinary shares) (2006 : 109,276,769 ordinary shares)	3.77	1.20	3.77	1.20

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								
	Share capital RM '000	Share premium RM '000	Exchange fluctuation reserve RM '000	Retained profits RM '000	Dividend RM'000	Total RM '000	Minority Interest RM '000	Option Reserve RM '000	Total Equity RM '000
3 months ended 31 March 2007									
Balance at 1 January 2007	109,274	27,000	5,249	150,105	2,393	**294,021**	38,160	372	**332,553**
Net gain not recognized in the income statement: Currency translation differences	-	-	1	-	-	**1**	-	-	**1**
Net profit for the year	-	-	-	4,173	-	**4,173**	1,247	-	**5,420**
Dividend paid for the financial year ended 31 December 2006	-	-	-	-	(2,393)	**(2,393)**	-	-	**(2,393)**
Issue of equity share option	-	-	-	-	-	**-**	-	(372)	**(372)**
Issue of shares pursuant to the ESOS	1,292	1,279	-	-	-	**2,571**	-	-	**2,571**
Balance as at 31 March 2007	**110,566**	**28,279**	**5,250**	**154,278**	**-**	**298,373**	**39,407**	**-**	**337,780**
3 months ended 31 March 2006									
Balance at 1 January 2006	108,802	26,508	4,052	145,475	3,917	**288,754**	34,876	-	**323,630**
Net gain not recognized in the income statement: Currency translation differences	-	-	3,640	-	-	**3,640**	-	-	**3,640**
Net profit for the year	-	-	-	1,327	-	**1,327**	517	-	**1,844**
Issue of equity share option	-	-	-	-	-	**-**	-	125	**125**
Issue of shares pursuant to the ESOS	35	33	-	-	-	**68**	-	-	**68**
Balance as at 31 March 2006	**108,837**	**26,541**	**7,692**	**146,802**	**3,917**	**293,789**	**35,393**	**125**	**329,307**

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 31 MARCH 2007 (CONT'D)

Jerneh
ASIA BERHAD

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Quarterly Report On Consolidated Results
For The Year Ended 31 March 2007
(The figures have not been audited)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Current Year To date 31-Mar-2007 RM'000	Preceding Year Corresponding Period 31-Mar-2006 RM'000
Cash Flows From Operating Activities		
Profit before tax		
Continuing Operations	8,281	3,268
Adjustments for:-		
Non-cash items	7,330	9,126
Non-operating items	(8,045)	(4,673)
Operating profit/(loss) before changes in working capital	7,566	7,721
Net changes in current assets	(38,484)	(14,887)
Net changes in current liabilities	30,965	(36,411)
Cash (used in)/generated from operations	47	(43,577)
Income tax refund/(paid)	(1,691)	(1,376)
Interest received	15	10
Dividend received	161	12
Net cash (used in)/generated from operating activities	(1,468)	(44,931)
Cash Flows From Investing Activities		
Advances to associated company	(12,062)	(6,749)
Others investments	(15,264)	(2,405)
Net cash (used in)/generated from investing activities	(27,326)	(9,154)
Cash Flows From Financing Activities		
Proceeds from issue of shares	2,571	67
Proceeds from sale of investment - bonds	24	-
Interest paid	(988)	(501)
Dividend paid	(2,393)	-
Dividend paid to minority shareholder of a subsidiary company	(1,460)	(1,214)
Drawdown of bank loan	21,700	11,100
Net cash (used in)/generated from financing activities	19,454	9,452
Net (Decrease)/Increase In Cash And Cash Equivalents	(9,340)	(44,633)
Cash And Cash Equivalent Brought Forward	50,560	102,948
Cash And Cash Equivalent Carried Forward	41,220	58,315

(A) NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The condensed interim financial statements for the quarter and the period ended 31st March 2007 have been prepared in accordance with Financial Reporting Standard FRS 134 (Interim Financial Reporting) issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad. The condensed financial statement should be read in conjunction with the audited financial statements of the Group for the year ended 31st December 2006.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the financial statements for the financial year ended 31st December 2006.

