

# Jerneh

A S I A B E R H A D

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

## Quarterly Report On Consolidated Results For The Period Ended 30 June 2009

(The figures have not been audited)

### CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year 2nd Quarter 30-Jun-2009 RM '000	Preceding Year Corresponding 2nd Quarter 30-Jun-2008 RM '000	Current Year To date 30-Jun-2009 RM '000	Preceding Year Corresponding Period 30-Jun-2008 RM '000
Operating revenue	66,962	58,039	113,436	109,968
Operating costs applicable to operating revenue	(51,075)	(29,464)	(79,843)	(56,668)
<b>Gross profit</b>	<b>15,887</b>	<b>28,575</b>	<b>33,593</b>	<b>53,300</b>
Other operating income	8,681	2,010	9,611	4,314
Other operating expenses	(13,404)	(16,752)	(30,932)	(30,780)
<b>Profit from operations</b>	<b>11,164</b>	<b>13,833</b>	<b>12,272</b>	<b>26,834</b>
Investment income (net)	11,153	(4,270)	12,032	(4,046)
Share of losses of associated companies	(2,281)	(4,584)	(7,012)	(8,820)
Finance cost	(616)	(953)	(1,588)	(1,902)
<b>Profit before taxation</b>	<b>19,420</b>	<b>4,026</b>	<b>15,704</b>	<b>12,066</b>
Taxation	(6,704)	(2,483)	(6,677)	(5,263)
<b>Profit after taxation</b>	<b>12,716</b>	<b>1,543</b>	<b>9,027</b>	<b>6,803</b>
<b>Attributable to:</b>				
Equity holders of the parent	10,569	436	7,240	3,886
Minority interest	2,147	1,107	1,787	2,917
	<b>12,716</b>	<b>1,543</b>	<b>9,027</b>	<b>6,803</b>
<b>Earnings per share:</b>				
(i) Basic (sen)	5.85	0.24	4.01	2.15
( based on 180,720,605 ordinary shares ) ( 2008 : based on 180,720,605 ordinary shares )				
(ii) Fully diluted (sen)	*	0.18	*	1.57
( based on 180,720,605 ordinary shares ) ( 2008 : based on 247,060,207 ordinary shares )				

\* The diluted earnings per ordinary share for the current quarter and current year to date are not presented as the average market value of the ordinary shares of the Company is lower than the exercise price for the outstanding warrants and it is anti-dilutive.

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ASIA BERHAD

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**CONDENSED CONSOLIDATED BALANCE SHEET**

	As At End of Current Quarter 30-Jun-2009 RM '000	As At Preceding Financial Year Ended 31-Dec-2008 RM '000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	21,747	22,273
Investment property	22,191	22,359
Intangible assets	607	719
Deferred tax assets	2,283	2,281
Investment in associated companies	56,905	61,823
Other investments	307,117	286,656
	410,850	396,111
<b>CURRENT ASSETS</b>		
Trade and other receivables	168,411	190,027
Amounts owing by associated company	8,549	8,513
Current tax assets	10,235	9,028
Marketable securities	6,491	14,584
Deposits	363,493	326,247
Cash and bank balances	38,385	19,972
	595,564	568,371
<b>TOTAL ASSETS</b>	1,006,414	964,482
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Provision for outstanding claims	211,653	208,474
Trade and other payables	105,808	104,337
Bank borrowings (unsecured)	90,600	90,600
Deferred tax liabilities	701	701
Current tax liability	1,126	273
Unearned premium reserves	129,435	104,036
	539,323	508,421
<b>TOTAL LIABILITIES</b>	539,323	508,421
<b>SHAREHOLDERS' EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	180,721	180,721
Share premium	69,335	69,335
Exchange fluctuation reserve	7,983	7,568
Retained profits	158,956	151,201
	416,995	408,825
<b>Minority Interest</b>	50,096	47,236
<b>TOTAL EQUITY</b>	467,091	456,061
<b>TOTAL EQUITY AND LIABILITIES</b>	1,006,414	964,482
Net tangible assets per share (RM)	2.31	2.26