1.1 Change in Accounting Policies and adoption of new policy resulting from adoption of new and revised Financial Reporting Standards ("FRSs")

The Group has adopted the following new/revised FRSs effective from the financial period beginning 1st January 2007:

FRS 117 Leases
FRS 124 Related Party Disclosures

The adoption of the above new/revised FRSs does not result in significant changes in accounting policies of the Group.

2. Qualification of audit report of the preceding annual financial statements

There was no qualification in the audit report of the preceding annual financial statements.

3. Explanatory comments about the seasonality or cyclicality of operations

The Group's operations are not seasonal or cyclical in nature.

4. Nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

5. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in prior years.

6. Details of issuances and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year to date.

Save and except as detailed below, there were no new issuance and repayment of debt securities, share buy-backs, share cancellations or shares held as treasury shares during the quarter ended 31st March 2007:

Issuance of 1,292,000 shares arising from the exercise of Employee Share Option Scheme ("ESOS") between 1st January 2007 to 31st March 2007. The weighted average number of issued and fully-paid shares with voting rights as at 31st March 2007 is 110,566,003 shares.

7. Dividend Paid

The interim dividend for previous financial year ended 31st December 2006 of 3% less 27% tax amounting to RM2,393,101 was paid on 17th January 2007.

8. Segmental Reporting

By business segment ← Continuing Operations →

	Underwriting general insurance business RM'000	Insurance brokerage RM'000	Credit and leasing RM'000	Trading in marketable securities RM'000	Administration and management services RM'000	Investment holding RM'000	Elimination RM'000	Consolidated RM'000
REVENUE								
Total revenue	12,846	2,450	1,849	1,026	(143)	-	(65)	17,963
Other operating income	4,040	27	141	-	182	16	(273)	4,133
RESULTS								
Segmental results	5,742	1,264	1,371	1,025	23	(465)	-	8,960
Interest income								708
Interest expense								(988)
Other non-operating items								3,599
Share of losses in associated companies								(3,998)
Profit before taxation								8,281
Taxation								(2,861)
Profit after taxation (Continuing Operations)								5,420
Minority interest								(1,247)
Net profit for the quarter								4,173

9. Valuations of Property, plant and equipment

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

10. Material events not reflected in the financial statements

There were no material subsequent events to be disclosed as at the date of this report.

11. Changes in the composition of the Group

There were no changes in the composition of the Group during the financial year-to-date, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations, except for the transfer of insurance business portfolio of its wholly-owned subsidiary, Jerneh Insurance (HK) Ltd to HSBC Insurance (Asia) Limited ("HSBC Insurance"). The approval for the transfer of portfolio was obtained on 10th April 2007 from the Commissioner of Insurance Hong Kong.

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

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

Conversely, any surplus assets will be refunded to JIHK.

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

12. Commitments and Contingent liabilities

In the normal course of business, the Group makes various commitments and incurs certain liabilities on behalf of customers. Details of the Group's commitments and contingent liabilities as at 17th May 2007 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) is as follows: -

Capital Commitments	RM'000
Approved and contracted for	8,319
	=====

The Company has an unsecured contingent liability in respect of guarantee facilities with a bank totaling RM16.7 million (2006: RM16.1 million). It is anticipated that no material liabilities will arise as a result of the guarantees.

(B) ADDITIONAL DISCLOSURES IN COMPLIANCE WITH THE BURSA MALAYSIA LISTING REQUIREMENTS

1. Review of the performance of the company and its principal subsidiaries

The Group's profit before tax for the current quarter ended 31st March 2007 increased by 153.4% to RM8.3 million as compared to RM3.3 million achieved during the corresponding period of the preceding year. The increase was mainly due to better investment income and credit control measures by its subsidiary, Jerneh Insurance Berhad ("JIB").

2. Explanatory comments on any material change in the profit before taxation for the quarter reported on as compared with the preceding quarter

The Group's profit before taxation for the current quarter declined to RM8.3 million as compared to RM10.8 million posted in the preceding quarter. The decrease was mainly due to higher premium reserves and claims incurred by JIB despite the better performance of other subsidiary companies.

3. Prospects for the current financial year

Although the economic fundamentals remain positive, the Group expects its operating environment to be significantly more challenging in view of the increasing market competition. The Directors expect the Group's performance to remain satisfactory for the current financial year.

4. Variance of JAB Group's actual profit from forecast profit

Not applicable.

5. Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year 1st Quarter 31-Mar-07 RM '000	Preceding Year Corresponding 1st Quarter 31-Mar-06 RM '000	Current Year To date 31-Mar-07 RM '000	Preceding Year Corresponding Period 31-Mar-06 RM '000
Current year's provision	2,861	1,424	2,861	1,424
	2,861	1,424	2,861	1,424
Effective tax rate	23%	32%	23%	32%

6. Sale of unquoted investments and/or properties

There was no sale of unquoted investments and/or properties for the current quarter and financial year-to-date.

7. Quoted Securities

(a) The purchase and disposal of quoted securities by the Group (other than those subsidiary companies involved in the insurance business) for the current quarter ended 31st March 2007 are as follows: -

	RM'000
Purchase of quoted securities	1,021
Sale of quoted securities	2,047
Profit/(Loss) arising therefrom	1,026

(b) As at 31st March 2007, the Group's investment in quoted shares (other than by those subsidiary companies involved in the insurance business) are as follows: -

	RM'000
At Cost	10,074
At Book Value	8,696
At Market Value	9,763

8. Status of Corporate Proposals

On 26th October 2006, the Company announced a modification of renounceable rights issue of up to 67,595,402 Rights Shares with up to 67,595,402 warrants instead of up to 68,311,802 Rights Shares with up to 68,311,802 warrants due to the lapse of certain outstanding ESOS options as at 30 September 2006 as a result of the resignation of certain employees, further to the announcements dated 5th May 2006 and 30th August 2006.

On 23rd November 2006, the Company announced the approval on the issuance of warrants to all non-resident shareholders of JAB by Bank Negara Malaysia vide its letter dated 16th November 2006.

On 5th December 2006, the Company announced that the Securities Commission had vide its letter dated 4th December 2006, approved the Proposals subject to conditions.

On 9th January 2007, the Company fixed the Rights Issue price, the exercise price of the warrants & Special Issue shares at RM1.60 after taking into consideration the 5-day weighted average market price of JAB shares up to 8th January 2007 of RM2.09, which represent a discount of RM0.31 or approximately 16.23% from the theoretical ex-rights price of RM1.91 per JAB share.

On 31st January 2007, the Company circulated its circular to shareholders after the Bursa Malaysia Berhad had reverted with their comments on 26th January 2007, and fixed the Extraordinary General Meeting ("EGM") on 15th February 2007.

On 15th February 2007, the Company announced that all resolutions as set out in the Notice of EGM were duly passed at the EGM.

On 11th April 2007, the Company entered into an underwriting agreement with PIVB, M & A Securities Sdn Bhd and JF Apex Securities Berhad for the underwriting of up to a total of 25,950,424 Rights Shares pursuant to the Rights Issue with Warrants, and executed the deed poll to constitute the Warrants in respect of the Rights Issue with Warrants ("Deed Poll").

8. Status of Corporate Proposals (cont'd)

On 13th April 2007, the Securities Commission vide its letter dated 12th April 2007 approved an extension of time for JAB to implement the Proposals from 3rd June 2007 up to 31st August 2007.

On 18th May 2007, the Company announced that the Ministry of Finance had vide its letter dated 17th May 2007 approved the allocation of the new JAB shares pursuant to the Proposed Special Issue.