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the parent					Minority Interest RM '000	Total Equity RM '000
	Share capital RM '000	Share premium RM '000	Exchange fluctuation reserve RM '000	Retained profits RM '000	Total RM '000		
<b>6 months ended 30 June 2009</b>							
Balance at 1 January 2009	180,721	69,335	7,568	151,201	408,825	47,236	456,061
Effect of adopting RBC framework	-	-	-	7,292	7,292	1,823	9,115
Balance at 1 January 2009 - as restated	180,721	69,335	7,568	158,493	416,117	49,059	465,176
Net loss not recognized in the income statement: Currency translation differences	-	-	415	-	415	-	415
Net profit for the year	-	-	-	7,240	7,240	1,787	9,027
Dividend paid for financial year ended 31 December 2008	-	-	-	(6,777)	(6,777)	-	(6,777)
Interim dividend paid for financial year ending 31 December 2009	-	-	-	-	-	(750)	(750)
<b>Balance as at 30 June 2009</b>	<b>180,721</b>	<b>69,335</b>	<b>7,983</b>	<b>158,956</b>	<b>416,995</b>	<b>50,096</b>	<b>467,091</b>
<b>6 months ended 30 June 2008</b>							
Balance at 1 January 2008	180,721	69,335	8,994	161,078	420,128	44,090	464,218
Net gain not recognized in the income statement: Currency translation differences	-	-	(1,335)	-	(1,335)	-	(1,335)
Net profit for the year	-	-	-	3,886	3,886	2,917	6,803
Dividend paid for the financial year ended 31 December 2007	-	-	-	(6,687)	(6,687)	-	(6,687)
<b>Balance as at 30 June 2008</b>	<b>180,721</b>	<b>69,335</b>	<b>7,659</b>	<b>158,277</b>	<b>415,992</b>	<b>47,007</b>	<b>462,999</b>

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### CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Current Year To date 30-Jun-2009 RM'000	Preceding Year Corresponding Period 30-Jun-2008 RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before tax	15,704	12,066
Adjustments for:-		
Non-cash items	(5,867)	15,573
Non-operating items	15,827	(5,092)
Operating profit before changes in working capital	25,664	22,547
Net changes in current assets	920	(24,924)
Net changes in current liabilities	30,057	16,284
Cash generated from operations	56,641	13,907
Income tax paid	(6,458)	(8,516)
Interest received	8,042	10,058
Dividend received	2,455	4,162
Net cash generated from operating activities	60,680	19,612
<b>Cash Flows From Investing Activities</b>		
Advances to associated company	(2,130)	(4,840)
Proceeds from disposal of property, plant & equipment	5	115
Purchase of property, plant & equipment	(293)	(713)
Purchase of other investments	(32,123)	(76,282)
Decrease/ (Increase) in fixed deposits	(25,032)	(24,525)
Impairment losses	(75)	-
Net cash (used in) investing activities	(59,648)	(106,245)
<b>Cash Flows From Financing Activities</b>		
Proceeds from sale of investment	35,168	51,785
Interest paid	(520)	(884)
Dividend paid	(4,473)	(7,098)
Dividend paid to minority shareholder of a subsidiary company	(750)	-
(Repayment)/ Drawdown of bank loan	-	5,700
Net cash generated from financing activities	29,425	49,503
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>	30,457	(39,029)
<b>Cash And Cash Equivalent Brought Forward</b>	145,709	183,499
<b>Effect of Exchange Rate Changes</b>	170	(1,116)
<b>Cash And Cash Equivalent Carried Forward</b>	176,336	143,354

## (A) NOTES TO THE INTERIM FINANCIAL REPORT

### 1. Basis of preparation

The condensed interim financial statements for the quarter and the period ended 30<sup>th</sup> June 2009 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 Main Market Listing Requirements of the Bursa Malaysia Securities Berhad. The condensed financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31<sup>st</sup> December 2008.

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 31<sup>st</sup> December 2008.

### 1.1 Change in accounting policies and adoption of new policy resulting from adoption of new and revised Financial Reporting Standards ("FRSs")

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31<sup>st</sup> December 2008 except for the adoption of the following new/revised FRSs which were adopted for the financial periods beginning on or after:

1<sup>st</sup> July 2009:

FRS 8	Operating Segment
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1<sup>st</sup> January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

The adoption of the above new/revised FRSs where applicable 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 cyclicity 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 financial years

During the prior financial year, a subsidiary, Jerneh Insurance Berhad ("JIB") revised the confidence level used in computing the Incurred but Not Reported ("IBNR") provision from 95% to 85% in order to gradually realign itself with the Risk Based Capital Framework ("RBC") requirement of 75% confidence level by end of financial year 2009. The revision resulted in a nett release of IBNR and claims reserves of RM10 million as at 31<sup>st</sup> December 2008.

**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.**

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 30<sup>th</sup> June 2009.

**7. Dividend paid**

The final dividend for previous financial year ended 31<sup>st</sup> December 2008 of 5% less 25% tax amounting to RM6,777,022 was paid on 25<sup>th</sup> June 2009.