9. Group Borrowings

The Group borrowings as at 31st March 2007 are as follows:

Short term borrowings	RM'000
Secured (denominated in Philippine Peso)	576
Unsecured (denominated in RM)	129,700
	130,276
	======

10. Off Balance Sheet Risk

The Group did not have any financial instruments with off balance sheet risk as at 17th May 2007, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

11. Material Litigation

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

CMS I-Systems Berhad has made a claim for breach of contract (without specifying any amount) and invoiced JIB RM5,466,968 for work performed up to the point of termination, which in turn, has been disputed. The matter has been referred to 2nd session of arbitration proceedings with no outcome concluded in the first session.

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

12. Dividend

No interim dividend has been recommended.

13. Earnings per share

	Current Year 1st Quarter 31-Mar-07	Current Year To date 31-Mar-07
Basic		
Net profit/(Loss) attributable to ordinary shareholders (RM'000)		
Continuing Operations	4,173	4,173
Number of ordinary shares in issue as of 1st January 2007 ('000)	109,274	109,274
Effect of shares issued during the year ('000)	1,292	1,292
Weighted average number of ordinary shares in issue ('000)	110,566	110,566
Basic earnings/(loss) per ordinary share (sen) for:		
Continuing Operations	3.77	3.77
Diluted		
Net profit attributable to ordinary shareholders (RM'000)		
Continuing Operations	4,173	4,173
Weighted average number of ordinary shares in issue ('000)	110,566	110,566
Diluted earnings per ordinary share (sen) for:		
Continuing Operations	3.77	3.77

Kuala Lumpur
24th May 2007

By order of the Board
CHOY CHIEW LING

OUR PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 TOGETHER WITH REPORTING ACCOUNTANTS' LETTER THEREON

Moores Rowland
AF: 0539

Partners/Directors
Dato' Koay Soon Eng
Ong Eng Loo
David Wong Siew Chow
Tang Kin Kheong
Jean Gan Morn Ghuat
Tang Chin Fook
Francis Hii Joon Teck
Tan Yen Yeow

21 June 2007

The Board of Directors
Jerneh Asia Berhad
18th Floor, Wisma Jerneh
38 Jalan Sultan Ismail
50250 Kuala Lumpur

Dear Sirs

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006

We have reviewed the Proforma Consolidated Balance Sheets of Jerneh Asia Berhad ("JAB") as at 31 December 2006, together with the notes and assumptions thereto, which we have stamped for the purpose of identification.

The Proforma Consolidated Balance Sheets are the sole responsibility of the Directors. It is our responsibility to form an opinion based on our review and to report our opinion to you.

The Proforma Consolidated Balance Sheets have been prepared for inclusion in the Abridged Prospectus to be dated 2 July 2007 in connection with the proposed renounceable rights issue of 66,339,602 new ordinary shares of RM1.00 each in JAB ("the Rights Shares") at an issue price of RM1.60 per Rights Share, with 66,339,602 free detachable warrants ("the Warrants") on the basis of three (3) Rights Shares with three (3) Warrants for every five (5) existing ordinary shares held on 29 June 2007 ("the Proposed Rights Issue").

The Proforma Consolidated Balance Sheets have also incorporated the effects of a special issue of 3,815,000 new JAB shares to Bumiputera investors at an issue price of RM1.60 per JAB share which was completed on 14 June 2007.

The Proforma Consolidated Balance Sheets have been prepared solely for illustrative purposes to show the effects of the Proposed Rights Issue as if it had been implemented on 31 December 2006.

Chartered Accountants
A member of
Moores Rowland International
an association of independent
accounting firms throughout
the world

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Malaysia
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Email: consult@mooresrowland.com.my

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Our review consisted primarily of:

- agreeing the unadjusted financial information presented to its source, in this case, the audited statutory financial statements for the year ended 31 December 2006 on which we have issued an unqualified audit report dated 5 April 2007,
- considering the appropriateness of the adjustments thereto, and
- reviewing the presentation of the Proforma Consolidated Balance Sheets with management.

In our opinion:

(i) the Proforma Consolidated Balance Sheets have been properly compiled on the bases and assumptions set out the accompanying notes, and such bases are consistent with the accounting policies adopted by JAB in the preparation of the financial statements for the financial year ended 31 December 2006; and

(ii) the Proforma Consolidated Balance Sheets have been properly prepared based on audited financial statements of JAB which were prepared in accordance with approved accounting standards issued by the Malaysian Accounting Standard Board applicable as at 31 December 2006; and

(iii) the adjustments are appropriate for the purposes of the Proforma Consolidated Balance Sheets.

This letter has been prepared for inclusion in the Abridged Prospectus. This letter should not be reproduced, referred to in any other document or used for any other purpose without our prior written consent.

Yours faithfully

MOORES ROWLAND
No. AF 0539
Chartered Accountants

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

JERNEH ASIA BERHAD

PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2006

	31.12.2006 Audited RM'000	(1) After the actual exercise of ESOS options up to 15.1.2007 RM'000	(2) After (1) and after the Special Issue RM'000	(3) After (2) and the Proposed Rights Issue RM'000	(4) After (3) and the exercise of the Warrants in full RM'000
ASSETS					
Property, plant and equipment	25,540	25,540	25,540	25,540	25,540
Investment property	21,743	21,743	21,743	21,743	21,743
Intangible assets	2,546	2,546	2,546	2,546	2,546
Investment in associated companies	47,305	47,305	47,305	77,305	77,305
Amounts owing by associated company	31,598	31,598	31,598	31,598	31,598
Other investments	248,338	248,338	248,338	248,338	248,338
Deferred tax assets	4,291	4,291	4,291	4,291	4,291
Trade and other receivables	138,711	138,711	138,711	138,711	138,711
Current tax assets	3,968	3,968	3,968	3,968	3,968
Marketable securities	7,242	7,242	7,242	7,242	7,242
Deposits	258,504	258,504	258,504	258,504	258,504
Cash and bank balances	31,838	34,276	40,380	57,924	164,067
Total assets	821,624	824,062	830,166	877,710	983,853

Moores Rowland * Kuala Lumpur * Chartered Accountants
FOR IDENTIFICATION ONLY

OUR PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 TOGETHER WITH REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

	31.12.2006 Audited RM'000	(1) After the actual exercise of ESOS options up to 15.1.2007 RM'000	(2) After (1) and after the Special Issue RM'000	(3) After (2) and the Proposed Rights Issue RM'000	(4) After (3) and the exercise of the Warrants in full RM'000
LIABILITIES					
Provision for outstanding claims	214,386	214,386	214,386	214,386	214,386
Trade and other payables	78,722	78,722	78,722	78,722	78,722
Unearned premium reserves	82,130	82,130	82,130	82,130	82,130
Bank borrowings	108,576	108,576	108,576	51,576	51,576
Deferred tax liabilities	2,077	2,077	2,077	2,077	2,077
Current tax liabilities	3,180	3,180	3,180	3,180	3,180
Total liabilities	489,071	489,071	489,071	432,071	432,071
SHAREHOLDERS' EQUITY					
Share capital	109,274	110,566	114,381	180,721	247,060
Share premium	27,000	28,279	30,568	68,772	108,576
Exchange fluctuation reserves	5,249	5,249	5,249	5,249	5,249
Share options reserve	372	-	-	-	-
Retained profits	150,105	150,344	150,344	150,344	150,344
Dividend	2,393	2,393	2,393	2,393	2,393
Total equity attributable to equity holders of the Company	294,393	296,831	302,935	407,479	513,622
Minority interest	38,160	38,160	38,160	38,160	38,160
Total equity	332,553	334,991	341,095	445,639	551,782
Total liabilities and equity	821,624	824,062	830,166	877,710	983,853