**8. Segmental reporting**

By business segment

	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
<b>REVENUE</b>								
Total revenue	93,461	7,348	4,847	7,868	87	-	(175)	113,436
Other operating income	12,034	217	250	(2,685)	359	30	(594)	9,611
<b>RESULTS</b>								
Segmental results	5,030	4,096	4,604	277	19	(1,529)	(225)	12,272
Interest income								1,593
Interest expense								(1,588)
Other non-operating items								10,439
Share of losses in associated companies								(7,012)
Profit before taxation								15,704
Taxation								(6,677)
Profit after taxation								9,027
Minority interest								(1,787)
Net profit for the period ended 30th June 2009								7,240

**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.

**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 18<sup>th</sup> August 2009 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) are as follows: -

Capital Commitments  
Approved and contracted for

RM'000  
305.2  
=====

The Company has an unsecured contingent liability in respect of guarantee facilities with a bank totaling RM13.13 million (2008: RM11.65 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**

For the quarter ended 30<sup>th</sup> June 2009, the Group revenue increased by 15.37% to RM66.96 million as compared to RM58.04 million for the corresponding period in 2008. JIB increased its gross written premium by 19%. Better results were also recorded by most of its subsidiary companies.

The Group recorded a profit before tax of RM19.42 million as compared to a profit before tax of RM4.03 million in the previous corresponding quarter. This was due to a write back of provisions for diminution in value of investments in the current quarter. The improved performance of associates contributed to a reduction in its share of losses.

**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 recorded a profit before tax of RM19.42 million in the current quarter as compared to that of RM3.72 million loss before tax in the preceding quarter. The increase is due to the improved results recorded from the write back of provisions in diminution in value of investments.

**3. Prospects for the current financial year**

The Group is expected to meet its top line growth target for the year. Premium rates remain soft and the premium market is expected to continue to be competitive. In line with the stock market recovery, there was an increase in investment income. Barring any unforeseen events the group's profitability should be better than last year.

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

Not applicable.

**5. Taxation**

	Current Year 2 <sup>nd</sup> Quarter 30-June-09 RM'000	Current Year To date 30-June-09 RM'000
Current year's provision	6,704	6,677
Effective tax rate	31%	29%

The effective tax rate for the current quarter and year to date was higher than the statutory tax rate due to certain non tax deductible expenses and provisions.

**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 30<sup>th</sup> June 2009 are as follows: -

	RM'000
Purchase of quoted securities	7,041
	<u>          </u>
Sale of quoted securities	9,041
	<u>          </u>
Profit arising therefrom	2,000
	<u>          </u>

- (b) As at 30<sup>th</sup> June 2009, the Group's investment in quoted shares (other than by those subsidiary companies involved in the insurance business) is as follows: -

	RM'000
At Cost	15,089
	<u>          </u>
At Book Value	10,594
	<u>          </u>
At Market Value	13,553
	<u>          </u>

## 8. Status of corporate proposals

- a) Warrants 2007/2012

The entire 66,339,602 Warrants issued on 27<sup>th</sup> July 2007 remained unexercised as at the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

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

	Approved utilisation by SC RM'000	Utilised as at 30-June-09 RM'000	Reallocation RM'000	Balance yet to be utilized RM'000
Repayment of borrowings	57,000	(57,000)	-	-
Overseas investments in insurance business	30,000	(11,261)	-	18,739
Working capital	17,543	(257)	297	17,583
Expenses in relation to the Rights Issue with Warrants	1,600	(1,303)	(297)	-
Total	<u>106,143</u>	<u>(69,821)</u>	<u>-</u>	<u>36,322</u>

The deadline as approved by Securities Commission for the utilisation of proceeds from Renounceable Rights Issue is 31<sup>st</sup> July 2009. The Group has announced on 31<sup>st</sup> July 2009 to extend the timeframe for the utilisation of the balance unutilised proceeds to 31<sup>st</sup> July 2011.

## 9. Group borrowings

The Group borrowings as at 30<sup>th</sup> June 2009 are short term and unsecured.

**10. Off Balance Sheet risk**

The Group did not have any financial instruments with off balance sheet risk as at 18<sup>th</sup> August 2009, 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 the next session of arbitration which is scheduled to continue in September 2009.

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**

	<b>Current Year 2nd Quarter 30-Jun-09</b>	<b>Current Year To date 30-Jun-09</b>
<b>Basic</b>		
Net profit attributable to ordinary shareholders (RM'000)		
Profit for the period	10,569	7,240
Weighted average number of ordinary shares in issue ('000)	180,721	180,721
Basic earnings per ordinary share (sen) for:		
Profit for the period	5.85	4.01
<b>Diluted</b>		
Net profit attributable to ordinary shareholders (RM'000)		
Profit for the period	*	*
Weighted average number of ordinary shares in issue ('000)	*	*
Diluted earnings per ordinary share (sen) for:		
Profit for the period	*	*

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

Kuala Lumpur  
25<sup>th</sup> August 2009

By order of the Board  
**CHOY CHIEW LING**