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	31.12.2006 Audited RM'000	(1) After the actual exercise of ESOS options up to 15.1.2007 RM'000	(2) After (1) and after the Special Issue RM'000	(3) After (2) and the Proposed Rights Issue RM'000	(4) After (3) and the exercise of the Warrants in full RM'000
Net assets attributable to the equity holders of the Company ("NA")	294,393	296,831	302,935	407,479	513,622
NA per share (RM)	2.69	2.68	2.65	2.25	2.08
Net tangible assets attributable to the equity holders of the Company ("NTA")	291,847	294,285	300,389	404,933	511,076
NTA per share (RM)	2.67	2.66	2.63	2.24	2.07

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JERNEH ASIA BERHAD

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006

1. The Proforma Consolidated Balance Sheets have been prepared based on the audited consolidated balance sheet as at 31 December 2006 solely for illustrative purposes to show the effects of the Proposed Rights Issue as if it had been implemented on 31 December 2006.

2. The Proforma Consolidated Balance Sheets have been properly prepared on a basis consistent with those accounting policies adopted and disclosed by JAB in its audited financial statements for the financial year ended 31 December 2006.

3. The Proforma Balance Sheets have been prepared after taking into account the effects of a special issue of 3,815,000 new JAB Shares to Bumiputera investors at an issue price of RM1.60 per JAB Share ("the Special Issue"), which was completed on 14 June 2007.

   The new JAB Shares issued pursuant to the Special Issue are not entitled to subscribe for the Proposed Rights Issue.

   The proceeds from the Special Issue totalling RM6,104,000 will be utilised for future expansion and / or working capital requirements.

4. The number of shares to be issued under the Proposed Rights Issue is as follows:

	No.of shares
At 31 December 2006	**109,274,003**
Issued under the ESOS during the period from 1 January 2007 to 14 January 2007	1,292,000
Issued under the Special Issue, which was completed on 14 June 2007	3,815,000
As at date of implementation of the Proposed Rights Issue	**114,381,003**
Effects of the Proposed Rights Issue	66,339,602
After the Proposed Rights Issue but before the exercise of the Warrants	**180,720,605**
Effects of the exercise of the Warrants in full	66,339,602
After the Proposed Rights Issue and after the exercise of the Warrants in full	**247,060,207**

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5. The proceeds from the Proposed Rights Issue will be utilised as follows:

No. of shares to be issued under the Proposed Rights Issue	66,339,602
Issue price	RM1.60
Proceeds receivable (RM'000)	**106,143**

	RM'000
Repayment of borrowings	57,000
Overseas investment in insurance business	30,000
Working capital	17,543
Expenses for the Special Issue and the Proposed Rights Issue	1,600
	106,143

The proceeds from the exercise of the Warrants in full will be utilised for future expansion and/or working capital requirements.

6. The estimated expenses for the Special Issue and the Proposed Rights Issue amounting to RM1.6 million are entirely written off against the Share Premium Account upon the completion of the exercise.

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FOR IDENTIFICATION ONLY

Jerneh
ASIA BERHAD

(Company No: 363984 - X)
(Incorporated in Malaysia under the Act)

Registered Office:

18th Floor, Wisma Jerneh
38 Jalan Sultan Ismail
50250 Kuala Lumpur

27 JUN 2007

To: The Shareholders of JAB

Dear Sir/Madam,

On behalf of the Board of Directors of Jerneh Asia Berhad ("JAB" or "Company"), I wish to report after making due enquiry that during the period from 31 December 2006 (being the date of the last audited financial statements of JAB and its subsidiaries ("Group") have been made up) to the date hereof (being a date not earlier than fourteen (14) days before the issuance of this Abridged Prospectus):-

(a) the business of our Group have been satisfactorily maintained;

(b) there were no circumstances that have arisen subsequent to the last audited financial statements of the Group which have adversely affected or will adversely affect the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values that are believed to be realisable in the ordinary course of business;

(d) save as disclosed in Section 9.3 of this Abridged Prospectus, there were no contingent liabilities that have arisen by reason of any guarantees or indemnities given by the Group;

(e) there were no default or any known event that could give rise to a default situation in respect of payments of either interest and/or principal sums in relation to any borrowings that have arisen subsequent to the last audited financial statements of JAB; and

(f) save as disclosed in Section 7.2 of this Abridged Prospectus and the risk factors discussed in Section 6 of this Abridged Prospectus, there have been no material changes in the published reserves and no unusual factors affecting the profits of the Group.

Yours faithfully
For and on behalf of the Board of Directors
Jerneh Asia Berhad

Dato' Lim Chee Wah
Chairman / Non-Independent Non-Executive Director

FURTHER INFORMATION

1. Share Capital

(i) No Rights Shares and Warrants will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of issue of this Abridged Prospectus.

(ii) We have no founder, management or deferred shares. As at the date of this Abridged Prospectus, we have only one (1) class of shares, namely ordinary shares of RM1.00 each, all of which rank pari passu with one another.

(iii) Save as disclosed in Section 3 of Appendix II and such new JAB Shares to be issued pursuant to the Rights Issue with Warrants and exercise of the Warrants and ESOS, which expired on 14 January 2007, no securities in our Company have been issued or agreed to be issued, as partly or fully paid-up for a consideration in cash or otherwise than in cash, within two (2) years preceding the date of this Abridged Prospectus.

(iv) Save for the Rights Issue with Warrants and the grantees of the ESOS options, no person has been or is entitled to be given an option to subscribe for any of our Shares, stocks or debenture.

2. Remuneration of Directors

The following provisions are reproduced from our Company's Article of Association. (The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Article of Association.)

The provisions of our Company's Articles of Association in relation to the remuneration of the Directors are as follows:

Article 109

The fees of the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provided) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office Provided Always that:

(a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

(b) salaries payable to executive Directors may not include a commission on or percentage of turnover;

(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and

(d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 110

(1) The Directors shall be entitled to be reimbursed for all traveling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

(2) If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.

Article 119

Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company.

Article 144

The remuneration of the Chief Executive Officer and the Managing Director shall subject to the terms of any agreement entered into in any particular case may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other, benefits upon their retirement.

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3. Material Contracts

Our Group has not entered into any contracts (not being contracts entered into in the ordinary course of business) which may be material, within two (2) years preceding the date of this Abridged Prospectus:

(i) Our Company had on 25 January 2007 entered into an agreement with Jerneh Insurance (HK) Limited ("JIHK"), HSBC Insurance (Asia) Limited ("HSBC Insurance") and subject to the approval of the Insurance Authority of Hong Kong, JIHK agreed to sell and transfer to HSBC Insurance:

(a) all policies of insurance entered into (including all the rights and obligations under general policies) and all related activities carried on by JIHK up to and including the close of business on 31 December 2006 ("Business"); and

(b) all the assets and liabilities of JIHK which relate to the Business as at 31 December 2006.

Our Company agreed with and undertook to HSBC Insurance to indemnify and at all times keep HSBC Insurance indemnified, without limitation whatsoever in respect of any and all shortfalls in the settlement of all claims incurred (reported and incurred but not reported) prior to 31 December 2006 (inclusive);

(ii) Our Company had on 11 April 2007 entered into an underwriting agreement with PIVB, M&A Securities Sdn Bhd and JF Apex Securities Berhad for underwriting of up to 25,950,424 Rights Shares with 25,950,424 Warrants pursuant to the Rights Shares with Warrants. The details of the underwriting arrangement are set out in Section 2.5 of the Abridged Prospectus; and

(iii) Our Company had on 11 April 2007 entered into a Deed Poll in connection with the provisional allotment and issue of the Warrants (pursuant to the Rights Shares with Warrants) for the protection of the rights and interests of the holders of the Warrants.

4. Material Litigations

As at the LPD, save as disclosed below, the JAB Group is not involved in any material litigations, claims, or arbitration either as plaintiff or defendant and our Board has no knowledge of any proceedings, pending or threatened or of any facts likely to give rise to any proceedings (outside the ordinary course of insurance business of which full provision have been made) which may materially or adversely affect the position or business of the JAB Group:

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

  The Claimant has made a claim for breach of contract (without specifying any amount) and invoiced JIB RM5,466,968 for work performed up to the point of termination, which in turn, had been disputed. The Claimant delivered the Point of Claim on 17 February 2006. The matter has been referred to arbitration proceedings and the arbitration hearing had commenced for the first session on 21 August 2006. The matter proceeded for hearing on 21 August 2006 and concluded its first session on 30 August 2006. No outcome was concluded in the first session. The second session of the arbitration continued from 20 to 24 November 2006. The Learned Arbitrator has also fixed dates in May until August 2007 for the continuation of this matter.

  JIB's directors have been advised by its counsel that JIB has a reasonable chance to defend the matter.

5. **General**

(i) The nature of our business is described in Section 2 and 6 of Appendix II of this Abridged Prospectus. There are no corporations which are deemed related to us by virtue of Section 6 of the Act except as disclosed in Section 6 of Appendix II of this Abridged Prospectus.

(ii) We will pay for the total estimated expenses of or in connection with the Rights Issue with Warrants relating to fees payable to relevant authorities, registration and professional fees and other incidental expenses of approximately RM1.6 million.

(iii) None of our Directors have any existing or proposed service contracts with our Company or our subsidiaries, excluding contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year.

(iv) Our Directors are not aware of any material information, including all special trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group except as disclosed in Sections 6 and 8 of this Abridged Prospectus.

(v) Save as disclosed in Section 8 and the risk factors mentioned in Section 6 of this Abridged Prospectus, the financial condition and operation of our Group are not affected by any of the following:

(a) Known trends or known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the liquidity of our Group increasing or decreasing in any material way other than in the ordinary course of business;

(b) Material commitments for capital expenditure;

(c) Unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from operations;

(d) Known trends or uncertainties that have had or that our Group reasonably expects will give a material favorable or unfavorable impact on revenues or operating income; and

(e) There has been no substantial increase in revenue.

6. **Consent**

(i) Our Adviser, Managing Underwriter and the Underwriters, Registrar, Solicitors for the Rights Issue with Warrants, Company Secretary and Principal Bankers have given their consents to the inclusion in this Abridged Prospectus of their names in the form and context in which such names appear before the issue of this Abridged Prospectus and have not since withdrawn them.

(ii) Our Auditors and Reporting Accountants, Messrs Moores Rowland, has given its written consent to the inclusion in this Abridged Prospectus of its name and Reporting Accountants' Letter relating to the proforma consolidated balance sheets of our Company as at 31 December 2006 and the auditors' report relating to the audited consolidated financial statements for our Company for the twelve (12) months financial year ended 31 December 2006 in the form and context in which they appear before the issue of this Abridged Prospectus and has not since withdrawn it.

7. Documents for Inspection

Copies of the following documents will be made available for inspection at the Registered Office of our Company from Mondays to Fridays (excluding public holidays) during business hours for a period of twelve (12) months from the date of this Abridged Prospectus:

(i) our Memorandum and Articles of Association;

(ii) our audited consolidated financial statements for the last two (2) financial years ended 31 December 2005 and 31 December 2006;

(iii) our unaudited consolidated results for the three (3)-month financial period ended 31 March 2007;

(iv) our proforma consolidated balance sheets as at 31 December 2006 and the Reporting Accountants' Letter thereon;

(v) the undertaking letters obtained from KB, BHR and Sable pursuant to their Undertaking;

(vi) the Directors' Report as set out in Appendix VI of this Abridged Prospectus;

(vii) the writs and relevant cause papers in respect of the material litigations as stated in Section 4 of this Appendix;

(viii) the letters of consent referred to in Section 6 of this Appendix; and

(ix) our Deed Poll: and

(x) material contracts referred to in Section 3 of this Appendix.

8. Responsibility Statements

(i) Our Directors have seen and approved this Abridged Prospectus together with the NPA and RSF and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading; and

(ii) PIVB, being our Adviser, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

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